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April 2022 Newsline Special Edition
2021 Annual Report

Escaping COVID's long-lasting grip

I think it's safe to say this winter has been unusual in the Northland. Not that snow and cold is abnormal – we have seen plenty of both – but we didn't have one significant thaw all season.

As we now begin to defrost, I am hopeful that this emergence from winter is the beginning of the COVID-afterlife. With the number of infections coming down and no new variants emerging, we are looking forward to getting back to normal and seeing members on a regular basis.



By Mark Bakk
LCP general manager

growth in electric sales in 2021 that will help spread out the effects of soaring costs.

Energy Portfolio

It has been a good year for our power supplier, Great River Energy. With the sale of Coal Creek Station and new wind contracts, GRE is in position to meet the state's 80% carbon dioxide emissions reduction goal many years ahead of schedule.

Furthermore, strong financials in 2021 have given us security that GRE will be strong and steady into the future. GRE reported solid margins last year and returned millions to members in capital credits.

The credit for this praise rests squarely with our operations department and the commitment to our right-of-way (ROW) clearing initiative. We are in the first year of the second seven-year cycle of our Integrated Vegetation Management (IVM) Plan; a multi-year rotation that brings us through the entire service territory for comprehensive tree clearing and corridor maintenance.

High Service Rating

Lastly, I want to thank everyone who participated in the 2021 member satisfaction survey. The American Customer Satisfaction Index (ACSI) survey was taken last fall and returned the highest overall score in the past 20 years. LCP scored a 77 with a 69% retention percentage.

While 77 ranks up with the likes of Coca-Cola, Menards, and nearly as high as Anheuser-Busch, the retention percentage really tells the story. This number signifies that 69% of the people polled would choose LCP again if they had a choice of providers. I'm very proud of that! Thank you! ■

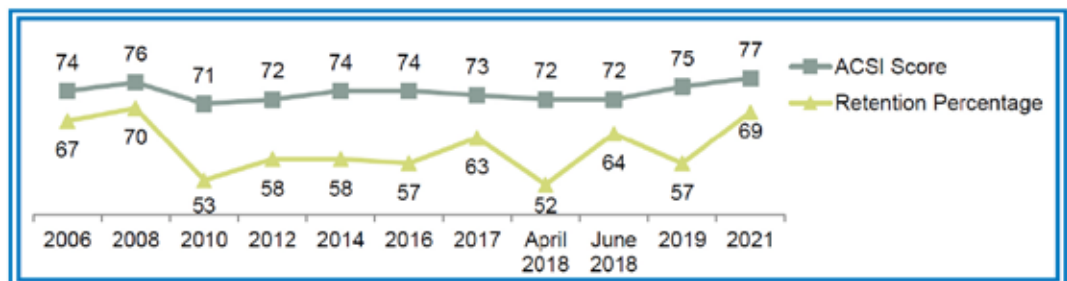
Rate Discussion

On March 1, 2022, we implemented the first general service rate increase in six years. We did not do this lightly, knowing the impact it has on our membership. Tough economic times are upon us. We face rising inflation and supply issues for essential co-op equipment as we try to offset a \$5.6 million revenue shortfall.

The necessary rate change of 1.67 cents per kilowatt-hour is largely due to changing economic demands surrounding the pandemic. Unfortunately, we don't have an end in sight, but we have seen slow and steady

Improved Reliability

I was moved at the recent district meeting in Side Lake when members commented on service reliability. This area has seen its share of challenges over the years, and we've been working hard to remedy the culprits – the biggest being downed trees resulting in longer-than-normal outage situations.



Engaging with members is critical

With district meetings now wrapped up for 2022, I have to say, it was good to be back in front of members after missing a year due to the pandemic.

District meetings are important for the Lake Country Power Board of Directors, the co-op's senior management team and employees, and of course, you the members. Not only are these meetings a chance to gather as a community, something we really missed over the last year and more, they are also a chance to engage with each other in a way that cooperatives offer over investor-owned utilities and municipalities.

The opportunity to meet together in a small setting is one of the perks of being part of a cooperative, where a democratic organization is guided by members who help set policies, priorities and make decisions. Elected directors, myself included, live and work in your communities, are your friends and neighbors, and district meetings are a prime chance to make ourselves available for you to share your thoughts, ideas and issues with the board.

These meetings also give members direct access to the LCP senior management team, which offers a



By Craig OLSON
District 7
Director

presentation on the past year of the cooperative's finances, operation and more. Engaging with members is such a crucial part of how LCP and its board functions, and helps guide directors and management in determining what's in the best interest of the entire membership. It touches on the value of communication at LCP, which seeks to maintain an open, honest dialogue and transparency among the cooperative, its board and members.

