



A Touchstone Energy® Cooperative

Energy that Powers Our Lives

### IN THIS ISSUE

- Adapting for the Present and Future .... p. 1
- Making Connections ..... p. 2
- Holding Company Update ..... p. 3
- Meter Exchanges & Payment Options.. p. 4
- Great River Energy Update ..... p. 5
- 2018 Financials ..... p. 6-7
- Condensed Minutes ..... p. 8

April 2019 Newsline Special Edition

# 2018 Annual Report

## Adapting for the present and the future with technology, new milestones and rate stability

As a local member-owned electric cooperative, we believe it's important to keep looking forward and meet the needs of the community of co-op members we serve. At Lake Country Power, investing in infrastructure, service, and community are some of those ways.

Lake Country Power has two major projects underway where the costs and benefits of the investments will be spread over the course of many years. Much of the work will be done in the near-term, but projects will provide service and reliability benefits to co-op members for many years to come.



By Greg  
**RANDA**  
LCP general manager

### New Service Center

Construction is also underway on a new headquarters building in Cohasset. The new building is replacing a time-worn and overcrowded 50-year-old building in Grand Rapids that needs major repairs.

The new location will also provide us with much safer access to U.S. Highway 2, a major concern at our present site. The new building will be designed to meet the needs of tomorrow – and get more trucks and equipment under cover – protecting important material and equipment investments from the harsh rays of the sun, as well as ice and snow.

Hawk Construction, a northern Minnesota contractor, is leading construction of the new service center. We expect construction will be complete on the \$12 million project this fall. We'll be planning an open house for members to see the new service center later this year.

### System Improvements

We're also moving forward with other important service, reliability and infrastructure investments. We have budgeted more than \$5.3 million in capital improvements to replace aging power lines, poles and equipment. Another \$5.2 million

### New Meters

One of the initiatives involves the installation of nearly 70,000 new automated meters. The new technology will provide many advantages to members compared to the current metering system.

The new meters will allow co-op members to monitor hourly electric usage and account information. The meters will improve the number of meters that communicate with the co-op and read on a regular basis. The meters will have outage detection capabilities, which will help outage response for co-op members.

### Connect at the Annual Meeting

Concluding this year's district member meetings is the annual meeting – an opportunity to connect with co-op leaders and hear more how your co-op is working hard for you.

The annual meeting will be held  
**Wednesday, April 17**  
Lincoln Elementary School  
Hibbing, MN

- Registration and dinner begins 4:45 p.m. (choice of ham or turkey)
- Entertainment by Due North in auditorium begins 5:00 p.m.
- Introductions and welcome at 5:50 p.m. with business meeting beginning 6:00 p.m.

Members who bring cash or non-perishable food for the Salvation Army of Hibbing will receive up to two energy-efficient lights.

is budgeted to keep trees and brush clear along powerline corridors. These investments and expenses are necessary to provide you with safe and reliable service.

### Rate Stability

We don't anticipate a rate change in 2019. It's been a few years since we've had to make changes to rates. It doesn't mean severe weather or unplanned circumstances can't change the plan, but thanks to wise budget management, a strong year for our power supplier in

Continued on p.2

# Making connections to communicate co-op matters

As I pen this article, we are experiencing another wicked weather event. I just want to thank all of the hardy co-op members who have braved the elements to make it to your district member meetings. We as directors and all LCP employees, thank you for your participation in these district meetings as well as the upcoming annual meeting scheduled to be held in Hibbing on April 17.



By Dan  
**KINGSLEY**  
District 6 Director

I recently joined several other LCP directors and staff in attending the Minnesota Rural Electric Association annual meeting and day training in St. Paul, February. Monday consisted of deep dive sessions including easement and broadband discussions. Tuesday was used primarily for office visits with our respective Senators and Representatives.

LCP staff coordinates with each office to schedule 15-minute visits. What a great opportunity for all co-op directors to be able to talk one-on-one with policy makers about the issues that matter most to you and your neighbors concerning your electric co-op! There is absolutely no better way to get policy makers to take notice than to sit down for a few minutes

with these people in their own environment and communicate your co-op's concerns.

