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2019 Annual Report

April 2020 *Newsline* Special Edition

Co-op values unchanged for more than 80 years

As times change and we turn the clock to a new decade, I can say with certainty the goals and values at Lake Country Power are unwavering. I've seen plenty of change in my 40-plus years of co-op employment but how we approach business, member service, community outreach, and collaboration is always consistent. Our core values – integrity, safety & quality, innovation, communication, teamwork and respect – are at the forefront of every decision we make.

But why are we here? What makes a Lake Country Power employee? Simple, we are here to serve you, the member-owner. Just as it was some 80-plus years ago when the first co-op employee was hired, the vision is the same today. Now with 134 employees serving more than 43,000 members the mission is the same: To provide safe, reliable electric service; manage member resources wisely and serve to help our communities prosper.

New service center opens

I'm pleased to say 2019 was a very positive year for us at Lake Country Power. The biggest highlight was the October opening of the new service center/headquarters in Cohasset. The present and future benefits of the new building will be many as we moved out of an overcrowded 50-year-old building in dire need of repair.

The new building is designed to meet our needs today and tomorrow, and to preserve the resources we use to serve the membership. By getting our equipment and material under cover we will help protect these valuable investments from the harsh extremes of weather in northern Minnesota.



By Greg
RANDA
LCP general
manager

Advanced meters now 52 percent deployed

Our employees were busy last year as tens of thousands of old meters were replaced with new advanced automated units. The new technology will provide many member-benefits including: Hourly electric usage statistics, automated and reliable meter readings, fault detection and outage reporting capabilities.

When the initiative is complete next year, more than 69,000 meters (including Energy Wise® programs) will work together to provide better service for all members and help create an even more reliable system.

Member Service employees exceed 2019 goals; satisfy members

The Lake Country Power member service group had an impressive year as they exceeded their 2019 goals. For those who need to call the cooperative for any reason, our employees who handle the phones are outstanding. Whether you call for

2020 Annual Meeting POSTPONED UNTIL FURTHER NOTICE

In response to the ongoing spread of COVID-19 (coronavirus) and the best interests of our members' safety, health and well-being, Lake Country Power has postponed the annual membership meeting that was originally scheduled for **April 15, 2020**, in Cohasset.

As such, the director elections for districts three, six and seven have been postponed as well.

An alternate date is yet to be determined

and will be communicated with members through direct mail (the official annual meeting notice), website, social media, traditional media such as area newspapers, etc.

We appreciate everyone's patience and understanding as we follow guidelines from the Centers for Disease Control and Prevention (CDC) and the Minnesota Department of Health (MDH).

billing, member service, or general questions, I'm sure you will not be disappointed.

New tree crews paying back; construction crews coming

Our internal tree crews dedicated to member requests and danger trees are paying off. Now in their second year, the pair of two-man crews saved the co-op nearly \$160,000 in 2019, from work which would have been previously contracted.

Continued on p.3

Cooperatives: Built by the community, for the community

Lake Country Power is a member-owned, member-governed local electric cooperative. It was built by the community and for the community.

When the co-op was founded over 80 years ago, members of the community knew their co-op was locally owned – likely because they or someone they knew played a big part in helping found the cooperative. Over time as the novelty of receiving electricity waned, the founders passed on and new people moved into the communities, viewing the electric co-op just like any other energy provider.

But Lake Country Power is different. The key to that difference is you – the member-owners of our cooperative. Without your support and commitment, LCP would not exist.

Research proves that when people own something, they treat it differently. It is why LCP's board encourages members to act as owners rather than customers. It's also why the co-op talks in terms of "members," not "customers." As a member-owner, you play a critical role in LCP's success. Each year, if the co-op's revenue exceeds its expenses, those margins are allocated back to the members in the form of capital credits. These capital credits represent your ownership share of the cooperative. Additionally, when financial conditions allow, the board approves a retirement, or repayment, of

those capital credits back to the member-owners...

Ownership brings certain rights and responsibilities, like the opportunity to seek election to serve on the board of directors. If that commitment seems too big, the board still needs members to participate in annual elections.

