

ANNUAL REPORT 2019



**Renville-Sibley Cooperative
Power Association**

**82nd Annual Meeting
March 26, 2020**

**WE'RE HERE
FOR YOU**

365 days a year

BOARD CHAIR AND CEO REPORT

In 2019, our cooperative provided safe, reliable, and efficient electric energy and services to enhance the quality of rural living we all enjoy. We had a productive year; however two storms significantly interrupted service hampering our ability to deliver power to each and every home and farm site over a number of days in April and December. A recap of each of the storms is included within this annual report. We sincerely appreciate the patience shown from our members as we worked through all areas of our system to restore power. We are currently working with the Federal Government and the State of Minnesota to collect FEMA and state disaster money to help offset the expenses associated with these storms.

Safety

The number one focus at Renville-Sibley is safety for our employees and our members. Working with high-voltage electricity, linemen find themselves in potential life and death situations on a regular basis. We take the safety of our employees very seriously. In addition to providing safety clothing, equipment and training, we have a safety committee that meets quarterly and a mayday committee that creates scenarios used to keep our employees focused on what to do during an emergency. Renville-Sibley also participates in the Rural Electric Safety Achievement Program (RESAP) which includes a visit on a three-year rotation from an observation team for an on-site inspection of all our facilities, trucks and electrical lines in addition to crew observations. In 2019 Renville-Sibley had an unannounced RESAP visit and received a certificate of safety accreditation, which awards national recognition of dedication to employee and public safety, commitment to regulatory compliance and loss control practices. Currently one Renville-Sibley employee is trained as a RESAP observer and helped perform observations at other electric cooperatives within our state.

We are members of safeelectricity.org and feature articles in the Cooperatives Connection newsletter from this organization. The link to their site is posted on our webpage to help educate members and the public. We also provide the number for Gopher State One Call as a reminder to Call Before You Dig. Other safety training includes safety demonstrations at Farmfest and our local schools. While working on the distribution line, the operations department keeps an eye out for potential public safety hazards as well.

National Linemen Appreciation Day

The second Monday of April each year has been set aside to officially support and honor linemen. We are proud of our linemen and appreciate how they and all our employees strive to live a culture of safety every day, in all that they do. The true reward of our safety program is making sure all our employees return home safely, each day.

Operational Update

Like other electric cooperatives across the state and nation, Renville-Sibley has significant plant assets in the form of fleet, buildings and equipment as well as distribution poles and wires. All of our assets are built and maintained for the purpose of delivering energy and improving our system reliability. One of our

major construction work plan objectives is to watch the rejected pole rates and monitor damage to aging conductor to determine the best areas for us to invest your resources. We

will still continue to convert single phase to underground at all member general service locations.

When you flip a switch and the lights turn on, you are probably not thinking about what happens behind the scenes to ensure you have reliable electricity. During 2019, Renville Sibley lineworkers:

- completed 45 RS2020 overhead to underground tap conversions on farm sites, including 11 service upgrades in conjunction with the conversions,
- changed out 12 transformers,
- installed 22 new services,
- removed 7 idle services,
- retired 17 services,
- visually inspected 100% of our overhead lines,
- completed 3 work plan projects,
- completed 78 work orders, and
- completed 1026 job orders to maintain our system.

The above work was completed in addition to responding to outages as they occurred throughout the year. Crews added to and replaced equipment for our automated metering infrastructure, performed annual maintenance to a member-owned industrial substation, and provided inspections and maintenance on our fleet, facilities and equipment. In 2019 we found additional ways to utilize the iPads for all our linemen to use while in the field.

In addition to providing the administrative and professional services needed to assure all members' questions and concerns were addressed and all financial, federal, state and regulatory guidelines were met, our employees and board enjoyed time throughout the year interacting with our members and supporting our local communities.

Financial Overview

Renville-Sibley had a good year financially; we maintained a strong equity position and our financial ratios met or exceeded our debt service requirements. We currently have \$1,052,500 in revenue that was collected in 2013, 2014 and 2015 which will be recognized at \$210,500 per year from 2020 until 2024. As required by RUS, the cash is segregated and is currently earning 5% interest. The interest rate will drop to 4% in October of 2020 and down to match the 1-year treasury rate beginning in October of 2021.