Whether it be climate change, green energy issues, or local jurisdiction concerns, hearing about these issues from your elected directors and co-op staff can leave a lasting impression more vivid than an e-mail.

Wednesday was the MREA annual meeting. At the conclusion everyone found

they would have one more memorable experience in attempting to return home in a blinding snowstorm. I hope everyone received a helping hand if needed and all arrived home safely.

Now looking forward, as mentioned earlier your LCP annual meeting is April 17 in Hibbing. I hope to see each of you there and hopefully again in Cohasset later this year for an open house yet to be scheduled upon completion of our new beautiful headquarters. ■

Dan Kingsley was elected by members in Lake Country Power District 6. He can be reached at 218-697-2628 or kingsdan27@gmail.com.



► Front row, left to right: Sherman Liimatainen, District 9; Craig Carlson, District 4; and Mike Forsman, District 2. Second row, left to right: Jason Long, District 1; George Harvey, District 3; and Jim Huhta, District 8. Third row, left to right: Bob Bruckbauer, District 5; and Dan Kingsley, District 6. Fourth row: Craig Olson, District 7.

## 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

	2018	2017	2016
Per Diem	\$ 132,550	\$ 125,100	\$ 124,000
Other Reimbursable Expenses	60,137	46,663	54,975
Other Board Expenses	9,359	10,119	9,460
<b>Total Expense</b>	<b>\$ 202,046</b>	<b>\$ 181,882</b>	<b>\$ 188,435</b>

## Adapting ...

Continued from p. 1

2018, and a revenue deferral plan approved by our lender, we expect to meet our financial commitments in 2019.

Great River Energy, LCP's power supplier, was able to issue nearly \$1.1 million in power cost adjustment credits to LCP in 2018. In December, GRE also issued a \$500,000 credit to LCP.

The \$2 million from GRE

credits and reimbursements in 2018 will be deferred for use as needed in 2019 and 2020 with the intent to offset rate impacts.

Last summer's storms in northern Minnesota were recognized as a Federal

Disaster Declaration, so LCP submitted a month of storm-related costs. We expect to receive a combined reimbursement of more than \$900,000 this year from the federal and state government. This also helps offset rates. ■

# Recognizing the value of our subsidiaries

I've had the honor and privilege to serve as LCP district 3 director for 17 years. I am also privileged to serve as the president of the LCP Holding Company – the for-profit entity that oversees our two subsidiaries, Lake States Tree Service and Lake States Construction. It gives me great pleasure to announce a yearly dividend of \$459,300 for 2018.



By George HARVEY  
LCPH Holding Co.  
President

away clearing and mowing projects. Construction has added fiber optic trenching to bring broadband to rural areas. The broadband emphasis complements power line construction work that has been the company's primary focus over the years.

While engaging in contract work for the cooperative, LSTS and LSC also employ many of our members and support many of our local businesses. When local storm work is necessary, construction crews are often called upon to help LCP get power restored quickly for co-op consumers.

Subsidiary crews not only help LCP by doing contract work, but the tree service and construction companies bid on work for other companies in the area as well. In the

These companies go largely unrecognized by members, but they bid on projects and provide contract work for LCP and other utilities. Specifically, the subs assist LCP in line clearing, line construction, and outage response.

The Tree Service has been upgrading and 'retooling' their operation by adding equipment to improve right-



last two years, Lake States Construction has also offered services to utilities in Georgia after hurricanes ravaged the southeast. The first trip was in 2017. LSC was so well received after the first hurricane they were called to come again in 2018 by the same company.

These two companies provide service to LCP by doing contract work. The Holding Company Board recognizes the effort in a highly competitive environment, and is appreciative of the work the subsidiaries do. ■



▶ The LCP Holding Company recently presented a \$459,300 dividend check to Lake Country Power, which represents the 2018 dividend. Left – right is Lake States Construction President Sherman Liimatainen, LCP General Manager Greg Randa, LCP Holding Company George Harvey and Lake States Tree Service President Jim Huhta.

## Subsidiary overview

**Lake States Tree Service** is a commercial tree service contractor working with electric utilities, pipelines, private landowners specializing in vegetation management. The business averages between 100–120 employees and is headquartered in Grand Rapids, Minn.

