



LOWER YELLOWSTONE
RURAL ELECTRIC COOPERATIVE

Your Touchstone Energy® Cooperative 

2017 ANNUAL REPORT



EIGHTY-SECOND ANNUAL
Membership Meeting
Wednesday, June 6, 2018
RICHLAND COUNTY EVENT CENTER

MINUTES OF THE 81st ANNUAL MEETING
of the
LOWER YELLOWSTONE RURAL ELECTRIC COOPERATIVE
RICHLAND COUNTY EVENT CENTER
JUNE 1, 2017

The 81st Annual Meeting of Lower Yellowstone Rural Electric Cooperative was called to order by President Allen Thiessen.

Director Dennis Nelson led the assembly in the Pledge of Allegiance and Director Greg Rauschendorfer provided the invocation.

Attorney Jason Holden reported that there was a quorum of 285 members present, which was sufficient for the transaction of any business to come before the assembly. Attorney Holden read the Notice of Annual Meeting and the Verification by the Sidney Postmaster of the mailing of the Notice to LYREC members.

President Thiessen asked for and received a motion for approval of the minutes of the 2016 Annual Meeting which were provided in writing to the members prior to the meeting. The motion was seconded and carried.

President Thiessen introduced the Directors from all seven Districts as well as Auditor Travis Gerten and Attorney Jason Holden. In addition, President Thiessen introduced Claire and Jill Vigesaa from Upper Missouri Power Cooperative, Cristy Hoferer and Dave Sessoms from HDR, Mike Murray, Greg Desaye, Kurt Capouch, Tom Radenz, Mike Risan, Lynn Beiswanger, Greg and Toni Wheeler from Basin Electric Power Cooperative, Michael Hoy and Brent McRae from McCone Electric, Marj Cunningham from Mid-Yellowstone Electric, and Gordy Wiese from Irby Utilities as guests.

Jami Propp introduced the hosts and hostesses for the evening.

President Thiessen called upon Travis Gerten, C.P.A., of Brenner & Averett Co., P.C., to give the Audit Report. Gerten attested to the sound financial condition of the cooperative.

Jason Brothen gave the Manager's Report. He updated the members on the projects from the year and a look at what the cooperative was currently working on and will be doing for the membership in the coming year.

Brothen presented Rich Gorde with his 15-year service award, Bryan Franck with his 10-year service award, and Blade Jankovsky with his 5-year service award.

President Thiessen then gave his President's Report where he updated the membership of the wholesale power supply, and future business of Upper Missouri Power Cooperative, and Basin Electric Power Cooperative.

Owen Nelson, LYREC's Youth Tour to Washington, D.C. representative, spoke regarding his experience on the youth tour.

Attorney Jason Holden conducted the elections for Directors for Districts 5, 6, and 7.

Holden reported that the nominating committee consisting of two members from each of the three Districts involved had nominated incumbent Dennis Nelson for District 5 and incumbent Greg Rauschendorfer and Lynette Ruffatto from District 6 and Allen Thiessen from District 7. Holden called for nominations from the floor for Districts 5, 6, and 7. After no floor nominations were made, motions were made, seconded and unanimously carried to close nominations. The election was conducted for a Director for District 6. Rauschendorfer was re-elected for District 6. Dennis Nelson was re-elected for District 5 and Allen Thiessen for District 7.

Brent McRae, President for the Montana Electric Cooperatives' Association (MECA), gave an overview of the state and federal legislative issues.

President Thiessen called upon Attorney Holden to explain the proposed changes to Lower Yellowstone's By-Laws which were previously mailed to the membership. After such explanation by Attorney Holden, President Thiessen called for a motion which was seconded and carried to amend the By-Laws as proposed.

President Thiessen then asked for any old or new business. None was presented. Thiessen also called for general comments and questions and none were presented.

Throughout the meeting, prizes were awarded to members present whose names were drawn at random. Childrens bicycles were presented to Gabriel Richter and Deonha Hawkins. The grand prize of the Medora package went to Philip Hafemann.

Five names were drawn for the progressive jackpot drawing of \$1,000.00 but none of them were present. Additionally, Director Greg Rauschendorfer awarded scholarships throughout the meeting to Chelsea Gatzke, Grace Dragseth, Rachel Prevost, Emily Carda, Jerren Jensen, Abbey Ries, Lexi Berube, Chantel Wilcoxon, Jared Steinbeisser, Khrystye Earle, Bailee Fink, Eathan Carda, Austin Strickland, Bree Stickland, Lexi Joslin, Madison Thiessen, Logan Peterson, Emma Skov, Jenna Bieber, Alex Wicks, Katie Rice, Abby Rice, Cara Clemmer, Brady Bell, Shelby Reidle, Renee Granada, Wyatt Cayer, Cody Johnson, Cade Strasheim, Troy Monsen and Kelvin Hill.

