

Annual Report & Meeting Notice

83rd Annual Membership Meeting

Wednesday, June 5



**Working together for a
more powerful future**



LYREC
LOWER YELLOWSTONE
RURAL ELECTRIC COOPERATIVE

Your Touchstone Energy® Cooperative 

Last year's meeting minutes

Minutes of the 82nd Annual Meeting
of the
Lower Yellowstone Rural Electric Cooperative
Richland County Event Center
June 6, 2018

The 82nd Annual Meeting of Lower Yellowstone Rural Electric Cooperative was called to order by President Allen Thiessen. Director Jim Vitt led the assembly in the Pledge of Allegiance and a member gave the invocation.

Attorney Jean Faure reported that there was a quorum of 206 members present, which was sufficient for the transaction of any business to come before the assembly. Attorney Faure advised that the Notice of Annual Meeting had been duly mailed to LYREC members. A motion was made and seconded to waive the Reading of the Notice.

President Thiessen asked for and received a motion for approval of the minutes of the 2017 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 Jean Faure. In addition, President Thiessen introduced Cristy Hoferer, Kristopher Kenney, Ronnie Jackson and Grant Gershmel from HDR, Ron Minudri and Ryan Hall from MECA, Gordie Wiese from Irby Utilities, Kevan Kimball from Mid-Yellowstone and Della Pewonka and Stacy Brown from Upper Missouri G&T.

Jami Propp introduced the hosts and hostesses for the evening.

President Thiessen called upon guest speaker Rocky Erickson. Mr. Erickson delivered a presentation.

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 Pam Wilcoxon with her 5-year service award, Mike Eberling with his 35-year service award and Chris Hillesland with his 40-year service award.

President Thiessen reported on the audit and that Lower Yellowstone Electric Cooperative is in good financial condition. He also reported on the capital credit retirement. Then he updated the membership on the wholesale power supply.

A member commented on Operation Round Up.

Soda Rice, LYREC's Youth Tour to Washington, D.C. representative, spoke regarding her experience on the youth tour.

Dylan Klasna, Chairman of Operation Round Up, gave an update on the new program.

President Thiessen conducted the elections for Directors for Districts 1 and 2.

Thiessen reported that the nominating committee nominated incumbent Jim Vitt for District 1 and incumbent Colin Gartner for District 2. Thiessen called for nominations from the floor for 1 and 2. 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 1. Jim Vitt was re-elected for District 1. Colin Gartner was re-elected for District 2.

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.

Director Rauschendorfer awarded 47 scholarships. Door prizes, children's bikes and a grand prize was also awarded during the evening.

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

Respectfully Submitted,



Jean Faure, Acting Secretary and Attorney for LYREC



Join us for our 83rd Annual Meeting

WEDNESDAY, JUNE 5

Official Notice of LYREC's 2019 Annual Meeting

The annual membership meeting of Lower Yellowstone Rural Electric Cooperative will be held at:

- Richland County Fairgrounds Event Center – Sidney MT
- Wednesday, June 5, 2019 at 6:15 p.m.

Registration will begin at 5:00 p.m., with dinner being served from 5-6:00 p.m. and the business meeting starting at 6:15 p.m.

The following business will be transacted:

- Reports of officers, trustees, and committees
- The election of two trustees of the cooperative for three-year terms
- All other business which may come before the meeting

The following members have been nominated for trustee positions by the committee on nominations appointed by the board of trustees.

- District 3 – John Redman
- District 4 – Dennis Schmierer

Additional nominations of trustees may be made from the floor.

Meeting and scholarship registration will end at 6:00 p.m.

Please join us at your annual meeting – your presence makes a difference.

Agenda

Registration & dinner 5–6:00 p.m.

Call to Order 6:15 p.m.

Invocation

Minutes of Last Annual Meeting

Welcome and Introduction of guests

Board President & CEO Report

Operation Round Up report

Youth tour presentation

Election of Trustees

Unfinished business

New business

Scholarship & prize drawings

Adjournment

Scholarships

Several \$1,000 scholarships will be awarded at the June 5th annual meeting. To be eligible for a scholarship:

- The applicant or parent/guardian must be a member who is currently receiving electric service from LYREC.
- The applicant must be a student who is enrolled or planning to enroll in a full time undergraduate course of study at an accredited two or four-year college/university or vocational technical school for the upcoming fall term.
- The applicant must be accompanied by a parent/guardian and both must be present at the annual meeting.
- An individual applicant can receive a maximum of 2 luck-of-the-draw scholarships.

