

# Director candidates

## District 1

### Ronald Schwartau

Incumbent Ronald Schwartau has been a member of Nobles Cooperative Electric since 1981. He and his wife, Connie, live in Skandia Township where they operate the family farm, Coorain Inc.

Mr. Schwartau graduated from the University of Minnesota with a Masters Degree of Agriculture-Food Technology. Prior to farming, Ron was a research project coordinator at the University of Minnesota.

While serving as a Director of Nobles Cooperative Electric, he completed all of the required courses from National Rural Electric Cooperative Association (NRECA) to earn Credentialed Cooperative Director and Board Leadership certificates.

Mr. Schwartau represents Southwest Minnesota on the Minnesota Rural Electric Association's Board of Directors. In 2003, he was elected by the statewide rural electric cooperatives to represent Minnesota on the NRECA's Board of Directors in Washington, D.C. Ron was re-elected to that position this past February.

It is also his privilege to serve on the board of NRECA International Foundation, which oversees electric cooperative development in developing and third world countries around the world. In 2008, Ron traveled to Southern Sudan in Africa to work with community leaders establishing the first electric utility in the region.



## District 2

### Lee York

Incumbent Lee York has been a member of Nobles Cooperative Electric since 1974. Lee and his wife, Joan, live in Leeds Township where they farm with Lee's brother and sons. They are the parents of two sons and one daughter.

Lee has served on the Board of Directors for Nobles Cooperative Electric for the past 15 years. He completed all of the required courses from National Rural Electric Cooperative Association to earn Credentialed Cooperative Director.

Mr. York has a Bachelor of Arts degree in Ag Economics from Southwest Minnesota State University. Lee has been a local assessor since 1985. He is the president of the Lake Wilson Economic Development Authority and active in many other community groups. Lee is a member of Lake Wilson United Methodist Church, where he is chairman of the church council.



## District At-Large

### Lowell Nystrom

Lowell Nystrom has been a member of Nobles Cooperative Electric since 1974. Lowell and his wife, Ruth, live on a century farm in



Bigelow Township. They are the parents of three sons and one daughter. The Nystroms have 12 grandchildren.

Mr. Nystrom is a retired grain and turkey farmer. Lowell produced corn and soybeans for 39 years and owned and operated three large turkey barns for 16 years.

Lowell has a Bachelor of Ag Business Administration degree from the University of Minnesota. He served as a school board member for District 518 in Worthington for 26 and a half years and as a Nobles County Co-op Oil board member for 24 years. Mr. Nystrom and his wife worship at Indian Lake Baptist Church.

## District At-Large

### Gary Sieve

Incumbent Gary Sieve has been a member of Nobles Cooperative Electric since 1974. Gary and his wife, Joyce, have been living in Bloom Township since 1954. They are the parents of two boys and twin daughters. The Sieves have three grandchildren.

Mr. Sieve has served on the Nobles Cooperative Electric Board since November 2003. He completed all of the required courses from National Rural Electric Cooperative Association to earn Credentialed Cooperative Director.

Gary is a grain and dairy farmer. He also sells Syngenta seed. Prior to farming full time, Gary was a hog buyer for Armour & Company.

He is a member of Our Lady of Good Council in Wilmont, where he's served on the council. Gary was active in the Nobles County Pork Producers in the early 1980s, being a past president. He has also served on the Nominating Committee for Agstar.



## District At-Large

### Jamie Thomazin

Jamie Thomazin has been a member of Nobles Cooperative Electric from 1989 to 1991 and 2004 to present. Jamie and his wife, Gwen, live in Mason Township. They are the parents of four children.

Mr. Thomazin graduated from the University of Nebraska School of Technical Agriculture with an Associates Degree in Ag Land and Water Technology. Jamie has worked for the USDA Natural Resources Conservation Service (NRCS) for over 25 years. He began his career as a Soil Conservation Technician, then a Civil Engineering Technician and currently holds the position as a District Conservationist.

Jamie serves as a member of the Currie Sons of the American Legion, Currie Town and Country and as a Mason Township supervisor in Murray County.