We also invite you to connect with LCP in other ways:

- Come to the annual meeting
- Attend a district member meeting or a monthly board meeting
- Connect with the co-op during member appreciation days
- Respond to a survey when asked to participate
- Contact your elected board member
- Go on an energy tour when it's made available
- Visit one of LCP's service centers and speak with staff
- Access the co-op's board minutes, financials, articles of incorporation & bylaws, and other transparent information on the website at www.lakecountrypower.coop

Since being on the board, I've noticed the co-op never stops moving with people coming and going – whether it's employees, board of directors or members. I've seen many new faces over



By Craig CARLSON
District 4
Director



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

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

	2019	2018	2017
Compensation	\$ 133,700	\$ 132,550	\$ 125,100
Other Reimbursable Expenses	49,786	60,137	46,663
Other Board Expenses	9,109	9,359	10,119
Total Expense	\$ 192,595	\$ 202,046	\$ 181,882

the years. While change is inevitable, Lake Country Power will always remain committed to delivering on the Cooperative Difference.

The more you get to know your electric cooperative,

the more you'll like and understand your co-op. ■

Craig Carlson was elected by members in Lake Country Power District 4. He can be reached at 218-999-7175 or ccarlsonlcp@gmail.com.

LCP subsidiaries turn out profitable 2019

Some may not realize Lake Country Power owns two businesses which complement our mission of providing safe and reliable electric service. These subsidiaries, Lake States Tree Service and Lake States Construction, sometimes go largely unsung and misunderstood in their position within the cooperative.



By George HARVEY
LCP Holdings, Inc.
President

Although they fall under co-op ownership, the for-profit businesses operate as independent contractors and provide services for Lake Country Power as well as bid on outside projects. For LCP they assist with line clearing, line construction and outage restoration. Both companies are managed independently from LCP and governed

through Lake Country Power Holdings, Inc.

As President of LCP Holdings, Inc., which oversees these subsidiaries, I'm happy to announce Lake States Tree Service and Lake States Construction were both profitable in 2019; turning a profit of more than \$570,000 and returning an annual dividend of \$489,589 to the cooperative. Also, the subsidiaries completed all work planned and contracted with LCP last year. The Holding Company Board recognizes the value in a highly competitive industry and appreciates the work the companies provide.

Lake States Construction



provides complete power line construction, including both overhead and underground installation. Also, LSC offers full-service fiber installation and trenching to bring broadband to rural areas.

Lake States Tree Service brings over 50 years of experience in tree removal, right-of-way clearing, and vegetation management programs for commercial customers in the midwestern states. Their services include tree trimming, mechanical mowing, and licensed herbicidal application.

More importantly, both companies are local to our



service territory and built on solid fundamentals much like their parent-company. Also, they provide jobs for roughly 150 people and their economic impact reaches many of our communities. ■

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

2019:	2018:	2017:
\$24,425.14	\$23,900.54	\$23,432.43

All Holding Company board expenses paid by subsidiaries.

Subsidiary overview

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.

Values ...

Continued from p. 1

Planning is underway in 2020 to add two five-man line crews to keep pace with the cooperative's goal of replacing 75 miles of line per year. Although they will mainly handle line construction, they will also be available to help with storm repair and outage restoration.

Slight rate increase for Energy Wise® programs

Finally, I'm proud we haven't had a general service rate increase in several years. We are currently completing our cost of service study and reviewing possible future rate changes. Although variables such as weather or unplanned circumstances

can change projections, the rate outlook is good.

Currently, the only rate change heading into the new decade included minimal adjustments for those associated with select Energy Wise® programs; namely off-peak, dual fuel, interruptible water heating and electric vehicle charging.

We have come a long way to help make this your home, business or retreat and I can tell you things are good at your cooperative as we charge into the future.

Be assured, we are focused on service, and our consistent member service commitment never changes. ■

Great River Energy: Powering what's possible



Great River Energy is a wholesale electric cooperative owned by 28 member-owner cooperatives, including Lake Country Power.

Great River Energy started its portfolio of wind energy resources 20 years ago with 3 turbines in southern Minnesota. The cooperative ended 2019 by adding its largest wind resource to date with the start of the 80-turbine, 200-megawatt Emmons-Logan wind farm in North Dakota.

Over the past five years, all of Great River Energy's new energy resources have been renewable. The cooperative is on track to achieve its goal of 50% renewable energy by 2030, reaching the interim milestone of 30% in 2020.

Meanwhile, Great River Energy has kept average wholesale electric rates flat, surpassed financial goals and began returning patronage capital to members.

