

2019



Calhoun County Electric Cooperative Association

A Touchstone Energy® Cooperative 

Annual Report

President and Manager Report

We are happy to report that 2019 was a successful year for your co-op.

We have a guiding principle, painted on the wall of the cooperative's board room. It states:

“Every decision I make shall be based on what is best for the Member-Owners of this cooperative.”

At Calhoun County REC, we take the opportunity to serve our Member-Owners, while living up to that guiding principle, very seriously. For the past 84 years, we have strived to provide safe, reliable, affordable, and responsible electric service and demonstrate our commitment to community by offering other value-added services. Let us highlight a few of the ways we accomplished this mission in 2019.

SAFETY

One key component to all that we do is safety. Calhoun County REC utilizes safety and training resources offered through the Iowa Association of Electric Cooperatives. Our team members train monthly on safety topics, and we continuously work to implement the best-known safety procedures and protocols.

Safety education doesn't stop at our team members. Your co-op also invests in public campaigns to increase electric safety education and awareness and participation in the state's Move Over Slow Down law. In Iowa, drivers that see a vehicle with flashing lights on the side of the road must move over or, if that is not possible, slow down. It just might save a life.

RELIABILITY

Tree trimming, pole testing, electrical equipment inspections, meter testing, and a robust re-construction work plan are just a few areas in which your co-op invests to maintain reliable service to the membership. Last year, your co-op invested \$170,000 in maintenance programs such as performing vegetation management (tree trimming and spraying of right-of-way vegetation growth) across portions of the co-op's more than 750 miles of power lines. We also have contractors that test power poles and inspect electrical cabinets on approximately one-tenth of the distribution system. These regular rotations help the co-op maintain a reliable system. In 2019, we replaced 13 miles of power lines, 72 poles, and 32 security lights. We also installed new services at 5 swine facilities, 4 homes, 3 cell towers, and 1 grain bin site in 2019.

AFFORDABILITY

Calhoun County REC is owned by the member-consumers it serves. We don't have far-off investors. Instead, the co-op allocates any excess income to be returned to the membership at a future date. In 2019, Calhoun County REC retired \$296,000 in patronage dividends to current and former members. Your cooperative hasn't increased rates since January 2018, after the routine business practice of a cost of service study (COSS) was conducted in 2017. The COSS is performed by expert consultants that analyze the co-op's utility plant maintenance and investment costs, as well as the rates the co-op charges to different groupings

of members. The COSS helps the co-op design rates consistent with charging each type of membership based on what it costs the co-op to serve that type of membership.

We are happy to report that there is no need for changes in the co-op's current rates to members at this time.

RESPONSIBLE POWER

Your co-op believes in a diverse power supply. We offer multiple programs to help our members support wind and solar technologies. The co-op's solar array, located at the office headquarters in Rockwell City, provides members with accurate data and information related to solar output. Anyone can view the production of the solar array at www.calhounrec.coop. Additionally, any member may elect to support the Green Pricing program through a one-time contribution or monthly line item on their bill. Funds from this program are used to invest in future renewable energy projects. Investments in solar are also taking place through our cooperatively-owned power suppliers. Work is underway for what will be the largest solar farm located in South Dakota (a 128-megawatt facility east of Rapid City).

In 2019, the co-op added an all-electric vehicle to its fleet. As EV's gain popularity, the co-op is preparing to provide information about the charging, operation, and savings of owning an electric vehicle. The co-op's EV is available for members to experience and test drive if interested.

We continue to offer rebates encouraging the efficient use of electricity and have begun investigating energy storage as an emerging technology.

As we navigate 2020...

Those of us at the co-op enjoy interacting with members in person, but the necessary measures to reduce the spread of the novel coronavirus reinforced our commitment to utilize technologies that allow some employees to work remotely if needed. We encourage members to use our online bill pay platform that allows members to access their account, make payments, and review electric use, all from the comfort of their own home. 2020 is proving to be a unique year, and in true cooperative spirit your board of directors approved a special patronage retirement totaling over \$122,000. Bill credits were applied to members' statements in May 2020. This patronage retirement comes at a time when many of our members face uncertain situations due to COVID-19, and we hope this will provide some relief for our membership.