*Note: Director candidates are listed in alphabetical order.*

**Be sure to watch the mail for your special invitation and registration card. Remember to bring it to the Annual Meeting.**



# Annual Meeting minutes

The Annual Meeting of the stockholders (herein referred to as "MEMBERS") of Nobles Cooperative Electric (NCE) was held at Pioneer Village in the city of Worthington, Minnesota at 7 p.m. on the 19th day of June 2008; pursuant to notice duly published for the fifteen (15) days prior to the holding of the meeting as required by the Articles of Incorporation and the Bylaws of said cooperative.

Henry Hanson welcomed the members and guests to the Annual Meeting Celebration.

Chairman Hanson led everyone in the Pledge of Allegiance.

The Invocation was given by Pastor Doug Roth from the Indian Lake Baptist Church near Worthington.

The meeting was called to order by Henry Hanson, president of the Board of Directors, who presided and Ronald Schwartau, secretary of the cooperative, kept the minutes of the meeting.

Two prizes were drawn during the Annual Meeting to registered members who were present.

Chairman Hanson presented an agenda for the members' consideration and after reviewing; a motion was made, seconded and carried to approve the agenda as presented.

The minutes of the last Annual Meeting of the members as held June 28, 2007 were printed in the *Connections* Annual Report mailed to each member of the cooperative. There being no corrections, additions or deletions, a motion was made, seconded and carried that said minutes be accepted and approved as printed.

A registration of members attending the Annual Meeting was taken at the registration booth at Pioneer Village. The secretary stated that such registration indicated more than fifty (50) members were present in person and that the required quorum was therefore established as per Article I, Section 5 of the Bylaws of the cooperative.

Chairman Hanson appointed Attorney Andrew E. Hagemann, Jr. as

parliamentarian for the meeting.

Andrew E. Hagemann, Jr., attorney for the cooperative, presented the notice of the meeting, along with the Proof of Publication of said notice as published in the Worthington Daily Globe and the Murray County Wheel-Herald as per Article I, Section 3 of the Bylaws of the cooperative. Such notice and proof thereof was ordered annexed to the minutes of the meeting.

Attorney Hagemann then explained the balloting and voting procedures, which would be followed in the election of directors.

Chairman Hanson appointed the tellers and inspectors of the elections.

The next order of business as stated by Mr. Hanson was to take action on the election of two (2) directors to serve for a period of three (3) years or until their successors have been duly elected and qualified. President Hanson presided during the election and stated that the terms of Dick Ruiter, representing District Four, and Richard Greve, representing District Six, were expiring.

Eldon Kruse, chairman of the Nominating Committee, reported that the Nominating Committee had met on February 28 and March 13, 2008 and nominated Dick Ruiter as director candidate from District Four to be voted on by the members present at this Annual Meeting. Their effort to find other candidates was unsuccessful.

Chairman Hanson asked for any further nominations for District Four and after allowing ample time for such nominations and hearing none; a motion was made, seconded and carried that such nominations cease.

Since there were no other director candidates running for District Four, Chairman Hanson asked for a motion to cast a unanimous ballot for Dick Ruiter. A motion was duly made and seconded to cast a unanimous ballot for Dick Ruiter as director for District Four for a term of three (3) years or until his successor has been duly elected and qualified. Motion carried.

Nominating Committee Chairman

Kruse reported that the Nominating Committee had nominated Gary Correll and Richard Greve as director candidates from District Six to be voted on by the members present at this Annual Meeting.

Chairman Hanson asked for any further nominations and after allowing ample time for such nominations and hearing none; a motion was duly made and seconded that such nominations cease.

Gary Correll and Richard Greve then addressed the membership.

A question in regards to having women tellers was responded to.

A vote was then held by ballot for the District Six position.

President Henry Hanson reported to the membership in a presentation entitled "Striking a Balance: Doing our Part".

Being committed to delivering power at the lowest possible cost and working hard to minimize the impact of necessary price increases are NCE's objectives. He stated NCE is a non-profit organization with profits being returned to NCE's members through capital credits, returning \$511,764 in 2007; and working with the member to find ways to conserve energy and use energy more efficiently.

Together NCE and members are doing their part. Members may sign up for NCE's energy-saving programs, Energy Star rebates on appliances, switch regular light bulbs to compact fluorescent light bulbs (CFLs) and purchase light-emitting diode (LED) Christmas lights.

President Hanson said that conserving energy saves the member money in two ways: 1. Their lowered usage saves on their monthly electric bill. 2. When a number of members lower their usage, it also lowers NCE's wholesale bill.