There being no other business or discussions to come before the body, a motion was duly made, seconded and unanimously carried, and the meeting was adjourned.

Respectfully Submitted,

Jason Holden, Acting Secretary and Attorney for LYREC

VOTE FOR BOARD OF DIRECTOR CANDIDATES

One of the wonderful benefits of belonging to a cooperative is that you get a say in how it is operated. Your voice is heard by voting for the members who serve on the board of directors.

The following candidates have been nominated by the nominating committee in March, but nominations can also come from the floor at the annual meeting.



JIM VITT
District 1

Jim Vitt is a lifelong resident of Richland County, growing up in the Sioux Pass community. He and his wife, Loretta, raised four children, and have nine grandkids. They raise registered Angus cattle, along with their son, Dale, and his wife, Jill. Vitt graduated from Fairview High School in 1970, and attended Dawson Community College for six months. He was in the U.S. Army National Guard for six years.

Vitt is a member of St. Matthew's Catholic Church, the American Angus Association, Montana Angus Association and Eastern Montana Stockgrowers. He served three terms on the Fairview school board and a term on St. Matthews's parish council.

Vitt states, "I have learned a tremendous amount during the term I have served on Lower Yellowstone Rural Electric Cooperative's board. I have completed the credentialed cooperative director courses, and am halfway through the board leadership courses, but I still have a lot to learn. I would appreciate your support to continue serving the members of LYREC."



COLIN GARTNER
District 2

Colin Gartner is a Sidney native and graduated from Sidney High School. He attended Montana State University in Bozeman and received a bachelor's degree in agricultural education. He is currently farming and ranching northwest of Sidney. He is married to Sue, who is a nurse at the Sidney Health Center's Extended Care. They have two children; Marianne, 23, and Christopher, 20. They are both students attending Dickinson State University.

Gartner was elected director of District 2 in 1996. He also serves as chairman of the Montana Electric Cooperatives' Association ACRE committee. ACRE is the Action Committee for Rural Electrification, a bipartisan political action committee. Gartner is a member of the Montana Grain Growers, Montana Stockgrowers, MonDak Area Stockgrowers Association, National Cattlemen's Beef Association, and Sidney FFA Alumni.

MEET YOUR BOARD OF DIRECTORS



Jim Vitt
District: 1
First elected: 2014

Jim and his wife, Loretta, raise registered Angus cattle in the Sioux Pass Community.



Dennis Nelson
District: 5
First elected: 2014

Dennis and his wife, Tami, farm and ranch near Bainville.



Colin Gartner
District: 2
First elected: 1997

Colin lives northwest of Sidney with his wife, Sue. He currently farms and ranches.



Greg Rauschendorfer,
vice chair
District: 6
First elected: 1993

Greg and his wife, Donna, reside near Brockton where they farm and ranch.



John Redman,
secretary/treasurer
District: 3
First elected: 1992

John and his wife, Doris, live east of Sidney. John is a retired farmer and rancher.



Allen Thiessen,
chairman
District: 7
First elected: 1985

Allen and his wife, Sue, live in the Lambert area. Allen is a small business owner.



Dennis Schmierer
District: 4
First elected: 2001

Dennis and his wife, Karen, reside near Savage where Dennis raises beets and cattle.

PRESIDENT AND MANAGER'S REPORT

We look forward to your attendance at this year's annual meeting. We will be introducing a few changes to the meeting this year and hope you will be able to attend and experience a new wrinkle with us. For those of you who are unable to attend, we wanted to give a quick update about the cooperative and the plans for the future.

As you can see from the financial statements, LYREC is in a sound financial condition. We have been detailed with the budget over the years, and it shows by having a strong financial position. As our business has grown over the past 10 years, it has also changed. Financially, the cost to operate and maintain the reliability to our electric grid has increased substantially. LYREC must be prepared for storms, or unforeseen events that are destructive to our electric system. The board and staff must ensure that we have the necessary finances in place to react when a disturbance happens, which is reflected in our financial statement.

