

NOTICE: The office will close at 4 p.m. on June 19

**In this issue:
2017 annual report**



**Official notice
of 73rd annual meeting**

The annual meeting of the members of McLean Electric Cooperative Inc. will be held at the Garrison City Auditorium located at 15 Main St. S., Garrison, N.D., at 6:30 p.m. on Tuesday, June 19, 2018, to take action upon the following matters:

1. Reports of officers and directors
2. Election of two (2) directors for the cooperative
3. All other business which may come before the meeting, or any adjournments thereof

Pursuant to the bylaws, the following member has filed a petition for directorship of the cooperative:

**District 4
Darcy Klain (incumbent)**

**District 6
Nominations from the floor**

May 19, 2018
Rodney Stockdill, secretary

PROGRAM

- | | |
|--------------------|---|
| 5-6:20 p.m. | Registration and meal |
| 6:30 p.m. | Call to order |
| | Determination of quorum |
| | Invocation |
| | Welcome |
| | Reading of notice and previous minutes |
| | President's report |
| | General manager's report |
| | Service awards |
| | Presentation of scholarships |
| | Election of directors |
| | Unfinished business |
| | New business |
| | Adjournment |

PRESIDENT'S REPORT

BY LARRY GESSELE



Gessele

It hardly seems possible that a year has passed since my last letter. The changes on our national scene, from last year, are truly staggering.

What is happening now conjures up a statement from the book, "A Tale of Two Cities," which said, "It was the best of times; it was the worst of times."

The Clean Power Plan, which would have really put the power industry in a perilous position short term, has been put on hold. This does give the industry time to adjust to changes it knows will be needed in the future.

Now we have to deal with the looming possibility of a global trade war, which does not usually bode well for the ag sector of our economy.

On the co-op scene, the picture is changing also as the baby boomers are being surpassed in numbers and influence by the millennial generation. In the past, in general, the role of the electric co-ops in our state has been to improve the

quality of life in the rural areas that were bypassed by the investor-owned utilities, which we still do today. But the challenge is to inform and involve the millennials as member-owners in this rapidly changing world of renewable energy, battery storage and other advancements.

Within the next 10 years, it will be up to the millennials to carry the ball for this co-op if we want to maintain reliable service and remain active in the community. After getting to meet and know many of these bright young individuals, I have a very good feeling that there is a bright future for this co-op and this area with their involvement.

In closing, I would like to thank all the McLean Electric Cooperative (MEC) employees for the great job they have done this past year. Also, it has been a real pleasure to work with MEC board and management and I look forward to continuing that work this next year. ■

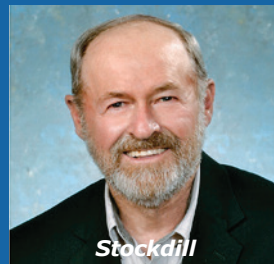
BOARD OF DIRECTORS



Gessele



Klain



Stockdill



Behles



Presser



Sheldon



Odermann



Lindell, board attorney

MANAGER'S REPORT

BY MARTIN DAHL



Welcome to your annual meeting. 2017 was a fantastic year for McLean Electric Cooperative. We stayed under budget and our revenues were higher than expected in 2017. It was a normal year for weather, which makes it easier to meet our budget requirements. The margins were high because of a large non-cash allocation from our transmission provider, Central Power Electric Cooperative. The strong margins with no G&T rate increase, coupled with normal weather patterns, made it possible to maintain rates at 2017 levels for 2018.

McLean Electric continues with a strong maintenance program, which has lowered the number and duration of outages. Our outage statistics are lower than the national average. It was a great year and I need to thank the staff for all their hard work and dedication. They kept the lights on and stayed under budget.

What does the future hold? We have moved all metering to cycle two. What that means to three-phase accounts, typically farms and commercial accounts, is that the demand billing will run from the first of each month to the end of the month. All the three-phase meters have been reprogrammed and can be read from the office. At times, issues do arise where we need to send out a meter reader. With the dates of the demand, the member does not want to start the motor in a demand period during which they do not intend to use the motor. If you keep track of when you start your motor, you will save money.

Several large three-phase projects are in the works this summer. More than \$800,000 in cable will be put in the ground before fall. Many of these projects are replacement of old style cable that has come close to the end of its life cycle. The projects include: replacing cable northeast of Crooked Lake; three-phase overhead to underground near Falkirk for mining; and Garrison Creek one-phase to three-phase

for load balancing and better voltage. McLean Electric also plans to replace five miles of three-phase cable between Benedict and Coleharbor.

