

The Nodak Neighbor

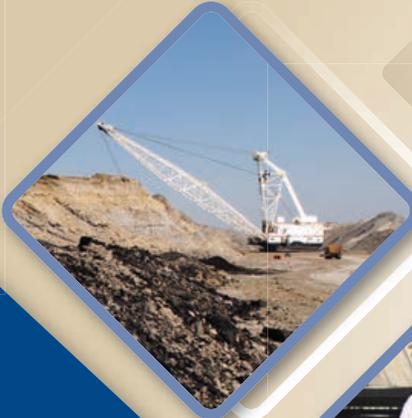
2019 Annual Report



Your **team.**

Your **voice.**

Your **power.**



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Volume 69, No. 2 March-April 2020 Officers and Directors

Chairman of the Board . . . Luther Meberg Vice Chairman Les Windjue Secretary/Treasurer David Kent Directors Dave Brag, David Hagert, Pete Naastad, Cheryl Osowski, Paul Sigurdson and Steve Smaaladen President & CEO Mylo Einarson Editor Blaine Rekken

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On the Cover

For 80 years, Nodak Electric Cooperative has been your team, here to maintain your lines and keep the lights on. We've been your voice, giving you the vote in choosing your cooperative directors. We've been your power, providing homegrown electricity that's reliable and affordable.

Notice of Annual Meeting

To the members of Nodak Electric Cooperative, Inc.:

You are hereby notified that the 80th annual meeting of Nodak Electric Cooperative will be held Tuesday, April 14, 2020, at the Alerus Center, 1200 42nd Street South in Grand Forks beginning at 6 p.m., for the following purposes:

- 1. To pass upon reports covering the previous fiscal year, including acting upon reports of directors. 2. To elect three directors:

Listed below are candidates either nominated by petition or selected by the Committee on Nominations. The members of the Committee on Nominations are appointed by the board of directors.

Table with 3 columns: District 1 (one 3-year term) Cheryl Osowski Grafton; District 2 (one 3-year term) Peter Naastad Hatton; District 3 (one 3-year term) Steven Smaaladen Aneta

- 3. To transact business that may come before the meeting.

Voting by mail. For the election of directors, the board of directors has authorized the mailing of an absentee ballot to each member. Since the election this year is uncontested, we will not be mailing ballots and return envelopes for the election. However, if you still wish to vote, you are entitled to vote, and we will honor that right by sending you an absentee ballot. Please feel free to call our office at 1-800-732-4373 and request an absentee ballot, and one will be mailed to your address. If the completed ballot is received by 4:30 p.m. on April 13, 2020, it shall be counted as a vote of the absent member.

David Kent, Secretary/Treasurer March 2, 2020

Changes to Nodak Bylaws

In 2019, the Nodak Board of Directors reviewed and made changes to the Nodak Bylaws. The changes are outlined below and if you would like a complete copy of the current Bylaws, one will be made available at your request or can be downloaded from www.nodakelectric.com, under My Co-op, on the Legal Information page.

ARTICLE III - DIRECTORS

Section 2 - Qualifications and Tenure

- (c) not be currently, or within the immediately previous three-year period have been employed by, materially affiliated with, or have a material financial interest in, any individual or entity which either is: 1) directly or substantially competing with the Cooperative; or 2) selling goods and services in substantial quantity to the Cooperative; or 3) possessing a substantial conflict of interest with the Cooperative.

Note: Language bolded has been added and struck through has been deleted.