Last year, we reported on the strategic planning the board and staff participated in to help mold the direction of the cooperative. Many topics were discussed, and others were moved to the top of the list. This was a necessary exercise and we are happy to report that new ideas, policies, and direction have come from this planning session. The heart of the membership was considered during every discussion and decision made. As for the operations of the cooperative, our goal is to ensure the highest level of service to the membership. The two new substations, Helmut and Iversen, are now fully functional. Members who were once served by Richland and Ridgelawn substations, are now served from either the Helmut or Iversen substations. This project updated the old substations and transmission lines, but it also updated distribution lines and our ability to back feed the membership in this area for maintenance or outage restoration situations. The new substations and transmission line were a huge boost to the reliability of our system around the Sidney area. We also performed numerous pole changeouts, meter and service upgrades, along with line replacements throughout the service territory to strengthen the grid that serves the membership. The coming year has more projects, and we will show a few of these at the annual meeting.

Our commitment to the communities we serve, is one of the most important principals we have and the cornerstone of LYREC. The board and staff of LYREC are engaged with the communities and civic groups in many ways. We are especially proud of our new safety demonstration trailer we unveiled last year at the annual meeting. Since that unveiling, we have performed safety demonstrations to hundreds of kids and adults at numerous events in Montana and North Dakota. We have also teamed up with other cooperatives to help educate their members on the importance of safety around electrical facilities. Another area we are proud of is the participation and support for the newly formed Operation Round Up program. The president of Operation Round Up will provide a report on the program during the annual meeting.

Our power suppliers, Upper Missouri Power Cooperative, Basin Electric Power Cooperative, and Western Area Power Administration, continue to play a very large role in our rate design and future decisions. Our power suppliers are experiencing a shift in the industry that affects how LYREC plans for the future. As part of the strategic discussion, we are looking at all aspects of our business, and the adjustments that will need to be made due to the changes with our power suppliers. As cooperatives we have seen these challenges before, and moving forward with our membership's support, we are confident that we will make the right decisions and continue to supply safe, reliable power at affordable cost.

Please consider joining us for the June 6th annual meeting.

Balance Sheet as of December 31, 2017 (unaudited)

Assets	2016	2017
Utility Plant:		
Electric Plant in Service	58,674,460	70,363,775
Construction Work in Progress	6,807,854	1,104,794
Total Utility Plant	65,482,314	71,468,569
Accumulated Depreciation	(24,324,928)	(25,552,546)
Total Net Utility Plant	41,157,386	45,916,023
Other Property, Investments & Special Funds:		
Non-Utility Property	7,600	7,600
Investments in Associated Utilities	6,653,963	7,946,307
Total Other Property & Investments	6,661,563	7,953,907
Total Current Assets:		
Cash-General Fund	680,171	2,016,105
Temporary Investments	7,018,535	4,705,567
Account Receivable (Energy)	2,412,895	2,519,908
Accounts Receivable (Other)	86,960	35,789
Materials & Supplies	2,369,951	2,075,047
Prepayments	73,579	0
Total Current Assets	12,642,091	11,352,416
Deferred Debits	0	78
Total Assets:	60,461,040	65,222,424

2017 ANNUAL REPORT

Revenue as of December 31, 2017 (unaudited)

Equities:	2016	2017
Memberships	24,340	24,520
Patronage Capital	32,030,987	34,945,251
Net Margins	3,665,593	3,650,917
Non-Operating Margins	112,662	135,538
Other Equities	2,866,608	2,874,307
Total Equities	\$38,700,190	\$41,630,533
Total Long-Term Debt:	\$17,069,077	\$19,351,492
Current Liabilities:		
Accounts Payable	2,050,471	1,748,155
Consumer Deposits	318,210	252,235
Other Current Liabilities	336,742	380,411
Total Current Liabilities	\$2,705,423	\$2,380,801
Deferred Credits	1,986,350	1,859,598
Total Equities & Liabilities	\$60,461,040	\$65,222,424

Property Taxes Paid in 2017

County	Amount	County	Amount
Richland County	501,197	McKenzie County	10
Roosevelt County	23,941	Williams County	3,766
Dawson County	5,501	State of North Dakota	46,026

Total 2017 Property Taxes Paid (5 counties) \$580,441



Jason Brothen-General Manager LYREC, presents during energy day for the Sidney Chamber Leadership class.



Mike Eberling and Rich Gorde speak with high school students during co-op career day at Sidney High School.



LYREC line crew built this safety trailer in 2017. This high voltage safety trailer was designed to educate our community about the dangers of electricity.



Jan Bloesser-Operation Round Up Secretary Treasurer presents Kelly Johnson a \$1,000 check for Sidney Area Dollars for Scholars from the Operation Round Up Trust.



Sidney Gymnastics Club receives \$1,100 from the Operation Round Up Trust.



Ann Bouchard- Operation Round Up Vice President presents Larry Albertson, manager of Eastern MT Bible Camp with a check for \$1500 from the Operation Round Up Trust.