

JOIN US

NORTHERN PLAINS ELECTRIC COOPERATIVE 2019 ANNUAL MEETING

TUESDAY, APRIL 23
ROCKLAKE COMMUNITY CENTER
ROCKLAKE, ND

Agenda

Registration

5:30-6:30 p.m.

Supper

5:30 p.m.

compliments of Northern Plains Electric

Business meeting

6:30 p.m.

- Door prizes!
- \$500 in cash drawings!
- Free dinner!

**NORTHERN
PLAINS** *Electric Cooperative*

Your Touchstone Energy® Cooperative 



A message from the president and manager

BY PRESIDENT TRACY BOE
AND GENERAL MANAGER SETH SYVERSON

Northern Plains Electric Cooperative understands that the financial strength of our cooperative is dependent upon the business strength of the members and their communities that we serve. We are proud to have a diverse membership across our service territory, with a core base that depends on a strong and stable farm economy.

Having a concern for your community is a core cooperative principle that we pride ourselves on having and we are dedicated to do our part to support business development within the communities we serve. Northern Plains continues to provide an array of supplemental business financing and economic development assistance and wants to be a part of the area's growth.

In addition to supporting economic development, cooperative employees are involved within their respective communities as volunteer firefighters, development board members and community organizations. Northern Plains understands that supporting the needs of the communities will only help improve the quality of life of our membership and, in turn, strengthen the condition of the cooperative.

Sales and developments

Northern Plains had another successful year in 2018. Sales of electricity were slightly down overall, but revenue was higher due to an increase in sales to



General Manager **Seth Syverson** and President **Tracy Boe**

our residential and off-peak accounts due to colder winter weather. Pipeline pumping accounts were down in sales, but all signs point to returning to normal in 2019. Overall, our cooperative ended in a successful year, with good operational performance of the electrical system.

This success has enabled the cooperative to continue the improvement of the electrical service and infrastructure. We were able to successfully complete another year of our construction work plan, which included the installation of 51 miles of underground distribution for new services and system improvements.

Recent technology developments at the cooperative have allowed us to provide our lineworkers with tools to access online system maps, real-time outage data and the ability to perform job briefings electronically. In addition, members can access their electrical usage and billing information from their tablet or smartphone using our SmartHub® application. We encourage our members to utilize this free service. The cooperative is continually reviewing our operations and incorporating better technology into the workplace to work smarter, more efficiently and safer.

Committed to a clean environment

We seek to provide affordable, reliable and environmentally friendly electricity. Basin Electric

Power Cooperative, our generation and transmission cooperative, has been successful in creating a diverse energy portfolio consisting of coal, gas, oil, nuclear, distributed and renewable energy.

Basin Electric is committed to a clean environment and understands that the cooperative must evolve to continue growing in a carbon-constrained world. Paul Sukut, Basin Electric CEO, recently reported that by next year, 25 percent of the energy that it is delivered to its members will be from renewable sources. Wind generation has been the largest portion of Basin Electric's renewable portfolio and its investments have significantly lowered the cooperative's carbon dioxide emissions.

Basin currently has about 45 percent of electricity generated by coal, which shows how it has evolved since the year 2000, when 85 percent of our electricity was generated by coal. Although, it is important to note that Basin is not abandoning coal, because we are proponents of an all-the-above generation solution and believe that coal needs to be part of our generation portfolio.

To further our efforts to reduce our carbon footprint, Basin is supporting efforts to develop technology to capture carbon dioxide emissions from coal-burning plants. Basin is also supporting new legislation directing the Environmental Protection Agency to spur new strategies for capturing carbon dioxide and establishing clear guidance for developers and operators.

One example of Basin's efforts is the Integrated Test Center at the Dry Fork Station in Wyoming. The

test center allows for the research of carbon capture, utilization and sequestration technologies that may help capture carbon dioxide emissions and to store it underground permanently or even potentially transform it into a marketable commodity.

Power costs

With our power supplier's aggressive buildout of infrastructure and the request from its cooperative members to improve reliability, our wholesale power costs did increase at the start of 2019. It was decided to pass on some of this cost to our membership; however, our cooperative's board is diligent to ensure that any rate increases are warranted and reasonable. Your directors review energy projections and cost trends and are determined to hold the line on the cooperative's costs. We believe the investments that our power supplier is making will pay off with a more efficient and reliable electrical system.

To sum it up

Be assured, Northern Plains Electric Cooperative is dedicated to bringing reliable, reasonably priced electricity to you, the member-owners.