Central Power Electric Cooperative, our transmission provider, has two large projects in our area this summer. The Blue Flint Ethanol project will bring a circuit from the Western Area Power Administration substation to Blue Flint and the GRE pump. This line is being paid for by Basin and Central and saves wheeling costs associated with Ottertail. The new line will be more reliable for Blue Flint and reduce blinks on our system. Blue Flint added five years to its contract to provide the necessary cash flow to ensure a return on the investment. The Max to Benedict line will also be built this year. That line will save wheeling costs and minimize transmission blinks in the area. This line is being paid for by Basin and Central Power. These investments are a big win for McLean Electric Cooperative. It is our hope to cost justify a similar project to Turtle Lake in the future.

The federal regulations involving carbon dioxide emissions and water laws are in the process of being rewritten. We want to thank several of you for contacting your legislators on these issues. The new administration appears to be on a more common-sense approach to carbon regulations as well as water regulations. We are currently in a holding pattern until the new version is out for review.

In conclusion, I am happy to report that we are on track for another good year, based on first quarter revenue. If weather patterns hold, we have no major storms, and our wholesale rate does not go up too much, we plan to go into 2019 without a rate increase. Time will tell the story on that.

It is my pleasure to serve the members of McLean Electric Cooperative. ■

MEET THE DISTRICT 4 CANDIDATE:

Darcy Klain, incumbent candidate: District 4

Darcy is a farmer/rancher from Ruso. She has served on the McLean Electric Cooperative board of directors representing District 4 for the past three years. She has also worked with the Southern McLean County Soil and Water Conservation District and has been an ag loan officer for Dakota West Credit Union. She has an associate's degree from Minot State University. She is married to Durnell and they have three children: Tyler, Dalcyce and Trey.

She is active in the TL-M Sports Boosters, TL-M FFA Alumni, St. Olaf's Church, McLean County 4-H, the North Dakota Simmental Association and the North Dakota Junior Simmental Association. She enjoys gardening, traveling and attending livestock shows and sporting events. ■



Darcy Klain

DISTRICT 6 NOMINATIONS WILL BE TAKEN FROM THE FLOOR

Hello from Tom Sheldon,

Tom is from Washburn and has lived in McLean County his whole life. He is a North Dakota State University graduate and a self-employed farmer in McLean County. He is married to Kim and has three grown children, Justin, Callie and Tyge, and eight grandchildren. Tom enjoys hunting, fishing, golf and any other outdoor activities. He spends as much time as he can entertaining his grandchildren and keeping them busy.

Tom has served on the McLean Electric Cooperative board of directors for the past three years representing District 6. He has also served on the Operation Round Up board, McLean County FSA Committee and has been on many advisory boards.

"I was late in returning my McLean Electric Cooperative board petition due to health issues. Therefore, nominations from the floor, as dictated by the bylaws, will be presented at the annual meeting on June 19. I hope I can count on your support once again to represent District 6. Thank you," Tom said. ■



Tom Sheldon

BOARD OF DIRECTORS:

Larry Gessele, president
701-447-2461
District 7, Mercer

Darcy Klain, vice president
701-448-2408
District 4, Ruso

Rod Stockdill, secretary-treasurer
701-337-5462
District 3, Garrison

Clarence Behles, asst. secretary-treasurer
701-337-5362
District 2, Garrison

Troy Presser, director
701-447-2855
District 5, Turtle Lake

Thomas Sheldon, director
701-462-3563
District 6, Washburn

James Odermann, director
701-743-4415
District 1, Parshall

STAFF:

Martin Dahl, General Manager
Keith Thelen, Operations Manager
VACANT, Engineering Manager
Wendy Kinn, Finance Manager

Office: 701-463-6700
Toll-Free: 800-263-4922
Fax: 701-337-5303
Email: mclean1@mcleanelectric.com
Website address:
www.mcleanelectric.coop