The Basin Electric board of directors elected to defer revenue for the year 2019. Unlike distribution cooperatives, Generation and Transmission (G&T) cooperatives are not required to allocate the margins within the year they were generated. As a result, Renville-Sibley received a lower allocation from Basin Electric for 2019 than we anticipated in the budgeting process. This



Roger Manthei
Board Chairman



DeeAnne Newville
CEO

allocation is reflected in the summary of our audited financial results for 2019 under “Generation and Transmission and other Capital Credits.” Keep in mind an allocation is just that, it does not represent cash to our cooperative.

Capital Credit Allocation and Retirement

Patronage capital in the amount of \$2,481,035 was allocated to our members based on the amount of electricity purchased in 2018. The Board of Directors unanimously voted to retire \$418,519 of capital credits, which included estate and general retirements paid out in 2019. This brings the cumulative total of retired capital credits to just under \$12.7 million. Returning margins (profits) back to our membership is what sets cooperatives apart from other utilities.

2019 at a glance (as of yearend):

Employees: 14 full-time; 1 part-time

Average Member Service Locations: 1,882

Miles of line: 1,038

Average consumers per mile: 1.81

Revenue: \$14,363,935

Power Cost (includes power purchased from member-owned wind/solar): \$10,011,521

Power mix from East River/Basin:

	<u>2019 Capacity</u>
Coal-based	36.0%
Wind	16.7%
Natural Gas	16.7%
Hydroelectric dams	21.4%
Oil, diesel, jet fuel & other	7.9%
Nuclear	0.8%
Recovered Energy Generation	0.5%

Total Distribution Plant Investment of \$29.4 Million

Kilowatt-hours (kWh) sold: 163,161,214

Distributed generation (DG) facilities owned by members: 32

DG Nameplate Kilowatt (kW) total: 862.77

DG facilities 2019 full year of production: 1,149,105 kWh

Legislative and Regulatory Activities

We continually work to cultivate and maintain impactful relationships with legislators who represent our communities. Because our members’ concerns are bipartisan, we pursue these relationships regardless of party affiliation. Our statewide organizations (Minnesota Rural Electric Association and Cooperative Network) have also developed good working relationships with our state leaders. Our national organization (National Rural Electric Cooperative Association) kept us abreast and involved in federal issues that occur in Washington, D.C. Each year, members of our board, management team, and grassroots committee members attend visits to the MN state capital and our nation’s capital to represent the interests of our cooperative and rural consumers.

We are honored to serve you. No matter the challenge, we are dedicated to work each day to provide safe, reliable and affordable electricity to your homes, farms and businesses.

Here for You

ANNUAL MEETING AGENDA

MARCH 26, 2020

1. Early Bird Drawing – 5:45 p.m.
2. Call to Order – 6:00 p.m.
3. Invocation
National Anthem video
4. Establish a quorum
5. Reading of the Notice of Meeting
6. Reading of the 2019 Annual Meeting Minutes
7. 2020 District Elections
8. Motion to Close the Ballot Box
9. Award Scholarship Winners
10. Renville-Sibley Leadership Report
11. Jake Rieke – Technology and Farming
12. Old Business
13. New Business
14. Report of Tellers
15. Adjournment
16. Drawing of Attendance Prizes
17. Directors Meeting to Follow Adjournment
18. Meal provided by Athmann’s

THANK YOU FOR ATTENDING!

Mission Statement

Renville-Sibley Cooperative Power Association will provide efficient, reliable electric energy and services to enhance the quality of rural living.

Renville-Sibley Cooperative Power will provide language assistance for those with Limited English Proficiency.

Our Thanks to our Membership

As a member, you are the owner and the consumer for this organization. On behalf of our Board of Directors and employees, we would like to thank you for your patronage and support of Renville-Sibley Cooperative Power Association. We value all of our members and are here to serve you. Your comments, questions and suggestions are always welcome.

MAJOR EVENTS OF 2019

2019 Storm Review

Thank goodness Renville-Sibley has not had to deal with major storms every year. However, in 2019 the cooperative had two storms that caused power outages for many members. In both instances, the combination of ice on the power line and wind were the contributing factors. Here is a recap of both storms.

