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2020 April 2021 Newsline Special Edition
Annual Report

Holding the line through COVID

Co-op reports favorable results in 2020

The pandemic we have endured for more than a year has hit close to home here in northern Minnesota. Surely most of us have felt it in some way; though not all to the same degree. But I'm happy to report through all the grim moments caused by this terrible virus, Lake Country Power has seen some shining moments.

Amid the necessary safety precautions – most still in place since March of last year – we remain committed to meeting the needs of our members. It's our hope that 2021 will see life getting back to normal, but through it all we will continue to work hard to provide safe and reliable electric service.

Staying the course

It has been a goal that our COVID-related procedures have a limited impact on our membership. Our service centers remain closed to the public and many

office employees continue working from home, but our field operations have been running strong. The numbers from last year are very good, showing we completed all scheduled projects on time and under budget.

No doubt some aspects of business may change forever following the pandemic, but in the meantime, members can continue to make payments via phone, online or kiosk, and receive high-quality member service including sales by appointment.

ROW pays off

I'm pleased to report that our operations department achieved its best-ever score on the System Average Interruption Duration Index (SAIDI) in 2020. The index measures the average length of outage time over a 12-month period.



By Mark BAKK
 LCP general manager

The biggest contributor to our reliability last year is our right-of-way (ROW) management plan. We recently completed the first full cycle of our Integrated Vegetation Management (IVM) Plan, a seven-year rotation for tree clearing and corridor maintenance. With the vegetation growth in our region, it is critical

that we clear and maintain our corridors on a rotating basis. If we wait longer than seven years to revisit a section of line, the vegetation growth gets more difficult and more costly to maintain. This commitment to line clearing absolutely helped us achieve the best SAIDI rating ever.

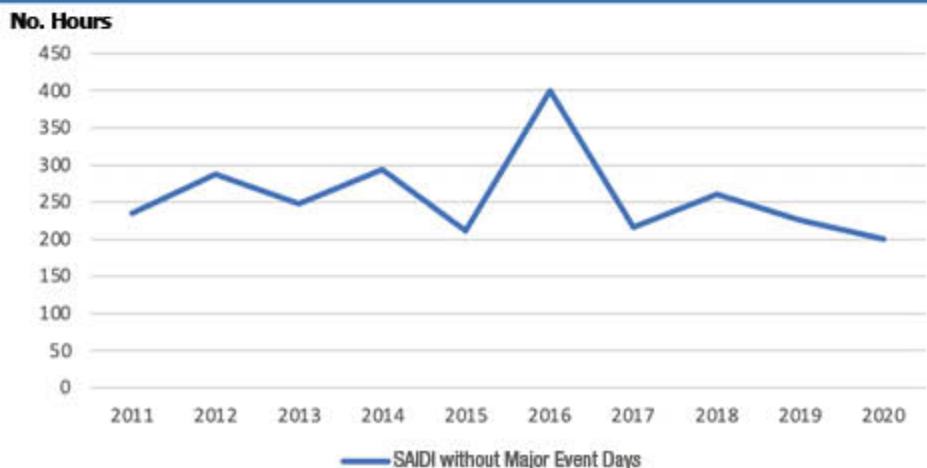
New crews in place

New line crews have been hired with the primary task of working large-scale construction projects and age-

Continued on p.2

SAIDI without Major Event Days

Members experience improved reliability: In 2020, Lake Country Power completed its first seven-year rotation of clearing trees and brush from cooperative lines and right-of-way corridors. The strategic approach of the Integrated Vegetation Management (IVM) program is working to minimize impact on electric service, as reflected in this graph. In 2020, LCP achieved the best System Average Interruption Duration Index (SAIDI) scores on record with 200 hours of outage time, excluding major weather events. SAIDI measures the average length of outage time members experience over the course of 12 months.



— SAIDI without Major Event Days

More comes with membership

It's easy to think of Lake Country Power as just the local electric utility, but because of you and your neighbors, our co-op is able to be so much more.

Electric cooperatives are community-focused organizations that work to deliver affordable, reliable and sustainable energy across the entire membership. Co-ops are led by members like you and me, created by and for the communities they serve. They're as unique as the communities that helped shape our lives, and cooperatives have made changes over time to reflect the ways those communities have grown and evolved.