NCE built a 2.1 MW wind turbine near Brewster that should produce 6 million kilowatt-hours annually to meet the members' needs. The turbine cost approximately \$3.3 million. NCE was awarded a \$500,000 grant

for renewable energy and the remaining dollars were financed through Clean Renewable Energy Bonds with an approximate 1.4 percent interest rate. A program is being worked on where you can supply 100 percent of your farm and home with renewable energy.

The following changes are being implemented at the cooperative: A new newsletter inserted with the members' electric bills, phone system improvements, new radio system and an outage management system.

President Hanson stated that prices are on the rise but we continue to strive to help control NCE's electric rates.

Energy is a hot topic these days with state legislation mandating the resource mix. By 2025, 25 percent of electric energy must come from renewable resources. The state and nation are also working to set up a commitment to reduce carbon dioxide (CO<sub>2</sub>) emissions. These initiatives will affect how we produce electricity and the cost of power.

President Hanson called on General Manager Richard Burud to give the manager's report. Manager Burud reported to the membership in a presentation entitled "Energy Uncertainty". In the times of uncertainty, how should we handle it?

Scenarios in this turbulent time include: coal generation is being attacked by the environmental community, nuclear power generation is not allowed in Minnesota, CO<sub>2</sub> legislation is pending and growth continues from membership. The options we have to remedy these are: wind backed up by natural gas generation, small renewable units' reduction in loads by membership through conservation and load management.

A television advertisement regarding Our Energy, Our Future: A Dialogue with America was shown. This is a national campaign to engage consumer/members in a conversation with elected officials about how we meet climate change goals while keeping electricity reliable and affordable.

He mentioned the current political landscape and that each of us have a

role to play in influencing legislation. Manager Burud explained the challenges ahead and what we need to do to be successful.

Why us? We need one unified voice and with the electric cooperatives being 40 million strong, this gives us credibility and political power.

Manager Burud urged the members to start a conversation with their legislators and sign postcards asking them three questions: 1. What is their plan to make sure we have the electricity we'll need in the future? 2. What are they doing to fully fund the research required to make emissions-free electric plants an affordable reality? 3. Balancing electricity needs and environmental goals will be difficult. How much is all this going to increase my electric bills and what will they do to make it affordable?

He then challenged the members to do their part and replace their incandescent light bulbs with CFLs by next year's annual meeting.

Mr. Burud mentioned that the automatic meter reading (AMR) system is a pilot project at this time.

Graphs were shown regarding NCE's retail and wholesale rates. In the 10-year financial forecast, the rates are going up.

NCE's future is uncertain but not insurmountable. The challenges are not new. The members need to take an interest, get involved and help NCE by working together to solve these difficult issues.

Manager Burud mentioned the Renewable Energy Tours.

General Manager Burud called on Office Manager Bradley Spartz to give the financial presentation. Mr. Spartz stated that the cooperative continues to grow. Assets totaled \$30.9 million, an increase of \$8.5 million since 1998. The operating expenses totaled \$10.1 million with operating margins totaling \$638,000. Non-operating margins, MainStreet Messenger, WildBlue, generation and transmission, plus

other cooperative capital credits totaled \$529,000. He stated that wholesale power costs are expected to continue to increase into the future, as we move to renewable sources of electric energy.

Chairman Hanson asked if there were any questions and hearing none asked for acceptance of the financial report.

A motion was made, seconded and carried that said financial report be accepted and approved as presented.

Mr. Hanson asked if there was any old or unfinished business to come before the cooperative's annual membership meeting. No such business was presented.

The chairman asked if there was any new business to come before the cooperative's annual membership meeting, but no such business was presented.

One question was responded to.

David Saggau, president and CEO of Great River Energy (GRE), NCE's wholesale power supplier, addressed the membership. He gave a brief background on GRE and then discussed GRE's "triple bottom line: reasonable rates, reliable electric service and environmental stewardship" and its position on issues that are driving rising energy costs.

On behalf of GRE, President Saggau donated a \$1,000 check to NCE's Operation Round Up Fund.

At this time Chairman Hanson recognized distinguished guests and introduced them to the audience.