We are excited about the future of Northern Plains and our power supply cooperatives, of our membership and our service area. We believe there will be a continuing demand for more and better electrical service, and that our cooperative is positioned with the best people, the best practices and the financial strength necessary to supply that service. ■



2018 financial report



With colder-than-average temperatures in 2018, Northern Plains Electric Cooperative's (NPEC) rural and urban revenue accounts were up compared to 2017 due to an increase in heat load. Commercial, pumping and irrigation accounts were all down in 2018 compared to 2017.

Northern Plains Electric Cooperative's purchased power costs are down from 2017 by a little under \$355,000. The board of directors of Central Power Electric Cooperative, our generation and transmission (G&T) cooperative, approved a year-end rebate in the form of a bill credit, which meant \$406,680 to NPEC that took place in December 2018.

Our operation and maintenance dollars represents 2.41 percent of total plant in service for 2017 but increased to approximately 2.88 percent in 2018. The increase was due to more time spent on line patrol, tree trimming and overhead line maintenance (part of the line maintenance was due to a windstorm in the fall and frost on the lines in December).

Total cost of electric service for 2018 was up by a little over \$250,000 from 2017, with total revenue down by around \$231,500. This gives patronage capital and operating margins of approximately

\$18,500 less in 2018 than 2017, which still allowed Northern Plains to meet the required debt-to-asset financial ratios, set by its lenders.

NPEC's total utility plant is up a little under \$5.3 million which is due to increased amounts of construction, with underground conductors and devices up \$2.9 million, line transformers up \$458,000, overhead conductors and devices up \$114,000, poles up \$123,000 and meters up \$217,000, as just some examples. Part of this work is associated with new or larger services, but the majority of the expenditures are associated with replacement of older line.

We continue to finance our construction mostly with money borrowed from Rural Utilities Services (RUS). RUS continues to be our most affordable lender with an interest rate of approximately 2.9 percent on our loan draws taken in 2018. Even though we have seen interest rates increasing over the last few months, it is still at a low rate.

The cooperative ended 2018 with assets of \$122 million, debt and liabilities of \$75.5 million, and member equity of \$46.5 million. Member equity consists of patronage capital, which is up around \$2.465 million, total margins up around \$2.411 million and other equities up a little over \$163,000, giving a total new worth of \$46,530,024, which is up \$5,039,620 compared to 2017.

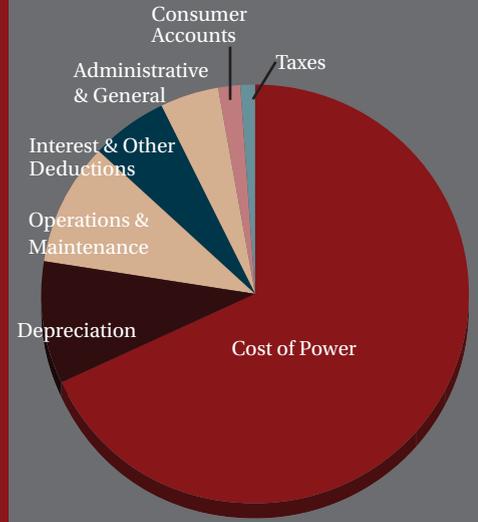
Taking a look at the margins we see this includes our operating margins, interest income and other non-operating margins, along with G&T and other capital credits, for a total 2018 margin of \$6,173,736 compared to \$3,762,374 in 2017. Total margins for 2018 are up, due mainly to the increase in the capital credits allocated by Central Power and Basin Electric.

NPEC's year-end margins of \$6,173,736, which was allocated in 2018 to our members as capital credits, will be retained to self-fund a portion of the system's future improvements and replacement costs. Eventually, those retained margins will be returned to members through the cooperative's normal rotation of capital credit payments.

Northern Plains Electric Cooperative was successful in keeping its budget balanced and ended 2018 with sufficient year-end margins, allowing the Board of Directors to authorize the return of more than \$1,348,000 in capital credits to our membership in 2018. ■

