

Annual Meeting Edition



Join us for your 2019 Annual Meeting

Murray County Central
High School Auditorium
2420 28th Street, Slayton

Annual Meeting Agenda

- Registration 6 - 7 p.m.
- Welcome and Call to Order 7 p.m.
- Approval of Agenda and Minutes
- Establishment of Quorum
- Proof of Publication
- Election Process
- President and Manager's Report
- Minnesota Rural Electric Association Report
- Old and New Business
- Results of Election
- Adjourn
- Draw for Door Prizes (*members must be present to win*)


Thursday April 11

At this meeting, action will be taken on:

1. The reports of officers, directors and committees
2. The election of two directors and two nominating committee members of the cooperative
3. Voting on recommended bylaw changes
4. All other business which may come before the meeting of members



Nobles Cooperative
Electric

® Your Touchstone Energy® Cooperative 

Annual meeting minutes

The annual meeting of the stockholders (herein referred to as “members”) of Nobles Cooperative Electric (NCE) was held at the Fulda High School Gymnasium in the city of Fulda, Minnesota, at 7 p.m. on April 5, 2018, pursuant to notice duly published for the 15 days prior to the holding of the meeting, as required by NCE’s Articles of Incorporation and Bylaws.

Ronald Schwartau, president of the board of directors led everyone in *The Pledge of Allegiance*.

John Maertens, mayor of Fulda, welcomed the members and guests to Fulda.

The invocation was given by Pastor Shawn Ethridge from St. Paul’s Lutheran Church in Fulda.

President Schwartau introduced special guests and NCE’s Board of Directors.

The meeting was called to order by President Schwartau, who presided, and David Clarke, secretary of the cooperative, kept the minutes of the meeting.

The agenda was printed in the *Current Matters* Annual Report and mailed to each member of the cooperative. A motion was made, seconded, and carried to approve the agenda as printed.

The minutes of the last annual meeting of the members, as held April 8, 2017, was printed in the 2018 Annual Report. There being no corrections, additions, or deletions, a motion was made, seconded, and carried to approve the minutes as printed.

A registration of members attending the annual meeting was taken as members entered the gymnasium. Secretary Clarke stated that such registration indicated more than 50 members were present and the required quorum was therefore established as per Article II, Section 7 of the Bylaws.

Chairman Schwartau appointed Attorney Andrew E. Hagemann, Jr. as parliamentarian for the meeting.

Andrew E. Hagemann, Jr., attorney for the cooperative, presented the Notice of Annual Meeting, along with the Proof of Publication of said notice as published in the *Worthington Daily Globe* and *Murray County Wheel-Herald* as per Article II, Section 2 of the Bylaws. Such notice and proof thereof was ordered annexed to the minutes of the meeting.

Attorney Hagemann then explained the balloting and voting procedures for the election of directors and nominating committee members.

President Schwartau and Vice President

Lee York presided during the election of three directors and two nominating committee members.

Vice President York announced that as reported there was only one candidate running for District One, Ronald Schwartau. A motion was made, seconded, and carried to cast a unanimous ballot to elect Ronald Schwartau as director for District One. He was elected for a three-year term or until his successor has been duly elected and qualified.

President Schwartau then called on Chuck Vasgaard, chairman of the nominating committee.

Mr. Vasgaard reported that the nominating committee met on November 9, 2017, and January 30, 2018. They nominated Brent Miller and Lee York as director candidates from District Two. Miller and York addressed the membership.

Mr. Vasgaard then reported that the nominating committee had nominated Matthew Loosbrock and Gary Sieve as director candidates from District Seven. Loosbrock and Sieve addressed the membership.

Nominating Committee Chairman Vasgaard reported that the nominating committee nominated Verlyn DeKam from District Four as nominating committee candidate. Their effort to find other candidates was unsuccessful. A motion was made, seconded, and carried to cast a unanimous ballot to elect Verlyn DeKam as nominating committee member for District Four. He was elected for a three-year term or until his successor has been duly elected and qualified.

Mr. Vasgaard reported that the nominating committee nominated John Ahlers and Jeffrey Barber from District Six as nominating committee candidates.

Chairman Schwartau appointed the tellers and inspectors of the election. He then instructed the members to mark their ballots and the tellers collected them.

President Schwartau and General Manager Adam Tromblay reported to the membership in a shared PowerPoint presentation.

General Manager Tromblay stated that success is the product of teamwork. Over the last year, the staff, employees, and board of directors continued their commitment to serve the members with excellence, while adhering to NCE’s core values of Safety, Team, Accountable, Responsive, and Transparent (START). Strong leadership is essential to NCE. The board of directors is democratically elected from the membership to represent the members’ interests and provide long-term vision and direction.

President Schwartau mentioned that NCE is blessed to employ many dedicated and committed people and recognized the em-

ployees.

