



# Annual Report

**ANNUAL MEETING**

**FRIDAY, OCTOBER 4, 2019 | IN LITTLEFORK**

VOLUME 64 | NO. 9 | SEPTEMBER 2019

**BAUDETTE | MINNESOTA**

GOING THE  
EXTRA MILE

**NORTH STAR ELECTRIC COOPERATIVE, INC.  
MISSION STATEMENT**

To improve the lives of our member-owners and community by responsibly providing clean, affordable, electric energy and other beneficial services while maintaining the very highest standards of performance and member satisfaction.

# NORTH STAR ELECTRIC CO-OP BOARD OF DIRECTORS



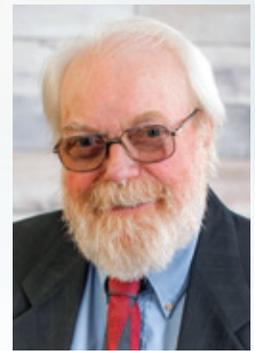
**Steve Arnesen**  
District 1



**Shelley Spears**  
District 2



**Randy Bergan**  
District 3



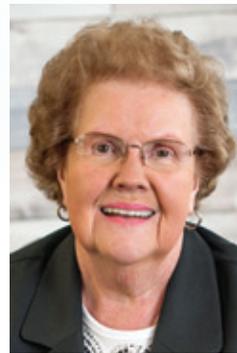
**Michael Hanson**  
District 4

## Serving since:

Steve Arnesen	1986
Michael Hanson	1994
Randy Bergan	1999
Lorraine Nygaard	2007
Tom Smith	2016
Shelley Spears	2017
Bruce Sampson	2017



**Tom Smith**  
District 5



**Lorraine Nygaard**  
District 6



**Bruce Sampson**  
District 7



## ENERGY EFFICIENCY TIP OF THE MONTH

Heating requires more energy than any other system in your home, typically making up about 42% of your energy bill. With proper equipment maintenance and upgrades like additional insulation and air sealing, you can save about 30% on your energy bill.

Source: [energy.gov](http://energy.gov)

## MISSION STATEMENT

*To improve the lives of our member-owners and community by responsibly providing clean, affordable electric energy and other beneficial services while maintaining the very highest standards of performance and member satisfaction.*

An annual meeting is a meeting of the member-owners of the cooperative. It provides the opportunity to vote for the director of your choice and to express your opinions about the operations of your cooperative. It also provides you with the opportunity to become better informed through the reports of officers and employees. This will be a successful meeting if all who attend gain some knowledge of their cooperative. A well-informed membership is the basis of a strong cooperative.

# NORTH STAR ELECTRIC CO-OP DIRECTOR CANDIDATE

## District 7 - Bruce Sampson



Bruce was born in Effie, Minn., and lived there until he was 16 years old. He then moved to Grand Rapids, Minn., where he graduated from high school.

After high school, he went to college in Coleraine for one year. After college, he enlisted in the U.S. Navy for six years as an Electronic Technician/Communications and Special Cryptograph/Communication.

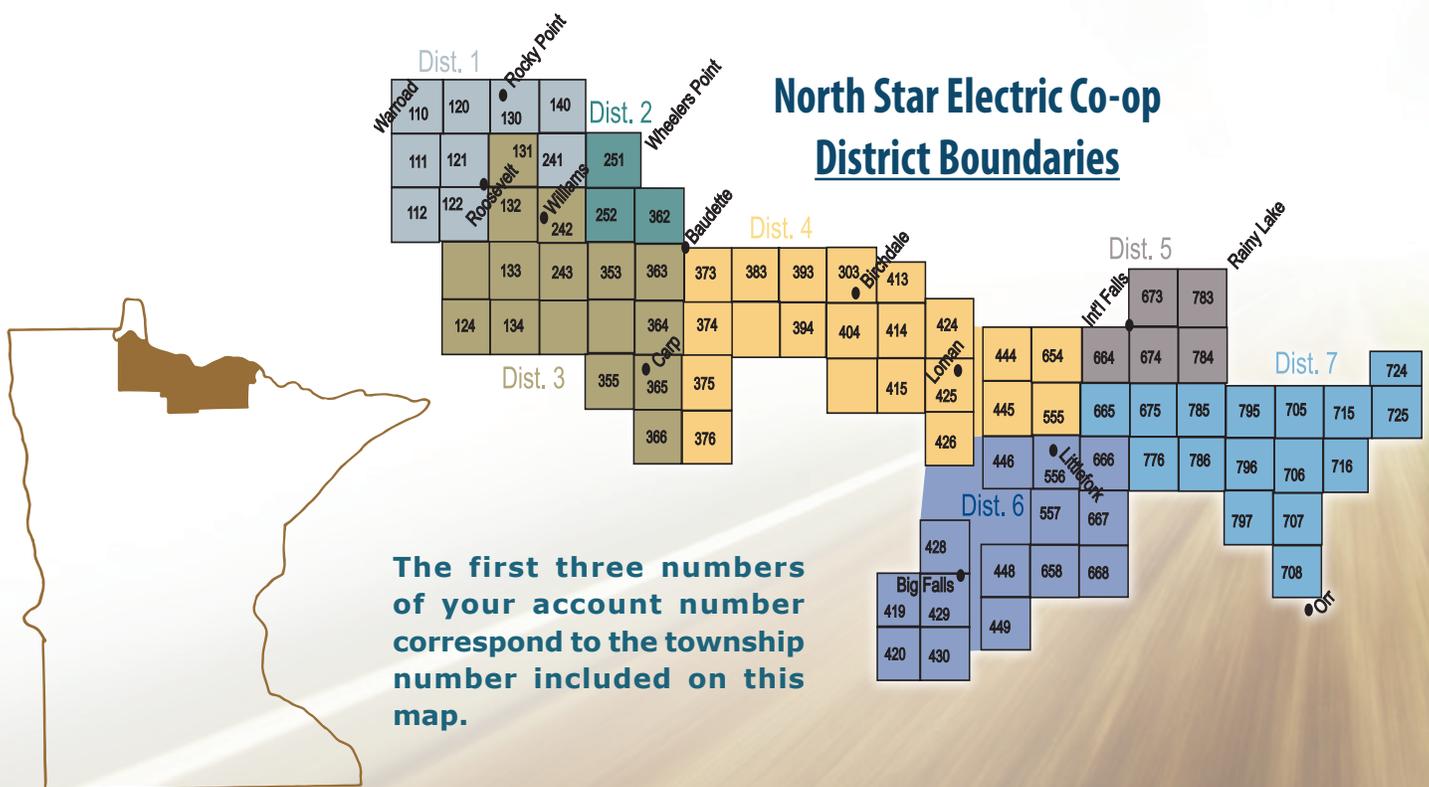
Bruce and wife Beverly have been married 52 years and have two sons, one daughter, two grandsons, three granddaughters and one great-granddaughter. Some of his hobbies are woodworking, hunting, fishing, bird watching, being the neighborhood handyman, repairing old wood sleighs and buggies, and building a wooden boat. He also enjoys remodeling the family cabin on the Big Fork River by Effie that his father built in 1964.

In November 2017, he was appointed to the North Star

board to fill the vacancy when District 7 director Julian Broznowski moved from the area. Since being appointed, he has attended North Star’s monthly meetings, Strategic Planning meeting, Energy Issues Summit, Minnkota Power’s information meeting and the Minnkota/Square Butte annual meeting.

Bruce is no stranger to the electric industry. He worked for Minnesota Power for more than 34 years until his retirement in 2008. At Minnesota Power, he held the positions of auxiliary operator, senior auxiliary operator, control room operator, large power meter man, residential/large power meter man, customer service representative and supervisor for the line crews in Grand Rapids, Ely and International Falls.

Bruce has been a member for more than 28 years and likes the way that North Star operates. He feels with his 34 years of experience in the electrical industry he can help with the difficult decisions that must be made now and into the future. Bruce feels that being on the board is very interesting and would like to continue to serve out of his commitment to community service.



# ANNUAL MEETING INFORMATION

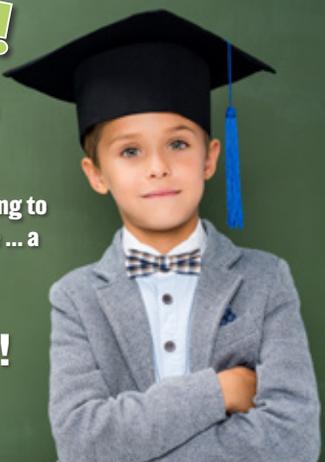
## Assistance offered to handicapped for attending North Star annual meeting

Any member with a handicap who needs assistance to attend our annual meeting is requested to notify Manager of Member Services Kevin Holen of his/her needs for assistance at least two weeks prior to the meeting. We will do our best to accommodate your needs so that you may take part in the annual meeting of your cooperative.

