



**TOGETHER WE
OVERCOME**

**ANNUAL
REPORT**

2020

CEO Message

2020 was a year like no other. Every family and business has been affected in some way by the COVID-19 pandemic, including McLeod Co-op Power. Amidst the challenge, our team leveraged our expertise, adopted new technology, and pulled together as a team to continue powering our members' lives.



Ron Meier
Chief Executive Officer



At McLeod Co-op Power, members matter. As your local electric cooperative, we are constantly striving to better serve you. In 2020, that meant doing things in ways we never have before.

As an essential service, our employees adapted to alternative scheduling, telecommuting, and constantly changing circumstances. While PPE (personal protective equipment) has always meant things like hardhats and rubber gloves to our line workers, it now includes face masks and hand sanitizer for all employees.

As our communities entered lockdowns in March and it looked like many of our members would be out of work, balancing childcare and schooling from home, among facing the uncertainty the pandemic carried, McLeod Co-op made the decision to prioritize the health of our employees and members by closing our office to visitors. To provide some financial relief we suspended disconnections for nonpayment, waived late fees, and worked closely with members facing hardship. Social distancing and other precautions also changed the way we did business with members. We transitioned to virtual platforms to serve our members and conduct business in this new reality.

While how we do our work might have changed, we always provide you with the exceptional service and value you have come to expect from McLeod Co-op. Our employees did an exceptional job of being there to answer your calls and make sure the lights stayed on across our system. They continue to put the needs of our members first, and we are proud of the resiliency of our team.

Despite the challenges of the year, we'd be foolish not to recognize the great accomplishments of the year. We celebrated 85 years of reliable service to our members, welcomed many new team members, constructed and opened a new building, and returned over \$300,000 in capital credits to our member-owners. All of these accomplishments are proof of an adaptable and thriving business.

We thank our members for their support and care throughout the highs and the lows. As we move into 2021 and beyond, know that McLeod Co-op Power will continue to make our communities a wonderful place to live, work, and raise a family no matter what comes our way.

Cooperatively,

Celebrating 85 Years

Eighty-five years ago, our rural ancestors were living in the dark— but McLeod Co-op Power brought power and hope to rural Minnesota by forming an electric cooperative.

”

Electricity energizes our lives and keeps us connected, today more than ever before. Through innovation, new technology, and dedication to our members, we're doing everything we can to keep electricity reliable and affordable for you. We were formed by visionaries to serve you and that remains our most important goal today.



McLeod Co-op was chartered as a corporation by the state of Minnesota on October 3, 1935, and work quickly began building the first power lines. May 29, 1937, marked the culmination of years of planning and organization when the first power lines were energized. McLeod County farmers and rural residents could turn on and use their electric lights and power for the very first time.

It did not take long for electricity to transform life in rural America and for safe, reliable electricity to become expected. Today we plug in our cell phones, televisions, gaming systems, and modern appliances without even thinking. Most people cannot even imagine life without electricity.

Eighty-five years and countless hours of hard work later, McLeod Co-op Power is a modern, dynamic electric cooperative dedicated to providing safe, reliable, efficient electricity to its members.

The Co-op now serves over 6,000 homes, farms, and businesses in parts of four central Minnesota counties.

We celebrated our anniversary on October 20th with a drive-up donut event. While the celebration looked different due to COVID-19 than what we hoped for at the beginning of the year, we were still honored to serve our members and our community in recognition of this significant milestone.

New

Building

After several years of planning and twelve months of construction, the new McLeod Cooperative Power combined facility is a reality.

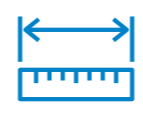


Located in Glencoe's East Industrial Park, our new headquarters remains in a central location within our service territory, which is a key factor in outage response times. The sturdy, pre-cast concrete structure and emergency generator provide a safe and reliable space to operate, especially during large storms when power outages are most common.