2017-2018 Operations Statement & Balance Sheet

	2017	2018
OPERATING REVENUE		
Rural and urban	\$22,498,772	\$22,902,097
Commercial, public lighting, pumping	\$18,599,575	\$18,540,033
Irrigation	\$471,545	\$417,020
Sales for resale	\$541,612	\$476,316
Other operating revenue	\$261,918	\$269,495
Less revenue deferred	\$0	\$0
TOTAL OPERATING REVENUE	\$42,373,422	\$42,604,961
OPERATING EXPENSES		
Purchased power	\$28,536,667	\$28,181,935
Operations and maintenance expense	\$3,144,235	\$3,916,827
Consumer accounts expense	\$622,287	\$553,778
Consumer service and sales expense	\$121,512	\$131,318
Administrative and general expense	\$1,703,017	\$1,873,821
Depreciation expense	\$4,187,507	\$3,879,961
Taxes	\$357,605	\$369,588
Interest expense	\$2,325,612	\$2,338,365
Other deductions	\$12,382	\$15,445
TOTAL COST OF ELECTRIC SERVICE	\$41,010,824	\$41,261,038
Net operating margins	\$1,362,598	\$1,343,923
Margins allocated by Central Power & Basin	\$1,654,000	\$4,113,012
Non-operating margins - interest	\$468,934	\$444,871
Non-operating margins - other	\$276,842	\$271,930
TOTAL MARGINS	\$3,762,374	\$6,173,736
FIXED ASSETS		
Total utility plant	\$130,707,110	\$136,004,112
Less: Accumulated provision for depreciation	\$53,666,821	\$56,065,609
Net utility plant	\$77,040,289	\$79,938,503
OTHER ASSETS		
Non-utility plant	\$0	\$0
Investments in associated organizations	\$22,268,466	\$25,505,261
Other investments	\$4,200,836	\$3,727,523
Special funds - margin stabilization	\$2,800,000	\$3,179,392
Cash	\$1,793,637	\$2,307,158
Notes and accounts receivable	\$6,314,084	\$4,815,390
Materials and supplies	\$1,206,846	\$1,425,735
Prepayment and deferred debits	\$1,366,450	\$1,159,761
TOTAL OTHER ASSETS	\$39,950,319	\$42,120,220
TOTAL ASSETS	\$116,990,608	\$122,058,723
LIABILITIES		
Net obligation to RUS	\$36,112,488	\$38,677,524
Net obligation to others	\$28,554,523	\$25,950,884
TOTAL LONG-TERM DEBT	\$64,667,011	\$64,628,408
Accumulated operating provisions	\$0	\$0
Current liabilities and accounts payable	\$4,198,615	\$4,510,124
Deferred credits	\$6,634,577	\$6,390,167
TOTAL LIABILITIES	\$75,500,203	\$75,528,699
EQUITY		
Patronage capital	\$30,430,614	\$35,307,124
Non-operating margins	\$231,719	\$231,719
Other margins	\$10,828,072	\$10,991,181
Total margins	\$41,490,405	\$46,530,024
TOTAL LIABILITIES & EQUITY	\$116,990,608	\$122,058,723



Cost of Power:	\$28,181,935	68.3%
Depreciation:	\$3,879,961	9.4%
Operations, maintenance:	\$3,916,827	9.5%
Interest, other deductions:	\$2,353,810	5.7%
Administrative, general:	\$1,873,821	4.5%
Consumer accounts:	\$685,096	1.7%
Taxes:	\$369,588	0.9%

2018 Cooperative statistics

Consumers	11,699
Miles of line	6,793
Customers/mile	1.7
KWH sold	455,132,569
Revenue	\$42,604,961
Power costs	\$28,181,935
All other costs	\$13,079,103
Total equity	\$46,530,024
Net plant	\$79,938,503
Total assets	\$122,058,723
Equity ratio	38.1%
Total employees	48

Capital credits

What are capital credits?

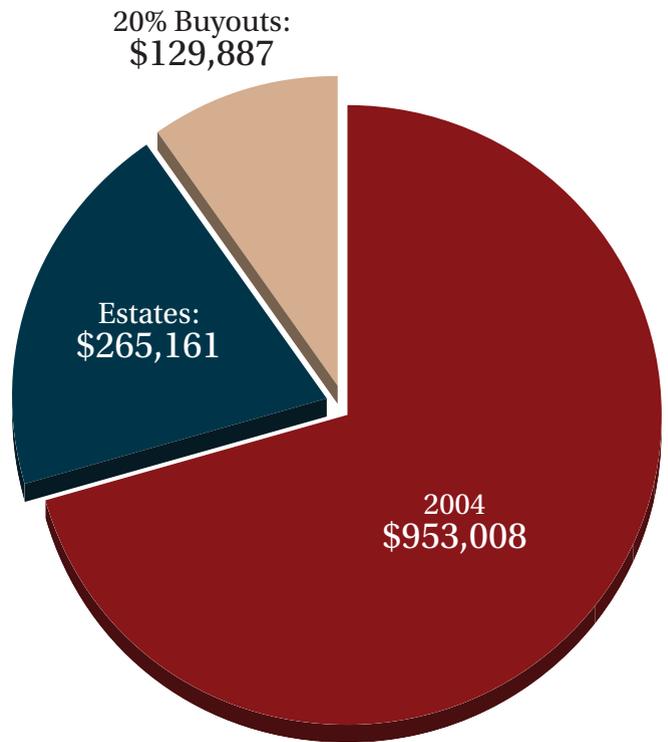
Northern Plains Electric is a cooperative, owned by its members. That means the co-op doesn't earn profits. If the co-op earns more revenue than it needs to do business, the co-op returns that money to its members.