Voting

Each member or entity member shall be entitled to only one vote. Entity members shall designate, in writing an officer, shareholder, or director of the corporation as its voting proxy.

An individual member may vote in person, or by proxy. An individual member shall appoint a member as proxy in writing on an appointment form and file it with Member or Customer Service before or at the time of the annual meeting. However, no individual member may be designated as proxy for more than three (3) other individual members. No individual member proxy shall be valid after one (1) year from the date it was made.

A proxy is enclosed for your use if you are unable to attend the meeting.



President and CEO Message

We look forward to your attendance at this year's annual meeting. 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 2018 Year End Statements, LYREC has a strong financial position. As our business has grown over the past 10 years, it has also changed. The cost to operate and maintain the reliability of 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 resources in place to react when a disturbance happens. Our detailed budget and forecasting process has helped us estimate the costs to maintain our system in the future, so when the unforeseen happens, we are prepared financially. This past year, the operations department have been con-

centrating on the reliability of the distribution grid. We strive to upgrade both overhead and underground line that are old or problematic. We have also started testing breakers and devices that help protect our system and reduce outages. Our pole testing program continues to be a big part of our system maintenance. Since we started this program 4 years ago, it has allowed us to identify areas that need attention. Compared to the national average, our system is in very good shape and the cooperative has a rich history of maintaining the reliability in the system.

Going forward, the cooperative will continue to budget the maintenance on our system. There are also plans to build some new facilities starting in the fall of 2019. One area LYREC will be concentrating on is the Bainville substation. The Bainville area is one of our oldest areas and is in need of upgrades. After balancing the projects over the past couple years, Bainville substation and transmission has moved to the top of the list.

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. As part of the

strategic discussion, we are looking at all aspects of our business, and the adjustments that will need to be made. 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 the lowest cost.

Cooperatives across the country were built on the Grassroots efforts of the people from rural areas. The involvement and support of a common cause was strong and encouraging. As the electric cooperatives grew and the business of supplying power to the rural areas increased, the Grassroots effort weakened. Our industry has seen numerous changes in the power markets, and the way we do business as cooperatives. Right now, we need our members more than ever. Reestablishing the Grassroots effort like it was over 80 years ago when the cooperative movement started, is vital to our cooperative, communities, and future. We encourage you to consider being part of the local and national Grassroots effort for the cooperative. If you wish to find out more, please contact the office or come to the annual meeting. Thank you all for the support you have given to the cooperative over the past year and we look forward to 2019. We also hope you will consider joining us for the eighty-third annual meeting on June 5.

2019 EMPLOYEE Service Awards

A special thanks goes to the following employees who reached milestones at Lower Yellowstone Electric.



Brenda Bond
Chief Financial Officer
5 years

Edwin Gatzke
Line Locator/Meter Reader
5 years



Ryder Peterson
Journeyman Lineman
5 years

Tanner Roth
Journeyman Lineman
5 years

Justin King
Warehouse Supervisor
5 years

Corey Candee
Chief Information Officer
10 years

Board of Director Candidates

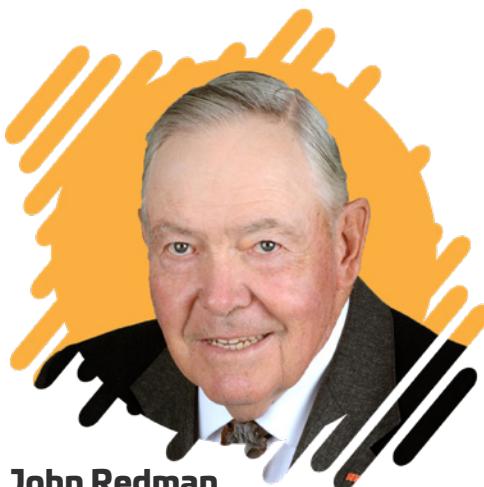


Dennis Schmierer
District 4

Dennis was born and raised in Savage, Montana where he graduated from high school and went on to the National College of Business in Rapid City, South Dakota. Dennis and his wife Karen have 4 children and 7 grandchildren. He and his brother raise beets and cattle near Savage.

Dennis was elected to Lower Yellowstone Electric's board in 2001. Shortly after his election, Dennis joined Lower Yellowstone Electric's Safety Committee and is currently still active on the committee.

Schmierer states, "Serving on LYREC's board has had many challenges, however it is very rewarding. One of the most rewarding aspects of being a board member is continuously finding ways to improve the member's power quality by upgrading LYREC's service so that LYREC can continue to thrive in the future."