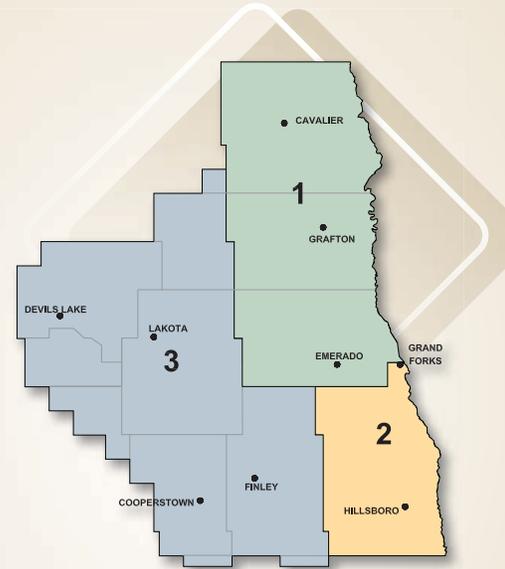
Nominees for Board of Directors

District 1



Cheryl Osowski
District 1

Cheryl Osowski serves as special projects coordinator at the Red River Regional Council (RRRC) in Grafton, N.D. Osowski earned a bachelor of science degree from the University of Minnesota, Crookston. In 2000, she was elected president of the Northeast North Dakota Human Resource Association. She has served on the Walsh County Job Development Association board, and on the board of the Dakota Science Center. In addition to working at the RRRC, she is a bookkeeper for her husband's business, REO Truck Repair and Salvage, LLC. Cheryl and her husband, Robert, live on their farmstead northeast of Voss, N.D.



District 2



Peter Naastad
District 2

Peter Naastad has been on the Nodak Electric board since June 2016, filling the unexpired term of Roger Diehl. A native of rural Hatton, N.D., Naastad, an excavation and utilities contractor, runs Naastad Brothers, Inc., along with his wife Karen and sons. He is a past member of the Hatton School Board and Bethany Lutheran Church Council. Naastad has also served on the board of Land Improvement Contractors Association, Community Club Apartment Board, Hatton Prairie Village Loyalty Club, along with being past president and current member of Hatton Men's Club. Naastad has two sons and a daughter, three goddaughters, 12 grandchildren and one more on the way.

District 3



Steven Smaaladen
District 3

Steven Smaaladen has been a board member since 1997, first with Sheyenne Valley and then with Nodak following the merger. Smaaladen attended Moorhead State University and Trinity Bible College, while also farming with his father and brother until 1997. He is currently employed by the U.S. Postal Service as a rural mail carrier substitute. Smaaladen serves as secretary-treasurer for the Griggs-Steele unit of the Rural Letter Carriers Association, and was recently elected to the Ora Township board. He is also a member of the Finley Assembly of God Church board, where he teaches Sunday school. For the past 26 years, Smaaladen and his wife, Marsha, have run Country Greenhouse from their farm near Aneta, N.D. The Smaaladens have two sons, Zachary and Zane.

How to vote

Members may vote *in person* at the Alerus Center on Tuesday, April 14, 6 p.m.,
– or –

by mail. Ballots will be mailed upon request prior to the meeting. Voting instructions will be included.

Attention corporate members

If you are a member corporation, cooperative, school, church or township (or other nonnatural person) of Nodak Electric Cooperative, Inc., and want to be represented at the members' meeting(s), please request a Designation of Voting Representative form and one will be mailed to you. The form must be completed and signed by an authorized officer of the organization. This form must be completed annually.

In order for the member corporation, etc., to participate in business matters, this form must be received by the secretary of Nodak on or before the date of the members' meeting(s). This form may be mailed with your ballot to Nodak or presented at registration at the members' meeting(s).



Luther Meberg
Chairman



Mylo Einarson
President & CEO

Message to our Members

As we turn the page on 2019, we are excited to report that your cooperative is in great shape. The year brought challenges with early snowstorms and a difficult harvest, but also marked member growth and financial stability.

The elephant in the room with respect to 2019 was the terribly difficult harvest that many of our members endured last fall. The inability to harvest much of what was planted will have long-term impacts on some of our members, or at least for some it will be a big step backward. The good news is our members are hardy and resilient and will work their way through this adversity. The silver lining in all of this is your cooperative has set aside excess revenue in years past as deferred revenue. The ability to recognize that revenue throughout this temporary setback in sales will help stabilize our retail rates this year and into the future. Our rates remained unchanged for the third year in a row and we are projecting we will be able to maintain these rates throughout 2020 and possibly beyond.

Our new partner in the federal government proved to be a beneficial one. We completed our first full year under the utility privatization contract for the Grand Forks Air Force Base and Cavalier Air Force Station, and the results were even better than expected. The arrangement was both financially lucrative for us and rewarding for the government as we worked to provide reliable service within the installations and train our airmen in the art of linework.

Partnerships like these are just one of the ways we work to give back to the communities we serve. Another excellent example of our commitment to community is our member-supported Operation Round Up program. Our volunteer Operation Round Up board collects pennies from participants' rounded up power bills and distributes grants to deserving individuals and organizations. To date, these grants of pennies have amounted to almost \$1 million in charitable gifts to fill the needs in our communities. Thank you to all the members

that participate and allow us to round up your bill to support this wonderful program.