April 10 – 12

On the night of Wednesday, April 10th, our cooperative started seeing ice form on the lines. The first outage around 9 pm was due to a broken insulator in the Henryville Township area. The on-call crew restored power and returned to the shop. Another outage was reported in the Cairo Substation area. After making the necessary repairs and returning to the shop once again, a third outage was reported in the Cairo Substation area. By now, it was approaching 5 am and the visibility was deteriorating rapidly, mostly due to a snow rain mix. Once again, the crew restored power and headed back to the shop.

Early morning on Thursday the precipitation switched to mostly rain. The combination

of rain, 24-degree temperatures and wind doesn't mix well in the electric industry. The southern half of the state was getting significant accumulations of ice on the electric lines.

About the time the normal workday began was when outage calls started pouring into the office. The Cairo, Birch Cooley, Kingman, and Henryville substations all had outages associated with them.

The line crews started reporting broken poles and downed wires. A crew was sent to the Cairo Substation, one to the Birch Cooley Substation, and another to the Kingman Substation. The crews patrolled the lines and made necessary repairs to restore power to the members. Some of the members in the Cairo and Birch Cooley areas lost power multiple times. The Kingman Substation outages were only on one circuit. The crew found a broken insulator and wires galloping. This insulator was repaired around 6:00 pm Thursday night. The crews continued work in the Cairo and Birch Cooley areas until all power was restored. This round of power outages was restored around 1:00 am Friday morning.



A total of 14 poles were broken during the April storm.

The crews returned to work at 8:00 am on Friday morning. Although the wind had subsided, outage calls started coming in on the Troy and Kingman substations. The ice was releasing from the lines causing them to slap together. The power outages associated with these two substations was restored midmorning.

We knew from the previous night that 3-mainline 3-phase poles were broken on the major tie line between Cairo and Birch Cooley Substations. This is the mainline for a contingency to



Winds blow the power lines causing the lines to gallop.

both substations. Help was requested from Kandiyohi Power Cooperative as they have a tracked digger truck and the ditches were unsuitable for our trucks. Several members lost power during this planned outage so we could repair poles.

In all, there were 14 broken poles and approximately 417 members without power. The 417 outages include multiple times that some members were without power.

December 30 – 31

The cooperative had several line outages on December 30 and 31 due to ice on the line and wind which caused the power lines to gallop. The result of the wind and ice combination caused power outages and numerous power blinks. Most of the outages were reported from members served from the Emmet, Kingman and Troy substations. There was one-line outage on the Birch Cooley substation. Birch Cooley, Henryville and Troy substations experienced an outage due to the transmission lines slapping together several times along County Road 5. On Tuesday, December 31 additional crews were brought in from Minnesota Valley Electric and Redwood Electric to assist in storm restoration. The Troy and Henryville substations were brought down in order to repair a transmission

line. In the weeks following the storm, the linemen have continued to make repairs to the system from damage caused by this storm.

In total, there were over 470 power line issues including broken bolts, insulators, ties, conductors, cross arm pins and pole top pins. There were 33 outages affecting 2,396 member locations, which is more than our total number of locations. Many members experienced



Renville-Sibley and Redwood Electric linemen work together to repair a broken cross arm.

multiple outages. Our members were out of power a total of 5,667 hours.

Renville-Sibley appreciates your patience while the linemen work as quickly and safely as possible to restore power during any power outage situation.



Minnesota Valley Electric linemen assisted with storm restoration.

Operation Round Up® launches

Beginning on the June 2019 electric statement, Renville-Sibley members had the opportunity to participate in the Operation Round Up program. Every month leading up to this time and several months following the launch, information about the program was shared in the monthly newsletter. This topic was also discussed at the member meetings held in February. The guest speaker at the annual meeting last year was a McLeod Cooperative Power Operation Round Up board member. He shared information about the benefits of this program for their members and their communities.

Here is how the program works. All members were automatically enrolled in the program. However, any member may choose to opt out of the program at any time. Each month participating members' electric bills are rounded up to the next even dollar amount with the round up amount going into a special Operation Round Up account. The average co-op member donates \$6 with a maximum possible contribution of \$11.88 per year. These funds are then used to do good work in our communities. Nonprofit and community organizations may request funds from the program by completing an application for donation.