Unlike utilities that are owned by investors or municipalities, cooperatives are democratic organizations guided by their members who actively participate in setting policies and making decisions. The elected representatives, like myself, are often your neighbors,

colleagues and friends. Directors make themselves available for you to share thoughts and ideas with, which helps our board determine what is in the best interest of the whole membership.



By Craig OLSON
District 7
Director

Democratic Process

With democratic control also comes the ability to have your voice heard by casting a vote in this year's director elections. Members in Districts 1, 3, 5 and 9 received ballots in March to vote by this year's annual meeting on April 15.

Annual meetings are an opportunity to connect with your co-op community, stay current with issues that matter and learn interesting updates from the past year. We hope the pandemic passes soon so the annual meeting can be held in-person next year.

Your Energy Needs

The staff at Lake Country Power are a trusted source

for any questions you might have related to your energy needs. They are here to help and offer advice, direct you to rebates and ways to save on your electric bill, and provide tips on energy efficiency.

It's all part of the cooperative spirit which has always been one of the best aspects about living in our communities: Neighbors looking out for neighbors and people

working for the common good. We are stronger and better for it. The power of community is what being an electric cooperative is all about. ■

Craig Olson was elected by members in Lake Country Power District 7. He can be reached at 218-393-2276 or colson@lcp.coop.

7 Responsibilities for Directors

James Baarda in *The Circle of Responsibilities of Co-op Boards* (CIR 61, published by USDA Cooperative Programs), describes seven major responsibilities for directors:

1. Represent members
2. Establish cooperative policies
3. Hire and supervise management
4. Oversee acquisition and preservation of cooperative assets
5. Preserve the cooperative character of the organization
6. Assess the cooperative's performance
7. Inform members

Lake Country Power Board Expenses

	2020	2019	2018
Compensation	\$ 112,728	\$ 133,700	\$ 132,550
Other Reimbursable Expenses	17,437	49,786	60,137
Other Board Expenses	7,639	9,109	9,359
Total Expense	\$ 137,804	\$ 192,595	\$ 202,046

Holding the line ...

Continued from p. 1

related line replacements. These crews will save money normally paid to subcontractors and will enable the co-op to replace 75 miles of old line per year to maintain reliable service.

The crews will also work in conjunction with the co-op's dispatch center

when it comes to outage restoration, giving members better response time during emergencies. These qualified line workers are a huge asset with their versatility by creating time and cost-saving advantages for the co-op.

AMI fully deployed

We completed our systemwide Advanced Metering Infrastructure (AMI) project in the fall of 2020. The new metering

system will have many member-benefits including better outage reporting through fault detection technology, hourly electric usage statistics, and help eliminate estimated meter readings.

Currently we have nearly 70,000 meters, including Energy Wise® programs, working together to make our distribution system technologically progressive

and more reliable than ever.

It's been a tough year and we recognize the economic hardships created by the COVID-19 pandemic. But rest assured, we will continue working for you through these unprecedented times and do all we can to meet, and hopefully exceed, your expectations. ■

Success in a very challenging year

In a year filled with unforeseen challenges your member-owned subsidiaries shined!

As many of you know Lake Country Power owns two for-profit companies often referred to as subsidiaries – Lake States Tree Service (LSTS) and Lake States Construction (LSC). These two sister companies are located on the south bank of the Mississippi River across from the previous LCP service center west of Grand Rapids. At the peak of the season there were up to 148 individuals employed by these two companies combined, many

of whom are Lake Country Power members.



By Daniel KINGSLEY
LCP Holdings Co.
President

The day-to-day operations of LSTS and LSC are managed by CEO Scott Larson. Scott has been a valuable asset in his foresight and goal-setting management style for these companies, our members, and his community. LSC and LSTS work largely for utilities and co-ops in the region while undertaking a substantial amount of LCP's projects being awarded through the competitive bidding process. Under the direction of Larson, these companies achieved sales in excess of \$18 million in 2020. With Scott's tutelage,

LSC and LSTS have become the contractor of choice to several companies needing services in vegetation control and cable installation.

We are all very proud of the resiliency and dedication of the whole work force at LSTS and LSC during this difficult time of COVID-19 and social distancing. These men and women were able to find a way to successfully complete their work, and manage to turn a profit, resulting in a dividend of \$545,492 to be paid to Lake Country Power Holdings, who in turn rolls the dividend over to the member-owned parent company Lake Country Power.