John Redman
District 3

John Redman was elected to the board of trustees at the 1992 annual meeting and is currently the Secretary/Treasurer. John is retired from farming and ranching. Redman came to Richland County in 1960 when he started farming with electric pump irrigation. He and his wife Doris have five children. John has a B.S. degree from Montana State University. Redman is a past master of the Lower Yellowstone Masonic Lodge No. 90. He has been associated with the 4-H program for nearly 35 years.

Operation Round Up



The Operation Round Up program is controlled by the Operation Round Up Trust Board. The board has seven members who are elected from each of LYREC's districts. Trustees can serve a maximum of two terms, each consisting of three years. Current members are Dylan Klasna (President), Ann Bouchard (Vice President), Jan Bloesser (Secretary-Treasurer), Vonne Van Hook, Crystal Wyman, and Beth Ladue.

Since organizing our Operation Round Up program in 2017, Lower Yellowstone Rural Electric Cooperative members and employees have raised over \$18,000. These funds have gone back into the community to help nonprofit and community organizations in need. Participation is simple: your monthly electric bill is rounded up to the nearest dollar, an estimated average of \$.50 each month (just \$6.00 per year) – a small amount to help worthy causes in our communities. These funds are used in LYREC's service area for charitable, educational, scientific, health or safety purposes.

Directors

Mary Sundheim
District 1

Vonne Van Hook
District 2

Crystal Wyman
District 3

Jan Bloesser
District 4

Beth Ladue
District 5

Dylan Klasna
District 6

Ann Bouchard
District 7

**Cutting Edge
Dance Studio**



**Sidney Gymnastics
Club**



Ann Bouchard presents a check from the Operation Round Up Trust to the Cutting Edge Dance Boosters. The Cutting Edge Dance studio teaches children from all over Richland County the art of dance in a variety of styles.

The Operation Round Up Board awarded funds to the Sidney Gymnastics Club to assist in the expansion of their current facility. The gym provides an opportunity for physical fitness education and preparedness to youth in Sidney, Fairview, Savage, Lambert and the surrounding communities.

2018 Annual Report

Balance Sheet

Assets	2017	2018	Equities and Liabilities	2017	2018
Utility plant:			Equities:		
Electric plant in service	70,363,775	74,617,300	Memberships	24,520	24,490
Construction work in progress	1,104,794	(127,923)	Patronage capital	34,945,251	36,671,045
Total utility plant	71,468,569	74,489,377	Net Margins	3,650,917	2,193,688
Accumulated depreciation	(25,552,546)	(27,571,216)	Non-operating margins	135,538	176,864
Net Utility Plant	\$ 45,916,023	\$ 46,918,161	Other equities	2,874,307	2,886,496
Other property & investments:			Total Equities	\$ 41,630,533	\$ 41,952,583
Non-Utility property	7,600	7,600	Total Long-Term Debt	\$ 19,351,492	\$ 21,174,084
Investments in associated utilities	7,946,307	8,532,015			
Total other property and investments	\$ 7,953,907	\$ 8,539,615			
Current & accrued assets:			Current liabilities:		
Cash-general Funds	2,016,105	730,833	Accounts Payable	1,748,155	1,589,419
Temporary Investments	4,705,567	7,470,034	Consumer Deposits	252,235	246,175
Accounts receivable (Energy)	2,519,908	1,865,281	Current Maturities – Long Term Debt	\$ -	\$ 611,997
Accounts receivable (Other)	35,789	14,919	Other Current Liabilities	380,411	270,095
Material and supplies	2,075,047	1,581,757	Total Current Liabilities	\$ 2,380,801	\$ 2,717,686
Prepayments	-	-	Deferred Credits	1,859,598	1,276,247
Total current assets	\$ 11,352,416	\$ 11,662,824	Total Equities & Liabilities	\$ 65,222,424	\$ 67,120,600
Deferred debits	78	-			
Total Assets	\$ 65,222,424	\$ 67,120,600			

Property Taxes Paid in 2018

County	Amount
Richland	555,939
Roosevelt	19,811
Dawson	8,130
Mckenzie	11
Williams	3,977
State of North Dakota	95,092
Total 2018 Property Taxes Paid (5 counties)	\$ 682,960

Balance Sheet as of December 31, 2018 (unaudited)



LOWER YELLOWSTONE
RURAL ELECTRIC COOPERATIVE

Your Touchstone Energy Cooperative 

3200 West Holly St
Sidney, MT 59270

ATTENTION: Registration for the annual meeting will be done electronically, therefore you will not be receiving a registration card prior to the meeting. Please bring this booklet to the annual meeting.