## STATEMENT OF NONDISCRIMINATION

North Star Electric Cooperative, Inc. is an equal opportunity provider and employer and does not discriminate on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.)

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html), or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at [program.intake@usda.gov](mailto:program.intake@usda.gov).



**DREAM BIG!**

Do you have a child somewhere in the birth to age 22 range?

Bring them to the annual meeting to register for a special door prize ... a

**\$500 COLLEGE SAVINGS ACCOUNT!**

(must be present to win)

## Free Bus Service to Annual Meeting

Call or send us a note to confirm your seat on the bus.

The bus is free, but this year we are asking that you give us a call or drop a note to let us know that you plan to ride. Also, it would be helpful to know where you plan to board. With your help, we can make sure everyone finds a seat.

Call us to confirm your seat on the bus

634-2202 (Baudette)  
or 278-6658 (Littlefork)  
or toll-free (888) 634-2202

## Bus schedule for annual meeting Friday, Oct. 4, 2019

### EAST ROUTE

Kabetogama	Gateway Store	3:50 p.m.
Ray	Woodland Inn (park at north end by Highway 11)	4:00 p.m.
Roger's Corner	Voyageurs Charter Bus Garage	4:10 p.m.
International Falls	Menards	4:25 p.m.
Pelland Junction	Y-Knot Quick Stop	4:45 p.m.

### WEST ROUTE

Roosevelt	Percy Place	3:30 p.m.
Williams	Williams Liquor Store (park at north end by Highway 11)	3:40 p.m.
Baudette	North Star Electric Office	4:00 p.m.
Birchdale	Church	4:25 p.m.
Loman	Church	4:45 p.m.

<b>Destination – Littlefork/Big Falls School</b>	
<b>Registration and Supper</b>	<b>5 - 6 p.m.</b>
<b>Business Meeting</b>	<b>6 p.m.</b>

# ANNUAL MEETING SPEAKER

Stacey Dahl, *Senior Manager of External Affairs, Minnkota Power Cooperative*



**Stacey Dahl**  
Senior Manager of  
External Affairs  
Minnkota Power Cooperative

Stacey Dahl is senior manager of external affairs for Minnkota Power Cooperative, based in Grand Forks, N.D. Originally from Bismarck, N.D., Stacey Dahl received her undergraduate degree in education in 2004 from the University of North Dakota. She received her Juris Doctor degree in 2008 from the UND School of Law. Dahl served in the North Dakota House of Representatives from 2005 until 2012. An attorney, she also is a former private practitioner and prosecutor. In addition to overseeing public policy efforts for Minnkota, Dahl serves on the leadership team exploring the feasibility of Project Tundra, a proposed carbon capture project at the coal-based Young Station in Center, N.D. Dahl lives in Grand Forks with her husband and two children.

## ABOUT PROJECT TUNDRA

The vision for Project Tundra is to equip Unit 2 at the coal-based Milton R. Young Station with next-generation technologies to capture up to 90% of the facility's carbon dioxide (CO<sub>2</sub>) emissions. The CO<sub>2</sub> would then be safely and permanently stored in a deep geologic formation more than a mile underground.

Project Tundra is currently in the advanced research and design phase. If constructed, it will be the largest CO<sub>2</sub> capture project in the world – the equivalent of removing 600,000 gasoline-fueled cars from the road annually.

Minnkota Power Cooperative is leading the \$1 billion project, along with research support from the Energy & Environmental Research Center (EERC) at the University of North Dakota.

### Why is Project Tundra important?

- The success of Project Tundra can help jump start the development of CO<sub>2</sub> capture technology across the world.
- By capturing CO<sub>2</sub> and preventing it from being emitted into the atmosphere, Project Tundra helps address the global focus on reducing emissions.
- An all-of-the-above energy strategy is essential to the long-term reliability of our nation's electric grid. Coal plays a key role in balancing the intermittent nature of renewable resources such as wind and solar.

## Organization voting form

If you plan to cast the vote of a membership held by an organization, the form shown below will need to be completed and presented before we can issue a ballot. The form must be fully completed.

The

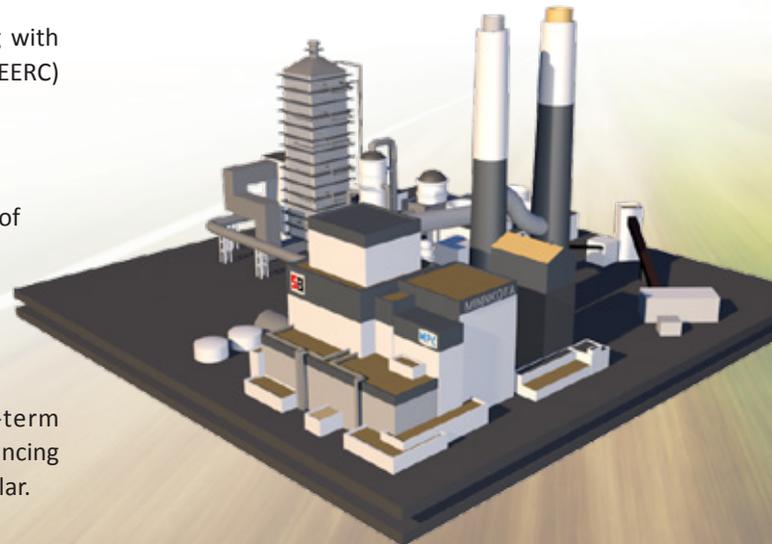
(Name of Organization) has, at an official meeting, authorized

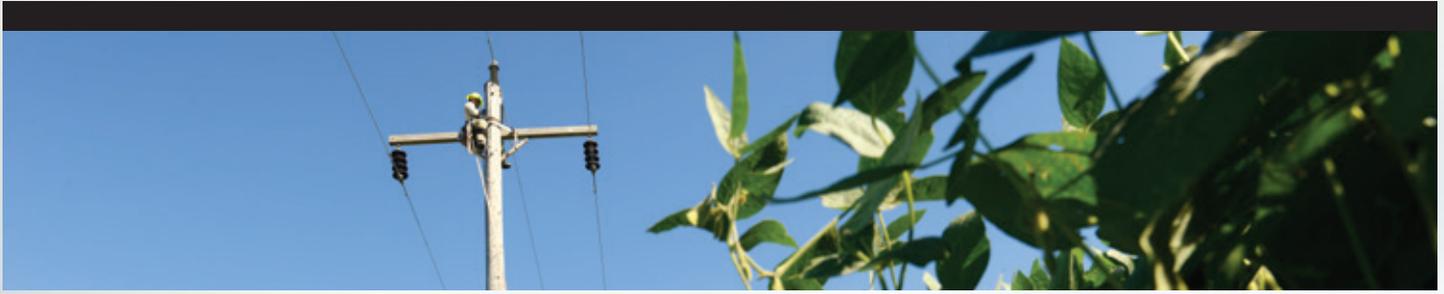
(Name)

to represent us at the 2019 annual meeting of North Star Electric Cooperative, Incorporated.

Attest \_\_\_\_\_  
(Mayor, Chairperson)

Attest \_\_\_\_\_  
(Clerk, Secretary)





## PRESIDENT & MANAGER'S REPORT



**Steve Arnesen**  
Board President



**Ann Ellis**  
General Manager

“Going the extra mile” is literally what we did 79 years ago, and that is still the sentiment today. Because Concern for Community remains the Cooperative Principle that drives us, it will continue to motivate us to always do the right thing.

Your rural electric co-op belongs to the people in the communities we serve. It is 100% led by local consumer-members just like you, who care about and understand what is needed in our area.

Our mission is to improve your lives and our communities by responsibly delivering affordable, reliable and safe electricity.

Let’s start with affordable. Our rates have not changed since April 2017, and without any new mandates or regulatory costs, they should stay stable. We are also proud to be helping members use electricity more wisely so they continue to enjoy the full value of the comforts and conveniences electricity provides,

but at a lower cost. We are in the midst of installing a new AMI (Advanced Metering Infrastructure) system, and it will bring new opportunities for the co-op to develop rates so members can better manage the size of their electric bill.

