



2023 Annual Report

April 2024 Newline Special Edition

IN THIS ISSUE

- Co-ops provide stability to members p. 2
- LCPH wraps up the year p. 3
- GRE year in review p. 4
- Power Supply Tour | Sign Up p. 5
- 2023 Financials p. 6-7
- Condensed minutes p. 8

Dedication and teamwork defined 2023

To say the last several years have been challenging would be an understatement. We saw our everyday lives upended, and even though we've now come out the other end of the pandemic, it still altered the way we go about things.

At Lake Country Power, the way we conduct business has not fundamentally changed since 2020. We have new obstacles to navigate, yes, but our mission to provide safe and reliable electricity to our members never wavered through the worst of times.



By Mark Bakk
LCP General Manager

For that, we have a team of dedicated Lake Country Power employees to thank. Over the last several years they've proven resilient in the face of unprecedented challenges to allow the cooperative to seamlessly serve our members.

We saw our employees band together and use their collective training and experience to find new efficiencies in how Lake Country Power operates, without sacrificing the values of safety, excellence and integrity that we hold dear.

Their teamwork and respect for each other allowed the entire co-op family to come out of the pandemic stronger, more agile and in a great position to fulfill our mission. Thank you to all the Lake Country Power employees and staff for your resiliency and dedication.

Inflation and supply chain

Among those great challenges that arose during the pandemic were price inflation and supply chain shortages. It's an issue we're still dealing with today that has stopped getting worse but isn't getting better.

While the price increases on our equipment leveled off from last year, they did so at a still-high rate of inflation. In some cases, like electrical wiring and transformers, costs remain 100% more than pre-pandemic levels. Lead times on equipment are still months (if not years) out, making our consignment agreements for some of these tools more vital to our operation.

2024 rates

For the past two years, the rapid rate of inflation and other factors forced Lake Country Power to raise electric rates. This year, through the hard work of employees and staff, the LCP board approved keeping rates stable in 2024.

On top of that, the board approved a \$5 million deferral of 2023 revenue into this year and beyond, allowing us to avoid passing on a 2.4% wholesale power increase. Being able to keep our rates flat in 2024 is a welcomed change from the past two years when rate changes were necessary.

Legislation and regulation

Finally, let's touch on legislation and regulation at the state and federal level. Some measures are already in place, like Minnesota's Carbon Free by 2040 law, while the Environment Protection Agency has proposed a new power

plant rule that's expected this year.

There are serious concerns about both these measures when we consider affordability, reliability and local control of moving away from fossil fuel resources. I'm not saying this is something we shouldn't strive for, but right now, the technology simply isn't there to adequately replace these baseload resources.

The North American Electric Reliability Corporation (NERC) issued a long-term reliability assessment in December 2023 and determined that Midcontinent Independent System Operator (MISO) — our region — is at high risk for energy shortfalls under normal conditions by 2028. This means our potential for an energy shortage doesn't include severe weather events that we experience many summers and winters.

The projected shortfall isn't small either — about 4.7 gigawatts, or about the capacity of four large coal plants.

Carbon-free laws and the EPA rule targeting existing coal and natural gas power plants are aspirational, but the reality isn't there yet. It takes years for routing, permitting, and constructing new transmission lines, which we will need to capitalize on wind and solar energy statewide. Battery storage and carbon capture technology are being developed but have not reached a point that they can replace existing coal and natural gas.

To close, I'd like to thank our Lake Country Power members for their support the last several years and I'm looking forward to another good one at the cooperative. ■