These two companies' annual operations are overseen

by Lake Country Power Holdings, consisting of a board of directors of which I am the current president. I was elected by the LCP board to the position of president in 2020 after serving as vice president of Lake States Tree Service. I am also your district six director for Lake Country Power.

An advantage to LCP having a company of this caliber nearby is being able to quickly get assistance in restoring power to you, our members, during tough times such as the weather-related outages of 2012 and 2016.

We look forward to 2021 being a safe and successful year for all our employees and you our member owners. ■

Lake Country Power Holdings, Inc. Board Per Diem & Expenses

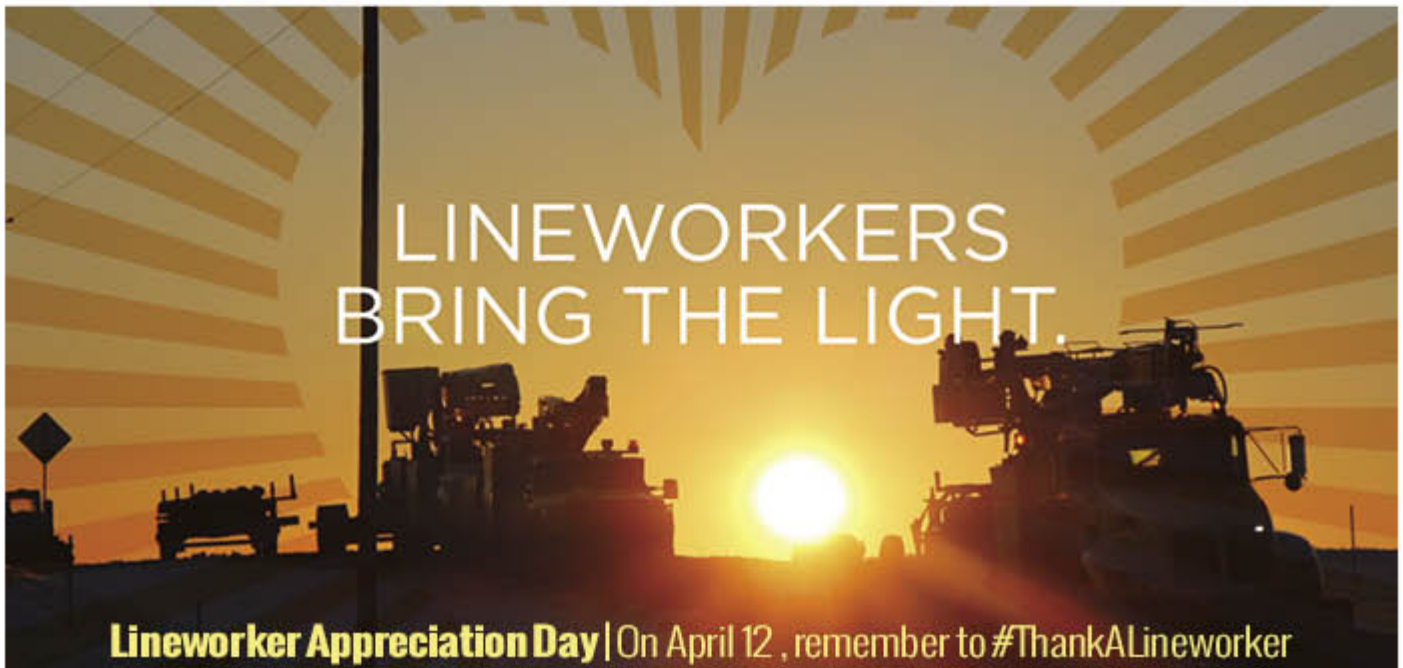
2020:	2019:	2018:
\$9,921.31	\$24,425.14	\$23,900.54

All Holding Company board expenses paid by subsidiaries.

Subsidiary Profiles

Lake States Tree Service is a commercial tree service contractor specializing in vegetation management for the utility industry. The business averages between 90–110 employees and is headquartered in Grand Rapids, Minn.

Lake States Construction is a utility construction contractor specializing in underground and overhead powerline construction for fiber, electric utilities and cooperatives. The business averages between 30–60 employees and is headquartered in Grand Rapids, Minn.