Great River Energy and its 28 member-owner cooperatives

are committed to providing clean energy that is as affordable and reliable as ever.

Sharing financial success

For the second consecutive year, Great River Energy shared financial gains with its member-owner cooperatives, issuing a \$10 million refund in January 2019.

In addition, Great River Energy returned patronage capital for the first time in its history through a \$15 million cash payment to its 28 member-owner cooperatives.

Weather poses challenges

The Great River Energy system performed reliably as temperatures plunged to record lows across the Midwest in January 2019. During severe winter events, Great River Energy's generation and transmission assets are carefully operated and monitored to ensure electricity continues to power member-consumers' homes. The cooperative's resilient transmission system met the test with no outages or issues despite temperatures of -30 degrees Fahrenheit.

Investing in a critical grid resource

A critical transmission resource that has served members for 40 years received new life as Great River Energy upgraded its high-voltage, direct-current system. The unique 436-mile transmission line delivers power directly from the 1,140-megawatt Coal Creek Station power plant in central North Dakota to Minnesota. The upgrade will assure the line continues to provide value to members by operating reliably for decades to come.

Great River Energy began preparations for the upgrade in 2011 and completed work during a 74-day stretch in the early summer of 2019. Nearly all the equipment housed in two converter stations was removed and replaced with advanced technologies.

This project has been one of Great River Energy's most significant capital investments over the last several years and was completed on time and on budget.

Studying the low-carbon grid

Great River Energy joined

nine other utilities to study what system improvements and infrastructure upgrades will be needed to achieve ambitious carbon reduction goals.

The study is critical to the eventual development of a comprehensive plan that will ensure the continued reliable delivery of low-cost electricity in a cost-effective manner.

Long-running resource retired

Operations of Great River Energy's Elk River Resource Recovery Project concluded in January 2019. In the 30 years of operation as a waste-to-energy project, the energy recovery station generated 4.6 million megawatt-hours of renewable energy and processed more than 10 million tons of municipal solid waste. Decommissioning is underway and the plant is scheduled to be demolished in 2020.

A great place to work

For the second time, Great River Energy was certified as a Great Place to Work, an honor awarded to companies with high-trust and high-performing workplace cultures. ■

Line patrol season is underway

LCP line crews are doing line patrol and may need access to your property this month and in May. If your fence or gate is locked, they'll need to walk onto the property to check electrical equipment such as the meter at your home or cabin.

Line patrol happens every year during this time, or when temperatures become

dangerously cold. LCP crews will check the entire distribution system – both overhead and underground lines and equipment.

They'll be looking for maintenance issues that need attention, such as missing guy wires and guards, chipped insulators, underground cabinets, transformers, meters, etc. And they'll use a

variety of tools for patrolling, such as thermo heat guns for underground equipment.

Line patrol is another step in your co-op's efforts to meet its mission to deliver safe and reliable electric service for all members. Thank you in advance for your understanding. ■



Commitment to community

Lake Country Power is an electric cooperative that is community-focused for the benefit of its consumer-members. Being local, available and resourceful for our communities is important to the co-op. In fact, part of LCP's mission is to serve to help our communities prosper.

Some of LCP's community-giving in 2019 included:

- Employees volunteered a record 732.25 hours through LCP's community service program, not counting the extra volunteer hours after working hours in their communities.
- Employees contributed nearly \$16,500 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 \$100,000 Revolving Loan to Blue Water Creations, Inc. LCP and its predecessor cooperatives have given more than \$6 million in loans for local economic development from the Revolving Loan Fund, USDA loans, and LCP/Great River Energy contributions.
- More than \$198,700 contributed through Operation Round Up® in 2019 – more than \$2.4 million overall



since October 2004 for community-based projects and programs.

- Sponsored one student on the Electric Cooperative Youth Tour in Washington, D.C.
- Nearly \$417,000 in rebates given back to LCP members.
- \$5.7 million in capital credit retirements to LCP members.
- More than 900 children reached with important safety demonstrations and lessons from our linemen.