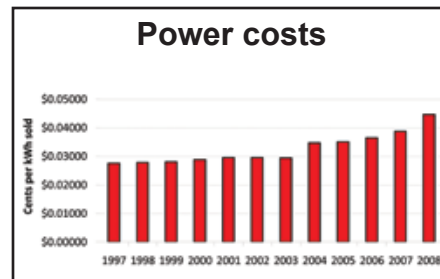
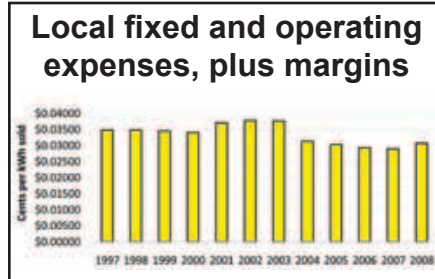
Chairman Hanson then announced the results of balloting for District Six. Richard Greve was elected as director for District Six for a term of three (3) years or until his successor has been duly elected and qualified.

There being no further business to come before the meeting, a motion was made, seconded and carried that said meeting be adjourned.

Respectfully submitted,  
Ronald J. Schwartau, Secretary

# Balance sheet

	<u>2008</u>	<u>2007</u>
<b>Utility plant</b>		
Lines, buildings and equipment	\$37,028,295	\$33,011,325
Less: provisions for depreciation	<u>10,635,730</u>	<u>9,983,707</u>
<b>Net utility plant</b>	<b>\$26,392,565</b>	<b>\$23,027,618</b>
<b>Cash and investment accounts</b>		
General funds	\$ 3,649,155	\$ 1,457,619
Investments	4,338,105	4,034,002
Accounts receivable	2,298,579	1,776,516
Materials and supplies	700,141	479,156
Prepayments	43,220	100,746
Deferred debits	6,959	1,273
Interest receivable	<u>5,985</u>	<u>9,649</u>
<b>Total cash and investments</b>	<b>\$11,042,144</b>	<b>\$ 7,858,961</b>
<b>Total assets</b>	<b><u>\$37,434,709</u></b>	<b><u>\$30,886,579</u></b>
<b>Liabilities</b>		
Accounts payable	\$ 4,572,998	\$ 2,634,301
Long-term debt	17,117,621	13,168,944
Deferred credits	<u>77,060</u>	<u>84,825</u>
<b>Total liabilities</b>	<b>\$21,767,679</b>	<b>\$15,888,070</b>
<b>Equity</b>		
Patronage capital - prior year's	\$13,866,561	\$13,306,595
Capital reserve and other equity	<u>1,800,469</u>	<u>1,691,914</u>
<b>Total equity</b>	<b>\$15,667,030</b>	<b>\$14,998,509</b>
<b>Total liabilities and owner equity</b>	<b><u>\$37,434,709</u></b>	<b><u>\$30,886,579</u></b>



# Statement of operations

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Operating revenues</b>	<b>\$12,005,279</b>	<b>\$10,711,833</b>	<b>\$10,057,619</b>
<b>Operating expenses</b>			
Purchased power	\$ 7,090,127	\$ 6,129,200	\$ 5,575,173
Power production expense	16,633	----	----
Operations	545,845	506,754	486,870
Maintenance	754,562	676,323	630,201
Customer account expense	597,548	468,904	488,831
Administrative and general expense	714,949	686,548	665,366
Depreciation expense	933,571	904,461	870,455
Interest on long-term debt	847,745	695,391	684,588
Other income deductions	<u>44,370</u>	<u>5,793</u>	<u>6,824</u>
<b>Total operating expenses</b>	<b>\$11,545,350</b>	<b>\$10,073,374</b>	<b>\$ 9,408,308</b>
<b>Net operating margins</b>	<b>\$ 459,929</b>	<b>\$ 638,459</b>	<b>\$ 649,311</b>
<b>Generation and transmission plus other cooperative capital credits</b>	<b>\$ 338,588</b>	<b>\$ 381,412</b>	<b>\$ 568,384</b>
<b>Net non-operating margins</b>	<b>\$ 360,885</b>	<b>\$ 147,539</b>	<b>\$ 135,489</b>
<b>Total patronage capital and margins</b>	<b>\$ 1,159,402</b>	<b>\$ 1,167,410</b>	<b>\$ 1,353,184</b>

# Management's comments

The financial statements ended December 31, 2008 and 2007 were audited by Brady, Martz & Associates, P.C., in accordance with generally accepted auditing standards and government auditing standards issued by the U.S. Comptroller General. The above is a condensed presentation of these financial statements. The auditors' report is on file at the cooperative's office.