**Lake States Construction** is a utility construction contractor specializing in underground and overhead power line construction for fiber, electric utilities and cooperatives. The business averages between 35–55 employees and is headquartered in Grand Rapids, Minn.

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

2018:	2017:	2016:
\$23,900.54	\$23,432.43	\$33,470.16

All Holding Company board expenses paid by subsidiaries.

## New payment options make doing business easy

Lake Country Power is always considering new ways to make it easier for members to do business with their co-op. Besides the many payment options that are already available, two more options exist.



When you walk into the lobby at the Grand Rapids service center, you'll see a payment kiosk which is operational and ready for use. The kiosk in the co-op's Mountain Iron service center is located within the front entryway after the first set of doors.

The kiosk in Mountain Iron is open daily from 6:00 a.m. until 8:00 p.m. The outer/external doors will remain open during these times.

Both kiosks can be used during regular business hours as well, which should help anyone who is pressed for time.

The kiosks accept credit cards, checks and cash payments. Any overpayment of cash will apply as a credit to your electric account for the next month.

The kiosks are compliant with the Payment Card Industry, so all transactions are safe, secure and accurate. At this time, the Kettle River

# Out with the old meters, in with the new

As announced earlier, all LCP members will receive new meters. The current Cannon metering system was installed nearly 15 years ago and is reaching end-of-life in technology years.

A pilot project kicked off last fall when 2,500 meters were exchanged for LCP members north of Cloquet. During the pilot project, LCP was pleased to see that the new meters are meeting all established requirements. This means the replacements will continue for the remaining 65,500 meters until full deployment is reached in late 2020 or early 2021.

Members will gain some valuable benefits from the \$14 million investment in new technology:

- Co-op members will be able to monitor hourly electric usage and account information, pending they have a SmartHub account with LCP. Sign up for SmartHub at [www.lakecountrypower.coop](http://www.lakecountrypower.coop) to take advantage of this benefit.
- Co-op members will see a reduction in estimated bills because the new meters will improve the number of meters that read on a regular basis.
- The meters have outage detection capabilities, which will help improve outage response time for co-op members.

The new meters will provide capabilities for pre-pay billing,



Thousands of new meters are arriving on pallets at Lake Country Power's Grand Rapids service center. Upon arrival, technicians random test the new meters. They also look each meter over to ensure there are no obvious defects.

which LCP will analyze as a potential future option.

In addition, the new meters will be used to control LCP's EnergyWise programs such as off-peak and dual fuel. The current radio system that's been in place for over 30 years will no longer be supported by year-end 2025, which is another reason LCP's new metering system is necessary. ■

service center doesn't have a kiosk payment method but the option is being considered.

## Self-Enrollment

Now members can enroll in LCP Easy Pay on their own – an automatic bill payment method – simply by using their phone. When a member calls LCP, and selects the “to make a payment to your electric account” option, they currently go through a set of three prompts (press 1 to check your account status or make a payment, press 2 to update your phone number, and press 3 to create or update your pin number).

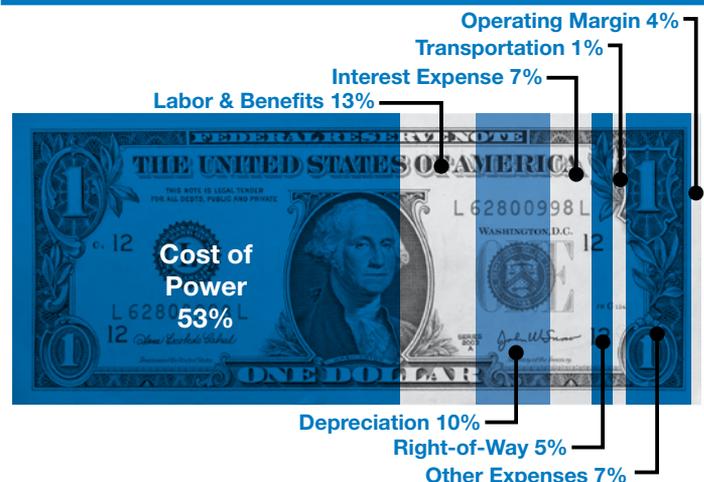
LCP recently added a fourth prompt: “to enroll or update your LCP Easy Pay, our automatic bill payment

program,” press 4. Take advantage of automatic bill payments by self-enrolling in LCP Easy Pay today. You'll save time and money.