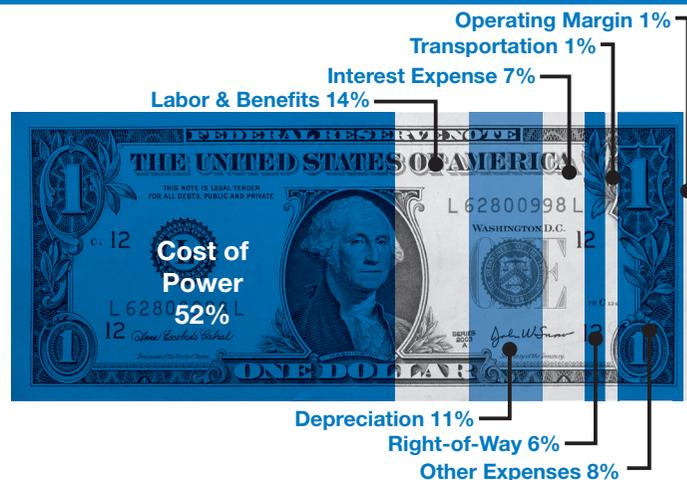


- Sponsored Rachel's Challenge for the Hibbing High School. LCP has sponsored this impactful anti-bullying program for 23 local schools and communities since 2010.
- 30 local high school seniors from 30 different schools received the Les Beach Memorial Scholarship from LCP, valued at up to \$4,000 each.
- Recognized the Tossed and Found Boutique of Longville as the winner of its annual Touchstone Energy Community Award and \$500. ■

DATE CHANGE

The April monthly board meeting has been changed from April 28 to **Wednesday, April 22** at the Cohasset Service Center. The meeting begins at 9:30 a.m. Members are welcome to attend.

2019 Breakdown of Total Cooperative Expenses



2019 Annual Report - Statement of Operations and Changes in Equity for the years ended
December 31, 2019, 2018 and 2017 (Numbers in Thousands)

STATEMENT OF OPERATIONS AND CHANGES IN EQUITY

	2019	2018	2017
Revenue (In Thousands)			
Sales of electric energy to members	\$89,548	\$90,612	\$89,189
Miscellaneous other operating revenue	734	772	798
Total Revenues	\$90,282	\$91,384	\$89,987
Expenses			
Wholesale power (Great River Energy)	46,129	47,556	47,774
Operating expenses (maintenance, operations, administration, member support)	26,335	24,111	23,748
Depreciation of utility plant	10,380	9,466	9,025
Interest expense on long-term debt	6,599	6,223	6,026
Total Operating Expenses	89,443	87,356	86,573
Income from Electric Operations	839	4,028	3,414
Patronage capital from Great River Energy and Others	2,196	2,389	2,959
Non-operating and other income, net	389	278	579
Subsidiary Income or (Loss)	572	518	592
Net Margins	\$3,996	\$7,213	\$7,544
Accumulated patronage capital-beginning of year	\$111,838	\$107,960	\$103,579
Net other changes in equities	1,401	831	924
Retirement of patronage capital	(5,694)	(4,166)	(4,087)
Accumulated Capital at Year End	\$111,541	\$111,838	\$107,960

FINANCIAL HIGHLIGHTS

Kilowatt Hours Sold (In Thousands)	2019	2018	2017
Rural Residential	497,976	494,421	472,150
Commercial /Industrial	132,809	134,304	127,281
Public Street Light	559	579	616
Resale	-	36,993	37,051
Total kWh Sold	631,344	666,297	637,098
Revenue (In Thousands)			
Rural Residential	\$72,710	\$71,076	\$70,249
Commercial /Industrial	16,705	16,536	16,120
Public Street Light	133	129	123
Resale	-	2,871	2,697
Total Revenue	\$89,548	\$90,612	\$89,189
Comparative Operating Statistics			
Number of accounts at year end	49,610	49,494	49,199
Miles of line energized	8,347	8,330	8,319
Accounts per mile of line	5.9	5.9	5.9
Average residential kWhs used per month	908	904	866
Average residential monthly bill	\$133	\$130	\$129
Plant investment per Account	\$5,170	\$4,808	\$4,527

A complete consolidated audited financial statement is available upon request.