Co-ops provide stability to their members

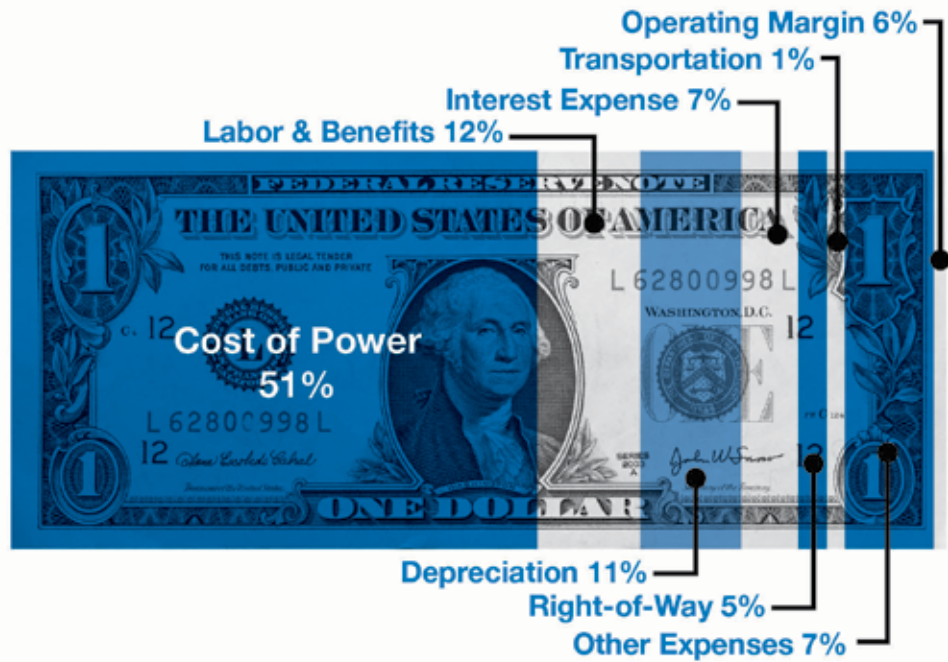
One of the words that come to mind when I think of Lake Country Power is stability. It isn't something we've had in abundance the last few years, but is one thing that has remained steadfast in how electric cooperatives like LCP adhere to the guiding principles of the co-op business model.

Providing a sense of stability for members dates back to the origins of electric cooperatives, when rural residents banded together to electrify their homes and businesses while for-profit companies said it would be too costly. There was stability then in bridging the gap between rural and urban communities, just like today there's security in knowing these locally-managed cooperatives continue to operate with members at the forefront of their decision making.

At Lake Country Power, in recent years, the cooperative faced the headwinds of rapid inflation on the costs of providing and maintaining safe and reliable electricity to its members, but it has come out the other end for the better. The LCP board of directors not only approved keeping its rates unchanged for 2024, but approved a \$5 million deferral of 2023 revenue into this year and beyond, allowing LCP to avoid passing on a 2.4% wholesale power increase to members.



2023 Breakdown of Total Cooperative Expenses



A locally-elected co-op board is one of the many benefits of being a co-op member. We represent you and make decisions that best reflect the needs of the membership, like rate impacts, future co-op projects, capital retirements and more, to shape LCP's energy future.

Being a cooperative member also opens the door to unique opportunities provided by Lake Country Power.

The cooperative awards dozens of Les Beach Memorial Scholarships to local high school seniors each year to help them toward their future goals. LCP also sponsors high school students on the Electric Cooperative Youth Tour each summer.

This year, Lake Country Power is hosting the Power Supply Tour to help educate members on how electricity is generated and distributed to their homes through its wholesale power provider Great River Energy.

Cooperative members are part of a group of people who care for and work toward bettering their local communities. Lake Country Power members contributed more than \$211,000 through Operation Round Up® in 2023. The LCP board each year evenly contributes \$6,000 among the three United Way agencies in the co-op's service territory, while individual employees contributed more than \$13,000 last year.

All these things — from local governance to empowering the co-op's youth, contributing positively to the community and more — are what make Lake Country Power and cooperative membership a unique and stable part of life. ■

Craig Olson was elected by members in Lake Country Power District 7. He can be reached at 218-393-2276 or colson@lcp.coop.

Holding Company caps off real estate sale

As you may recall, Lake Country Power Holdings, Inc. (LCPH) sold two subsidiary companies as of January 1, 2022. Lake States Construction, Inc. and Zielie's Tree Service now occupy and operate out of the former Lake States Tree Service and Lake States Construction location just off County Road 63 in Cohasset.

Our connection and relationship remain strong with these companies and their employees. Both companies, along with several others, were invited to bid on numerous construction

projects throughout Lake Country Power's service area. Each year, LCP awards over \$2 million of construction projects to various companies who are successful through the bid process.