How about our 99.96% reliability? We LOVE that you don’t have to spend time worrying if your lights will come on when you flip

the switch, or if your water will run when you turn on the faucet, or if your furnace fan will blow warm air in the dead of winter. We appreciate the faith you have in us to safely restore power when Mother Nature has her moments.

Has this stellar reliability made you a little complacent? Have you even noticed our ongoing efforts to encourage you to be MORE involved? Have you brushed it off because you’re just too busy and someone else will take care of it? Mother Nature isn’t the only threat to your cooperative, and the best way to avoid being blindsided is to be prepared.

For most people, this is what they understand about electricity – you flip the switch, and the lights come on. I hate to admit it, but for a long time, I thought electricity sat on the power lines like propane sits in a tank. A lot of really smart people assume this too, but that is SO far from the truth. Electricity must be used

• Has stellar reliability made you a little complacent? Mother Nature isn’t the only threat to your cooperative.

• Tell the salesperson, “Maybe I’ll get back to you. I already own my electric utility, and I’ll check with them first.”

• Rural electric cooperatives were never needed in the densely populated urban areas.



at the moment it is generated, unless you have battery storage. The flashlight you will receive at the annual meeting is a bit of a lesson in electricity generation. If the solar energy stored in the rechargeable battery becomes depleted, you can turn the crank to generate new electricity, similar to how a wind, coal, diesel or gas shaft would turn.

OK, so why are you getting this physics lesson that most people don’t want to take the time to know about? It’s because of external forces that have been gaining

speed in spreading incomplete or incorrect information to others who buy into the fallacy. We have done a bad job challenging the false information in the public forum, and I'm not going to give you a bunch of excuses. Bottom line – it's time to stand up for ourselves.

In addition, activists are wrongfully attacking rural electric cooperatives. One site posted a Report Card on all the rural electric co-ops in Minnesota, and although most of their information is wrong, they continue to provide bad info to give us ALL a black eye. Our goal is for you to be so engaged that when you encounter someone pretending to have your best interest in mind, you tell them, "Maybe I'll get back to you. I already own my electric utility, and I'll check with them first."

Folks, please pay attention and help us share a perspective that is not being heard well enough. We have six committed state legislators representing North Star's service territory, both Democrats and Republicans. As rural legislators, they get it – they hear us. But rural electric cooperatives were never needed in the densely populated urban areas, and the metro sentiment is quite different.



The speaker of the Minnesota House of Representatives has publicly stated that rural electric cooperatives should be regulated. We fought hard to win our local-democracy legislation a couple of years back. Rural electric cooperatives, governed and regulated by the friends and neighbors you elect, can effectively respond to member needs at a FRACTION of the price. There is just one rate-regulated rural electric cooperative in Minnesota. They spend an extra \$400,000 a year because of the cost of State of Minnesota oversight.



If they need a rate increase, the annual oversight costs rack up to about \$800,000. Imagine what that "protection" would do to the size of your electric bill!

So, what are we going to do? We are going to be focusing on communicating better publicly, outside of the ring of our cooperative family (you) and our friends (local legislators). We are going to provide our rural electric cooperative statewide association with more resources to create

what each of Minnesota's 44 rural electric cooperatives cannot efficiently create individually, so we can keep you better equipped with information.

What should you do? Pay attention. Help us go the extra mile.

At your service we remain ...

*President Arnesen and Manager Ellis*



North Star Electric Co-op was a critical partner to bring the M-State Lineworker Training Program to Baudette.

# NORTH STAR ELECTRIC CO-OP EMPLOYEES



Ann Ellis



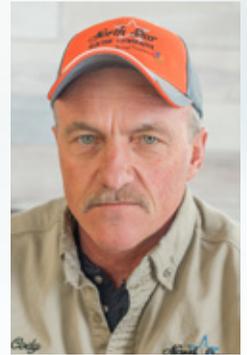
Marty Mollberg



Robyn Sonstegard



Patsy Olson



Todd Thydean



Susan Williams



Tim Pelach



Kevin Holen



Glen Marcotte



Todd Higgins



Tessa Strohl



Jesse Huot



Darren Koschak



Preston Kennedy



Brittany Hanson



Nick Horne



Nathan Zortman



Cody Stuhau



Dan Fish



Rachel Krohn



**Clayton Gubbels**

# GOING THE EXTRA MILE

	<u>Position</u>	<u>Years of Service</u>
Ann Ellis	General Manager	42
<b>STAFF</b>		
Kevin Holen	Manager of Member Services	23
Marty Mollberg	Manager of Operations	31
Robyn Sonstegard	Manager of Finance & Administration	12
<b>EMPLOYEES</b>		
Patsy Olson	Billing Coordinator	43
Todd Thydean	Line Foreman	31
Susan Williams	Supervisor, District Office Services	31
Tim Pelach	Line Foreman	28
Glen Marcotte	Line Sub-Foreman	17
Todd Higgins	Line Sub-Foreman	16

	<u>Position</u>	<u>Years of Service</u>
Tessa Strohl	Accountant	10
Jesse Huot	Journeyman Lineman	6
Darren Koschak	Lead Lineman	6
Preston Kennedy	Lead Lineman	6
Brittany Hanson	Plant Accountant	5
Nick Horne	Apprentice Lineman	5
Nathan Zortman	Journeyman Lineman	4
Cody Stuhaug	Apprentice Lineman	3
Dan Fish	Purchasing Agent/CAD Draftsman	2
Rachel Krohn	Billing Clerk/Administrative Assistant	1
Clayton Gubbels	Member Service Electrician	

## JIM KUEHL RETIRES



Jim Kuehl retired in August after 16 years of service at North Star Electric. During that time, he kept our grounds neat and tidy, removed snow before the office opened, and did general maintenance around the Baudette shop and office. We wish him well!



# POWER SUPPLY REPORT

Mac McLennan, *President & CEO, Minnkota Power Cooperative*

Minnkota Power Cooperative is working to position itself as a utility of the future. We know this doesn't happen with the flip of a switch. It takes purposeful planning, forward-thinking strategies and a deep understanding of our membership, which includes North Star Electric Cooperative and 10 other cooperatives in eastern North Dakota and northwestern Minnesota.

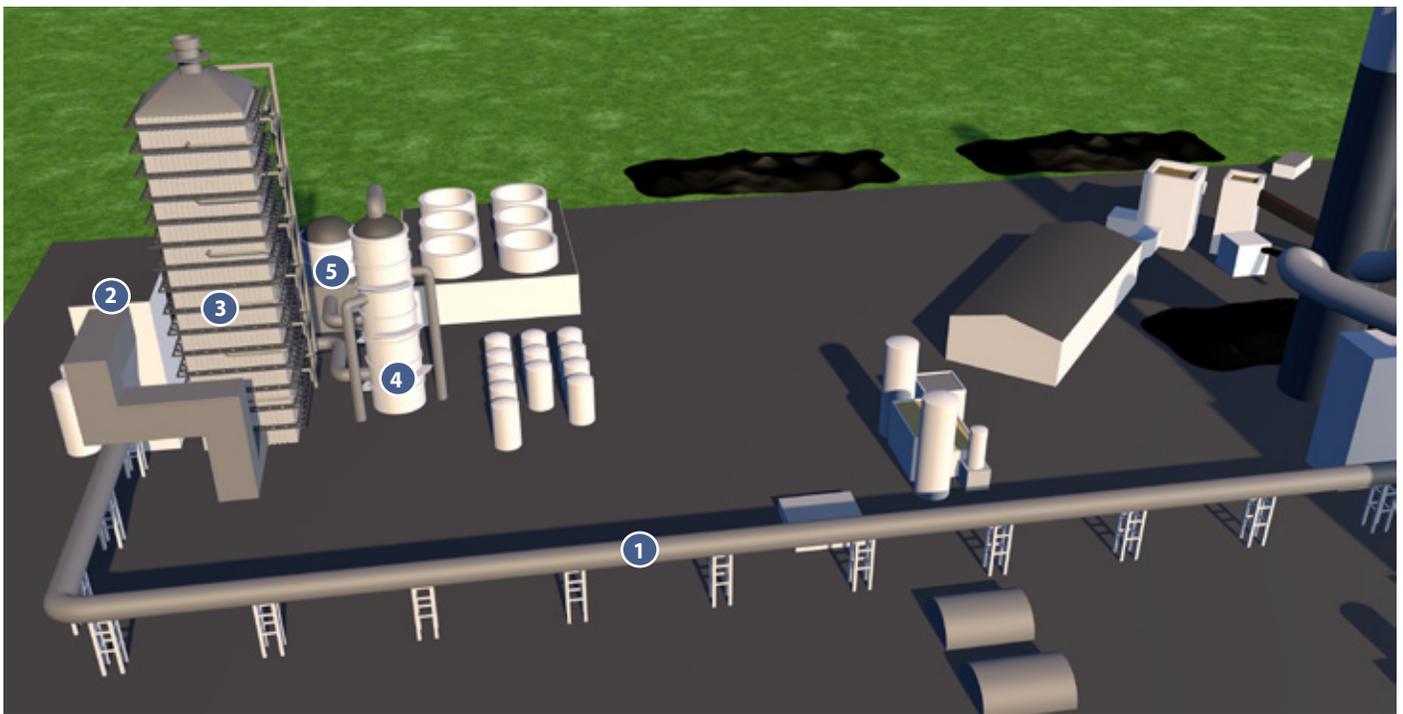
When managing the changes in our industry, we are fortunate to be in a stable position financially. Our wholesale rate has remained flat in recent years and we anticipate no major increases in the near-term. We hope to see continued

economic viability in the rural areas we serve.