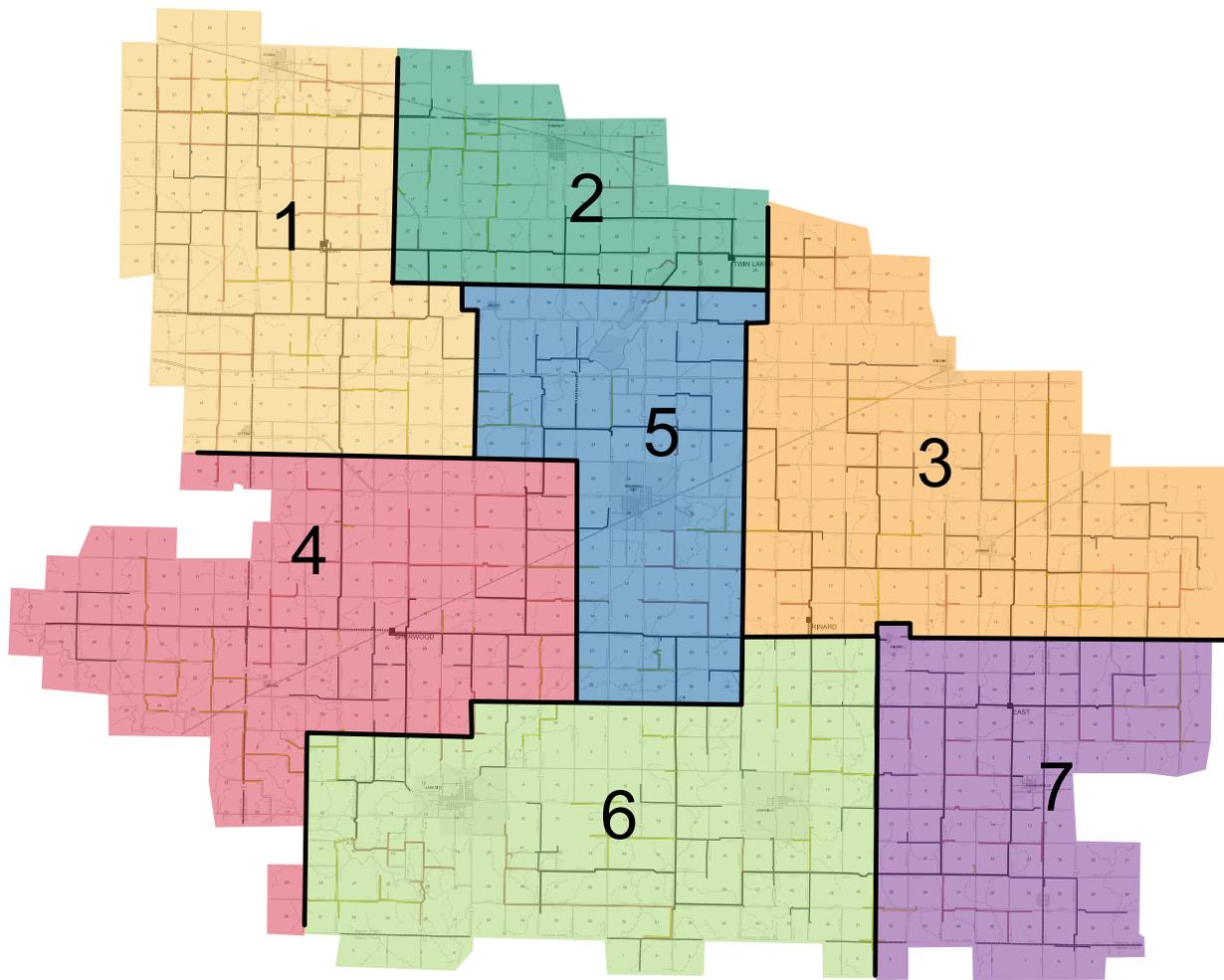
As a cooperative, Calhoun County REC truly belongs to the local communities we serve. We look forward to continuing to provide safe, reliable, affordable, and responsible electricity to the communities we serve.



Keaton Hilldreth
CEO



Jim Miller
Board President



Our Directors

Leading the way are our Board of Directors who are democratically voted in by the membership every three years. Like you, these members depend on electricity from the cooperative to power their homes and businesses. We thank these leaders for their commitment to the cooperative.

1



Jim Miller, President

2



Ron Hanson, Treasurer

3



Jason McKenney, Secretary

4



LaVerne Arndt,
V.P./Corn Belt Rep.