He announced that the Fulda Fire Department was the recipient of the NCE/CoBank “Sharing Success” Grant and was awarded \$10,000 (\$5,000 from NCE and \$5,000 from CoBank).

Mr. Tromblay stated that since 2001, when Operation Round Up (ORU) was initiated, NCE distributed over \$301,000 to local organizations in NCE’s service territory. Each year, ORU scholarships are awarded to high school seniors in NCE’s service territory planning to further their education. NCE also sponsors one high school student to attend the National Rural Electric Cooperative Association’s Youth Tour in Washington, D.C.

NCE received over \$1.6 million dollars from FEMA to offset the costs of rebuilding NCE’s lines from the 2013 Ice Storm. FEMA funding represents 67 percent of the total construction costs, with the potential to receive up to 75 percent or \$1.8 million upon a final FEMA review.

In December 2017, NCE sold a 28-mile span of transmission line from the Alliant acquisition to Great River Energy (GRE), NCE’s wholesale power supplier. GRE is better equipped to own, operate, and maintain this line that runs from Fulda to Lismore.

Mr. Schwartau mentioned that NCE received the Leroy Vanderpool Excellence in Safety Award. The process involved a review of NCE’s safety programs and procedures, along with the cultural changes that have taken place at NCE.

A new program called Watt Watcher was introduced to the membership. This program shows the member why their energy dollars may have gone up or down and empowers the member to take control of their usage. Members can also set up to receive alerts and pay their bill.

Minnesota requires its energy utilities to spend 1.5 percent of their revenues on projects that reduce the consumption of electricity under the Conservation Improvement Program (CIP). NCE offers members rebates on appliances and products to help save energy. As a part of CIP, NCE’s K12 program continues to flourish by providing gifts of warm clothing and a free water kit to eligible families.

Local Democracy legislation was passed by the Minnesota Legislature that reduces duplicative regulation by the cooperative. This legislation impacts distributed generation and ensures that decisions affecting NCE’s member-owners are made by NCE’s Board of Directors.

In addition to system improvements, NCE will spend over \$1.6 million on the

2018 Work Plan Construction Projects.

Manager Tromblay mentioned that a new emergency response system was introduced in 2017. He then introduced the residential generator program, which NCE became an authorized sales and installation retailer for Briggs & Stratton automatic standby generators.

NCE completed a cost of service study to evaluate revenue requirements and rate structures. Based on the analysis, rate design changes are recommended. Utilities across the nation are looking for long-term solutions to the challenges of rising costs. Wholesale power costs account for 61 cents of every dollar spent. NCE purchases all of its energy from our wholesale power suppliers, GRE, Western Area Power Administration (WAPA), and Southern Minnesota Energy Cooperative (SMEC) via long-term power purchase contracts and then delivers it to the member. NCE is always working to reduce expenses by using new technology and automation to improve the efficiency of NCE's operations, enabling NCE to better serve the member and control costs.

General Manager Tromblay explained that cooperative profits are allocated to NCE's member-owners based on their patronage and the 2017 financials. The member-owners can help control costs by participating in NCE's load management programs, purchasing energy-efficient appliances and products, monitoring usage through Watt Watcher, and talking to elected officials about mandates affecting the cost of electricity.

Mr. Schwartau mentioned that a challenge facing the electric industry involves the Clean Power Plan. Electric cooperatives nationwide are making significant changes in how they generate power and they look forward to working with the Environmental Protection Agency on a plan that gets it right.

President Schwartau thanked the membership for attending the annual meeting and supporting their cooperative.

David Saggau, president and chief executive officer from GRE, NCE's wholesale power supplier, addressed the membership. He congratulated NCE on the great year. Mr. Saggau gave a brief background on GRE and shared GRE's 2017 highlights. He showed a graph of 2017 Actual Rates by each distribution cooperative (excluding WAPA) and mentioned that NCE pays a rate lower than the average rate.

On behalf of GRE, Mr. Saggau presented Chairman Schwartau a \$1,000 donation to NCE's Operation Round Up program.

President Schwartau asked if there was any old unfinished or new business to come

Notice of annual meeting for members

The annual meeting for Nobles Cooperative Electric members will be held at the Murray County Central High School Auditorium in Slayton, Minnesota, on Thursday, April 11, 2019, at 7 p.m. to take action on the following matters:

1. The reports of officers, directors, and committees.
2. The election of two directors and two nominating committee members of the cooperative.
3. To consider and vote upon the bylaw changes, which heretofore have been recommended to the members by the unanimous vote of the board of directors.
4. All other business which may come before the meeting, or any adjournment or adjournments thereof.

Absentee ballots for director and nominating committee elections, along with the bylaw changes are available upon request.