Without question, the most ambitious initiative being pursued by Minnkota is Project Tundra. This project, which is in the advanced design and research phase, aims to create a viable future for North Dakota's lignite coal industry through the construction of what would be the largest carbon capture facility of its kind in the world. The system would remove more than 90% of the carbon dioxide (CO<sub>2</sub>) from Unit 2 at the coal-based Milton R. Young Station and permanently store it more than a mile underground in a geologic formation.

The state of North Dakota and the U.S. Department of Energy have awarded research grants to conduct the initial design, engineering and evaluation of project economics. We believe the project could serve as a blueprint for other coal plants across the world. Over time, emissions would be reduced, the technology would improve and carbon capture would become a cost-effective option for our long-term energy needs.

Project Tundra is estimated to require an investment of \$1 billion. This is not a cost that Minnkota would take on alone. The cooperative is carefully evaluating federal tax credits and other partnerships



## The carbon capture process

- 1) The flue gas is diverted from the power plant.
- 2) A scrubber cools the gas and removes impurities.
- 3) The gas flows into the bottom of a large absorber unit, which is filled with stainless steel structural packing. As the gas rises through the packing, an amine-based liquid solvent is released. The amine bonds with the CO<sub>2</sub> and removes it from the flue gas.
- 4) The solvent is sent to a regeneration unit. There, heat is used to separate the CO<sub>2</sub> from the liquid solvent, bringing the CO<sub>2</sub> back to a gaseous state.
- 5) The CO<sub>2</sub> is finally delivered to a compressor where it is compacted and prepared for transport via pipeline. The solvent, meanwhile, is routed back to the absorber unit where it is used again.



to proceed with the project in a way that does not substantially impact electric rates. If Project Tundra moves forward, construction could start in the 2022-2023 time frame.

The Young Station remains a cost-effective, reliable power generation source for our membership. While renewable resources are becoming a larger part of the Upper Midwest's generation mix, coal remains essential to maintaining reliability. This was proven true during last January's Polar Vortex when temperatures dropped to 30 below zero. Electricity was available thanks in large part to the dependable operation of coal-based power plants, the strategic use of demand response and successful coordination between utilities. Very little production was received from the region's wind and solar farms during this period due to cold and freezing conditions. The majority of the region's energy needs were met by coal, nuclear and, in some areas, natural gas.

As for the power delivery side of our cooperative, numerous projects are being pursued to address aging infrastructure and enhance reliability. The primary focus has been on improving the performance of our subtransmission system – the 2,300-mile network of power lines that deliver energy locally. More than 1,000 miles of the system has been equipped with technologies that help reduce

the impacts of blink outages – those momentary losses of power often caused by a disturbance on transmission line. As that project winds down, the focus has shifted toward full-scale rebuilds of certain line sections. In fact, Minnkota plans to rebuild several sections of transmission line in North Star Electric's service area over the next few years.

As we look to the future, it doesn't mean we will forget about our past. For the last 79 years, we've existed to serve our members. That will not change. Undoubtedly, new trends and technologies we haven't even imagined will emerge. One thing is certain: To successfully participate in this change, we will need a strong, united membership.

- Without question, the most ambitious initiative being pursued by Minnkota is Project Tundra.

- Our wholesale rate has remained flat in recent years and we anticipate no major increases in the near-term.

- The Young Station remains a cost-effective, reliable power generation source for our membership.



# YOUR 2018 DOLLAR

## WHERE IT CAME FROM:

Farms and Homes	\$ 10,086,499
Small Commercial	2,448,409
Large Commercial	2,047,178
Seasonal	522,948
Street Lighting	32,508
Consumer Penalties & Misc. Electric Revenue	124,999
Rent from Electric Property	56,078

**Total Revenue** **\$ 15,318,619**

## WHERE IT WENT:

### Operation Expense:

Purchased Power	\$ 9,087,856
Operations <i>(includes supervision, safety, mapping, cable locating, etc.)</i>	664,772
Consumer Accounts	355,968
Consumer Services and Information	362,831
Sales	55,936
Administrative and General	1,404,774

### Maintenance Expense:

Maintenance of Distribution Plant <i>(includes right-of-way maintenance, outage costs, etc.)</i>	\$ 910,282
Depreciation	1,218,479
Interest	850,529
Taxes	73,428

**Total Expense** **\$ 14,984,855**

Electric Operation Margin for Year <i>(Revenue less expense)</i>	\$ 333,764
Interest and Dividend Income	325,255
Misc. Nonoperating Margins	84,798
Generation and Transmission Capital Credits <i>(Minnkota Power Cooperative)</i>	-
Other Capital Credits and Patronage Dividends	49,945

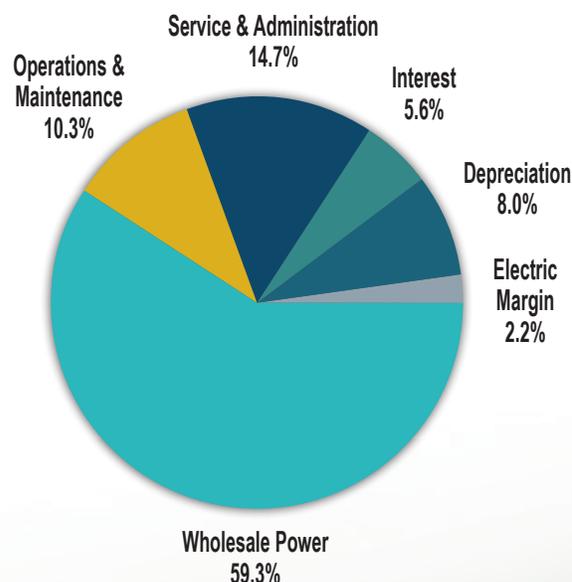
**Net Patronage Capital Assigned** **\$ 793,762**

## COMPARATIVE CHARACTERISTICS

TRAIT	CO-OPS	IOUS	MUNIS
Owned by	Consumers	Stockholders	City/Town
Number in MN	48	5	125
% of land mass served	80%	10%	10%
% of consumers served	12%	73%	15%
Tax status	Not-for-profit	For-profit	Not-for-profit
Earnings from operations?	Not allowed, returned to members	Paid to investors	Can be used for general fund
Pays income tax?	No	Yes	No
Pays property tax?	Yes	Yes	No
Number in U.S.	900	200	2,000
% of total distribution line	42%	50%	7%
Number of consumers (U.S.)	19 million	107 million	22 million
Total assets (U.S.)	\$175 billion	\$1,025 billion	\$280 billion

## HOW YOUR 2018 DOLLAR WAS SPENT

Revenue from the sale of our service amounted to **\$15,318,619** as of the year ending December 31, 2018.