“During the first month we offered this fourth prompt, 318 members enrolled in

LCP Easy Pay,” said Barb Schmit, billing manager. “That's an impressive number for the first month, and it frees up our employees from handling mail so they can address other items with members instead.” ■

## Breakdown of Total Cooperative Expenses: 2018



# Commitment to community

Electric cooperatives are instrumental to their local communities and take their role seriously. In fact, community is a significant part of LCP's overall mission statement where it says the co-op will serve to help our communities prosper.

## Some of LCP's community-giving highlights in 2018:

- Employees volunteered 592.5 hours through the co-op's community service program, plus even more hours volunteering in their community after-hours.
- Through the years, LCP and its predecessor co-ops have given more than \$6 million in loans for local economic development from the Revolving Loan Fund, USDA loans, and Lake Country Power/Great River Energy contributions. In 2018, LCP provided a \$100,000 Revolving Loan to the Goodland Township, and in 2019 processed a \$100,000 Revolving Loan to Blue Water Creations, Inc.
- Operation Round Up® contributed more than \$186,000. Since October 2004, more than \$2.2 million has been distributed to community-based projects and programs.
- 28 local high school seniors from 28



different schools were awarded the Les Beach Memorial Scholarship, valued at \$4,000 per scholarship.

- Sponsored one student on the Electric Cooperative Youth Tour to Washington, D.C.
- More than \$649,000 in rebates given back to LCP members.
- \$3 million capital credit retirement to LCP members.
- Caring For The Kids Community of Aurora earned LCP's \$500

Touchstone Energy Community Award.

- Safety demonstrations presented to hundreds of children in three local communities.
- LCP earned the first-place champion title...again (2018 and 2017), where a team of LCP employees won the Kiwanis-sponsored "Minute to Win It," games. The LCP team earned the spirit award too, so the wins provided \$3,100 for the Itasca County Sheriff Dive Team. ■

## Great River Energy: Competitive rates and growing renewables

Lake Country Power is one of 28 electric cooperatives that collectively own a wholesale electric cooperative called Great River Energy. For 20 years, GRE has provided electricity to LCP while pursuing its mission to generate and transmit reliable and affordable electricity in harmony with a sustainable environment.

GRE receives electricity from power plants, wind farms, solar installations and hydroelectric facilities. The



cooperative also operates and maintains thousands of miles of high-voltage transmission lines.

Like all cooperatives, GRE serves its members best when it maintains strong financial results. 2018 was one of the best financial years in company history. Strong sales and cost controls propelled Great River Energy's 2018 margins well in excess of budget. As a result, GRE reached 20 percent equity, accomplishing a goal it

established more than 15 years ago. GRE will now deliver on its cooperative promise to members and begin returning cash to member-owner cooperatives like LCP in 2019.

GRE will provide 50 percent renewable energy to its all-requirements member-owner cooperatives by 2030, which includes LCP. GRE emitted 38 percent less carbon dioxide in 2018 than it did in 2005.

GRE projects rate increases significantly below the

anticipated rate of inflation for a decade. For 2019, GRE's wholesale rates have declined.

In the spring of 2019, conversion equipment – the equipment that converts alternating-current power to direct-current power and vice versa – is being replaced with today's transmission technology.

GRE is well positioned to serve members with reliable, affordable and environmentally responsible energy long into the future. ■