The demand for a new facility was driven by the need for a new garage and warehouse. The new facility gives us space to gain efficiencies and

provide better service to our member-owners. By resourcefully consolidating all our resources in one facility, we have improved response times in emergency situations and made other efficiencies to help serve our members for years to come.

We are also happy to report that our old pole yard was purchased by Arnold's of Glencoe and Sam's Tire is leasing our former headquarters with the intent to purchase in 2021.



62,420
Total Square Feet

- 43,700 sq. feet of warehouse and garage space.
- 11,900 sq. feet of lobby, office, and meeting space.
- 6,820 sq. feet of mezzanine storage and mechanical space.



Sturdy, Pre-Cast Concrete Structure



Central Site for all McLeod Co-op Operations



Located in Glencoe's East Industrial Park with Quick Access to US Highway 212



Served by McLeod Co-op Power Lines

- Emergency back-up generator.
- High efficient LED lighting.

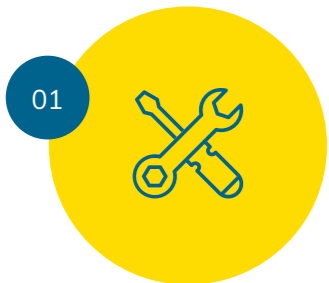


Operations

Highlights

The ability to accommodate increasing loads and new services, along with keeping existing substations and distribution equipment operational is essential to delivering quality service.

2020 was another busy year for our operations department as they worked tirelessly on distribution system improvements.



Construction

Crews installed 230,885 feet of primary underground wire and 8,190 feet of secondary wire. In addition, they removed 223,205 feet of overhead primary line and 3,593 feet of secondary overhead wire. Crews continue to be busy with new construction and service upgrades for members while working on the Co-op's work plan.



Maintenance

In an effort to keep the distribution system in its best condition, crews changed out 145 poles, tested 226 transformers, changed out 289 inefficient yard lights to LED lights. In addition, crews completed line patrol on 1,459 miles of overhead line and made any necessary repairs. Underground equipment was also inspected and repairs were made as identified.



Reliability

On average consumers experienced 1.5 outages in 2020 and the average length they were out of power was 81 minutes. On average consumers had power for 99.985% of the time. Throughout the year, crews completed required maintenance work and cleared vegetation within our right-of-way to proactively prevent outages and improve reliability.



Safety

Safety on the lines is the first priority at your Co-op. Linecrews had several trainings in 2020 focusing on a variety of safety topics. Unfortunately crews and staff were not able to visit schools or community groups in 2020 due to the COVID-19 pandemic, but safety messages were instead, posted to our Facebook page.

Financial Report

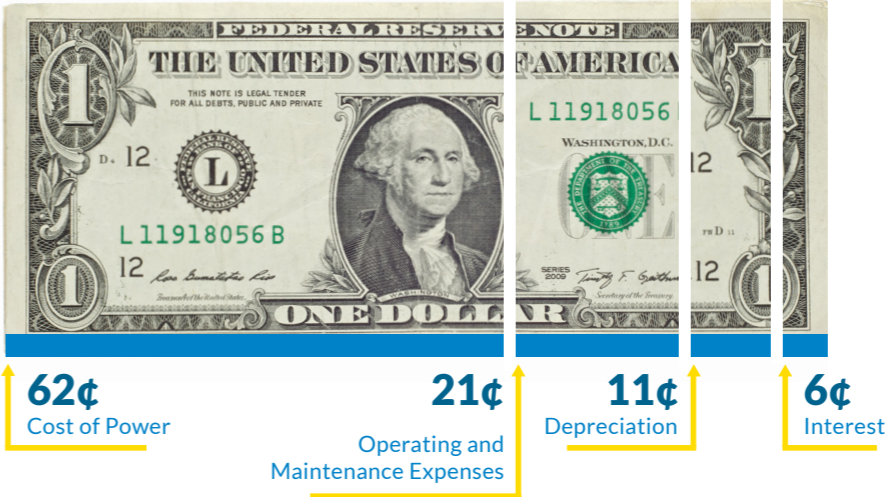
A defining feature of your Co-op membership and a principle that guides us is your economic participation. The partnership we have with you rests on our commitment to prudently use the resources you provide.