For almost 80 years, Nodak Electric has worked to provide safe, affordable and reliable electric service for our member-owners. While that mission is clear, our greatest service to our members and employees is our culture of safety. Protecting our employees from the dangers of electric distribution work and our member-owners from the hazards that are inherent with electricity is job number one for us at Nodak. Our first priority is that work gets done safely so everyone goes home to their families each night. Our safety record is good but can always be improved. In 2020, we aim to bolster those activities that encourage safety and ask that if you see anything across our distribution system you feel may be unsafe, let us know so we can investigate.

The coming years will continue to present both challenges and opportunities. The challenges we face, whether Mother Nature or legislative, will be met with the same determination our members fought back with from this year's harvest. We will continue to strive to exceed your expectations for reliability, affordability and work to enhance the value of electricity for our consumer-members. As electrification continues to evolve, our opportunities are endless. We will continue our efforts to seize any opportunity we have to enhance your experience as a Nodak member and keep your rates affordable.

We would like to invite all of you to come to this year's annual meeting to discuss the cooperative business even further. On behalf of the board of directors, management and staff, I'd also like to thank the employees of Nodak Electric for their continued dedication to the cooperative in carrying out our mission.

Board of Directors



Standing: Mylo Einarson, president & CEO. Clockwise: Cheryl Osowski, Grafton; Peter Naastad, Hatton; David Hagert, Grand Forks; David Kent, Hatton; Les Windjue, Devils Lake; Luther Meberg, Park River; Kim Soper, executive assistant; Andrew Sorbo, Grand Forks legal counsel; Steven Smaaladen, Aneta; Dave Brag, Finley; and Paul Sigurdson, Edinburg.



Staff

From left: Dan Schaefer, line superintendent; Blaine Rekken, member/energy services manager; Kim Soper, executive assistant; Mylo Einarson, president & CEO; Tom Edwards, accounting/finance manager; and Steve Breidenbach, engineering manager.

Co-op Facts

Counties served:

Cavalier, Pembina, Walsh, Benson, Ramsey, Nelson, Grand Forks, Eddy, Griggs, Steele, Traill, Barnes and Cass

Number of employees: 65

Square miles: 8,082

Overhead miles of line: 3,782

Underground miles of line: 4,300

Board meeting: First Tuesday of each month

Date first energized: Dec. 23, 1939

Power supplier: Minnkota Power Cooperative, Inc.

Our Mission

Nodak Electric Cooperative is proud to serve as your local electric provider. We believe that working together toward a common vision is the cooperative difference. We do this by operating on a not-for-profit, cost-of-service basis. Margins are given back to the members in the form of capital credits to reduce their electric costs. Co-ops put consumers first. These core business principles that have supported your local cooperative and all cooperatives for years are still alive and very strong today. Nodak's mission is based on the following statement: "Nodak Electric Cooperative is dedicated to be an efficient provider of quality electric service with leadership that demonstrates the highest regard for its member-owners."



David Kent
Secretary/Treasurer

Treasurer's Report

As treasurer for Nodak Electric Cooperative, on behalf of the directors and all the employees of Nodak, thank you for your patronage in 2019. Our financial year was a successful one and below you will note some of the highlights. If you would like more detail for the numbers presented, please do not hesitate to contact our office for assistance.

As a loan recipient from the RUS program of USDA and from CoBank, we are required to demonstrate credit worthiness on an annual basis. Each financial year we are proud to have exceeded the required loan covenant financial ratios. To bring even more transparency into our financial reporting, a few years back we implemented our own more stringent annual financial goals and we have been consistent in meeting those goals as well. Meeting or exceeding these financial goals bodes well for the future of Nodak and its membership.

For the year 2019, 56%, or 631 million kWh, were sold to our commercial and

industrial rate sector. We have 509 C & I delivered locations scattered throughout our system. The balance of our power sales, amounting to 497 million kWh, went directly to the other 19,769 service locations that have very diverse usage each month. Total revenue from those 1.1 billion worth of kWh sales was \$104.5 million. Other nonelectric operating revenue added \$1.2 million for a total reported revenue of \$105.7 million. Total expenses were \$103 million, with 84% of that number being the cost of wholesale power. Additionally, nonoperating margins added \$700,000 with a total reported margin of \$3.4 million for 2019. From an equity standpoint, \$2 million worth of capital credits were retired in April 2019, something that investor-owned utilities cannot report on their treasurer's report.