Great River Energy: 2020 in review



In a year when many retreated into their homes for work, school and safety, the importance of dependable energy became clear. The electric service provided by Great River Energy's member-owner cooperatives proved essential during the COVID-19 pandemic, powering health care facilities, keeping essential businesses operating and enabling remote learning.

Early in the pandemic, Great River Energy adopted safe work practices and social distancing, while quickly understanding new energy usage patterns as members spent more time at home. Great River Energy's goal was to minimize disruptions within the company and continue to safely and reliably operate the electric grid. That early action

paid off, as Great River Energy not only endured during a difficult year – the cooperative excelled.

Financially Fit

By the summer of 2020, Great River Energy was ahead of its financial targets to such a degree that it began issuing refunds to member-owner cooperatives to assist with pandemic-related financial challenges. The cooperative returned \$8.5 million to its members to offset lost sales or use in any other way they deemed appropriate.

Great River Energy ended the year with excess margins, which it used to issue bill credits to members and pay down financial commitments. The cooperative also retired patronage capital for the second consecutive year, returning more than \$10 million to the membership.

Power Supply Changes

Great River Energy will

phase out remaining coal resources, add significant renewable energy and explore critical grid-scale battery technology. These changes will reduce wholesale electric rates while cutting direct carbon dioxide emissions by 95%. As this transition unfolds, Great River Energy's fleet of fast-starting natural gas-fueled power plants will ensure energy remains reliable.

This decision was welcomed

by the membership and financial community. Great River Energy's credit rating was upgraded by Moody's due in large part to the reduced risk associated with its power supply plans.

Great River Energy remains active in the evolution of the power grid as the electric industry transitions toward more non-dispatchable generation resources such as wind and solar. ■



**If you see roadside crews,
please slow down and move
over when possible.**

**Work Zone Awareness
Week is April 26-30.
Thank you for doing
your part to help keep
our crews safe.**



Co-ops step up in the cold

As parts of the United States struggled to maintain electric service during a historic cold snap in February 2021, Minnesota's cooperatives went to great lengths to ensure their members had the energy they needed.

Historic cold weather across the country in mid-February drove up demand for natural gas and electricity to such an extent that some regions experienced rotating power outages.

Lake Country Power's local distribution system experienced no major disruptions during the polar vortex.

LCP's wholesale power provider, Great River Energy, operates an electric system designed to provide reliable electricity in extremely cold weather, and it performed well. In fact, Minnesota endured the frigid temperatures with few issues.

A rapid response

Each year, Great River Energy employees complete training on the proper protocols to respond when the Midcontinent Independent System Operator (MISO) declares a "capacity and energy event" like the one that occurred in mid-February.

MISO is the grid operator for 15 U.S. states and the Canadian province of Manitoba. It oversees the operation of the bulk power transmission system, facilitates an energy market, and has responsibility, along with its members, for maintaining electric reliability across its system.

Producing more electricity

Great River Energy's power supply resources – which include coal-, gas- and fuel oil-based power plants as well as wind energy resources – performed as planned for extreme weather events.

Great River Energy's peaking stations operated as designed, injecting electricity onto the grid quickly and dependably when needed. Most of Great River Energy's peaking plants are "dual fuel" facilities, which means they can operate on fuel oil when demand for natural gas is heightened.