# STATEMENT OF FINANCIAL CONDITION

*Balance Sheet as of Dec. 31, 2018*

## WHAT WE OWN:

Lines and General Equipment	\$ 45,839,043
Less: Provision for Depreciation	17,748,395
	\$ 28,090,648

## Cash:

General Funds	\$ 536,948
Special Funds	20
Investments	1,531,505
Temporary Investments	1,401,398
Notes Receivable Net	228,368
Receivables	1,735,458
Material and Supplies	490,054
Prepaid Expenses ( <i>includes insurance</i> )	77,155
Other Current and Accrued Assets ( <i>accrued revenue</i> )	3,900
Deferred Debits ( <i>includes prepayments for engineering studies and benefits</i> )	415,527

## Total what we own

\$ 34,510,981

## WHAT WE OWE:

Long-Term Obligations	\$ 17,300,423
Current and Accrued Liabilities <i>(includes accounts payable, taxes, interest, deposits, etc.)</i>	2,573,624
Deferred Credits ( <i>includes member prepayments</i> )	400,064

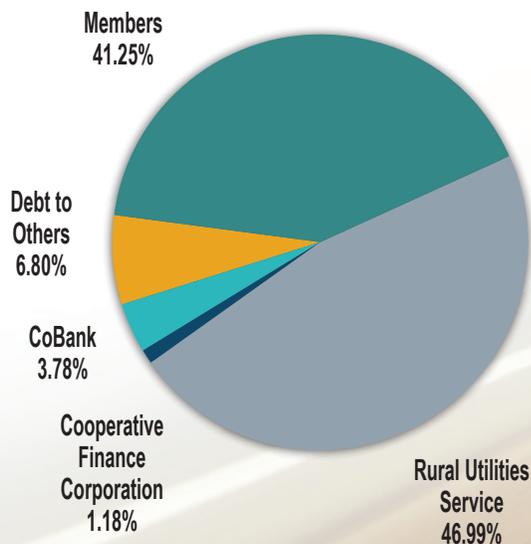
## Our Equity in Above Assets:

Membership Fees	\$ 27,000
Patronage Capital and Other Equities	14,209,870

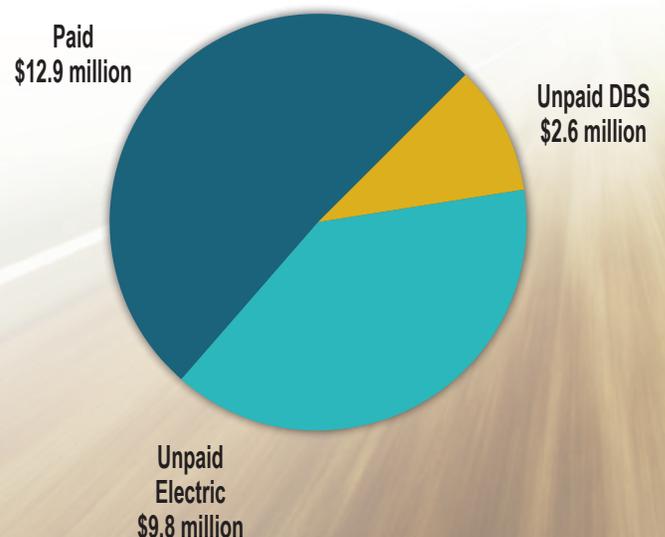
## Total of what we owe

\$ 34,510,981

## WHO OWNS WHAT



## CAPITAL CREDITS (as of Aug. 2019)

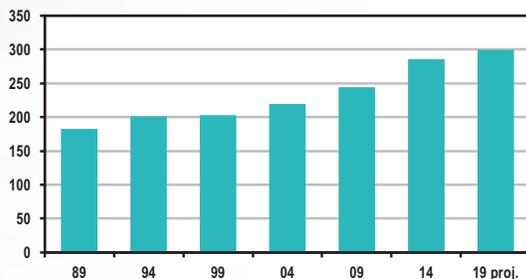


# COMPARATIVE OPERATING STATISTICS

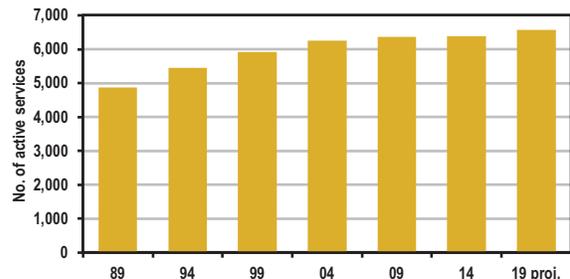
	2014	2015	2016	2017	2018	2019 proj.
Revenues	\$14,485,503	\$14,091,142	\$14,145,538	\$14,713,050	\$15,318,619	\$15,316,881
Cost of Wholesale Power	8,818,213	8,521,268	8,502,552	8,742,381	9,087,856	9,059,997
Operating Expenses	3,293,903	3,408,478	3,378,657	3,344,276	3,754,563	3,672,170
Depreciation	1,383,399	1,067,702	1,126,580	1,315,363	1,218,479	1,291,118
Taxes	75,000	62,600	600	77,704	73,428	74,022
Interest	826,668	841,986	843,285	856,583	850,529	885,341
<b>TOTAL EXPENSES</b>	<b>\$14,397,183</b>	<b>\$13,902,034</b>	<b>\$13,851,674</b>	<b>\$14,336,307</b>	<b>\$14,984,855</b>	<b>\$14,982,648</b>
<b>OPERATING MARGIN</b>	<b>\$88,320</b>	<b>\$189,108</b>	<b>\$293,864</b>	<b>\$376,743</b>	<b>\$333,764</b>	<b>\$334,233</b>
kWh Purchased	127,426,696	116,772,002	111,114,871	112,629,479	117,733,425	116,236,987
kWh Sold	118,864,025	109,268,707	104,003,534	105,527,407	109,236,049	109,633,373
Miles of Line	1,434	1,437	1,437	1,442	1,444	1,445
Connected Members	6,388	6,427	6,457	6,513	6,549	6,577
Average Residential Usage*	1,376	1,207	1,127	1,128	1,157	1,285
Average Residential Bill*	165.02	155.49	153.95	158.63	162.83	171.47
Average Residential Rate/kWh* (excludes seasonals)	0.12	0.129	0.137	0.141	0.141	0.133
Average Wholesale Cost to North Star per kWh Sold	0.0742	0.0780	0.0818	0.0828	0.0832	0.0826

\* Monthly billed residential accounts

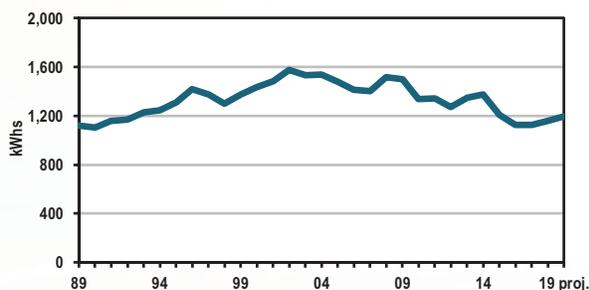
## ACCOUNTS PER EMPLOYEE



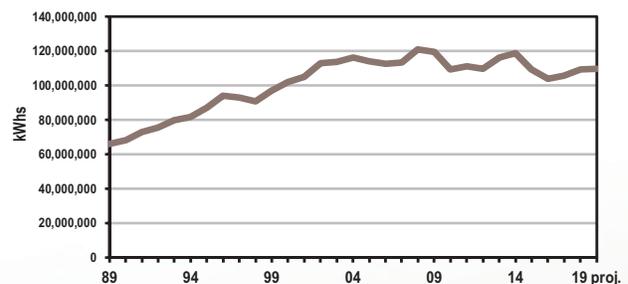
## TOTAL ELECTRICAL ACCOUNTS



## ELECTRICITY CONSUMED PER RESIDENCE



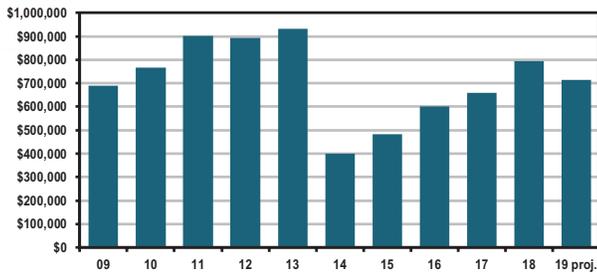
## ELECTRICITY CONSUMED CO-OP TOTAL



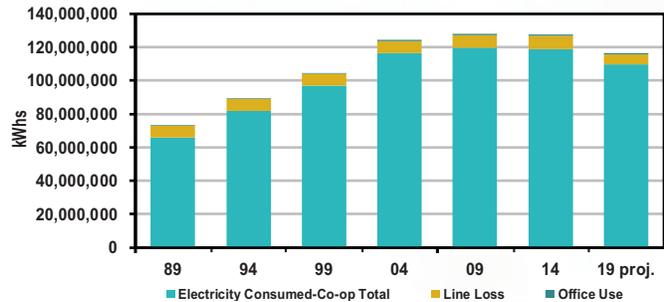
# OPERATING COMPARISONS

	New Services	Retired Services	Connects	Disconnects	Net Gain	Sec. Lights Installed	Sec. Lights Removed
2003	127	17	74	133	68	51	50
2004	111	27	92	132	71	66	50
2005	87	17	80	137	30	43	34
2006	106	28	85	158	33	122	125
2007	69	27	112	189	-8	35	49
2008	62	52	126	188	0	33	45
2009	57	34	119	171	5	35	43
2010	44	70	130	153	21	24	50
2011	41	25	93	133	1	17	48
2012	63	30	97	137	23	21	40
2013	38	20	92	133	-3	18	26
2014	46	26	109	134	21	15	40
2015	65	36	80	112	33	22	32
2016	58	37	87	104	41	17	23
2017	82	58	78	104	56	29	31
2018	101	51	75	116	60	23	23