2019 Annual Report - Statement of Operations and Changes in Equity for the years ended
December 31, 2019, 2018 and 2017 (Numbers in Thousands)

Assets

Balance Sheet

What we own

	2019	2018	2017
Cost of Our Utility System	\$369,481	\$348,907	\$328,789
Depreciated Plant	(112,987)	(110,939)	(106,074)
This gives our system a book value of:	\$256,494	\$237,968	\$222,715

We Have Other Property and Investments

Investments in Associated Organizations	\$46,511	\$46,431	\$44,951
Other Investments	7,117	7,131	7,127
Total other property and investments	\$53,628	\$53,562	\$52,078

We Have These Current Assets

Cash and cash equivalents	\$2,075	\$6,522	\$4,495
Members and others owe us for our services	8,752	10,436	10,608
Materials and supplies for line construction	4,942	4,547	4,635
Other current assets	120	134	85
Total Current Assets	\$15,889	\$21,639	\$19,823

We Have Deferred Debits

	\$1,278	\$1,755	\$1,495
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TOTAL ASSETS	\$327,289	\$314,924	\$296,111
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Liabilities

What we owe

Long Term Debt

We owe Rural Utility Service	\$119,897	\$104,323	\$85,988
We owe NRUCFC	13,721	14,911	16,099
We owe CoBank	62,617	65,661	68,590
We owe Great River Energy	78	156	235
Other long-term liabilities	-	-	-

	\$196,313	\$185,051	\$170,912
Less payments due in the next year	(7,146)	(6,856)	(6,842)

Total Long Term Debt	\$189,167	\$178,195	\$164,070
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Other Noncurrent Liabilities

Capital Lease - noncurrent portion	\$-	\$-	\$-
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We Owe Current Liabilities

Power, materials, etc.	\$11,092	\$10,318	\$11,033
Payments on long-term debt due in the next year	7,146	6,856	6,842
Notes Payable	-	-	-
Capital Lease - current portion	-	-	57
Other current liabilities	6,067	5,687	6,140

Total Current Liabilities	\$24,305	\$22,861	\$24,072
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We have deferred credits	2,276	2,030	9
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TOTAL WE OWE	\$215,748	\$203,086	\$188,151
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Net Worth

Members' Equity in the Cooperative

Your accumulated patronage capital	\$87,114	\$89,330	\$86,875
Other capital	24,427	22,508	21,085

Members' Equity in the Cooperative	\$111,541	\$111,838	\$107,960
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TOTAL LIABILITIES	\$327,289	\$314,924	\$296,111
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A complete consolidated audited financial statement is available upon request.

2019 Annual Meeting - Condensed Minutes

The twenty-third Annual Membership Meeting of Lake Country Power was held at the Lincoln Elementary School, Hibbing, Minn., on April 17, 2019. 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, 2018 Annual Membership Meeting. Motion carried. The polls closed for director elections at 6:04 p.m.

President Olson spoke about the primary role of the board – to make sure the cooperative operates safely, reliably and efficiently for all co-op members. Directors are obligated, by law, to act in good faith. Priorities include keeping the co-op financially strong, direction and oversight for the manager, preservation of assets, fair and consistent policies, informed membership, representation of members for the good of the whole, and oversight of rates and costs.

General Manager Randa addressed the aging electrical system, of which LCP plans to replace 75 miles of age-related infrastructure every year to meet member expectations for system security, power quality, battery storage, renewable energy, electric vehicle charging, smart home devices, etc. He also shared about

LCP's commitment to the community: Operation Round Up®, scholarships for higher education, economic development loans, the Electric Cooperative Youth Tour, more than \$649,000 in rebates given to LCP members, the Touchstone Energy Community Award, employees volunteering 600-plus hours in community work, and safety demonstrations. Randa also addressed two major projects underway – installation of nearly 70,000 new automated meters and the construction of a new headquarters building in Cohasset.

Director of Finance and Administration Bakk reported about the 2018 year-end audit, and that it provided a clean opinion of LCP's accounting controls. LCP is in full compliance with loan covenants and the financial requirements set by its primary 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 700,000 member-consumers in Minnesota – about 1.7 million people and 60 percent of Minnesota and parts of Wisconsin. GRE had a strong financial year and was able to return \$15 million in patronage capital to its members.

George Harvey, President of LCP's Holding

Company, reported the subsidiaries provided a \$459,000 dividend to the co-op for revenues generated in 2018. He also said the LCP board and staff have worked closely to develop a strategy for the two companies, which focuses on goals to improve productivity and measurable results.

President Olson presided over Old Business. There was none. He called for New Business. Two members spoke. One asked about the service availability charge.