STATEMENT OF OPERATIONS AND CHANGES IN EQUITY

	2018	2017	2016
<b>Revenue</b>			
Sales of electric energy to members	\$ 90,612	\$ 89,189	\$ 86,245
Miscellaneous other operating revenue	772	798	819
<b>Total Revenues</b>	<b>\$ 91,384</b>	<b>\$ 89,987</b>	<b>\$ 87,064</b>
<b>Expenses</b>			
Wholesale power (Great River Energy)	47,556	47,774	46,178
Operating expenses (maintenance, operations, administration, member support)	24,111	23,748	24,454
Depreciation of utility plant	9,466	9,025	8,824
Interest expense on long-term debt	6,223	6,026	5,993
<b>Total Operating Expenses</b>	<b>87,356</b>	<b>86,573</b>	<b>85,449</b>
<b>Income from Electric Operations</b>	<b>4,028</b>	<b>3,414</b>	<b>1,615</b>
Patronage capital from Great River Energy and Others	2,389	2,959	3,002
Non-operating and other income, net	278	579	600
Subsidiary Income or (Loss)	518	592	124
<b>Net Margins</b>	<b>\$ 7,213</b>	<b>\$ 7,544</b>	<b>\$ 5,341</b>
Accumulated patronage capital-beginning of year	\$ 107,960	\$ 103,579	\$ 100,988
Net other changes in equities	831	924	793
Retirement of patronage capital	(4,166)	(4,087)	(3,543)
<b>Accumulated Capital at Year End</b>	<b>\$ 111,838</b>	<b>\$ 107,960</b>	<b>\$ 103,579</b>

FINANCIAL HIGHLIGHTS

	2018	2017	2016
<b>Kilowatt Hours Sold</b>			
Rural Residential	494,421	472,150	461,202
Commercial /Industrial	134,304	127,281	124,064
Public Street Light	579	616	629
Resale	36,993	37,051	37,617
<b>Total kWh Sold</b>	<b>666,297</b>	<b>637,098</b>	<b>623,512</b>

	2018	2017	2016
<b>Revenue</b>			
Rural Residential	\$ 71,076	\$ 70,249	\$ 68,228
Commercial /Industrial	16,536	16,120	15,478
Public Street Light	129	123	121
Resale	2,871	2,697	2,418
<b>Total Revenue</b>	<b>\$ 90,612</b>	<b>\$ 89,189</b>	<b>\$ 86,245</b>

Comparative Operating Statistics

Number of accounts at year end	49,494	49,199	48,952
Miles of line energized	8,330	8,319	8,306
Accounts per mile of line	5.9	5.9	5.9
Average residential kWhs used per month	904	866	848
Average residential monthly bill	\$ 130	\$ 129	\$ 125
Plant investment per Account	\$ 4,808	\$ 4,527	\$ 4,426

A complete consolidated audited financial statement is available upon request.

2018 Annual Report – Statement of Operations and Changes in Equity for the years ended  
December 31, 2018, 2017 and 2016 (Numbers in Thousands)

Balance Sheet

**Assets**

*What we own*

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Cost of Our Utility System	\$ 348,907	\$ 328,789	\$ 316,413
Depreciated Plant	(110,939)	(106,074)	(99,775)
This gives our system a book value of:	<u>\$ 237,968</u>	<u>\$ 222,715</u>	<u>\$ 216,638</u>

**We Have Other Property and Investments**

Investments in Associated Organizations	\$ 46,431	\$ 44,951	\$ 42,948
Other Investments	7,131	7,127	6,635
Total other property and investments	<u>\$ 53,562</u>	<u>\$ 52,078</u>	<u>\$ 49,583</u>

**We Have These Current Assets**

Cash and cash equivalents	\$ 6,522	\$ 4,495	\$ 6,048
Members and others owe us for our services	10,436	10,608	9,800
Materials and supplies for line construction	4,547	4,635	4,117
Other current assets	134	85	196
Total Current Assets	<u>\$ 21,639</u>	<u>\$ 19,823</u>	<u>\$ 20,161</u>

**We Have Deferred Debits**

	\$ 1,755	\$ 1,495	\$ 1,762
--	----------	----------	----------

**TOTAL ASSETS** **\$ 314,924**   **\$ 296,111**   **\$ 288,144**

**Liabilities**

*What we owe*

**Long Term Debt**

We owe Rural Utility Service	\$ 104,323	\$ 85,988	\$ 78,926
We owe NRUCFC	14,911	16,099	17,398
We owe CoBank	65,661	68,590	71,410
We owe Great River Energy	156	235	313
Other long-term liabilities	-	-	-
	<u>\$ 185,051</u>	<u>\$ 170,912</u>	<u>\$ 168,047</u>

Less payments due in the next year (6,856) (6,842) (5,930)