5



Steve Boedecker, Director

6



Scott Hicks, Director

7



Duane Beschorner, Director

Corn Belt Power Cooperative Report

Our goal at Corn Belt Power Cooperative is to enhance the quality of life of those we serve by putting our member-cooperatives first. As we do that today, we're also laying the groundwork for tomorrow's members by "Forging Future Generations."

In 2019, we continued our long-term goal of upgrading and improving our transmission system. Just like our founders did in the 1930s and 1940s, we continue to construct a system that will serve cooperative member-owners for years to come. We built and/or reconducted more than 60 miles of transmission line in 2019. Like in 2018, optical ground wire, or fiber, was installed on the transmission structure in place of static wire. Also new in 2019 were ductile iron poles. Ductile iron poles are stronger than wood, more environmentally friendly and safer to install. Numerous improvements and advancements have been made at substations and switching stations across our service territory.

We're able to complete these projects because of the decision we made in 2015 to join the Southwest Power Pool (SPP). Our membership in SPP ensures we receive a return on the investments we make in our transmission infrastructure. Because of this return, we are able to expedite these upgrades. These decisions are made with reliability and cost at top of mind. These improvements in infrastructure are aimed at containing future cost and prolonged enhancement of reliability.

Transmission is just one facet of Corn Belt Power's business. In 2019, proposed new regulation, known as the "Affordable Clean Energy (ACE) Rule," was released and became effective in September. The new rule provides Corn Belt Power and our power supplier, Basin Electric, with an achievable plan under the Clean Air Act. ACE recognizes the investments made by Basin Electric and Corn Belt Power in its coal-based facilities to improve efficiency and reduce carbon dioxide emissions. On this front, our relationship with Basin Electric has proved to be worthwhile. By effectively communicating our member-cooperative's viewpoints, we continue to aid and assist Basin Electric's goals and mission to be a low-cost power supplier to cooperative member-owners across its footprint.

On the generation side, it was another busy year at Wisdom Station. Wisdom units one and two continued to see increased operations in 2019. Increased outages in the SPP system the last two years along with low, stable natural gas prices have moved the Wisdom units up in the SPP generation mix. The shuttering of other fossil fuel plants and growth of wind generation resources in the SPP footprint have also led to the Wisdom units running more. As a



peaking resource it is essential that Wisdom Station maintains high availability and starting reliability. The operations and maintenance personnel at Wisdom Station work very hard to ensure the units are available and that they operate properly when called upon. This can be difficult at times, especially for Wisdom Unit 1, which was designed to be a baseload unit, but is now being operated like a peaking resource.

Also at Wisdom Station is a new solar array. The project features 600 total panels, with 75 kilowatts of generation on fixed-tilt arrays and 75 kilowatts on single-axis tracking arrays. The array is located on the land that was previously covered with a coal pile. The need for a coal pile ceased when Wisdom Unit No. 1 was converted from coal to natural gas.

Corn Belt Power continues to forge relationships with those who make energy policy. At the end of 2019, after months of lobbying, the U.S. House of Representatives and the President passed the Rural Act and Secure Act in to law. The Rural Act protects more than 900 electric cooperatives throughout the nation from the risk of losing their tax-exempt status when they accept government grants for disaster relief, broadband service and other programs that benefit co-op members. We will continue to protect the pocketbooks of rural citizens across the state of Iowa.

"Forging Future Generations" requires Corn Belt Power to invest in the future of its workforce. In 2019, we graduated our first LEAD class. LEAD is a program to help develop leadership skills in existing employees. It stands for Leadership Exploration and Development. Over the next several years, Corn Belt Power Cooperative will lose hundreds of years of experience and knowledge to retirement. We are confident we have the employees in place to carry out Corn Belt Power's great tradition.

We are fortunate to have a current board of directors that takes an active interest in the operation of our cooperative. Their decision-making continues to make us a strong organization and will continue to do so for years to come.

2019 Annual Meeting Minutes

CALHOUN COUNTY ELECTRIC COOPERATIVE ASSOCIATION ANNUAL MEETING OF MEMBERS September 4, 2019

The 83rd Annual Meeting of the Members of Calhoun County Electric Cooperative Association was held at the Calhoun County Expo Building at the Fairgrounds in Rockwell City, Iowa at 6:30 P.M. on the 4th day of September, 2019.