By Dan KINGSLEY
District 6 Director

As an example, Lake States Construction, Inc. is currently reconstructing a power line with all new poles and wire from Hill City west for 6.9 miles. Similar work is performed on an annual basis throughout LCP's service area. All these projects are designed to improve and continue reliable and dependable service to you, our member owners of LCP.

Getting back to LCPH, even though the subsidiary sale was completed over a year ago, several items remained to

be buttoned up and removed from the books.

LCPH was collecting rent on the property now occupied by the new companies. After being approached by management, LCPH was successful in negotiating the sale of all remaining buildings and property related to the site previously occupied by our subsidiaries.

At our year end meeting held in March 2024, LCPH received a "clean" rating from our auditors for the year 2023. This is always a good thing!

At this time LCPH directors would like to thank Cheryl L. Spragg, Unlimited for her unwavering years of dedicated service as "bookkeeper and minute taker." Her guidance and thoroughness made

things very easy for all of us to keep up to date with the LCPH financials. We wish you good health and happiness in your retirement!

The directors will continue to meet on a quarterly basis, or as needed, to monitor and explore all options to manage and invest the proceeds from the total sale of the subsidiaries.

We wish for a safe and successful 2024 to all Lake Country Power employees and member owners. ■

Dan Kingsley was elected president of Lake Country Power Holdings Inc. by the shareholders of the holding company and was elected to the LCP Board by members in District 6. He can be reached at 218-259-7366 or dkingsley@lcp.coop.

Lake Country Power seeking volunteers for GreenTouch™

Lake Country Power is calling on volunteers of all ages to lend their "green touch" to McCarthy Beach State Park near Side Lake on Saturday, May 18, 2024, from 10 a.m. until 2 p.m.

GreenTouch™ is a statewide cooperative, environmental and community outreach program sponsored by Minnesota's Touchstone Energy® Cooperatives. Lake Country Power's goal for this year's GreenTouch™ program is to enhance the quality and appeal of a state park within the cooperative's service area. McCarthy Beach State Park is a popular tourist destination for camping, birding and other

activities. The sandy beach on Sturgeon Lake was rated one of the top 17 beaches in North America by Highway's Magazine.

The volunteer work will be directed by the state park, which may include outdoor activities such as clearing hiking trails, raking leaves and pine needles, collecting litter, cleaning campsites, gathering downed limbs, and cleaning the shoreline.

Youth groups, service clubs and other

organizations are welcome to participate in GreenTouch™. You need not be a Lake Country Power member to volunteer. Lunch will be provided for volunteers by the co-op.

If you would like to participate in GreenTouch™, please contact Tami Zaun at Lake Country Power by calling 1-800-421-9959, extension 7152, or e-mail tzaun@lcp.coop. RSVPs will help ensure an accurate count for lunch and allow the park time to organize its work plans. Volunteers do not need a state park vehicle pass on May 18. Please RSVP by May 14.



Lake Country Power Board Expenses

	2023	2022	2021
Compensation	\$ 122,667	\$ 114,667	\$ 133,600
Other Reimbursable Expenses	46,652	55,058	44,140
Other Board Expenses	9,794	12,499	10,586
Total Expense	\$ 179,113	\$ 182,224	\$ 188,326

Great River Energy: Powering what's possible

Lake Country Power's wholesale power provider, Great River Energy, continues to transition its power supply portfolio to serve members and adapt to a changing market while charting a path to achieve carbon-free energy requirements — all while recording the strongest financial results in the organization's history.

Great River Energy again rewarded its members investment in the cooperative by issuing \$25 million in patronage capital returns. Historically strong 2023 margins allowed the cooperative to meet annual financial goals and reserve nearly \$30 million to offset rates in the years ahead.

As a not-for-profit cooperative, Great River Energy operates at cost to keep rates low for its members. Its competitive advantage widened again in 2023 and Great River Energy currently offers wholesale electric rates approximately 20% below the weighted regional average.

Making electricity in new ways

Great River Energy has been thoughtfully planning and executing the transition of its power supply portfolio for more than a decade. Great River Energy began 2023 by adding two new wind agreements to its growing portfolio of renewable resources that will collectively add more than 300 megawatts of nameplate generating capacity — and zero emissions.