Who receives capital credits?

This year's capital credit checks were paid to members who purchased electricity from the co-op in 2003 and 2004. The amount of the check depends on how much electricity the member purchased.

2018 capital credits paid

100% 2003 & 64.5% of 2004	\$953,008
Estates.....	\$265,161
20% Buyouts.....	\$129,887
Total Retired.....	\$1,348,056



Northern Plains Electric Cooperative's board of directors consists of nine members from throughout the service area. They are, back from left, **David Teigen**, Rugby; Secretary/Treasurer **Randall Simon**, Oberon; **Bruce Olsen**, Cando; **Mark Brehm**, Cando; President **Tracy Boe**, Mylo. Pictured front row, from left, are **Russell Carlson**, Jamestown; Vice President **Curtis Wiesz**, Heaton; **Judy Geier**, Heaton; and **Curtis Hanson**, Pettibone.

Operation Round Up

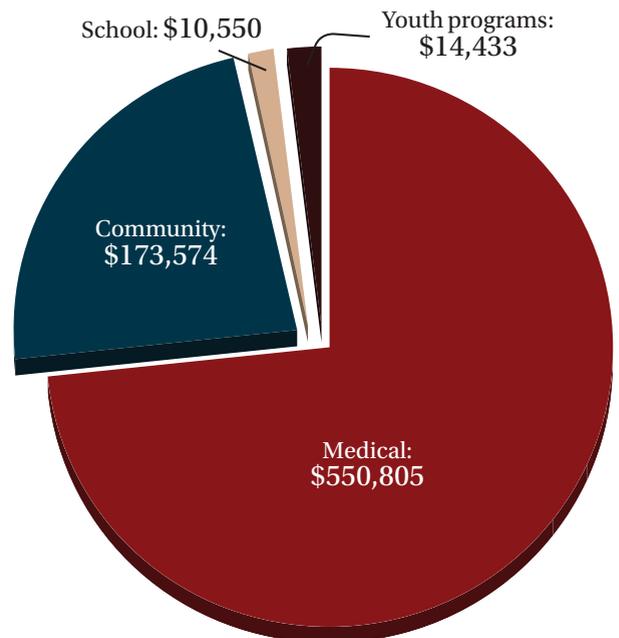
Some 80 percent of all Northern Plains Electric Cooperative members participate in Operation Round Up (ORU). This program rounds participating members' monthly statement to the next dollar and places the funds in an Operation Round Up trust. A five-member board of directors from across the service area meets quarterly to disburse the funds to worthy individuals and organizations, and oversees the trust.

ORU has helped everybody from victims of cancer,

heart attack and stroke to helping communities with food pantries, animal rescues and youth workshops. The money is kept in the community, addressing local need.

Northern Plains Electric Cooperative contributes a small amount of resources each year to administer the program. This year, ORU awarded \$46,650 to help 60 individuals and organizations. Since the program was implemented in 1998, the trust has disbursed \$749,362 to 1024 causes. ■

Who has been helped by Operation Round Up since the program was launched at Northern Plains in 1998?



2018 Operation Round Up Board Members: back row, left to right: President **Ross Myers**, Cando; Vice President **Cara Wagner**, Pettibone; Secretary/Treasurer **Curt Klein**, Carrington. Front row, left to right: **Robin Arnold**, Esmond and **Julie McDougall**, Rolla.



The Kuchar family with their rescue dogs **Winnie** and **Bandit**, which they adopted from Uffda Fund for Animals. Uffda was granted money from Operation Round Up this fall.

2018 ORU financial report

Beginning Balance (Jan. 1, 2018)	\$14,001.43
<i>Income:</i>	
Operation Round Up contributions	\$43,844.82
Operation Round Up donation	\$41.42
Total Income	\$43,886.24
<i>Expenses:</i>	
Grants given in 2018	\$46,650
Office checks	\$34.49
Total expenses	\$46,684.49
Ending balance (Dec. 31, 2018)	\$4,975.03

WHEN THE POWER GOES OUT, THEY GO OUT.