The meeting was called to order by Jim Miller, President of the Cooperative, who presided, and Jason McKenney, acted as Secretary of the meeting and kept the minutes thereof.

The National Anthem was sung by the South Central Calhoun High School students.

An invocation was offered by Pastor Randy Russom of Union Church in Lake City.

The Chairman then appointed Attorney Dennis L. Puckett of Sullivan & Ward, P.C. as parliamentarian of the meeting.

The Chairman stated that the members who had registered at the door had been checked, and that a quorum was present for the transaction of business. A motion was duly made, seconded, and carried to accept the registration in lieu of a roll call. A list of the members who registered in attendance at the meeting is attached to these minutes and made a part hereof by reference.

Special guests, retired employees, and directors in attendance were introduced to the membership.

Secretary Jason McKenney then read a copy of the Notice of the Annual Meeting of Members, together with proof of the due mailing of said Notice to all members of the Cooperative, and such notice and proof of mailing were ordered to be annexed to the minutes of this meeting.

The Secretary offered to read the minutes of the Annual Meeting of the Members held September 12, 2018. A motion was duly made, seconded and carried to waive the reading of the minutes, and the minutes were thereupon declared to be approved and were ordered to be filed in the records of the Cooperative.

The Secretary gave his Annual Report, noting the meetings attended by the directors during the year, the approval of the Audit Report, other meetings and seminars attended, and the general work of the Board of Directors.

The annual financial report was presented by Treasurer Ron Hanson. The report included a review of the revenue and expense statement for fiscal years ending May 31, 2019 and 2018; the revenues by rate class; the various expense categories; and the allocation and retirement of patronage. Treasurer Hanson also explained the portion of the cooperative's margin that is derived from non-cash patronage and allocations from other organizations. A motion was then made, seconded and carried to approve the financial report and it was ordered to be filed in the records of the Cooperative.

The Chairman stated that the next order of business was the election of two (2) directors for a term of three (3) years each. Attorney Puckett was introduced at this time.

Attorney Puckett reported that the Nominating Committee consisting of District No. 4 - Jerry Jacobs, Kevin Poen and Scott Williams; District No. 6 - Brian Davis, Kendall Holm and Warren Norgrant had nominated the following members for directors.

Three-Year Term

(Two to be Elected)

District No. 4 - LaVerne Arndt

District No. 6 - Scott Hicks

The Director candidates were introduced and the Report of the Nominating Committee was ordered to be identified by the Secretary and annexed to the minutes of the meeting.

Attorney Puckett noted that there were no nominations by Petition.

Since there was only one candidate nominated from each District, Attorney Puckett noted that the members from each District could elect said nominees by motion. A motion was then made, seconded and carried by members in District 4 to direct the Secretary to cast a unanimous vote for LaVerne Arndt. A motion was then made, seconded and carried from the members of District 6 to direct the Secretary to cast a unanimous vote for Scott Hicks. It was then declared that LaVerne Arndt and Scott Hicks had been elected to hold office for a term of three years, and until their successors shall have been elected and qualified.

The annual report of President Jim Miller was presented and ordered to be filed in the records of the Cooperative. The report noted a focus on safety and reliability.

The annual report of CEO Keaton Hildreth was presented and ordered to be filed in the records of the Cooperative. He talked about the Cooperative improving members' lives. He also recognized the service of retired CEO Roxanne Carisch and presented Line Superintendent Mike Terwilliger with a Certificate of Appreciation for his 40 years of service to the Cooperative. CEO Hildreth also provided information about the solar array, the addition of an electric vehicle, and commitment to community.

CEO Hildreth introduced Kyle Sander, the Cooperative's Youth Tour representative for 2019, who gave a presentation on his trip to Washington, D.C.

A power supply report was presented by Ken Kuyper, G.M. and EVP of Corn Belt Power Cooperative.

A drawing was held for ten \$50.00 credits on electric bills and a battery powered tool set. Attendance prizes were also distributed to each registered member present. A meal was served before the business meeting.