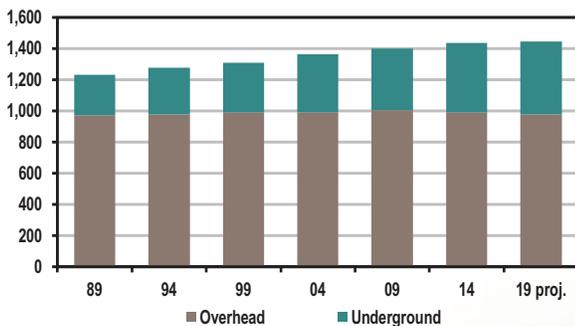
## MARGINS



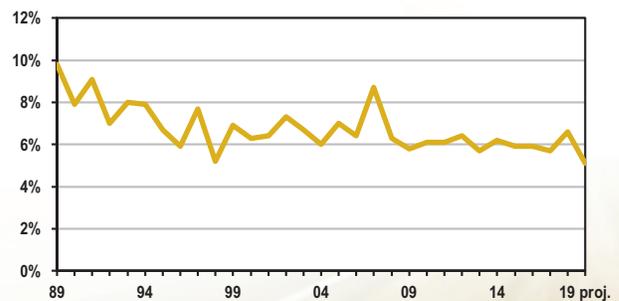
## KWH SOLD, OFFICE USE AND LOSSES



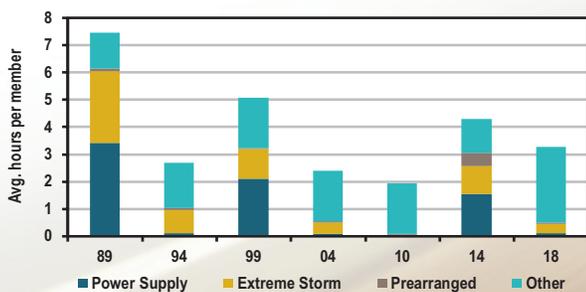
## MILES OF LINE



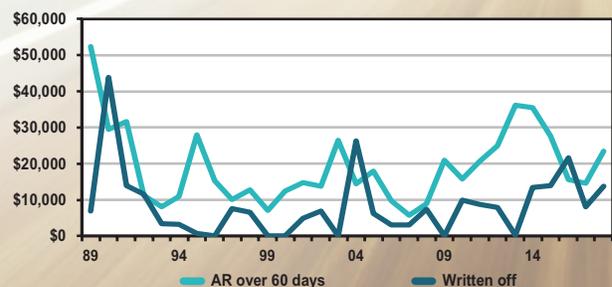
## LINE LOSS



## OUTAGE TYPES



## BAD DEBTS AND WRITE-OFFS





## ANNUAL MEETING MINUTES

### *Annual meeting of the members of North Star Electric Cooperative, Inc., Oct. 5, 2018*

The annual meeting of the members of North Star Electric Cooperative, Inc., was held at the Lake of the Woods School in Baudette, Minn., on Friday, Oct. 5, 2018, pursuant to the notice of the meeting published in the cooperative's newsletter.

The meeting was preceded by the registration of the members. A meatball dinner was served by the Lake of the Woods School kitchen staff. Entertainment was provided by the Lake of the Woods High School band.

The Colors were presented and the national anthem was sung by the Lake of the Woods School fifth grade class.

President Steve Arnesen welcomed the members, called the meeting to order at 6:05 p.m. and gave the invocation.

President Arnesen reported the number of registered members as 221, which exceeded the minimum requirements of 50 for a quorum.

Secretary-Treasurer Lorraine Nygaard read the Notice of the 2018 annual meeting, reported that the minutes of the 2017 annual meeting of the members were printed in the annual report handed out during registration, and gave the treasurer's report, which highlighted the favorable results of the annual audit conducted by Eide Bailly.

A motion was made by Reed McFarlane, seconded by Richard Corle and unanimously carried to approve the 2018 notice and agenda as presented.

A motion was made by George Swentik, seconded and unanimously carried to approve the minutes of the 2017 annual meeting as presented.

President Arnesen recognized the guests in the audience. Visiting distinguished guests included Sam Schmitz, Andrew Sorbo, Lowell Stave and Mac McLennan from Minnkota Power Cooperative, Walter Breeze, James White and Larry Salmela of North Itasca Electric Cooperative, Wayne Skoe from the Koochiching County Board, Leroy Stump from Congressman Collin Peterson's office staff and State Rep. Rob Ecklund.

President Arnesen introduced Attorney Andrew Sorbo to conduct the election for the directors in Districts 2, 3 and 7. Attorney Sorbo introduced the one unopposed candidate, Bruce Sampson, as the only candidate for District 7.

Attorney Sorbo explained that if a motion was made to cast a unanimous ballot for the re-election of the unopposed candidates in District 7, there would be no need to mark paper ballots.

A motion was made by Bloyd Breneman, seconded and unanimously carried to cast a unanimous ballot for District 7 candidate Bruce Sampson.

Attorney Sorbo proceeded with the

elections for Districts 2 and 3. He introduced the candidates for District 2, Shelley Spears and Sandra Johnson. He also introduced the candidates for District 3, Randy Bergan and Alan Thomas. All candidates addressed the members. Members Cindy McDougall, Roger Erickson, Linda Bauers and Donna Thompson were appointed to assist the office staff in collecting and counting ballots.

President Arnesen introduced Manager of Finance and Administration Robyn Sonstegard, who provided an informative financial presentation that included capital credits, projections for the upcoming year and commitment to community.

A motion was made by Mary Boomgaarden, seconded by Sandy Johnson and unanimously carried to accept the financial report.

President Arnesen introduced Mac McLennan, president & CEO of Minnkota Power Cooperative, General Manager Ann Ellis and Operations Manager Marty Mollberg to the audience for an informational panel discussion. The panel discussion centered around tree trimming and ROW clearing, blinking lights, load control and cybersecurity.

General Manager Ellis recognized the following employees for their years of service: Wayne Haukaas, Marty Mollberg, Sue Williams and Todd Thydean – 30 years, Todd Higgins – 15



Robyn Sonstegard and Tim Pelach register kids for the \$500 drawing for the 529 College Savings Plan. Sixty registered for the drawing.

years, and Jesse Huot, Darren Koschak and Preston Kennedy – 5 years.

President Arnesen recognized Randy Bergan for his 20 years of service.

President Arnesen asked the members for any old business. There was no old business.

President Arnesen asked the members for any new business. General Manager

Ellis addressed two questions regarding capital credits.

President Arnesen thanked the Lake of the Woods School kitchen staff for preparing the delicious dinner and reminded the members to turn in their tickets at the end of the meeting to receive their cutting board.

Prizes drawn totaled \$600 in energy credits and \$500 in a Section 529 College Savings Plan:

- **\$100 Energy Bill Credit** – Gerald Buegler
- **\$500 Energy Bill Credit** – Chad Larson
- **\$500 College Savings Plan** – Jacob Schnellman (son of member Tom and Jennifer Schnellman)

**Election Results:**

- District #2:** Sandra Johnson 40 votes  
Shelley Spears 207 votes
- District #3:** Alan Thomas 46 votes  
Randy Bergan 167 votes