BALANCE SHEET as of December 31, 2017

Assets

| | 2017 | 2016 |
|--|-------------------|-------------------|
| ELECTRIC PLANT | | |
| In Service | 36,841,557 | 33,630,721 |
| Electric Plant Under Construction | <u>3,461,444</u> | <u>3,526,619</u> |
| Total Electric Plant | 40,303,001 | 37,157,340 |
| Less Accumulated Depreciation | <u>10,060,966</u> | <u>9,397,164</u> |
| Net Electric Plant | 30,242,035 | 27,760,176 |
| OTHER ASSETS AND INVESTMENTS | | |
| Investments in Associated Companies | 5,942,859 | 5,543,598 |
| Other Investments | <u>487,628</u> | <u>527,128</u> |
| Total Other Assets and Investments | 6,430,487 | 6,070,726 |
| CURRENT ASSETS | | |
| Cash | 874,399 | 716,641 |
| Accounts Receivable - Electric Bills | 1,561,029 | 1,484,482 |
| Current Portion Other Investments - Loans Rec. | 98,621 | 95,156 |
| Materials & Supplies | 508,873 | 591,856 |
| Other Current and Accrued Assets | <u>42,151</u> | <u>8,203</u> |
| Total Current Assets | 3,085,073 | 2,896,338 |
| DEFERRED DEBITS | | |
| Total Deferred Debits | <u>470,941</u> | <u>511,428</u> |
| TOTAL ASSETS | 40,228,536 | 37,238,668 |

Liabilities

| | 2017 | 2016 |
|--|-------------------|-------------------|
| EQUITIES | | |
| Patronage Capital - Members | 12,804,654 | 11,335,313 |
| Other Margins & Equities | <u>934,434</u> | <u>915,958</u> |
| Total Equities | 13,739,088 | 12,251,271 |
| LONG-TERM DEBT (RUS, FFB, COBANK) | | |
| Total Long-Term Debt | 23,655,093 | 21,584,427 |
| Less Current Maturities | <u>-1,045,199</u> | <u>-949,334</u> |
| Total Long-Term Debt (Net) | 22,609,894 | 20,635,093 |
| OTHER NON-CURRENT LIABILITIES | | |
| Capital Leases - Noncurrent | 213,645 | 277,575 |
| Accumulated Provision for Pension & Benefits | <u>361,434</u> | <u>392,752</u> |
| Total Non-Current Liabilities | 575,079 | 670,327 |
| CURRENT LIABILITIES | | |
| Current Maturities - Long-Term Debt | 1,045,199 | 949,334 |
| Current Maturities - Capital Leases | 63,930 | 61,540 |
| Line of Credit | 300,000 | 1,050,000 |
| Accounts Payable - Power Supplier | 850,025 | 937,021 |
| Accounts Payable - General | 468,136 | 111,993 |
| Member Deposits | 48,401 | 48,693 |
| Other Current and Accrued Liabilities | <u>494,998</u> | <u>485,711</u> |
| Total Current Liabilities | <u>3,270,689</u> | <u>3,644,292</u> |
| DEFERRED CREDITS | | |
| Advanced Payment for Electricity - Members | 33,786 | 37,685 |
| TOTAL EQUITIES AND LIABILITIES | 40,228,536 | 37,238,668 |

OPERATING REVENUES

Sales of Electricity

OPERATING EXPENSES

Cost of Power
 Operations & Maintenance
 Member Accounts
 Member Service
 Administrative and General
 Depreciation
 Taxes
 Other
 Sales Expense
 Total Operating Expenses