ASSETS (WHAT WE OWN)	2020	2019
MCLEOD CO-OP PROPERTY		
Cost of System	\$55,782,157	\$53,337,577
Cost of our Office, Warehouse and Equipment	16,073,365	5,486,986
Construction Work In Progress	176,508	5,982,687
Depreciation	(17,033,380)	(16,135,152)
	\$54,998,650	\$48,672,098
INVESTMENTS		
Great River Energy Patronage	\$10,083,926	\$9,915,175
Patronage from Other Cooperatives	1,478,323	1,515,672
Investments with National Rural Utilities Cooperative Finance Corporation	2,247,719	8,360,160
Investments with Associated Organizations and Other	405,728	366,823
Community Economic Development Loans	262,846	282,584
	\$14,478,542	\$20,440,414
CURRENT ASSETS		
Cash and Cash Equivalents	\$4,896,580	\$3,549,777
Great River Energy Temporary Investment Account	2,081,813	1,853,375
Members and Others Owe Us for Electricity	2,200,610	2,386,969
Members and Others Owe Us for Non-Electricity (generators, materials, rebates)	120,356	102,080
Materials and Supplies for line construction and maintenance	791,015	913,450
Interest Receivable on Investments	11,880	63,486
Prepayments	20,567	18,149
	\$10,122,818	\$8,887,286
Deferred Debits	\$1,126,424	\$1,291,750
TOTAL ASSETS WE OWN	\$80,726,437	\$79,291,548

LIABILITIES (WHAT WE OWE)	2020	2019
LONG TERM DEBT		
Rural Utilities Service (RUS)	\$5,331,463	\$5,566,133
Federal Financing Bank (FFB)	35,527,283	33,059,191
RUS Grant for Economic Development	300,000	300,000
National Rural Utilities Cooperative Finance Corporation	3,433,316	3,682,360
CoBank	524,751	244,444
Other	473,805	543,202
	\$45,590,618	\$43,395,330
Power, Materials, Services, Taxes, etc.	\$3,863,670	\$5,113,804
Deferred Credits (revenue, construction, community solar, etc.)	\$1,141,007	\$1,150,834
TOTAL LIABILITIES	\$50,595,295	\$49,659,968
NET WORTH		
Accumulated Patronage Capital	\$16,800,206	\$16,477,070
Other Equities (diversified services and others)	13,330,936	13,154,510
MEMBERS EQUITY IN THE COOPERATIVE	\$30,131,142	\$29,631,580
TOTAL COMMITMENTS	\$80,726,437	\$79,291,548

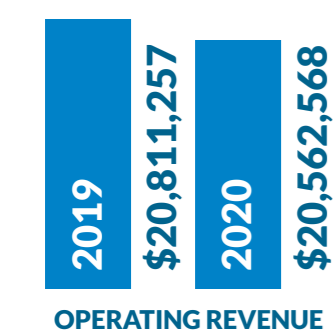
The accounts and records of McLeod Cooperative Power Association were audited by Eide Bailly LLP, Fargo, North Dakota, as of December 31, 2020. The completed audit report will be presented to the Cooperative's Board of Directors and will be available for members to review at the Cooperative office.

WHERE DOES EACH DOLLAR GO?



McLeod Co-op Power's continued with its strong operational and financial standing by providing a gift to members with a capital credit refund on their energy bill in 2020. McLeod Co-op Power's Board of Directors approved a capital credit return of \$300,000 to its members.