Great River Energy now has power purchase agreements

for the output of nine wind facilities located throughout Minnesota, Iowa and the Dakotas. Its portfolio of renewable resources combined with the ability to retire earned renewable energy credits puts the cooperative in a strong position to achieve Minnesota's carbon-free standard.

Advancing the electric system

By making strategic investments in the grid, Great River Energy and its member-owners are helping

keep electricity reliable and affordable as it reduces carbon dioxide emissions.

The Midwest grid operator identified an assortment of transmission projects that will be needed to continue safe and reliable electric service as the regional power system continues to evolve. Great River Energy is teaming up with Minnesota Power to build the Northland Reliability Project, an approximately 180-mile, double-circuit 345-kilovolt transmission line between northern and central Minnesota. When completed in 2030, the line will bolster the power grid in northern and central Minnesota by allowing more renewable energy sources to be delivered where needed.

Great River Energy is a member of Grid North Partners, a group of utilities that collaborate on projects to improve the electric system. The coalition announced 19 transmission upgrade projects that will reduce system congestion and allow the most economic generation, such as low-cost renewable energy, to serve an area. ■



Commitment to community

As an electric cooperative, Lake Country Power is community-focused and local. Your co-op is led by consumers like you, belongs to the communities it serves and is built by the communities it serves. Last year's community focus included some of the following actions:

- \$211,413 contributed through Operation Round Up® in 2023 (more than \$3.2 million overall since October 2004 for community-based projects and programs).
- \$1.5 million capital credit retirement to LCP members.
- 36 local high school seniors received the Les Beach Memorial Scholarship from LCP, valued at \$4,000 each.
- Employees volunteered 993 hours in 2023.
- Employees contributed nearly \$13,850 to United Way; LCP's board approved a co-op contribution of \$6,000 that was evenly divided between the three United Way agencies in the co-op's service area.
- \$278,526 was given back to residential, commercial and industrial

- co-op members through the co-op's rebate program.
- Recognized the Lake side Quilters of Tamarack, Minn. as the winner of its annual Touchstone Energy Community Award.
- Sponsored one high school student on the Electric Cooperative Youth Tour to Washington, D.C., in June 2023. ■



Join us for the Power Supply Tour

Bus tour resumes in August 2024. Register Today!



It's been a few years since Lake Country Power offered the Coal Creek Tour in North Dakota, so we are pleased to announce a new bus tour that is scheduled for August 27 – 29, 2024.

We are calling this the “Power Supply Tour,” and the “home plate” destination is Great River Energy in Maple Grove, MN. The tour includes a fun group outing at the Minnesota Twins baseball game against the Atlanta Braves Tuesday evening.

Co-op members and tour hosts will travel on a comfortable charter bus and stay two nights at Staybridge Suites in Maple Grove, which has a beautiful courtyard for summertime enjoyment. Complimentary breakfast is served from 6:30 a.m. until 9:30 a.m. with hot, fresh, healthy options on the buffet.

Tour Day Activities - Wednesday, August 28, 2024

- 8:00 a.m., an informative presentation and overview of Great River Energy at the headquarters building in Maple Grove.
- Small group tours of wind energy, solar energy, electric vehicles (EV) and EV charging.
- See the ACES Northern Trading Center, located at Great River Energy, where you'll learn how electricity is produced, moved, and sold 24 hours-a-day in a live market.
- Executive presentation about Great River Energy operations and business updates.



- Ride on the bus to Elk River where you'll see the Elk River Peaking Station. We may stop to see one of GRE's substations as well.
- Approximately 4:00 p.m., enjoy an early evening on your own for great shopping, dining, and relaxing courtyard conversation.

August 29 will be a travel day driving back to Cohasset for home departures.

“Great River Energy’s power supply tour program is offered to educate and engage co-op members by giving them an up-close look at the resources that power their communities,” said Tami Zaun, public relations coordinator, and tour host. The tour is offered for people ages 12 and older.

The registration cost is \$155 per person. Registrations are due no later than July 24, 2024, to meet lodging requirements. Contact Tami Zaun at 800-421-9959 (extension 7152), or tzaun@lcp.coop.