OPERATING MARGINS

FIXED CHARGES

Interest on Long-Term Debt
 Interest on Capital Lease Oblig
 Total Fixed Charges

**MARGIN AFTER FIXED CHGES
 G&T AND OTHER CAP CREDIT
 NET OPERATING MARGINS**

NON-OPERATING MARGINS

Merchandising
 Interest Income
 Gain (Loss) on Disposal prop

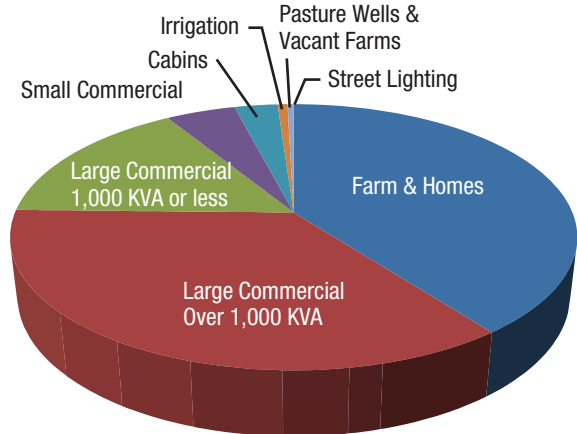
Total non-operating margins

NET MARGIN

| | 2017 | 2016 |
|--|-------------------|-------------------|
| Sales of Electricity | 14,506,228 | 13,285,555 |
| Cost of Power | 8,728,502 | 7,919,323 |
| Operations & Maintenance | 1,199,287 | 1,330,705 |
| Member Accounts | 333,552 | 317,156 |
| Member Service | 67,895 | 56,396 |
| Administrative and General | 984,745 | 936,295 |
| Depreciation | 995,629 | 923,175 |
| Taxes | 95,166 | 87,831 |
| Other | 16,089 | 16,951 |
| Sales Expense | 89,266 | 93,590 |
| Total Operating Expenses | 12,510,131 | 11,681,422 |
| OPERATING MARGINS | 1,996,097 | 1,604,133 |
| Interest on Long-Term Debt | 769,417 | 758,023 |
| Interest on Capital Lease Oblig | 12,085 | 14,086 |
| Total Fixed Charges | 781,502 | 772,109 |
| MARGIN AFTER FIXED CHGES G&T AND OTHER CAP CREDIT NET OPERATING MARGINS | 1,214,595 | 832,024 |
| | 608,196 | 943,258 |
| | 1,822,791 | 1,775,282 |
| NON-OPERATING MARGINS | | |
| Merchandising | 844 | -11,588 |
| Interest Income | 6,285 | 6,285 |
| Gain (Loss) on Disposal prop | 1,805 | -3,620 |
| Total non-operating margins | 8,934 | -8,923 |
| NET MARGIN | 1,831,725 | 1,766,359 |

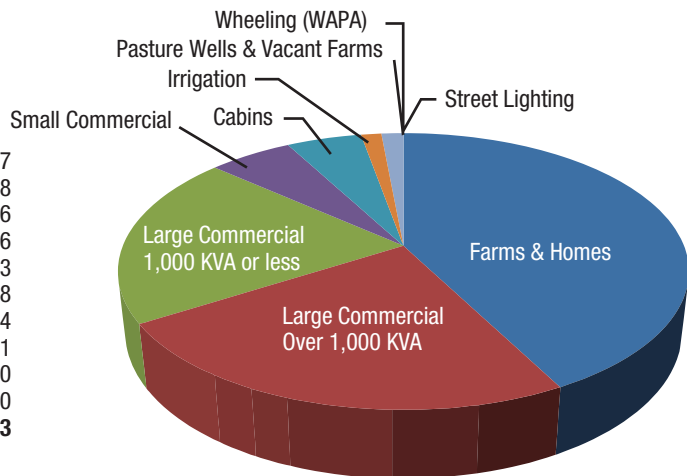
KWH Usage

| | |
|--------------------------------------|--------------------|
| Farms & Homes | 43,998,630 |
| Large Commercial - Over 1,000 KVA | 50,518,813 |
| Large Commercial - 1,000 KVA or less | 19,812,321 |
| Small Commercial (Single Phase) | 5,920,217 |
| Cabins (Seasonal) | 5,034,960 |
| Irrigation (Three Phase) | 2,885,601 |
| Pasture Wells & Vacant Farms | 466,095 |
| Street Lighting | 25,079 |
| TOTAL | 128,661,716 |



Revenue

| | |
|--------------------------------------|------------------------|
| Farms & Homes | \$5,478,309.07 |
| Large Commercial - Over 1,000 KVA | \$3,669,211.18 |
| Large Commercial - 1,000 KVA or less | \$2,878,598.76 |
| Small Commercial (Single Phase) | \$797,709.76 |
| Cabins (Seasonal) | \$938,016.23 |
| Irrigation (Three Phase) | \$459,680.98 |
| Pasture Wells & Vacant Farms | \$178,912.94 |
| Wheeling (WAPA) | \$72,639.21 |
| Street Lighting | \$6,996.90 |
| Solar | \$141.00 |
| TOTAL | \$14,480,216.03 |





Ally Behles



Hope Scheresky



Brooke Goven

McLean Electric awards scholarships

The McLean Electric Cooperative Scholarship Committee has chosen Ally Behles and Hope Scheresky as recipients of the McLean Electric/Basin Electric scholarships. These scholarships were awarded on the basis of academic excellence, which includes the following criteria: ACT scores, work experience and participation in school and community activities. Both scholarships were for \$500 each.

This year, 11 applications were received. All applicants were rated favorably, which is an indication of the quality of students we have in McLean Electric's service territory. These scholarships will be presented at the 73rd annual meeting June 19 in Garrison.

ALLY BEHLES

Ally is a graduate from Garrison High School and is the daughter of Cory and Cindy Behles of Garrison. She will be attending North Dakota State University, where she will major in a math- or science-related field, like engineering. Ally has been involved in extracurricular activities such as the N.D. Association of Honor Society, band, Future Business Leaders of America (FBLA) and numerous sports activities. She has also been active volunteering in her community with youth programs. Last summer, Ally was employed as a lifeguard and teacher at the city of Garrison pool. She is also a hired hand at Behles Farms.