STATEMENT OF OPERATIONS	2020	2019
REVENUES		
Sale of electric energy to members	\$20,310,360	\$20,466,489
Miscellaneous electric revenues	252,208	344,768
	\$20,562,568	\$20,811,257
EXPENSES		
Wholesale power paid to Great River Energy	\$12,656,274	\$12,988,279
Operating Expenses (distribution, administrative and customer service)	4,383,505	4,321,927
Depreciation of utility plant	1,979,099	1,852,304
Interest on loans	1,302,778	1,308,268
	\$20,321,656	\$20,470,778
NET OPERATING MARGIN	\$240,912	\$340,479
NON OPERATING		
Non-operating and other income (interest income, generators, etc)	\$399,250	\$714,889
Non-operating expenses	(187,178)	(296,269)
Patronage capital from Great River Energy and other associated cooperatives	380,865	450,382
TOTAL MARGINS (INCOME)	\$833,849	\$1,209,481



	2020	2019
Cost of Purchased Power	\$12,656,274	\$12,988,279
Other Operating Expenses	\$7,665,382	\$7,482,499
Total Cost of Electric Service	\$20,321,656	\$20,470,778



kWh's SOLD
166,639,961

2019 comparison: 170,217,824



2019 comparison: \$1,209,481

	2020	2019
Operating Margins	\$240,912	\$340,479
Non-Operating Margins	\$592,937	\$869,002



2019 comparison: 6,873

AVERAGE kWh's
used by residential members



1,436
PER MONTH

2019 comparison: 1,476

Community Involvement

As vital as the power of electricity is to our community, it's far from the only connection we have to you. Commitment to community is one of our principles, and caring is the cooperative way.

Scholarships

The Ridgewater College Foundation has awarded two \$500 scholarships on behalf of McLeod Co-op Power to students Reece Schwirtz and Nathan Litzau. Each year the co-op donates \$1,000 from its unclaimed capital credit fund to be used by the Ridgewater College Foundation to support local students furthering their education. Congratulations to our recipients!

McLeod Co-op Power was honored to award our \$500 Line Worker Scholarship to Peyton Jasken. Peyton is from Hutchinson and is in his final year at Minnesota State Community and Technical College (M-State) in Wadena. We wish Peyton the best as he completes his program!

Member Appreciation

In 2020, during member appreciation week, members were invited to drive up to our new headquarters where McLeod Co-op employees handed out donuts to mark the occasion.

There was a pending snowstorm making attendance a little lighter than expected, with the true cooperative spirit in mind we made deliveries to local businesses as well. While the celebration looked different than what we hoped for at the beginning of the year, we were still honored to serve our members. Giving back to the very people that make our cooperative a success is the only way to celebrate, no matter the circumstances. In all, over 400 donuts were served, making a lot of smiles!

Touchstone Energy Community Award

McLeod Co-op Power recognized Glencoe American Legion Post 95 as its 2020 Touchstone Energy Community Award recipient. This annual award recognizes a local business, non-profit or community group that made a positive impact within the Co-op's service territory during the past year. "The Legion clearly demonstrates a strong commitment to the community that at the Co-op we value highly," Member Service Manager Dan Ehrke said. "We are very pleased to recognize this organization's positive contributions to our local community." Celebrating its 100th anniversary, Glencoe American Legion Post 95 has a long history of service and civic duty. This award is a chance to recognize Glencoe American Legion Post 95 for all the great work they do in our service territory. Congratulations Post 95!

Harvest Safety

Each year, McLeod Co-op Power joins forces with the Chamber of Commerce to provide a safety message and bucket of thanks to our local farmers. This annual program is organized by the AgriBusiness Chamber of Commerce committee. Local companies in Glencoe and Hutchinson donate a variety of snacks, wellness, and safety items that are packed and hand-delivered to the local farmers out in the field during harvest time. This program has proven to be a valuable tool, letting the area farmers know they are an important part of our community and economy. It's also a chance to remind them to stay safe by taking breaks during the harvest season.

Operation Round Up

Through the Operation Round Up® program, McLeod Co-op Power gives our members the opportunity to give back to the community. Each month the rounded-up funds (between 1¢ and 99¢) are placed in a trust fund and administered by the volunteer Trust Board.

