



2021 ANNUAL REPORT

WORKING TOGETHER,
MCLEOD CO-OP POWER
POWERS THE POSSIBILITY OF
THE COMMUNITIES WE SERVE.



CEO MESSAGE

“ Welcome to the 2021 McLeod Co-op Power Annual Report. We are proud to present the highlights of the past year and renew our commitment to serving you with dependable electricity to power your lives.



As 2021 ended, our cooperative was in a good position coming into 2022. I'd like to share a few ways we measure how we do every year.

Financially, the cooperative ended the year in a good position. We started off the year announcing no rate increases for most of our rate schedules. We leveraged the low interest rate environment by refinancing some of our loans while paying off other loans to save the cooperative almost \$1.5 million dollars. Our revenues of \$21.3 million were above our budget of \$21 million due to increase retail sales to our membership. Although with the increase in retail sales to the membership, our wholesale cost of power was above its budgeted \$12.8 million coming in at \$13.4 million. Factoring in our Great River

Energy's Capital Credits being above budget and along with other positive impacts to our financial position, our total margins came in at almost \$1.3 million, which was almost \$440 thousand above our budget.

Operationally, we continued with investments into our electrical system. We completed the fourth year of a multi-year enhanced tree trimming program, changed out 315 poles, buried over 20 miles of underground line, while responding to the outages that occurred throughout the year. With these and other efforts by our engineering and operational teams we continue to succeed in increased reliability from the previous year.

The successful year was only enabled by all the talented employees and board of directors that work here to serve you, our members. During this year, Dan Schade, our Operations and Engineering Manager announced his retirement intentions at the beginning of 2022. Dan had been with the cooperative for over 43 years, almost half the time the cooperative has been around. While we were excited for him and all the fishing he was planning in retirement, we had to seek his replacement. After a successful search, we hired Emerson Brady. Along with Emerson, we also hired an apprentice lineman, Blake Huwe to fill in a vacancy when another one of our linemen left the cooperative. Today, we have 26 employees working to continue to meet the expectations of our members.

Everyday I am thankful to be a part of McLeod Cooperative Power. It continues to be a strong member driven organization that is moving into the future.

Cooperatively,

R1PL

OUR COMMITMENT TO PROVIDING RELIABILITY



Delivering quality, reliable and safe electric service can only be done with proper planning and system maintenance. The ability to accommodate increasing loads and new services, along with keeping existing substation and distribution equipment operational is essential to deliver the service our members deserve and expect.

TOTAL FEET OF CABLE
INSTALLED IN 2021

110,067

TOTAL FEET OF CABLE
RETIRED IN 2021

83,217



Construction

Crews installed 109,313 feet of underground cable and 754 feet of overhead wire. In addition, they retired 78,046 feet of overhead wire and 5,171 feet of underground cable.

Maintenance

Crews changed out 315 poles, tested 128 transformers, and changed out 56 inefficient yard lights to LED lights. In addition, crews completed roughly 1,400 miles of overhead line inspection and made any necessary repairs. Winthrop substation poles and underground equipment were also inspected, and repairs were made as identified.

Reliability

On average members experienced less than one outage in 2021 and the average length they were out of power was 51 minutes. On average consumers had power 99.99 % 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 a priority at your Co-op. Line crews had several trainings in 2021 focusing on a variety of topics. Crews and employees were once again able to visit local schools to share their safety messages with students.

FINANCIAL REPORT

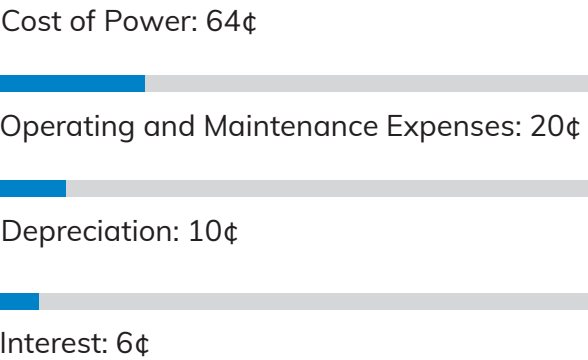
“ Delivering an affordable and reliable supply of electricity requires the foundation of financial strength to meet our members’ needs both today, and well into the future.