Financials

BALANCE SHEET

	MAY	
ASSETS	2020	2019
Total Plant in Service	\$16,645,004	\$ 15,847,541
Less: Accumulated Depreciation	<u>3,470,929</u>	<u>3,206,860</u>
NET VALUE OF UTILITY PLANT	\$13,174,075	\$ 12,640,681
Cash	\$ 325,301	\$ 114,744
Temporary Investments	—	—
Accounts Receivable	423,605	433,280
Materials and Supplies	292,118	352,720
Other Assets	207,182	277,063
Long Term Investments/Economic Development	367,301	361,520
Investments in Associated Organizations	2,504,459	2,375,945
Other Property	—	—
TOTAL ASSETS	<u>\$17,294,041</u>	<u>\$ 16,555,953</u>
LIABILITIES		
Consumer Deposits	\$ 6,800	\$ 7,000
Accounts Payable	240,517	260,407
Other Accrued Liabilities	177,611	193,029
Deferred Credits	4,549	3,828
RDUP Mortgage Notes	6,032,352	3,946,251
CFC Mortgage and Notes	3,029,907	4,629,426
Accumulated Operating Provisions	174,767	185,874
Other Notes Payable		
Econ Dev Grant	<u>225,000</u>	<u>225,000</u>
TOTAL LIABILITIES	<u>\$ 9,891,502</u>	<u>\$ 9,450,815</u>
NET WORTH		
Memberships	\$ 5,900	\$ 5,865
Deferred Patronage	2,866,579	2,767,525
Margins-Current year - 1/1 to 5/31	(49,895)	(23,381)
Other Margins & Equities	<u>4,579,955</u>	<u>4,355,129</u>
TOTAL NET WORTH	<u>\$ 7,402,539</u>	<u>\$ 7,105,138</u>
TOTAL LIABILITIES & NET WORTH	<u>\$17,294,041</u>	<u>\$ 16,555,953</u>

STATEMENT OF REVENUE AND EXPENSES

	MAY	
ELECTRIC REVENUE	2020	2019
Rural Residential	\$ 4,521,906	\$ 4,365,343
Commercial	740,541	609,551
Resale Sales - Farnhamville	387,360	341,121
Resale Sales - Callender	188,393	187,285
Other Electric Revenue	<u>14,660</u>	<u>16,546</u>
TOTAL ELECTRIC REVENUE	<u>\$ 5,852,860</u>	<u>\$ 5,519,845</u>
EXPENSES		
Purchased Power	\$ 3,603,576	\$ 3,350,381
Operations and Maintenance	547,364	532,331
Consumer Accounting	112,324	104,449
Sales Expense	108,182	114,961
Administrative & Office Expense	496,102	508,453
Depreciation	50,972	416,026
Interest on Debt	290,013	258,398
Taxes - Energy Assessment	<u>7,453</u>	<u>9,064</u>
TOTAL EXPENSES	<u>\$ 5,615,985</u>	<u>\$ 5,294,062</u>
ELECTRIC MARGINS	<u>\$ 236,875</u>	<u>\$ 225,783</u>
OTHER INCOME		
Interest	\$ 20,551	\$ 19,962
Patronage	315,649	578,098
Merchandising	(516)	23,774
Gain on sale of franchise rights	—	—
TOTAL OTHER INCOME	<u>\$ 335,684</u>	<u>\$ 621,834</u>
TOTAL MARGINS	<u>\$ 572,559</u>	<u>\$ 847,617</u>

Dedicated to Serving You



Reid Galloway, Line Foreman

Richard Hall, Member Services Representative

Keaton Hildreth, CEO

Taylor Jondle, 1,000 Hour Lineman

Chad Krukow, First Class Lineman

Jared Kuhlert, First Class Lineman

Doug LeMonds, Lead Lineman/Safety Coordinator

Bret McAlister, Line Superintendent

Lori Morse, Billing Supervisor

Rob Peterson, Office Manager/Accountant

Ben Wiederin, Lineman

Kayla Wiederin, Communications Manager



Linemen

L to R: Bret, Jared, Doug, Chad, Taylor, Ben and Reid



Office

L to R: Richard, Kayla, Keaton, Lori and Rob



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Visit our website (www.calhounrec.coop) for a report and video following the September 2nd Annual Meeting.



DIRECTORS

Jim Miller, President
LaVerne Arndt, V. President
Jason McKenney, Secretary
Ron Hanson, Treasurer
Duane Beschorner
Steve Boedecker
Scott Hicks

Keaton Hildreth, CEO

Fonda
Sac City
Somers
Pomeroy
Lohrville
Rockwell City
Lake City

OFFICE HOURS

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8:00 a.m. to 4:30 p.m.
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