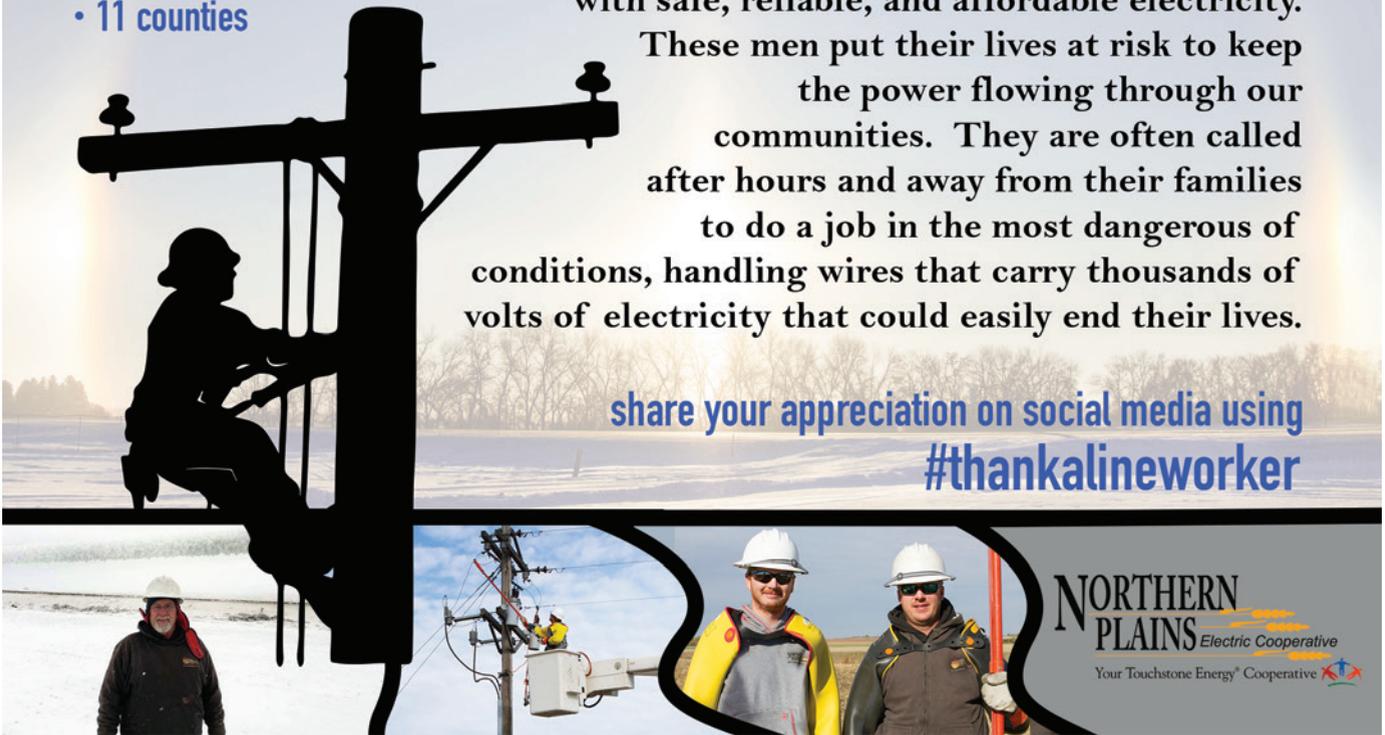
- 25 lineworkers
- 9,482 miles of line
- 11,703 meters served
- 11 counties

April 8 is National Lineworkers Appreciation Day

Northern Plains would like to thank our lineworkers for their vital role in helping us provide our members with safe, reliable, and affordable electricity.

These men put their lives at risk to keep the power flowing through our communities. They are often called after hours and away from their families to do a job in the most dangerous of conditions, handling wires that carry thousands of volts of electricity that could easily end their lives.

share your appreciation on social media using **#thankalinerworker**



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An equal opportunity provider and employer.

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BOARD & MANAGEMENT:

- President Tracy Boe, Mylo
- Vice president..... Curtis Wiesz, Heaton
- Secretary/treasurer..... Randall Simon, Oberon
- Assistant Secretary/treasurer Dave Teigen, Rugby
- District 1..... Mark Brehm, Cando
- District 1.....Bruce Olsen, Cando
- District 3..... Russell Carlson, Jamestown
- District 3.....Judy Geier, Heaton
- District 3..... Curtis Hanson, Pettibone
- General Manager..... Seth Syverson
- Manager of Engineering & Operations Ashten Dewald
- IT Manager Scott Buchholtz
- Business Manager..... Cheryl Belle
- Northern Notes Editor.....Brittnee Wilson