ASSETS (THINGS WE OWN)	2021	2020
MCLEOD CO-OP PROPERTY		
Cost of System	\$57,264,257	\$55,782,157
Cost of our Office, Warehouse and Equipment	15,144,036	16,073,365
Construction Work In Progress	1,042,495	176,508
Depreciation	(17,718,832)	(17,033,380)
Book Value of our System	\$55,731,956	\$54,998,651
INVESTMENTS		
Great River Energy Capital Credits	\$10,530,570	\$10,083,926
Capital Credits from Other Cooperatives	1,434,827	1,478,323
Investments with National Rural Utilities Cooperative Finance Corporation	747,719	2,247,719
Investments with Associated Organizations and Other	466,043	405,728
Community Economic Development Loans	233,246	262,846
Total Other Property and Investments	\$13,412,405	\$14,478,542
CURRENT ASSETS		
Cash and Cash Equivalents	\$4,287,445	\$4,896,577
Great River Energy Temporary Investment Account	1,969,312	2,081,813
Members and Others Owe Us for Electricity	2,655,298	2,200,610
Members and Others Owe Us for Non-Electricity (generators, materials, rebates)	575,877	120,356
Materials and Supplies for Line Construction and Maintenance	903,614	791,015
Interest Receivable on Investments	7,625	11,880
Prepayments	19,987	20,567
Total Current Assets	\$10,419,158	\$10,122,818
Deferred Debits	\$1,190,575	\$1,126,424
TOTAL ASSETS WE OWN	\$80,754,094	\$80,726,436

LIABILITIES (WHAT WE OWE)	2021	2020
LONG TERM DEBT		
Rural Utilities Service (RUS)	\$2,528,665	\$5,331,463
Federal Financing Bank (FFB)	36,245,775	35,527,283
RUS Grant for Economic Development	300,000	300,000
National Rural Utilities Cooperative Finance Corporation	3,196,260	3,433,316
CoBank	1,406,304	524,751
Other	381,149	473,805
Total Long Term Debt	\$44,058,153	\$45,590,617
Power, Materials, Services, Taxes, etc.	\$4,017,672	\$3,863,670
Deferred Credits (revenue, construction, community solar, etc.)	\$1,787,635	\$1,141,007
TOTAL LIABILITIES WE OWE	\$49,863,460	\$50,595,294
NET WORTH		
Accumulated Patronage Capital	\$16,904,691	\$16,800,206
Other Equities (diversified services and others)	13,985,943	13,330,936
MEMBERS EQUITY IN THE COOPERATIVE	\$30,890,634	\$30,131,142
TOTAL COMMITMENTS	\$80,754,094	\$80,726,436

The accounts and records of McLeod Cooperative Power Association were audited by Eide Bailly LLP, Fargo, North Dakota, as of December 31, 2021. 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.

HOW WAS THE MEMBER DOLLAR SPENT?



STATEMENT OF OPERATIONS	2021	2020
REVENUES		
Sale of Electric Energy to Members	\$20,984,568	\$20,310,360
Miscellaneous Electric Revenues	306,629	252,208
Total Revenues	\$21,291,197	\$20,562,568
EXPENSES		
Wholesale Power Paid to Great River Energy	\$13,389,016	\$12,656,274
Operating Expenses (distribution, administrative and customer service)	4,507,203	4,383,505
Depreciation of Utility Plant	2,200,924	1,979,099
Interest on Loans	1,266,927	1,302,778
Total Expenses	\$21,364,070	\$20,321,656
NET OPERATING MARGIN	\$(72,873)	\$240,912
NON OPERATING		
Non-operating and Other Income (interest income, generators, etc)	\$1,052,763	\$399,251
Non-operating Expenses	(574,197)	(187,178)
Patronage Capital from Great River Energy and Other Associated Cooperatives	849,969	380,865
TOTAL MARGINS (INCOME)	\$1,255,661	\$833,850

OPERATING REVENUE \$21.3 M	COST OF POWER \$13.4 M	TOTAL MARGINS \$1.3 M
KWH'S SOLD \$174 M	MEMBERS BILLED 6.9 K	AVG. RESIDENTIAL MONTHLY KWH USE 1.4 K



CAPITAL CREDITS
RETURNED IN 2021

\$460,000

Capital Credits

McLeod Cooperative Power continued with its strong operational and financial standing by providing a gift to members with a capital credit refund on their energy bill in 2021. McLeod Cooperative Power’s Board of Directors approved a capital credit return of \$460,000 to its members.