The meeting adjourned at 7:00 p.m. ■

Editor's Note: A complete copy of the 2019 annual meeting minutes will be distributed at the annual meeting and are also available online at lakecountrypower.coop.

2019 Election Results

District 2:

Michael Forsman* 614

District 4:

Craig Carlson* 374

District 8:

James Huhta* 455

Danny Smith 284

*Denotes current LCP director

Districts Voting • 2020

Districts 3, 6 and 7 will elect directors to three-year terms once the Annual Meeting is rescheduled (see page 1).

District 3:

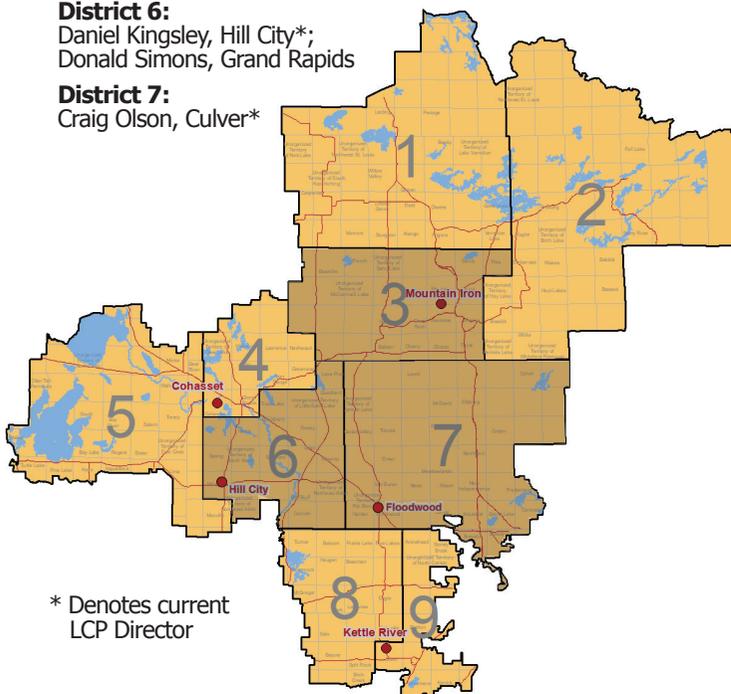
George Harvey, Side Lake*

District 6:

Daniel Kingsley, Hill City*;
Donald Simons, Grand Rapids

District 7:

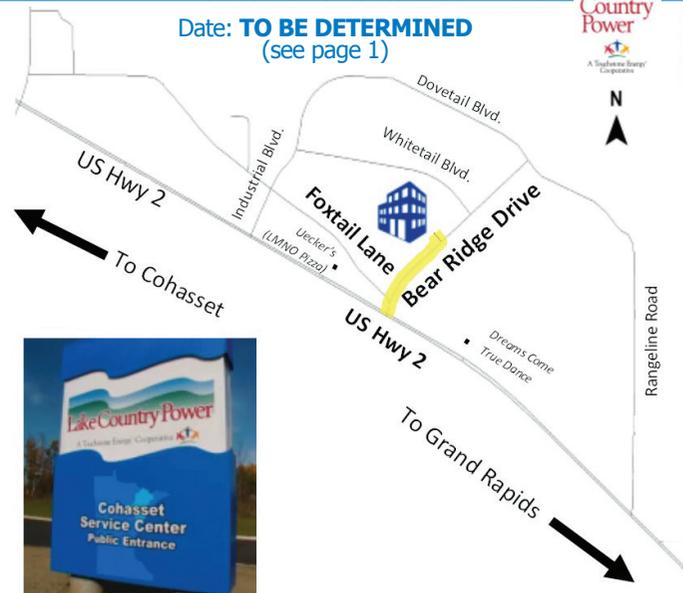
Craig Olson, Culver*



* Denotes current LCP Director

Annual Meeting Location Map

Date: **TO BE DETERMINED**
(see page 1)



Lake Country Power, Cohasset

FROM THE WEST

- Take Hwy 2 East of Cohasset (approx. 1.5 mi.)
- Turn Left on Foxtail Lane
- Stay to the right on Bear Ridge Drive
- Parking attendants will direct traffic

FROM THE EAST

- Take Hwy 2 West of Grand Rapids (approx. 3 mi.)
- Turn Right on Foxtail Lane
- Stay to the right on Bear Ridge Drive
- Parking attendants will direct traffic