The \$155 per person registration fee includes:

- Transportation on charter bus to all scheduled destinations
- 2 nights at Staybridge Suites, Maple Grove (breakfast included)
- Ticket(s) to see the Minnesota Twins play at Target Field
- All tours at Great River Energy and Elk River
- Lunch on tour day at Great River Energy
- Refreshments served on the bus by your friendly LCP tour hosts

Other meals will be on your own, including Tuesday’s dinner at Target Field and dinner Wednesday evening in Maple Grove. Reservations are recommended for some restaurants in Maple Grove, like Biaggi’s.

REGISTER ME TODAY!

Yes, I want to go on the Power Supply Tour in August. I understand space is limited to 46 LCP members, so I'm signing up today before my seat is gone. Sign-ups are on a first-come, first-served basis and will be honored in the order of which received.

___ Power Supply Tour. Enclosed is my check for \$155 per person (\$310 per couple).

Name(s): _____

Address: _____

Phone: _____

Email: _____

Pickup locations available.
Please choose one option:

Cohasset Service Center

Kettle River Service Center

Mountain Iron Service Center

Please mail this registration form and payment to Tami Zaun, Lake Country Power, 26039 Bear Ridge Drive, Cohasset, MN 55721. Registrations must be received by July 24, 2024.

STATEMENT OF OPERATIONS AND CHANGES IN EQUITY

	2023	2022	2021
Revenue (In Thousands)			
Sales of electric energy to members	\$ 105,501	\$ 107,980	\$ 95,085
Miscellaneous other operating revenue	783	765	533
Total Revenues	\$ 106,284	\$ 108,745	\$ 95,618
Expenses			
Wholesale power (Great River Energy)	53,160	57,242	50,811
Operating expenses (maintenance, operations, administration, member support)	26,601	28,602	24,133
Depreciation of utility plant	11,427	11,046	10,741
Interest expense on long-term debt	7,448	6,909	6,727
Total Operating Expenses	98,636	103,799	92,412
Income from Electric Operations	7,648	4,946	3,206
Patronage capital from Great River Energy and Others	4,084	2,142	3,948
Non-operating and other income, net	40	(17)	176
Subsidiary Income or (Loss)	325	2,708	1,880
Net Margins	\$ 12,097	\$ 9,779	\$ 9,210
Accumulated patronage capital-beginning of year	\$ 125,115	\$ 117,476	\$ 112,738
Net other changes in equities	138	612	1,181
Retirement of patronage capital	(2,568)	(2,752)	(5,653)
Accumulated Capital at Year End	\$ 134,782	\$ 125,115	\$ 117,476

Kilowatt Hours Sold (In Thousands)	2023	2022	2021
Rural Residential	481,632	516,106	489,955
Commercial /Industrial	227,937	239,325	159,754
Public Street Light	448	467	487
Total kWh Sold	710,017	755,898	650,196
Revenue (In Thousands)			
Rural Residential	\$ 80,153	\$ 80,801	\$ 75,403
Commercial /Industrial	25,220	27,050	19,562
Public Street Light	128	129	120
Total Revenue	\$ 105,501	\$ 107,980	\$ 95,085
Comparative Operating Statistics			
Number of accounts at year end	51,203	50,938	50,607
Miles of line energized	8,421	8,395	8,377
Accounts per mile of line	6.1	6.1	6.0
Average residential kWhs used per month	855	922	882
Average residential monthly bill	\$ 142	\$ 144	\$ 136
Plant investment per Account	\$ 5,871	\$ 5,568	\$ 5,439

The above figures are preliminary and unaudited.

2023 Annual Report – Statement of Operations and Changes in Equity for the years ended
December 31, 2023, 2022 and 2021 (Numbers in Thousands)

Balance Sheet

Assets

What we own

	2023	2022	2021
Cost of Our Utility System	\$ 435,033	\$ 411,344	\$ 395,581
Depreciated Plant	(134,416)	(127,720)	(120,324)
This gives our system a book value of:	<u>\$ 300,617</u>	<u>\$ 283,624</u>	<u>\$ 275,257</u>

We Have Other Property and Investments

Investments in Associated Organizations	\$ 48,622	\$ 47,544	\$ 48,095
Other Investments	12,810	11,916	9,341
Total other property and investments	<u>\$ 61,432</u>	<u>\$ 59,460</u>	<u>\$ 57,436</u>