**Total Long Term Debt** **\$ 178,195**   **\$ 164,070**   **\$ 162,117**

**Other Noncurrent Liabilities**

Capital Lease - noncurrent portion	\$ -	\$ -	\$ 57
------------------------------------	------	------	-------

**We Owe Current Liabilities**

Power, materials, etc.	\$ 10,318	\$ 11,033	\$ 10,446
Payments on long-term debt due in the next year	6,856	6,842	5,930
Notes Payable	-	-	-
Capital Lease - current portion	-	57	57
Other current liabilities	5,687	6,140	5,945
	<u>\$ 22,861</u>	<u>\$ 24,072</u>	<u>\$ 22,378</u>

**Total Current Liabilities** **\$ 22,861**   **\$ 24,072**   **\$ 22,378**

We have deferred credits 2,030 9 13

**TOTAL WE OWE** **\$ 203,086**   **\$ 188,151**   **\$ 184,565**

**Net Worth**

*Members' Equity in the Cooperative*

Your accumulated patronage capital	\$ 89,330	\$ 86,875	\$ 83,542
Other capital	22,508	21,085	20,037
	<u>\$ 111,838</u>	<u>\$ 107,960</u>	<u>\$ 103,579</u>

**Members' Equity in the Cooperative** **\$ 111,838**   **\$ 107,960**   **\$ 103,579**

**TOTAL LIABILITIES** **\$ 314,924**   **\$ 296,111**   **\$ 288,144**

A complete consolidated audited financial statement is available upon request.

# 2018 Annual Meeting - Condensed Minutes

The twenty-second Annual Membership Meeting of Lake Country Power was held at the Cromwell High School, Cromwell, MN on April 19, 2018. President Craig Olson called the meeting to order at 6:02 p.m., and presented the meeting notice and announced a quorum with 192 registered members.

President Olson called for a motion to approve the condensed minutes of the April 19, 2017 Annual Membership Meeting. Motion carried. The polls closed for director elections at 6:04 p.m.

President Olson spoke about the cooperative business model and how LCP is owned by its members. Country living presents its challenges with more trees to clear from electric lines, etc. With less than six consumers per mile-of-line, LCP's fixed costs are spread among a fewer number of residents than for-profit utilities that serve cities and suburbs. Olson also focused on member benefits, including voting privileges and locally made decisions.

General Manager Randa highlighted a few upcoming projects: upgrading/replacing at least 75 miles of line each year for the next 75 years; pole inspections/replacements; deploying a new metering system; adding two tree crews which is expected to save LCP more than \$100,000 this year

in contractor costs; new service center building project in the Cohasset Industrial Park to replace the timeworn and overcrowded service center in Grand Rapids. Randa also noted that LCP employees volunteered more than 600 hours for community projects.

Director of Finance and Administration Bakk reported about the 2017 year-end audit, and that it provided a clean opinion of LCP's accounting controls. LCP is in full compliance with the financial requirements set by its lender, the federal government's Rural Utilities Service.

Rick Lancaster, Great River Energy's Vice President and Chief Generation Officer, gave an overview about GRE operations. GRE provides wholesale electric service to 28 member cooperatives, which distribute electricity to nearly 650,000 member-consumers in Minnesota – about 1.7 million people. He commented about rates, assets, revenue, transmission lines and generation. GRE has 700 MW of renewables and reached the 25% renewable energy standard in 2017. He also commented on GRE's 10-year rate forecast, CO2 emissions reductions, power plant operations at Coal Creek Station and the retirement of Stanton Station.

George Harvey, President of LCP's Holding

Company, reported about the board's established goals and expectations for the subsidiaries.

President Olson presided over Old Business. There was none. He called for New Business. Two members spoke. One asked if LCP is taking advantage of GRE solar and wind power. Another asked about distributed generation.