HOPE SCHERESKY

Hope is the daughter of Galen and Bonnie Scheresky of Max. She is a graduate from Max Public School and

will be attending North Dakota State University to major in biological sciences and minor in chemistry. After graduating with a bachelor's degree, she hopes to attend medical school and become either a pediatrician or an anesthesiologist. Hope is active on her family farm with cattle, crop production and working for her parents. During high school, she has participated in FFA, National Honor Society, basketball, cross-country and 4-H. Hope is also active in her community of Max.

MCLEAN ELECTRIC SCHOLARSHIP

Each entry had to include a short statement for an essay question to be eligible for the \$500 scholarship. This year's essay question was: "Describe how a cooperative can build a culture to best serve its members." This scholarship, awarded to Brooke Goven, will also be presented at the annual meeting.

BROOKE GOVEN

Brooke is a graduate from Turtle Lake-Mercer Public School and is the daughter of Brian and Tina Goven of Mercer. She will be attending the University of North Dakota to pursue a degree in banking and finance and hopes to return to her family farm. Her goal is to expand her herd of cows to ensure her community has food on their plates and hopes to one day impact the lives of others by helping them with their financial needs. Brooke feels it is important to do anything and everything to help farmers, ranchers and businesses in rural America to survive. ■

Rachel Goven, McLean Electric Cooperative's Youth Tour Essay contest winner

BY PATRICIA STOCKDILL

Turtle Lake-Mercer High School sophomore Rachel Goven loves to write.

And she loves to read.

Buoyed with encouragement from her English teacher, Anita Laib, and her good friend, Ryeleigh Laib, it seemed natural for Rachel to enter McLean Electric Cooperative's National Association of Rural Electric Cooperatives Washington, D.C., Youth Tour essay contest.

The topic – how Americans can honor and look after our millions of military veterans and service men and women – interested her. Armed with research and her love of writing, the words seemed to flow naturally. "I loved the topic," she smiled, "I entered because I liked the topic and like writing."

What about those dreaded English essays many students fear? Not Rachel. "I actually love to write," she added. "Writing is something I've always liked to do."

However, her love of reading and

writing didn't necessarily translate into confidence that her thoughts would garner her a trip to the nation's capital.

She was in disbelief when she received the call from McLean Electric Member Services Communicator Sonja Moe telling her that she won the contest. "I was so happy, just thrilled," she smiled.

Mrs. Laib was equally as delighted, as was Ryeleigh. She had the opportunity to attend the Youth Tour in 2017 and knew what an exciting time Rachel would experience. "I never imagined I would get to do this (go to Washington, D.C.) in my lifetime," Rachel exclaimed.

The contest is open to students who will be sophomores or juniors in the upcoming school year. Rachel encourages students to enter: "Go in as if you can win."

The daughter of Gerard and Jill Goven, Rachel is active in array of school and church activities

when she's not writing or reading – Turtle Lake Baptist Church youth group and youth band, the Lakeside 4-H Club, Turtle Lake-Mercer School Pep Club, yearbook committee, band, choir, basketball and Book Club.

She was also selected to participate in the school's youth mentorship, "Source of Strength" program, and chosen for a leadership seminar at Jamestown College.

Rachel and other North Dakota students joined students from across the country June 9-15 in Washington, D.C. ■

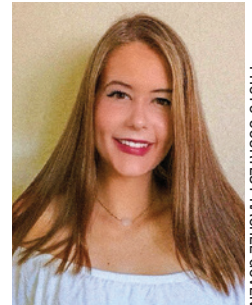


PHOTO COURTESY RACHEL GOVEN

Rachel Goven, a sophomore at Turtle Lake-Mercer High School, is McLean Electric Cooperative's 2018 National Association of Rural Electric Cooperatives Washington, D.C., Youth Tour participant, winning top honors in the essay contest.

2018 Basin Electric scholarships awarded to children of co-op employees

Basin Electric Cooperative takes great pride in its ability to assist in developing rural leadership in our region through our scholarship program. The following is the local winner in the 2018-2019 membership cooperative employee dependent scholarships.

Madeline Moe

Madeline is a graduate from Garrison High School and is the daughter of Sonja and Curtiss Moe of Garrison. She will be attending Bismarck State College, where she will major in the Dakota Nursing Program. Madeline has been involved in extracurricular activities such as N.D. Association of Honor Society, Future Business Leaders of America, FCA, LYO and numerous sports activities. She has also been active volunteering in her community and church with youth programs. Last summer, Madeline was employed as a lifeguard and teacher at the city of Garrison pool. She also works at Garrison Furnace. ■