We Have These Current Assets

Cash and cash equivalents	\$ 9,753	\$ 5,729	\$ 9,061
Members and others owe us for our services	13,481	12,243	12,094
Materials and supplies for line construction	8,317	8,158	6,036
Other current assets	273	313	196
Total Current Assets	<u>\$ 31,824</u>	<u>\$ 26,443</u>	<u>\$ 27,387</u>

We Have Deferred Debits

	\$ 89	\$ 207	\$ 482
--	-------	--------	--------

TOTAL ASSETS **\$ 393,962** **\$ 369,734** **\$ 360,562**

Liabilities

What we owe

Long Term Debt

We owe Rural Utility Service	\$ 176,208	\$ 155,325	\$ 154,239
We owe NRUCFC	9,174	10,311	11,444
We owe CoBank	49,218	52,764	56,177
We owe Great River Energy	807	577	257
	<u>\$ 235,407</u>	<u>\$ 218,977</u>	<u>\$ 222,117</u>

Less payments due in the next year

	(10,201)	(8,866)	(8,480)
--	----------	---------	---------

Total Long Term Debt **\$ 225,206** **\$ 210,111** **\$ 213,637**

We Owe Current Liabilities

Power, materials, etc.	\$ 11,718	\$ 11,366	\$ 14,065
Payments on long-term debt due in the next year	10,201	8,866	8,480
Notes Payable	-	7,000	-
Other current liabilities	7,041	7,265	6,893
Total Current Liabilities	<u>\$ 28,960</u>	<u>\$ 34,497</u>	<u>\$ 29,438</u>

We have deferred credits

	5,014	11	11
--	-------	----	----

TOTAL WE OWE **\$ 259,180** **\$ 244,619** **\$ 243,086**

Net Worth

Members' Equity in the Cooperative

Your accumulated patronage capital	\$ 100,979	\$ 94,129	\$ 88,981
Other capital	33,803	30,986	28,495
Members' Equity in the Cooperative	<u>\$ 134,782</u>	<u>\$ 125,115</u>	<u>\$ 117,476</u>

TOTAL LIABILITIES **\$ 393,962** **\$ 369,734** **\$ 360,562**

The above figures are preliminary and unaudited.

2023 Annual Meeting - Condensed Minutes

The twenty-seventh Lake Country Power Annual Meeting was held at Cromwell High School in Cromwell, Minnesota on Thursday, April 20, 2023. President Craig Olson called the meeting to order at 5:32 p.m.

President Olson commented on the history of co-ops and how members built the co-op model in the 1930s, and are guided by the same values and principles today. Olson noted the responsibilities of board members, specifically how they are guided by the Seven Cooperative Principles. Olson also highlighted two programs Lake Country Power uses to support and promote the community: Operation Round Up® and the Education Improvement Program (EIP). Eleven schools were approved for funding through the EIP in 2023, totaling \$390,000. Olson invited schools in attendance to receive their checks.

General Manager Mark Bakk noted LCP continued to see material costs increase of 70% percent from pre-

pandemic levels and lead times for materials were delayed months. Bakk said LCP hired 10 additional lineworkers to work on large-scale construction projects and age-related line replacements. He added the crews would also assist with outage restoration to help with response time during emergencies.

Mark Fagan, Great River Energy vice president of corporate and member services officer, addressed the membership. GRE had \$38 million total bill credits (margin) in 2022. Patronage capital of \$25 million was returned to members in March 2023; \$100 million has been returned to member-owners over the past five years.

The meeting adjourned at 6:58 p.m. ■

Editor's Note: A complete copy of the 2023 annual meeting minutes will be distributed at the 2023 annual meeting and are also available online at lakecountrypower.coop.

2023 Election Results

District 3:

Steve Rauker
Hibbing, 483 votes*

Don Simons

Grand Rapids, 241 votes

District 4:

Ernie Braunschweig
Cohasset, 169 votes
Carter Pettersen
Grand Rapids, 165 votes
Jeff Sheldon
Cohasset, 238 votes
Lee Thole
Cohasset, 39 votes

District 7:

Craig Olson
Culver, 422 votes*

District 8:

Marvin Ketola
McGregor, 182 votes
Brian Napsad
McGregor, 283 votes
Daniel Reed
Kettle River, 203 votes
Danny Smith
Tamarack, 183 votes
Paul Vernon
Tamarack, 56 votes

District 6:

Dan Kingsley
Hill City, 500 votes*

*Denotes current LCP Director

Members in Districts 4 and District 8 voted in a special election to fill a two-year vacancy.