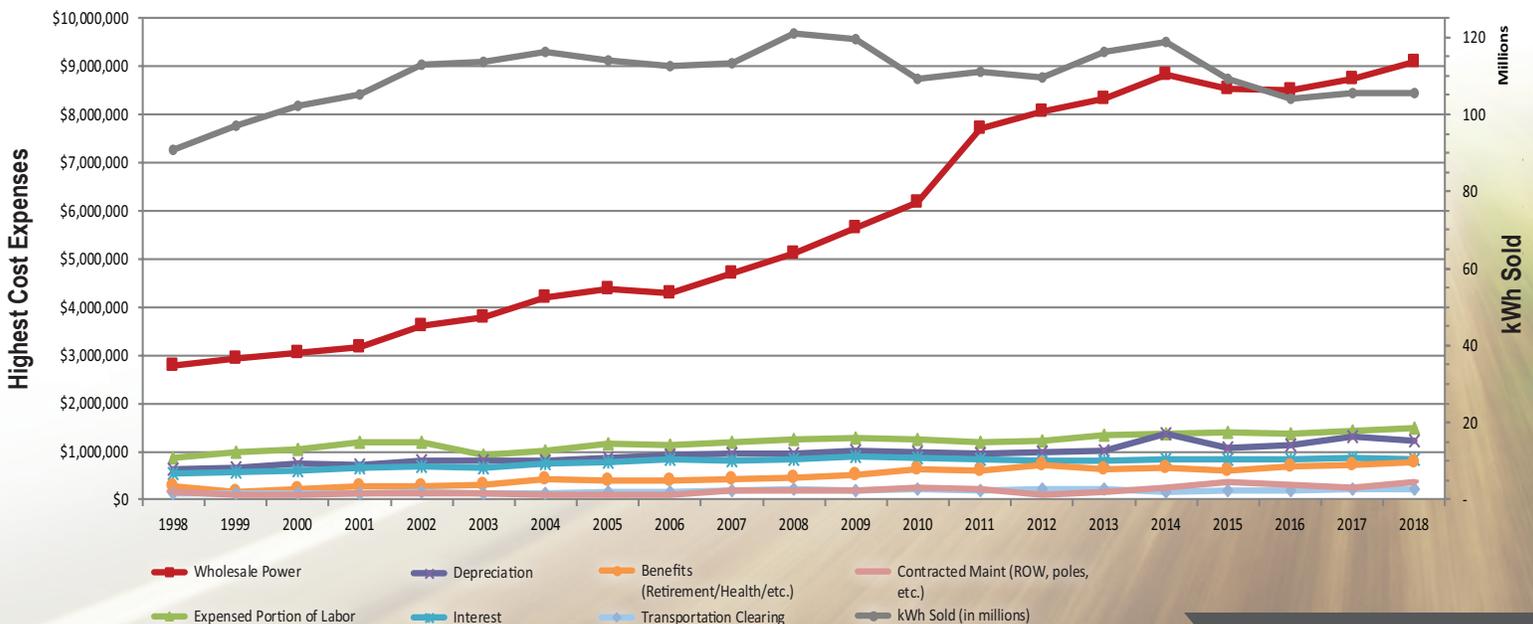
There being no further business, a motion was made by Mary Boomgaarden, seconded by Reed McFarlane and unanimously carried to adjourn the meeting at 7:06 p.m.



Jacob Schnellman of Baudette won the \$500 College Savings Plan at the annual meeting.

# HIGHEST COST EXPENSES *(compared to kWh sold)*

These lines represent our largest expenses for the last 19 years. Cost of power is the quickly climbing line despite the fact that the number of kWh sold were rather unchanged since 2002. Wholesale power, per kWh, stabilized in 2013 and 2014. The lines along the bottom include labor, depreciation, interest, benefits and transportation.



# ABOUT ELECTRIC COOPERATIVES

Electric cooperatives are private, independent electric utilities owned by the members they serve. Democratically governed businesses, electric cooperatives are organized under the Cooperative or Rochdale Principles, anchoring them firmly in the communities they serve and ensuring that they are closely regulated by their consumers.

Electric cooperatives began to spread across rural America after President Franklin D. Roosevelt created the Rural Electrification Administration (REA) in 1935. The Executive Order establishing the REA and the passage of the REA Act a year later marked the first steps in a public-private partnership. Over the last 75 years, it has bridged the vast expanse of rural America to bring electric

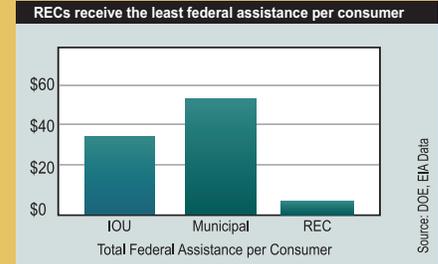
power to businesses and communities willing to organize cooperatively and accept responsibility for the provision of safe, affordable and reliable electric power.

Today more than 900 electric cooperatives power Alaskan fishing villages, dairy farms in Vermont, and the suburbs and exurbs in between. They provide reliable and technologically advanced service to 42 million Americans while maintaining a unique consumer-focused approach to business.

### Federal assistance to electric utilities

According to Nobel Laureate economics professor Lawrence R. Klein of the University of Pennsylvania, all types of utilities – investor-owned utilities (IOUs), municipal-owned utilities and electric

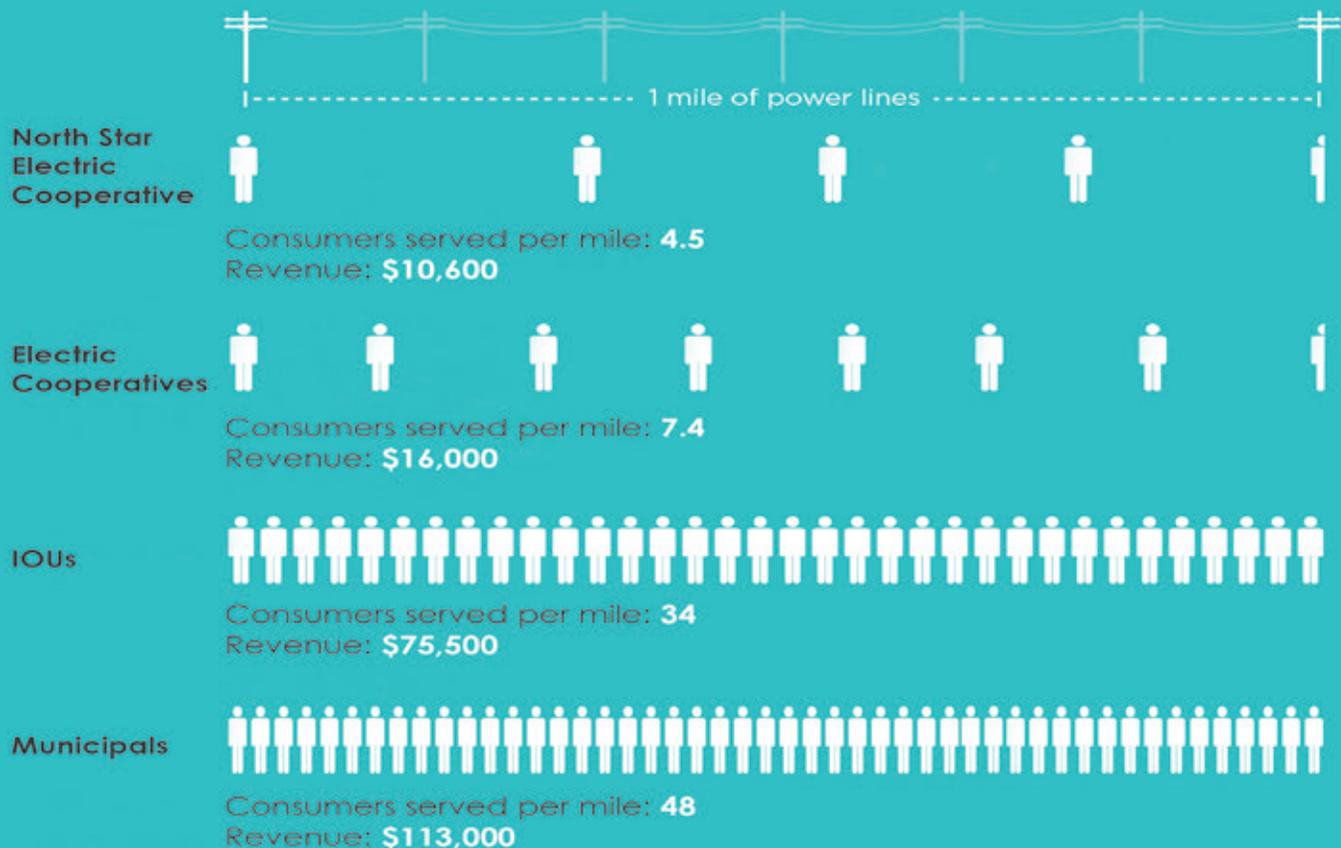
cooperatives – enjoy some form of subsidy. You may be surprised to learn that rural electric cooperatives receive the least amount of subsidy per customer.