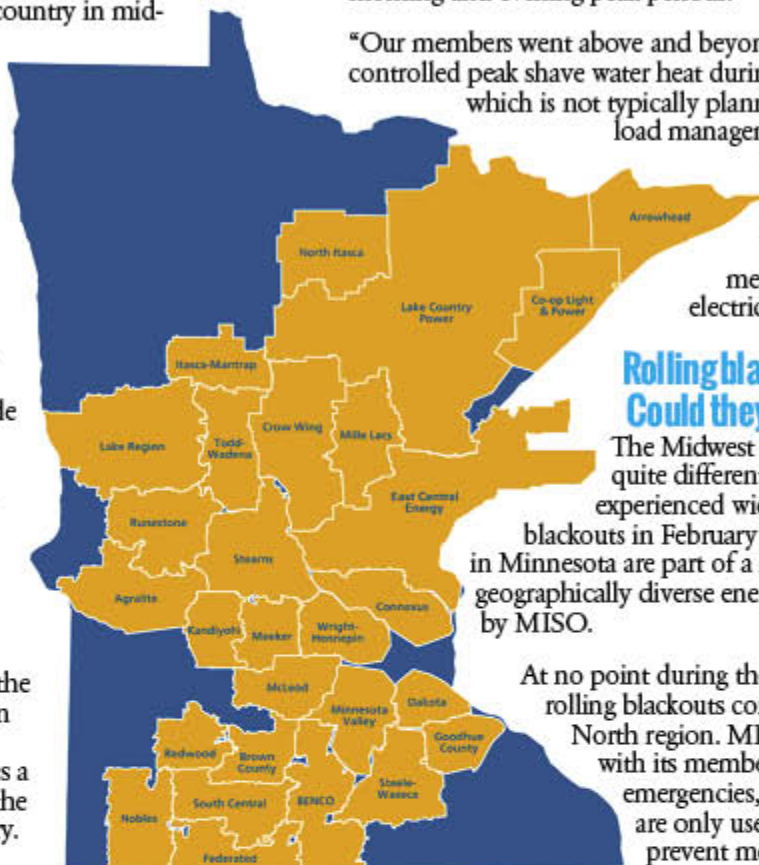
Reducing energy needs

Great River Energy deployed its demand response programs – a strategy that reduces demand for electricity during events such as a polar vortex – over the course of a few days. More than 200,000 cooperative members participate in these voluntary programs, which allow Great River Energy to

temporarily interrupt, or "cycle," water heaters, space heaters or other electric loads for a period of hours on high-demand days.

The cooperatives collectively reduced hundreds of megawatts of electricity demand over a few days, which alleviated stress on the electric grid and allowed Great River Energy to avoid expensive purchases from the energy market during both morning and evening peak periods.

"Our members went above and beyond the norm and controlled peak shave water heat during those few mornings, which is not typically planned," said Josh Hebert, load management specialist at Great River Energy, referring to a program that allows cooperatives limited control over member-consumers' electric water heaters.



Rolling blackouts: Could they happen here?

The Midwest electric grid looks quite different from Texas, which experienced widespread rolling blackouts in February 2021. Most utilities in Minnesota are part of a much larger and geographically diverse energy market coordinated by MISO.

At no point during the polar vortex were rolling blackouts considered in the MISO North region. MISO works aggressively with its member utilities to plan for emergencies, and rolling blackouts are only used as a last resort to prevent more widespread outages.

Weather like Minnesota experienced in February certainly presents challenges on the electric grid, but utilities prepare for it. Planning for these kinds of events by Lake Country Power, Great River Energy and MISO North helped ensure resources and resiliency practices were ready for the challenge. ■

2020 Breakdown of Total Cooperative Expenses



2020 Annual Report - Statement of Operations and Changes in Equity for the years ended
December 31, 2020, 2019 and 2018 (Numbers in Thousands)

STATEMENT OF OPERATIONS AND CHANGES IN EQUITY

	2020	2019	2018
Revenue (In Thousands)			
Sales of electric energy to members	\$89,365	\$89,548	\$90,612
Miscellaneous other operating revenue	323	734	772
Total Revenues	\$89,688	\$90,282	\$91,384
Expenses			
Wholesale power (Great River Energy)	46,303	46,129	47,556
Operating expenses (maintenance, operations, administration, member support)	25,402	26,335	24,111
Depreciation of utility plant	10,264	10,380	9,466
Interest expense on long-term debt	6,753	6,599	6,223
Total Operating Expenses	88,722	89,443	87,356
Income from Electric Operations	966	839	4,028
Patronage capital from Great River Energy and Others	2,066	2,196	2,389
Non-operating and other income, net	770	389	278
Subsidiary Income or (Loss)	1,273	572	518
Net Margins	\$5,075	\$3,996	\$7,213
Accumulated patronage capital-beginning of year	\$111,541	\$111,838	\$107,960
Net other changes in equities	1,043	1,401	831
Retirement of patronage capital	(4,921)	(5,694)	(4,166)
Accumulated Capital at Year End	\$112,738	\$111,541	\$111,838