Districts Voting • 2024

District 1:

David Cicmil, Cook
Jason Long, Cook*

District 9:

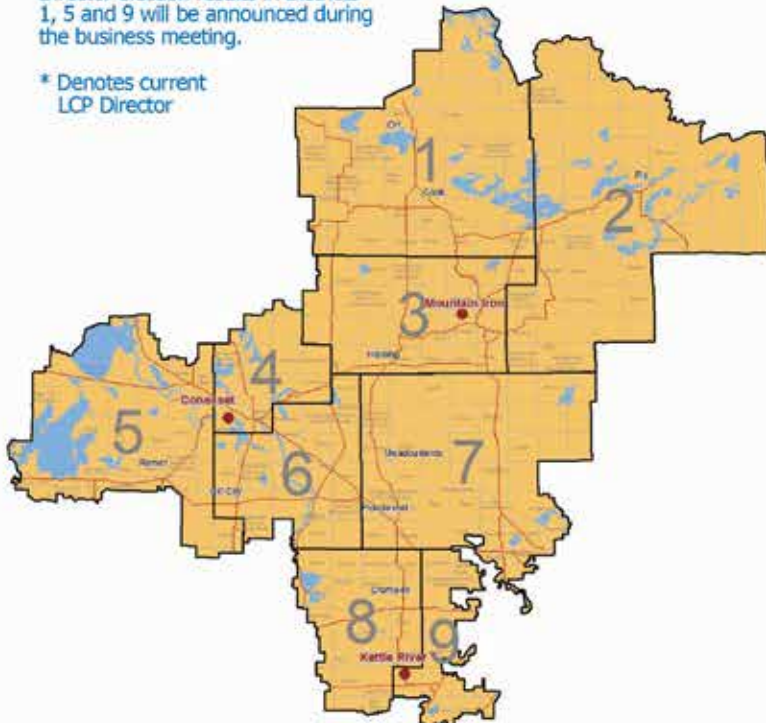
Larry Anderson, Esko*
Kevin Maki, Saginaw

District 5:

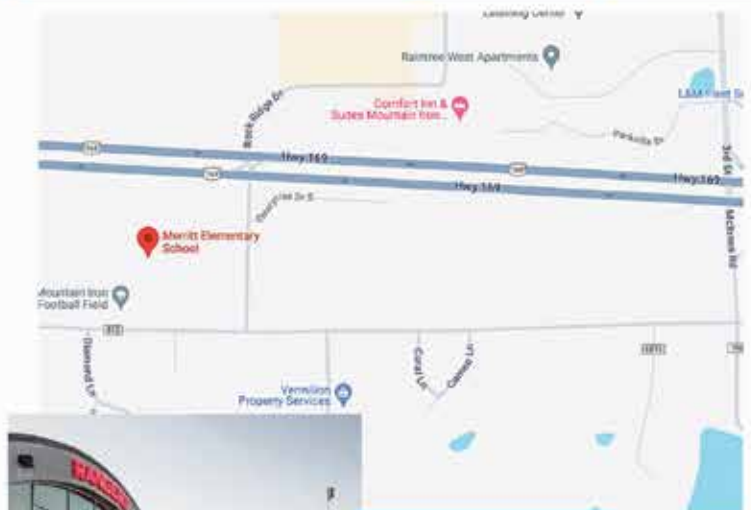
Robert Bruckbauer, Remer*

Director election results in Districts 1, 5 and 9 will be announced during the business meeting.

* Denotes current LCP Director



Annual Meeting Location Map



5529 Emerald Ave.
Mountain Iron, MN

Merritt Elementary

The 2024 Annual Meeting will be April 25, 2024, in person at Merritt Elementary (5529 Emerald Ave., Mountain Iron, MN). Registration is at 5:00 p.m. Business meeting at 6:30 p.m.