As a not-for-profit electric cooperative, McLeod Cooperative Power is not like other utilities— you, as a member and consumer, own a portion of the business. One benefit of that membership involves the allocation of excess revenue, called margins, in the form of Capital Credits. Electric co-ops operate at cost, collecting only enough revenue to run and expand the business, unlike investor-owned electric utilities, which are designed to make a profit for shareholders.

McLeod Cooperative Power assigns any money collected above the cost of operations to its members in the form of Capital Credits. When the Co-op’s financial position permits, the co-op retires, or pays, a portion of these Capital Credits back to its members.

Unclaimed Capital Credits

Each year, funds that were not claimed or returned by the Post Office are sent back to the Cooperative. We need your help locating the members that these unclaimed Capital Credits belong to. We now have a handy searchable database online at <https://www.mcleodcoop.com/about/capital-credits/>. Members can use this database to search for friends and family members that might be on this list. Often it happens to be people who have moved or a former member who has passed away. Any information you can provide regarding the location of these members is greatly appreciated. Those with information can call our office at (800) 494-6272.

New Payment Options

Beginning in July of 2021, several new payment options were made available to Cooperative members. Some of these changes were made to ensure we are compliant with Payment Card Industry security standards. Others, like SmartHub and our online Pay Now platform, are for the convenience of our members as we attempt to make paying bills as easy as possible.

McLeod Co-op Power now offers the following payment options for our members:

AutoPay

Payments can be made automatically through a checking or savings account.

Online

Register online or through the SmartHub app to make payments. This includes an option to set up reoccurring payments. Those enrolled can also view information on their energy usage, receive notifications, and manage their account while on the go. Pay Now: One-time payments can be made without a SmartHub account by clicking on the “Pay Now” button at the top of our website.

By Phone

Payments are now made through a secure automated phone system by entering the account holder’s information. This service is available both during and after hours by calling the office at (320) 864-3148 and pressing #2 or calling the payment line directly (844) 937-1645.

By Mail

Payments can be mailed to: McLeod Co-op Power, 3515 11th Street East, Glencoe, MN 55336.

Drop It Off

Payments are accepted at the front desk of our office, Monday through Friday (excluding holidays) from 8:00 a.m. – 4:00 p.m.

A convenient drop box is also available 24/7 in the southwest corner of our parking lot. Remember to use a sealed envelope.

OUR COMMITMENT TO OUR COMMUNITY.



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.

Member Appreciation

McLeod Co-op Power hosted its Member Appreciation Open House on Wednesday, October 13. There were 134 guests that attended the event which included small group facility tours, as well as a vendor showcase in the warehouse.



This event provided an opportunity for members to see the Co-op's new headquarters that opened in August of 2020 in Glencoe's East Industrial Park adjacent to U.S. Highway 212. Co-op employees were excited to host the event for our members as an opportunity to say thank you for investing in the Co-op's future. "It was amazing having our members visit us during our open house. Seeing everyone and hearing their thoughts about the facility and other Co-op topics made it a great day," said Ron Meier, McLeod Co-op Power CEO.



FACILITY HIGHLIGHTS

- 62,420 total sq. 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
- 42,750 sq. feet of outdoor pole yard and storage
- Sturdy, pre-cast concrete structure
- Served by co-op power lines

Scholarships

The Ridgewater College Foundation awarded two \$500 scholarships on behalf of McLeod Co-op Power to students Jayda Sletten and Marisa Uecker. 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.

McLeod Co-op Power was also honored to award our \$500 Line Worker Scholarship to Dylan Richards. Dylan is from Glencoe and is in his first year at Minnesota State Community and Technical College (M-State) in Wadena.