David D. Clarke, Secretary

Dated: February 22, 2019

Absentee ballots

Absentee ballots for voting on the director elections for Districts Three and Five and nominating committee elections for Districts One and Two, along with bylaw changes are available for any member unable to attend the annual meeting. Call the office (507-372-7331, 507-836-6107, or 800-776-0517) or e-mail NCE (nce@noblesce.com) and three absentee ballots, instructions, and a return envelope will be mailed to you. Your absentee ballots must be received by Wednesday, April 10 at 4 p.m.

before the cooperative's annual membership meeting. No such business was presented. President Schwartau and Manager Tromblay responded to a question from the floor regarding demand charges.

The prizes were drawn for at this time.

President Schwartau announced the results of the election. Lee York was re-elected as director from District Two, Gary Sieve was re-elected as director from District Seven, and John Ahlers was elected as

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Ballot

3-Year Terms

(Nominated by Committee)

Director Election for District Three
(Vote for one by placing an "X" in the box)

1. Gary Clarke

2. Cheryl Janssen

Director Election for District Five
(Vote for one by placing an "X" in the box)

1. Cindy Hokeness*

2. David Mastbergen

3. Michael Nolte

* Incumbent

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Ballot

3-Year Terms

(Nominated by Committee)

Nominating Committee Member Election for District One
(Vote for one by placing an "X" in the box)

1. Stacy Barstad

2. Cody Fritz

Nominating Committee Member Election for District Two
(Vote for one by placing an "X" in the box)

1. Charles Vasgaard*

* Incumbent

nominating committee member from District Six. Each were elected for a three-year term or until their successor is duly elected and qualified. Certificates of the inspectors of election are attached to these minutes. He then thanked the tellers for their service.

There being no further business to come before the meeting, Chairman Schwartau adjourned the meeting.

Respectfully submitted,
David D. Clarke, Secretary

Your co-op by the numbers

979,971

kWh ENERGY SAVINGS

236

kW DEMAND SAVINGS

\$104,127

ENERGY EFFICIENCY REBATES PAID TO MEMBERS

\$1,297,420

CAPITAL CREDITS RETURNED

203,641,395

kWh SOLD

6,800

MEMBERS

2,274

MILES OF LINE

815

FACEBOOK LIKES

24

EMPLOYEES

2

COUNTIES SERVED
MURRAY AND NOBLES

Balance sheet

	2017	2018
Utility plant		
Lines, buildings and equipment	\$ 60,185,406	\$ 62,678,175
Less: provisions for depreciation	<u>20,859,291</u>	<u>22,059,875</u>
Net utility plant	\$ 39,326,115	\$ 40,618,300
Cash and investment accounts		
General funds	\$ 5,734,180	\$ 5,670,454
Investments	7,508,112	7,814,781
Accounts receivable	4,691,380	2,582,812
Materials and supplies	489,146	626,951
Prepayments	209,531	126,296
Deferred debits	414,459	868,910
Interest receivable	<u>5,985</u>	<u>10,478</u>
Total cash and investments	\$ 19,052,793	\$ 17,700,682
Total assets	\$ 58,378,908	\$ 58,318,982
Liabilities		
Accounts payable	\$ 3,668,305	\$ 2,955,658
Long-term debt	27,351,886	27,014,042
Deferred credits	<u>724,515</u>	<u>401,990</u>
Total liabilities	\$ 31,744,706	\$ 30,371,690
Equity		
Patronage capital - prior years	\$ 23,122,305	\$ 24,273,738
Capital reserve and other equity	<u>3,511,897</u>	<u>3,673,554</u>
Total equity	\$ 26,634,202	\$ 27,947,292
Total liabilities and owner equity	\$ 58,378,908	\$ 58,318,982

Statement of operations

	2017	2018
Operating revenue	\$ 20,997,087	\$ 20,869,737
Operating expenses		
Purchased power	\$ 12,900,319	\$ 12,442,902
Power production expense	63,325	85,135
Operations	897,009	904,142
Maintenance	860,135	882,889
Customer account expense	653,826	740,376
Administrative and general expense	1,074,915	1,192,244
Depreciation expense	1,802,941	1,919,335
Interest on long-term debt	763,773	928,390
Other income deductions	<u>10,056</u>	<u>10,307</u>
Total operating expenses	\$ 19,026,299	\$ 19,105,720
Net operating margins	\$ 1,950,788	\$ 1,764,017
Generation and transmission plus other cooperative capital credits	\$ 514,695	\$ 373,183
Net non-operating margins	\$ 390,050	\$ 431,138
Total patronage capital and margins	\$ 2,855,533	\$ 2,568,338

Management's comments

The preliminary financial statements for the 12-month period ended December 31, 2018, and December 31, 2017 are presented here. The 2018 audit is scheduled for early March 2019 to be audited by CliftonLarsonAllen, LLP, 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 the financial statements. The auditor's report will be on file at the cooperative's office. At the time of printing, the audit was not complete.