Thank you again for your patronage and for allowing us to serve your electricity needs during the past year.

Balance Sheet

As of December 31, 2019 and 2018

	2019	2018
ASSETS AND OTHER DEBITS		
Net Utility Plant	103,233,965	103,206,590
Cash	6,763,671	6,477,834
Receivables	12,099,688	12,009,647
Other Assets and Debits	13,100,963	12,449,104
Total Assets	<u>135,198,287</u>	<u>134,143,175</u>
LIABILITIES AND OTHER CREDITS		
Total Margins & Equities	52,470,575	50,936,815
Long-Term Debt	65,713,396	60,680,559
Other Liabilities & Credits	17,014,316	22,525,801
Total Liabilities & Credits	<u>135,198,287</u>	<u>134,143,175</u>

Income Statement

As of December 31, 2019 and 2018

	2019	2018
Operating and Other Revenue	105,719,568	106,678,218
OPERATING EXPENSES:		
Cost of Power	86,951,337	88,817,438
Operations & Maintenance Expense	5,091,602	4,700,817
Consumer Accounts & Consumer Service	1,047,603	986,838
Administrative & General	2,127,255	2,149,427
Depreciation	4,399,853	4,281,334
Taxes	884,062	851,801
Interest	2,378,816	2,481,310
Total Cost of Electric Service	<u>102,880,528</u>	<u>104,268,965</u>
OPERATING MARGINS	2,839,040	2,409,253
Nonoperating Margins	397,648	496,831
G&T and Other Capital Credits	174,547	225,492
NET MARGINS	<u>3,411,235</u>	<u>3,131,576</u>



2019 Youth Tour



Harrison Stockeland

Harrison Stockeland, a junior at Grand Forks Central High School, was motivated to apply for the Youth Tour to learn more about Washington and to meet other students. More than 1,800 students from around the country attended the annual Electric Cooperative Youth Tour in Washington, D.C., from June 15-21, 2019. “It was truly a magical experience, meeting new people from lots of different states. I made an uncountable number of friends and a few who will be friends for life,” Harrison said.

Each year, Nodak sponsors one student for the event. Now in its 55th year, the Youth Tour was established to help educate youth about the political process and allow students to visit national monuments and interact with U.S. government officials.

Students toured the National Museum of the Marine Corps and the Smithsonian museums, cruised down the Potomac on a riverboat and visited Arlington National Cemetery, the National Archives, the Holocaust Museum and Gettysburg National Military Park. The group had opportunities to explore the East Wing of the White House and saw all the major monuments, including the National 9/11 Pentagon Memorial, the Lincoln Memorial, the Vietnam Veterans Memorial and more.

Harrison said he enjoyed the entire trip, but the highest point was the people. “It truly was all that I was told it would be,” he said, “and more!”

THE POWER OF CHANGE IS IN YOUR HANDS.



Operation Round Up® is a program that rounds up members’ monthly electric bills to the next whole dollar amount. Each donation is a very small amount from each member, but when added with donations from across the cooperative’s membership, the impact to our communities is significant. Here is how your donation has helped...



Veterans Honor Flight of North Dakota and Minnesota has transported veterans to Washington, D.C., to visit memorials, dedicated to honor our veterans.



Two-year-old Brooklyn has glaucoma and is extremely sensitive to light. She received specialized frames and glasses that are flexible and durable for an active little girl.



Christopher Hendrickson received assistance with the purchase of a vehicle conversion and modification kit. Chris has Morquio syndrome, which results in barriers to his mobility. The conversion kit has helped with mobility independence.

80th Annual Meeting

Grand Prize
\$500 Cash!

*Registered
members
will receive a
complimentary
gift!*



Agenda

April 14, 2020

- 5 p.m. – Doors open and registration begins at the Alerus Center, Grand Forks
 - Complimentary supper served from 5 p.m. to 6 p.m.
- 6 p.m. – Call to order of the 80th annual meeting
Luther Meberg, chairman, presiding
 - Reading of Notice
 - Declaration of Quorum
 - Nominating Committee Report
 - Election
 - Nodak Business Report
Luther Meberg, Mylo Einarson
 - Question and answer period
 - Old and new business
 - Drawing for grand prize
 - Adjournment