Touchstone Energy Community Award

McLeod Co-op Power was honored to award its 2021 Touchstone Energy Community Award to Common Cup Ministry. This annual award recognizes a local business or community group that made a positive impact within the Co-op's service territory in the past year. This year's winning organization was recognized for their Warm Coat Distribution program, which provided warm coats, boots, hats, gloves, and other winter clothing to those in need. Approximately 400 people are served each year from this program. Most of the clothing received is donated by area residents. As this year's award winner, Common Cup Ministry received a \$500 donation.



Operation Round Up®

Through the Operation Round Up® program, McLeod Cooperative 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 2021, donations totaling \$22,000 were made to 20 local organizations. McLeod Co-op's Operation Round Up® program has awarded nearly \$150,000 thousand totaling 183 donations to local nonprofit organizations and community service programs since the program's inception in 2004.



2021 OPERATION ROUND UP® RECIPIENTS	
Alina Health Hospice (Blizzard Blast Charity Event)	\$1,750
Arlington Area Ambulance	\$1,000
Arlington Fire Department	\$2,000
Common Cup Ministry	\$1,000
Crow River Habitat for Humanity	\$1,000
Dollars for Scholars – Hutchinson High School	\$500
Equul Access, Inc.	\$1,000
Gibbon Fire & Rescue Dept. – City of Gibbon	\$2,000
Glencoe Booster Club	\$500
Hutchinson High School Robotics Team	\$750
Lester Prairie Schools – DARE Program	\$500
LSS Meals & Meals on Wheels – Hutchinson Site	\$1,000
Lutheran Social Services	\$1,000
Norwood Young America Fire Dept. Relief Association	\$2,000
Silver Lake Ambulance	\$500
Silver Lake Sportsmen's Club	\$500
Silver Lake Volunteer Fire Department	\$2,000
Stewart Area Historical Society	\$500
Teuby Continued (DBA 2B Continued)	\$1,000
Winthrop Lions	\$1,000



“ 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.

TEAM MEMBERS

- Emerson Brady**, Operations Manager

Debbie Ebert, Operations Specialist/Safety Coordinator

Dan Ehrke, Member Service Manager

Deb Goettl, Billing Clerk

Curt Hanson, Staking Technician

Brad Hundt, Lineman

Blake Huwe, Apprentice Lineman

Katie Ide, Executive Administrative Assistant

Shannon Jerabek, Energy Management Specialist

Nathan Kelzer, Lineman

Jared Klein, Lineman

Justin Kohls, Energy Management Specialist

Kevin LaCourse, Lineman

Craig Marti, Foreman
- Teri Martin**, Accountant

Ronald Meier, Chief Executive Officer

Gregg Nistler, Assistant Engineering Manager

Steph Jakel, Manager of Finance

Patty Robb, Billing Coordinator

Becky Schiroo, Customer Service Representative

Ryan Schuette, Foreman

Eric Sell, Information Services Manager

Robert Senst, Warehouse/Materials Technician

Robert Thomes, Assistant Member Service Manager

Nicholas Tritz, Lineman

Terry Underdahl, Foreman

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.

2021 Election Results:

The Annual Meeting was held on July 13, 2021, which included the Nominating Committee announcing the election results.

Board of Director Election Results:

District 4 Doug Kirtz, Allan Duesterhoeft District 5, and Gary Burdorf District 6.

Board Leadership Changes:

In the 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.

2021 ANNUAL MEETING MINUTES

MCLEOD COOPERATIVE POWER ASSOCIATION MINUTES OF THE 86TH ANNUAL MEETING

July 13, 2021 | Hutchinson Event Center

The Meeting was called to order by President Doug Kirtz at 10:00 A.M. and welcomed members to the 86th Annual Meeting. President Kirtz gave the invocation and the Pledge of Allegiance was recited.

President Kirtz declared the balloting closed and instructed the tellers to count the ballots for the director election. A quorum was established and verified by President Doug Kirtz and Secretary-Treasurer Susan Anderson.

President Kirtz called for reading of the 2020 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 2020 Annual Meeting as printed in the Annual Report. Motion carried.

Secretary-Treasurer Susan Anderson 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 Kirtz announced the Director Candidates in the following districts.

District 4: Doug Kirtz and Frank Berg;
District 5: Allan Duesterhoeft and Karl Reinhard;
District 6: Gary Burdorf and Avery Grochow.