In 2020, donations totaling \$21,100 were made to 19 local organizations. McLeod Co-op Power's Operation Round Up® program has awarded nearly \$130,000 thousand totaling 163 donations to local nonprofit organizations and community service programs since the program's inception in 2004.

McLeod Co-op Power started the process of converting Operation Round Up® to an opt-out program in 2020. With the change, the Co-op conducted an outreach campaign to educate the membership about the virtues of the program to give members an opportunity to decide if they would like to participate in the program.

2020 OPERATION ROUND UP® RECIPIENTS	
Aveyron Homes Inc.	\$1,500
Buffalo Lake Ambulance	\$2,000
Buffalo Lake – Hector – Stewart Preschool	\$1,000
GFW Dollars for Scholars	\$500
Homes McLeod	\$1,000
Mayer Fire Department	\$2,000
McLeod Alliance	\$300
McLeod County Historical Society	\$1,200
McLeod County Toward Zero Deaths Safe Roads Coalition	\$500
McLeod Emergency Food Shelf	\$1,000
McLeod For Tomorrow	\$1,000
New Germany Fire Department	\$2,000
Buffalo Lake Fire Department	\$2,000
Silver Lake Civics Association	\$500
The Salvation Army Northern Division	\$500
Hutchinson Area Women of Today	\$100
GSL School District #2859 – JH STEM	\$1,000
Brownnton Fire Department	\$2,000
BLHS Robotics – Hector	\$1,000



Team Members

Behind all the poles and wires are the great McLeod Co-op Power employees who serve our members. They are expected to make good decisions and provide service in a way that demonstrates and supports cooperative principles and values. Like you, they live here and have a dedicated and shared interest in helping our community prosper.

Debbie Ebert,
Operations Specialist/Safety Coordinator
Dan Ehrke, Member Service Manager
Deb Goettl, Billing Clerk
Curt Hanson, Staking Technician
Brad Hundt, Lineman
Katie Ide, Executive Administrative Assistant
Shannon Jerabek, Energy Mgmt. Specialist
Nathan Kelzer, Lineman
Ryan Kobliska, Lineman
Jared Klein, Lineman
Justin Kohls, Energy Mgmt. Specialist
Kevin LaCourse, Lineman
Craig Marti, Foreman

Teri Martin, Accountant
Ronald Meier, Chief Executive Officer
Gregg Nistler, Asst. Engineering Manager
Steph Jakel, Manager of Finance
Patty Robb, Billing Coordinator
Dan Schade, Operations Manager
Becky Schiroo, Customer Service Representative
Ryan Schuette, Foreman
Eric Sell, Information Services Manager
Robert Senst, W.H./Materials Technician
Robert Thomes, Asst. Member Service Manager
Nicholas Tritz, Lineman
Terry Underdahl, Foreman

Workforce Changes

Our workforce experienced significant changes primarily related to retirements in 2020.

Sue Pawelk retired as Member Services Manager in May, Carrie Buckley retired as General Manager in June, and Manager of Finance Susan Noyes left shortly after. Later in the year, Line Foreman Grant Miller retired as well after 39 years with our co-op. All these employees played significant roles at the Cooperative taking decades of knowledge and experience with them.

While we were sad to see them go, we filled these important roles with some great people. Dan Ehrke (Member Services Manager), Ron Meier (CEO), Steph Jakel (Manager of Finance) were hired to fill the respective leadership roles. Ryan Schuette was promoted from within to become our new Line Foreman leaving an opening for journeyman line worker Ryan Kobliska to be added to the team.



Board of Directors

McLeod Co-op Power Directors: (left to right) Randy Hlavka, Doug Kirtz, Allan Duesterhoeft, Keith Peterson, Susan Anderson, Joe Griebie, Oria Brinkmeier, Gary Burdorf, and David Resch.

2020 Election Results:

The Annual Meeting was held on July 21, 2020, which included the Nominating Committee announcing the election results.

Board of Director Election Results:

District 1 Oria Brinkmeier; District 2 Joe Griebie; and District 3 David Resch.