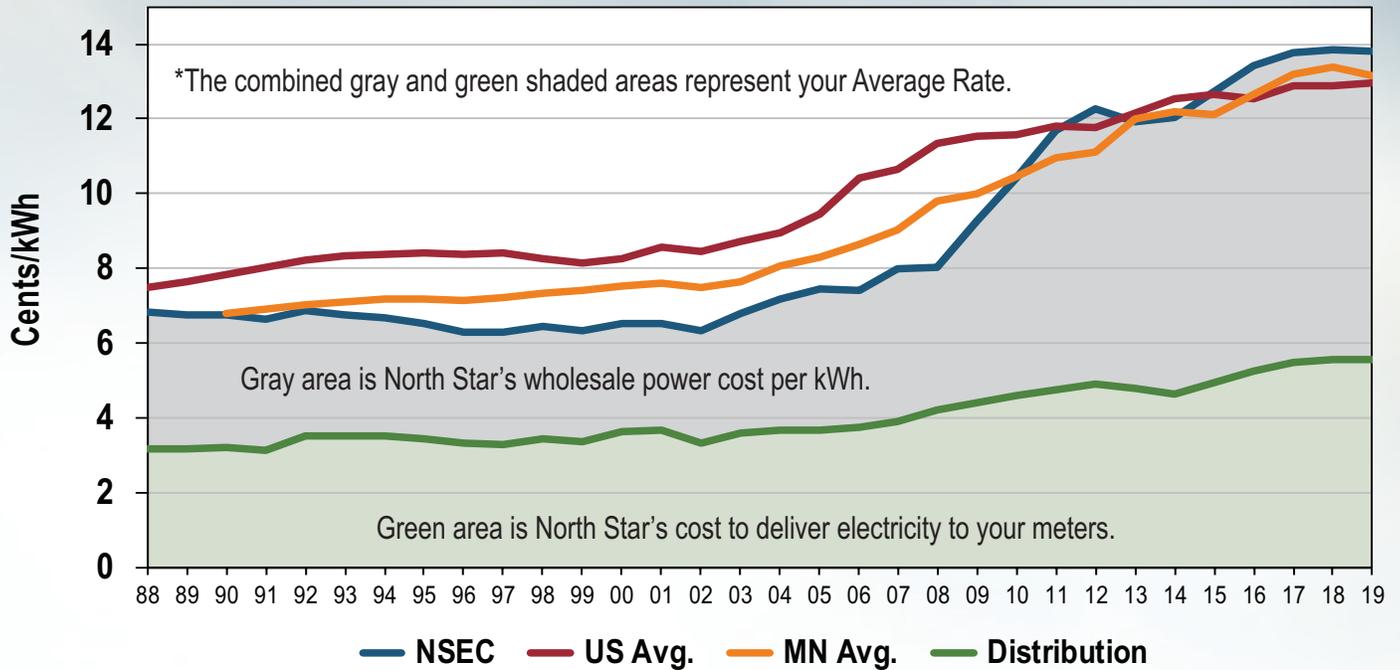
All electric utilities receive federal subsidies in one form or another. Calculations based on federal government financial reports show that rural electric cooperatives receive the least federal amount of subsidy per consumer. This is in spite of the fact that rural electric cooperatives (RECs) serve only eight consumers per mile of line compared to 34 for investor-owned (such as Minnesota Power) and 48 for city-owned utilities.

## Going the Extra Mile

Electric cooperatives maintain more miles of power lines per consumer than other types of electric utilities. Even though they serve fewer consumers and acquire less revenue, electric co-ops always go the extra mile to power the communities they serve.



# AVERAGE ELECTRIC RATES



As members purchase fewer kWh, the rate **PER** kWh goes up because all of the costs to build and maintain lines are recovered over fewer kWh.

**2019 North Star  
Electric Rate  
(projected)  
13.30¢**

## 2018 Average Residential Electric Rates

(cents per kilowatt-hour; data shows year-to-date rates as of December 2018)

<b>West North Central</b>	<b>12.00</b>	<b>East North Central</b>	<b>13.16</b>	<b>New England</b>	<b>20.53</b>	<b>Middle Atlantic</b>	<b>16.00</b>
Iowa	12.67	Illinois	12.55	Connecticut	21.20	New Jersey	15.47
Kansas	13.13	Indiana	12.02	Maine	16.12	New York	18.53
<b>Minnesota</b>	<b>13.38</b>	Michigan	15.56	Massachusetts	21.57	Pennsylvania	13.93
Missouri	11.10	Ohio	12.35	New Hampshire	19.64	<b>South Atlantic</b>	<b>11.75</b>
Nebraska	10.80	Wisconsin	14.44	Rhode Island	20.55	Delaware	12.62
North Dakota	10.35			Vermont	17.98	District of Columbia	12.84
South Dakota	11.62					Florida	11.61
<b>Mountain</b>	<b>12.00</b>					Georgia	11.39
Arizona	12.84					Maryland	13.33
Colorado	12.14					North Carolina	11.27
Idaho	10.20					South Carolina	12.40
Montana	11.18					Virginia	11.78
Nevada	11.86					West Virginia	11.26
New Mexico	12.75					<b>East South Central</b>	<b>11.13</b>
Utah	10.54					Alabama	12.26
Wyoming	11.36					Kentucky	10.45
<b>Pacific Contiguous</b>	<b>15.55</b>			<b>West South Central</b>	<b>10.84</b>	Mississippi	11.25
California	18.90			Arkansas	9.78	Tennessee	10.67
Oregon	10.92	<b>Pacific Noncontiguous</b>	<b>28.07</b>	Louisiana	9.32		
Washington	9.63	Alaska	22.06	Oklahoma	10.23		
		Hawaii	32.48	Texas	11.39		

Source: Energy Information Administration

# 2019 ANNUAL MEETING AGENDA

Littlefork/Big Falls School • Littlefork, Minnesota • Friday, Oct. 4, 2019

- |           |  |  |
|-----------|--|--|
| 5-6 p.m.  | Dinner and Registration                    |  |
|           | Entertainment                              |  |
| 5:30 p.m. | Free Child Care Until Meeting Adjournment  |  |
| 5:55 p.m. | Collect Early Bird Prize Entries           |  |
| 6 p.m.    | Presentation of Colors and National Anthem |  |
|           | Welcome                                    | President Steve Arnesen                        |
|           | Call to Order                              | President Steve Arnesen                        |
|           | Invocation                                 | President Steve Arnesen                        |
|           | Welcome Guests                             | President Steve Arnesen                        |
|           | Notice of 2019 Meeting                     | Secretary Lorraine Nygaard                     |
|           | Minutes of 2018 Meeting                    | Secretary Lorraine Nygaard                     |
|           | Treasurer's Report of Audit                | Secretary Lorraine Nygaard                     |
|           | Introduction of Board Candidate            | Attorney                                       |
|           | Election of District 7 Director            | Attorney                                       |
|           | Financial Report                           | Finance Manager Robyn Sonstegard               |
|           | Guest Speaker                              | Stacey Dahl, <i>Minnkota Power Cooperative</i> |
|           | Manager's Report                           | Manager Ann Ellis                              |
|           | Old and New Business                       | Members  |
|           | Prize Drawings                             |  |
|           | Adjournment                                |  |



Annual meeting door prize for all members – solar/hand crank rechargeable flashlight

## ANNUAL MEETING PRIZES

*(must be present to win)*

### GRAND PRIZE \$500 Energy Credit

- 1 – \$250 Early Bird Drawing
- 1 – \$100 Energy Credit
- 1 – \$500 529 College Savings Plan

*Thank you for attending  
your annual meeting!*

**OFFICE HOURS | 7:30 A.M. - 4 P.M. | MONDAY - FRIDAY**

**Baudette** 218-634-2202 or 888-634-2202 | **Littlefork** 218-278-6658 or 888-258-2008  
**For credit card payment** 855-874-5354 | **Online billing** info available via SmartHub app  
**Electrical after-hours emergencies** 1-888-6OUTAGE (1-888-668-8243)  
**E-mail us at** nsec@wikel.com | **Visit our website at** northstarelectric.coop

The Enlightener (USPS 024959), is published monthly by North Star Electric Cooperative, Inc., 441 St. Hwy 172 N.W., Baudette, MN 56623-0719.

Subscription price \$1/year. Periodicals postage paid at Baudette, MN 56623. POSTMASTER: Send address corrections to The Enlightener, North Star Electric Cooperative, Inc., P.O. Box 719, Baudette, MN 56623-0719.

**'LIKE' US ON FACEBOOK  
TO STAY UP TO DATE**

Like your cooperative for outage updates during summer storms and other useful info.

/northstarelectric

*This institution is an equal opportunity provider and employer.*