CEO Ronald Meier provided a presentation highlighting 2020 for McLeod Co-op Power. He referenced 2020 as a challenging year with the COVID-19 Pandemic. Employees adjusted to working remotely while continuing to provide our members with reliable service. During 2020 the cooperative invested over 1-million-dollars into the power lines. There were 22 miles of powerline improvements. In 2020 we also provided our members with \$114,900 in rebates and grants.

The new 9-million-dollar facility was completed on time and on budget. We moved into the new facility in August 2020. Sam's Tire Shop has a pending purchase agreement on the old facility. 2020 was a challenging year, but the employees of MCPA came together to serve you, our members.

CEO Ronald Meier explained that due to a conflict in schedules our power supplier Great River Energy (GRE) President and CEO David Saggau was unable to attend; however, a prerecorded message was provided on behalf of GRE.

President and CEO of GRE David Saggau thanked CEO Ron Meier and President Doug Kirtz for the opportunity to share a few words with the membership today.

GRE's focus is on three things: Rates, Reliability, and Environmental Stewardship. Wholesale power rates are very competitive. In 2021 GRE's wholesale power rate is about 10% below the weighted regional average cost of electricity. The projections for the future

show rates to remain flat and start decreasing. This is possible through the economic efficiencies and power source changes being made.

In 2020 the decision was made to sell or close Coal Creek Station and the High Voltage Direct Current (HVDC) Transmission Line. Economically it is advantageous to our membership. To replace Coal Creek Station, we will be adding over 900 MW of cost-effective wind resources and natural gas peaking plants, most of which are dual fuel capable. By making these changes to the power source portfolio we will reduce Carbon Emissions by 90%.

Financially, GRE has been doing very well. This year GRE retired 25 million dollars in capital credits to the members. In May of 2021 GRE also began providing bill credits to the members. GRE is actively involved with neighboring utilities and together formed an association called Grid North Partners. This association collaborate in planning, building, and maintaining a reliable transmission system capable of using the most cost-effective resources.

Manager of Finance Steph Jakel presented the 2020 Financial Report. She reported the Co-op saw good sales in 2020 and is projecting an increase of Kilowatt hours sold for 2021 with current demand. She also cited potential growth in the region with the US Highway 212 project.

The Cooperative ended 2020 financially sound with a clean audit report. Additional information was provided on expenses related to tree trimming activities as well as capital expenses of converting powerlines from overhead to underground. It was also reported that the cooperative returned Capital Credits of over \$350,000 to members.

Manager of Member Services Dan Ehrke introduced SmartHub, a new account management tool that launched July 12. One of the goals is to make it more convenient for members to pay their bills. Members heard that SmartHub also allows you to view payments and usage history, make secure payments, receive notifications and updates, and report outage issues.

Operation Round Up Trust Board Member, Cheryl Bielke announced that since Operation Round Up began in 2004 the program has awarded nearly \$150,000 to local organizations. This year 23 applications were received. Twenty projects received funds for a total of \$22,000.

President Kirtz introduced the 2021 Nominating Committee.

District 4: Doug Toreen, Glen Kurth, Tom Koeberl.
District 5: Andrew Rasmussen, Morris Rettman, Lynn Mackedanz.
District 6: Rachel Lueth, Veryl Becker, Don Mader.

Nominating Committee Chairman Glen Kurth read the results of the Director Election and declared Doug Kirtz elected from District 4, Allan Duesterhoeft elected from District 5, and Gary Burdorf elected from District 6. Each director elected will serve a three-year term.

President Kirtz stated there was no Unfinished Business. President Kirtz then asked for New Business. A member in attendance had a question, which CEO Ron Meier answered. CEO Ron Meier responded to several other questions from the Members.

With no further business, a motion was made, seconded and carried to adjourn the meeting at 11:41 A.M.

Attendance prizes were awarded. The winner of the Grand Prize, a 21" EGO Power Mower was Donald Sturges from Hutchinson. Following the meeting, Chef Craig served approximately 250 members with a grab and go lunch.



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.

3515 11th St. East
Glencoe, MN 55336

(320) 864-3148 | (800) 494-6272
www.mcleodcoop.com
mcpainfo@mcleodcoop.com