Three members, one from each district, were appointed to serve on the Operation Round Up Board of Trustees and manage the funds in the account. They were Louise Kiecker, Ty Erickson and Butch Buschette. In December, the board met for their first meeting. The board approved disbursing \$500 to each of the following organizations:

- Lutheran Social Service of MN
 - meals for low-income seniors at the Morton and Fairfax sites
- RCW Post Prom
 - Expenses for post prom activities at the school
- RC Hospital Foundation
 - Renville County Walk in the Park Survivor celebration dinner
- Blue Star Mothers of America
 - Mother's Day brunch

More information about Operation Round Up, including a link to the Application for Donation, can be found on our website www.renville-sibley.coop/content/operation-round.

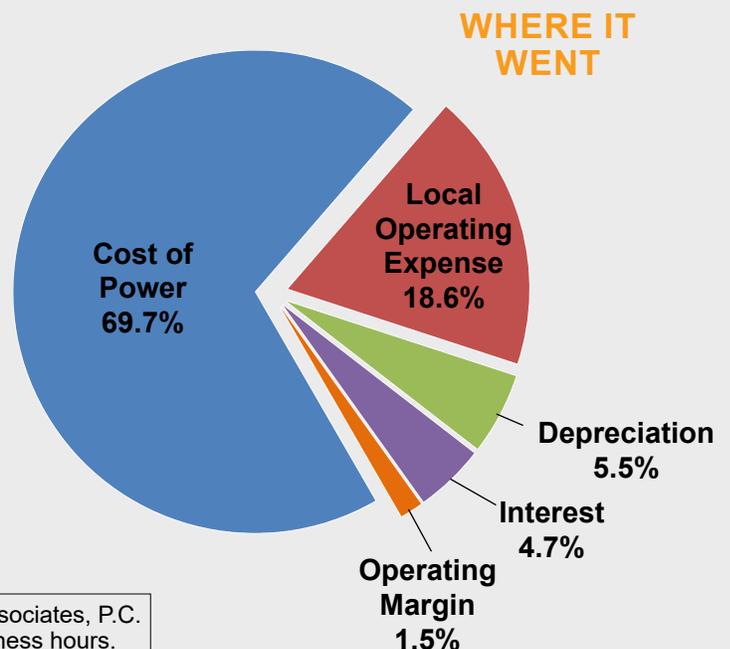
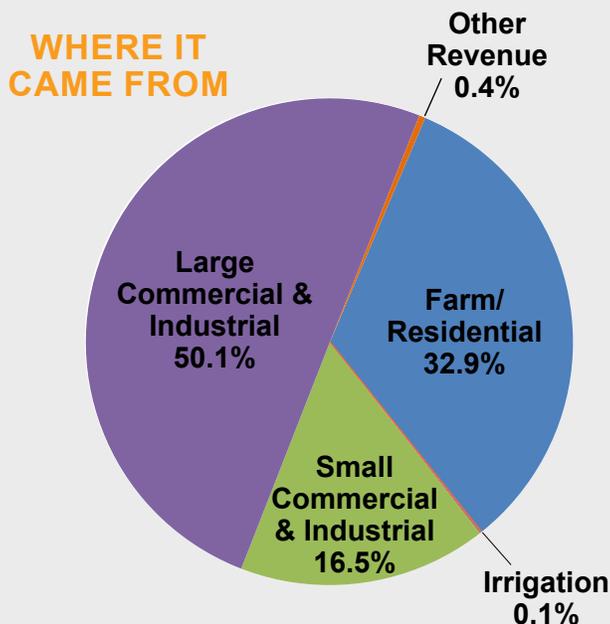


2019 FINANCIAL REPORT

STATEMENT OF OPERATIONS

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES (Where it came from)	\$14,363,935	\$15,749,425
OPERATING EXPENSES (Where it went)		
Cost of Power	10,011,521	11,504,009
Distribution Expense - Operations	926,929	471,281
Distribution Expense - Maintenance	383,535	505,905
Consumer Account Expense	407,864	377,073
Sales Expense	31,444	51,697
Administrative and General Expense	930,031	1,054,368
Depreciation and Amortization	784,094	784,522
Taxes	-	-
Total Operating Expenses	<u>13,475,418</u>	<u>14,748,855</u>
OPERATING MARGINS BEFORE FIXED CHARGES	888,517	1,000,570
FIXED CHARGES (Where it went)		
Interest on Long-Term Debt	643,236	606,645
Other Interest	24,691	24,304
Total Interest	<u>667,927</u>	<u>630,949</u>
OPERATING MARGINS AFTER FIXED CHARGES	220,590	369,621
GENERATION AND TRANSMISSION AND OTHER CAPITAL CREDITS	715,537	1,894,277
NET OPERATING MARGINS	936,127	2,263,898
NON-OPERATING MARGINS		
Interest Income	291,618	203,963
Other Non-Operating Income	42,813	13,174
Total Non-Operating Margins	<u>334,431</u>	<u>217,137</u>
NET MARGINS	1,270,558	2,481,035
Patronage Capital - Beginning of Year	17,402,936	15,350,851
Capital Credits Retired	(418,604)	(428,950)
PATRONAGE CAPITAL - END OF YEAR	<u>\$18,254,890</u>	<u>\$17,402,936</u>