The meeting adjourned at 6:57 p.m. ■

*Editor's Note: A complete copy of the 2018 annual meeting minutes will be distributed at the annual meeting and are also available online at lakecountrypower.coop.*

## 2018 Election Results

<b>District 1:</b>	
Jason Dale Long*	620
<b>District 5:</b>	
Robert Bruckbauer*	406
<b>District 9:</b>	
Sherman Liimatainen*	413
Kevin Maki	274

\*Denotes current LCP director

## Districts Voting • 2019

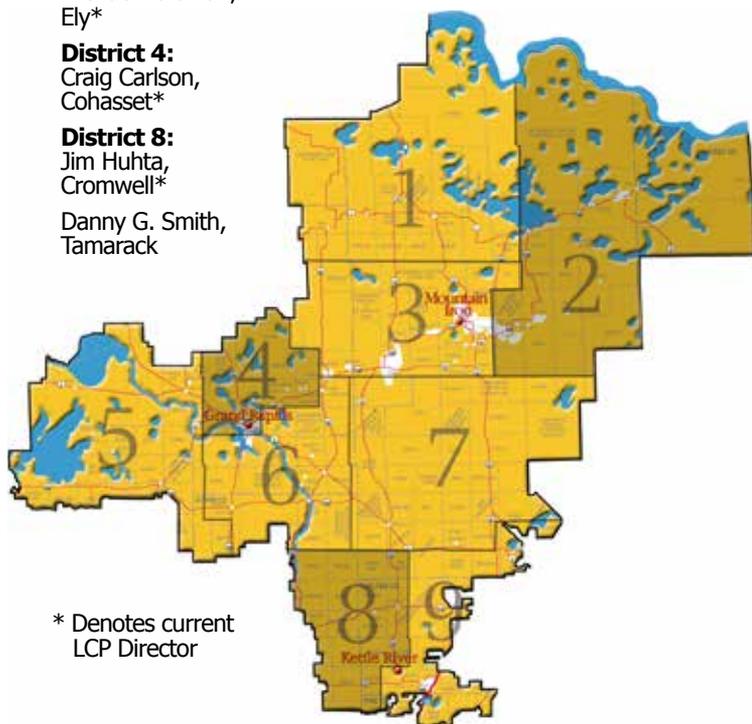
Districts 2, 4 and 8 will elect directors to three-year terms.

**District 2:**  
Michael Forsman,  
Ely\*

**District 4:**  
Craig Carlson,  
Cohasset\*

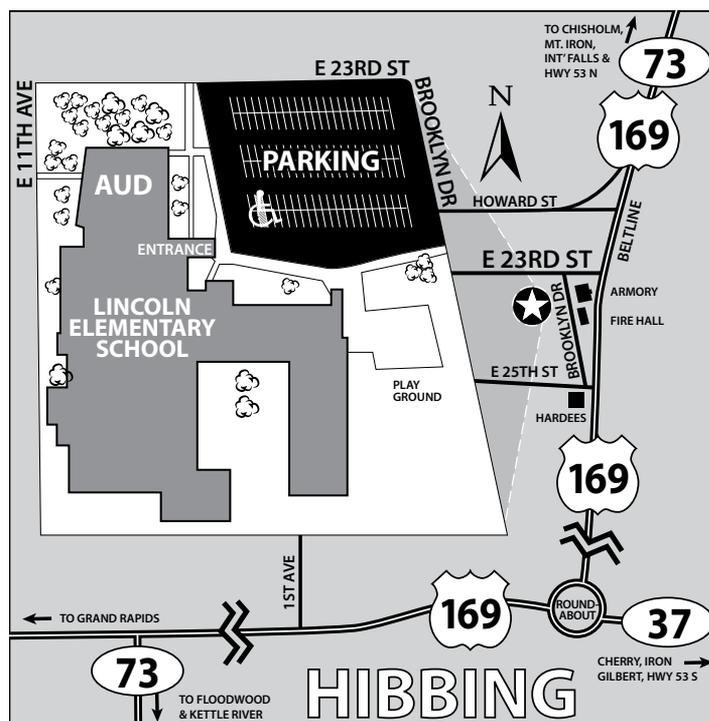
**District 8:**  
Jim Huhta,  
Cromwell\*

Danny G. Smith,  
Tamarack



\* Denotes current LCP Director

## ANNUAL MEETING LOCATION MAP



### ANNUAL MEETING LOCATION

Lincoln Elementary School Auditorium, 1114 East 23rd Street, Hibbing, MN 55746

Located at the intersection of 11th Avenue and 23rd Street, and one block from high school. Just off Hwy. 169.