FINANCIAL HIGHLIGHTS

	2020	2019	2018
Kilowatt Hours Sold (In Thousands)			
Rural Residential	491,205	497,976	494,421
Commercial /Industrial	121,610	132,809	134,304
Public Street Light	522	559	579
Resale	-	-	36,993
Total kWh Sold	613,337	631,344	666,297
Revenue (In Thousands)			
Rural Residential	\$73,449	\$72,710	\$71,076
Commercial /Industrial	15,812	16,705	16,536
Public Street Light	104	133	129
Resale	-	-	2,871
Total Revenue	\$89,365	\$89,548	\$90,612
Comparative Operating Statistics			
Number of accounts at year end	50,073	49,610	49,494
Miles of line energized	8,359	8,347	8,330
Accounts per mile of line	6.0	5.9	5.9
Average residential kWhs used per month	892	908	904
Average residential monthly bill	\$133	\$133	\$130
Plant investment per Account	\$5,332	\$5,170	\$4,808

A complete consolidated audited financial statement is available upon request.

2020 Annual Report - Statement of Operations and Changes in Equity for the years ended
December 31, 2020, 2019 and 2018 (Numbers in Thousands)

Balance Sheet

Assets

What we own

	2020	2019	2018
Cost of Our Utility System	\$379,357	\$369,481	\$348,907
Depreciated Plant	(112,358)	(112,987)	(110,939)
This gives our system a book value of:	\$266,999	\$256,494	\$237,968

We Have Other Property and Investments

Investments in Associated Organizations	\$46,974	\$46,511	\$46,431
Other Investments	8,022	7,117	7,131
Total other property and investments	\$54,996	\$53,628	\$53,562

We Have These Current Assets

Cash and cash equivalents	\$5,814	\$2,075	\$6,522
Members and others owe us for our services	8,999	8,752	10,436
Materials and supplies for line construction	5,306	4,942	4,547
Other current assets	232	120	134
Total Current Assets	\$20,351	\$15,889	\$21,639

We Have Deferred Debits

	\$793	\$1,278	\$1,755
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TOTAL ASSETS

\$343,139 \$327,289 \$314,924

Liabilities

What we owe

Long Term Debt

We owe Rural Utility Service	\$134,970	\$119,897	\$104,323
We owe NRUCFC	12,604	13,721	14,911
We owe CoBank	62,537	62,617	65,661
We owe Great River Energy	288	78	156
	\$210,399	\$196,313	\$185,051
Less payments due in the next year	(6,956)	(7,146)	(6,856)
Total Long Term Debt	\$203,443	\$189,167	\$178,195

We Owe Current Liabilities

Power, materials, etc.	\$12,182	\$11,092	\$10,318
Payments on long-term debt due in the next year	6,956	7,146	6,856
Other current liabilities	5,807	6,067	5,687
Total Current Liabilities	\$24,945	\$24,305	\$22,861
We have deferred credits	2,013	2,276	2,030
TOTAL WE OWE	\$230,401	\$215,748	\$203,086

Net Worth

Members' Equity in the Cooperative

Your accumulated patronage capital	\$86,697	\$87,114	\$89,330
Other capital	26,041	24,427	22,508
Members' Equity in the Cooperative	\$112,738	\$111,541	\$111,838
TOTAL LIABILITIES AND EQUITY	\$343,139	\$327,289	\$314,924

A complete consolidated audited financial statement is available upon request.

Commitment to community

As an electric cooperative, Lake Country Power is community-focused and local. Your co-op is led by consumers like you, belongs to the communities it serves and is built by the communities it serves. Last year's community focus included some of the following actions:

- \$180,947 contributed through Operation Round Up® in 2020 (more than \$2.5 million overall since October 2004 for community-based projects and programs).
- \$3.9 million capital credit retirement to LCP members.
- 28 local high school seniors from 28 different schools received the Les Beach Memorial Scholarship from LCP, valued at \$4,000 each.
- Employees safely volunteered 322.5 hours through LCP's community service program, despite the impact of COVID-19.
- Employees contributed nearly \$12,800 to United Way; LCP's board approved a co-op contribution of \$6,000 that was evenly divided between the three United Way agencies in the co-op's service area.
- Processed a \$308,824 E3 Loan through Great River Energy to Hillwood Products, Cook, Minn. LCP and its predecessor cooperatives have given more than \$5.7 million in loans for local economic development from the Revolving Loan Fund, USDA loans, and LCP/ Great River Energy contributions.
- Provided a special scholarship in lieu of sponsoring a student on the Electric Cooperative Youth Tour in Washington, D.C., which was canceled due to the pandemic.
- \$343,203.34 was given back to residential co-op members through the co-op's rebate program.
- Recognized the Cook Area Health Care Auxiliary Thrift Shop of Cook, Minn., as the winner of its annual Touchstone Energy Community Award and \$500. ■