Board Leadership Changes:

In an organizational meeting held by the Board of Directors following the Annual Meeting, the Board leadership positions were elected. Doug Kirtz, President; Joe Griebie, Vice-President; Susan Anderson, Secretary-Treasurer; Dave Resch, Asst. Secretary-Treasurer; and Randy Hlavka, GRE Representative.

The proposed Restated Articles of Incorporation and By-Laws also were approved. The Co-op Articles of Incorporation and Bylaws were last updated in 2000. The approved updates addressed changes that have occurred in current laws, modernized outdated language, developments in technology, and provided legal protection for the Co-op.

2020 ANNUAL MEETING MINUTES

McLEOD COOPERATIVE POWER ASSOCIATION MINUTES OF THE 85th ANNUAL MEETING

July 21, 2020 | Hutchinson Event Center

Due to the COVID-19 Pandemic, the meeting was held following the Center of Disease Control and Prevention (CDC) social distancing guidelines.

The Annual Meeting was called to order by President Keith Peterson on June 16th, 2020 at 10:00 A.M. Having failed to establish a quorum of members present at the Meeting on June 16th, 2020, the Meeting was adjourned to a later date and time to be determined by the Board of Directors.

The Annual Meeting was reconvened by President Keith Peterson at 10:00 A.M. on July 21st, 2020.

President Peterson welcomed members to the 85th Annual Meeting. President Peterson also introduced Ronald Meier as the Cooperative's new General Manager/CEO. General Manager/CEO Meier comes to the Cooperative after serving as the Manager of Engineering and Member Relations of La Plata Electric Association in Durango, Colorado. General Manager/CEO Meier worked for La Plata Electric Association for nearly 27 years with a diverse management background both in engineering and member service departments.

A quorum was established and verified by President Keith Peterson and Secretary-Treasurer Doug Kirtz.

Secretary-Treasurer Doug Kirtz read the "Notice of the Cooperative's Annual Meeting" and declared that the Notice had been properly published in an official newspaper in McLeod County.

President Peterson declared the balloting closed and instructed the tellers to count the ballots for the director election and Articles of Incorporation and Bylaws.

President Peterson called for a reading of the 2019 Annual Meeting minutes.

A motion was made, seconded, and carried to dispense with the reading of the minutes.

A motion was made and seconded to approve the Minutes of the 2019 Annual Meeting as printed in the Annual Report. Motion carried.

President Peterson announced the Director Candidates in the following Districts. District 1: Kari Berg and Oria Brinkmeier; District 2: Joe Griebie and Daryl Luthens; District 3: Andy Heimerl and Dave Resch.

President Peterson also introduced the Directors in Districts 4-9.

General Manager/CEO Ronald Meier presented the 2019 Financial Report. Highlights from 2019 included the sale of the Emergency Medical Pendant business to Heartland Security Services, completion of two Capital Workplan Projects along with many smaller projects, and broke ground on a new headquarters. Efforts to reduce costs in recent years have attributed to no rate increase in the past two years.

President Peterson introduced the 2020 Nominating Committee.

District 1:
Mavis Weber, Lyle Eiden, Verndale Selchow

District 2:
Randy Kirchhoff, David Aul, Gary Krcil

District 3:
William Brickzen, Charles Mathews, Doug Ernst

Nominating Committee Chairman Lyle Eiden announced that the Restated Articles of Incorporation and Restated Bylaws passed as presented.

Nominating Committee Chairman Lyle Eiden also read the results of the Director Election and declared Oria Brinkmeier elected from District 1, Joe Griebie elected from District 2, and Dave Resch elected from District 3. Each director elected will serve a three-year term.

President Peterson stated there was no Unfinished Business. President Peterson then asked for New Business.

Being no new business, a motion was made, seconded, and carried to adjourn the meeting at 10:17 A.M.



McLeod Co-op Power

MISSION:

To enhance the quality of life for our members through effective, safe, and innovative solutions.

VISION:

Exceed members' expectations for reliable energy and services.

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