OPERATING REVENUES



Auditor's Report: A copy of the audit report of Brady, Martz & Associates, P.C. is available for inspection at the Cooperative Office during business hours.

ANNUAL MEETING REGISTRATION CARD

This annual meeting registration card entitles you to a chance to win one of the many prizes to be given away.

Be sure to bring this card to the meeting with you.

Thursday, March 26, 2020
6:00 pm meeting, dinner to follow
Island Ballroom, Bird Island, MN



BALANCE SHEET

	2019	2018
ASSETS (What we Own)		
UTILITY PLANT		
Electric Plant in Service	\$29,395,092	\$28,983,418
Construction Work in Progress	140,809	128,124
Total	29,535,901	29,111,542
Less Accumulated Provision for Depreciation	(7,364,198)	(7,147,965)
Net Utility Plant	22,171,703	21,963,577
OTHER ASSETS AND INVESTMENTS		
Investments in Associated Organizations	10,299,768	9,984,342
Other Investments	518,503	509,102
Total Other Assets and Investments	10,818,271	10,493,444
CURRENT ASSETS		
Cash and Cash Equivalents	138,578	104,239
Accounts Receivable, Net	2,242,206	2,095,833
Materials and Supplies Inventory	622,783	802,768
Accrued Interest Receivable	1,320	1,613
Other Current and Accrued Assets	5,177	5,180
Total Current Assets	3,010,064	3,009,633
DEFERRED DEBITS	246,654	328,902
Total Assets	<u>\$36,246,692</u>	<u>\$35,795,556</u>
EQUITIES AND LIABILITIES (What we Owe)		
EQUITIES		
Patronage Capital	\$18,254,890	\$17,402,936
Other Equities	94,934	76,395
Total Equities	18,349,824	17,479,331
LONG-TERM LIABILITIES		
RUS and FFB Mortgage Notes	10,632,390	10,146,670
NRUCFC Mortgage Notes	185,344	190,839
CoBank Mortgage Notes	3,013,477	3,413,130
United States Department of Agriculture Notes	0	672,244
Unamortized Debt Conversion Fees	(13,281)	(36,768)
Total Long-Term Debt	13,817,930	14,386,115
OTHER NON CURRENT LIABILITIES	1,697	4,872
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	828,207	942,356
Notes Payable	350,000	225,000
Accounts Payable	1,390,605	1,293,151
Consumer Deposits	18,600	18,052
Other Current and Accrued Liabilities	402,279	369,655
Total Current Liabilities	2,989,691	2,848,214
DEFERRED CREDITS	1,087,550	1,077,024
Total Equities and Liabilities	<u>\$36,246,692</u>	<u>\$35,795,556</u>

Renville-Sibley Cooperative Power
PO Box 68
Danube MN 56230-0068

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For ease of registration—and to register for prizes—
don't forget to bring the card above to the Annual Meeting!

(tear off here)



*Don't
forget!*

RENVILLE-SIBLEY COOPERATIVE POWER ASSOCIATION

To Hold Annual Meeting

MARCH 26, 2020

Island Ballroom, Bird Island, MN

Thursday, March 26, 2020 is the date for the 82nd Annual Meeting to be held at the Island Ballroom in Bird Island, Minnesota. The meeting will begin at 6:00 p.m. with a meal to follow the meeting.

A \$10 energy credit attendance prize will be given to members (one credit per member household) who attend the annual meeting. Drawings for the early bird prizes will begin at 5:45 p.m. Drawings will be held at the close of the annual meeting.



Prizes will also be given to children in attendance.

EVERYONE IS WELCOME TO ATTEND.

There will be an election to fill the expired terms of three directors: one director from District 1, one director from District 2 and one director from District 3.