2020 Annual Meeting - Condensed Minutes

The twenty-fourth Annual Membership Meeting of Lake Country Power was held in the multi-purpose room at the LCP Cohasset Service Center on June 26, 2020. President Craig Olson called the meeting to order at 12:31 p.m., and presented the meeting notice and announced that in addition to the board members present and those who voted in the director election, quorum requirements were met.

Due to COVID-19 and ongoing uncertainties related to the pandemic, the sole purpose of the meeting was to carry out the 2020 director elections in Districts 3, 6 and 7. The

meeting was closed to public attendance due to the coronavirus pandemic, health concerns and safety.

Attorney Chad Felstul and Tyler Oppenheimer, business systems analyst from Survey & Ballot Systems, attended electronically. Oppenheimer announced the director election results for Districts 3, 6 and 7.

The meeting adjourned at 12:33 p.m.

Editor's Note: A complete copy of the 2020 annual meeting minutes is available online at www.lakecountrypower.coop. ■

2020 Election Results

* Denotes current LCP director

District 3: George Harvey*	431
District 6: Daniel Kingsley* Donald Simons	474 367
District 7: Craig Olson*	413

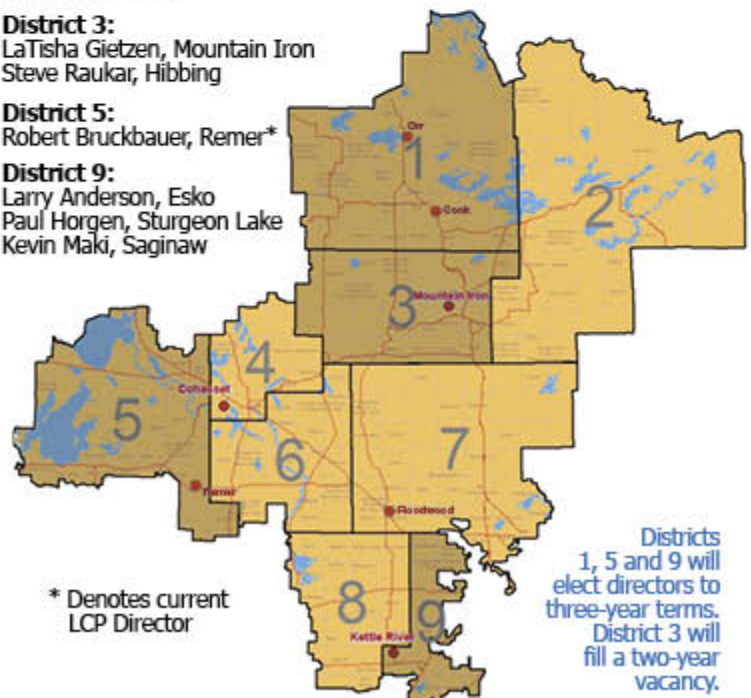
Districts Voting • 2021

District 1:
Jason Long, Cook*

District 3:
LaTisha Gietzen, Mountain Iron
Steve Raukar, Hibbing

District 5:
Robert Bruckbauer, Remer*

District 9:
Larry Anderson, Esko
Paul Horgen, Sturgeon Lake
Kevin Maki, Saginaw



* Denotes current LCP Director

Districts 1, 5 and 9 will elect directors to three-year terms. District 3 will fill a two-year vacancy.



2021 Annual Meeting

Due to the ongoing pandemic, the 2021 annual meeting will be closed to in-person attendance. Rather than holding a traditional gathering, the annual meeting will be held virtually via **Zoom video conference** on

Thursday, April 15 at 5:00 p.m.

Visit www.lakecountrypower.coop/2021-annual-meeting for more information.

A dial-in teleconference option is available.

If you plan to join the annual meeting via phone, please register by calling 800-421-9959 for assistance.