District meetings also give us a chance to talk about the programs offered by LCP that benefit members. One of those programs is our tree service, something I was a big proponent of when it started. LCP members can call and have danger trees trimmed or removed from their yard by LCP tree crews, at no cost. For a fee, our tree crews also handle non-danger tree requests. This not only saves potentially hundreds of dollars, but places a trusted member of the LCP

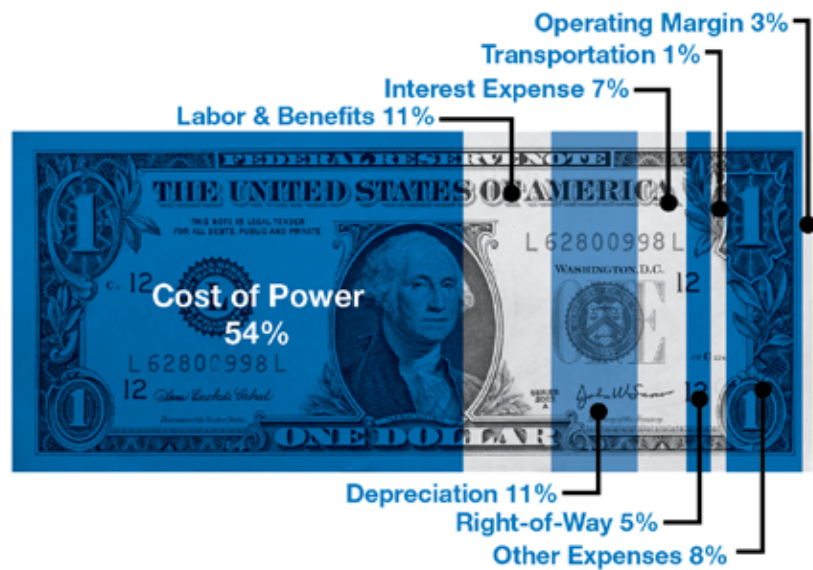
team on their property, as opposed to a third party.

There are several programs like these that have made a difference for Lake Country Power members as part of the cooperative model. Some of them came from ideas shared at our district meetings, again highlighting their importance to the structure of the cooperative.

I'm happy we were able to return to meeting in person this year and seeing and engaging with our members. I'm also looking forward to next year already, and hope to see you there. If you're interested in watching this year's district meeting, go to lakecountrypower.coop to view the District 3 meeting in Side Lake. ■

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

2021 Breakdown of Total Cooperative Expenses



Lake Country Power Board Expenses

	2021	2020	2019
Compensation	\$ 133,600	\$ 112,728	\$ 133,700
Other Reimbursable Expenses	44,140	17,437	49,786
Other Board Expenses	10,586	7,639	9,109
Total Expense	\$ 188,326	\$ 137,804	\$ 192,595

Subsidiaries sold; will still benefit co-op

It was another strong year in 2021 for your member-owned subsidiaries, which is under new ownership as of January 1, 2022.

As many of you know, Lake Country Power owned two for-profit companies often referred to as subsidiaries – Lake States Tree Service (LSTS) and Lake States Construction (LSC). Both companies will continue to operate out of the current facility located off County Road 17 in Cohasset.

LCP Holding, Inc. closed on the sale of the two subsidiaries in an effort for the co-op to focus on its core business of providing safe and reliable electric services. The two companies had independent Officer Boards. The two Boards were tasked with overseeing the operations of the respective companies and reported back to the Lake Country Power Holdings Board (of which I am the elected President) on a quarterly basis.

LSTS was purchased by Zielies Tree Service and LSC was purchased by the newly-formed Lake States Construction,

LLC. Both companies plan to stay in Cohasset and service contracts with LCP, while all employees who wished to remain after the sale were retained.

LSC and LSTS worked largely for utilities and co-ops in the region while undertaking a large number of LCP's projects awarded through

the competitive bidding process.

Despite the sale, the contract negotiated between LCP and its former subsidiaries will continue a beneficial relationship for members and the co-op. Having a known cost for some services, including clearing right-of-ways for the next five years is a huge advantage for LCP, especially considering the unpredictable future of third party labor costs, allowing more certainty

in the budget in the coming years.

We look forward to continuing our relationship with both companies, and wish a safe and successful 2022 to all the employees and member-owners at Lake Country Power. ■

Dan Kingsley is the president of Lake Country Power Holdings 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.



By Dan
KINGSLEY
District 6
Director



Great River Energy year in review

Great River Energy provides wholesale power and delivery services to Lake Country Power and 27 other electric cooperatives that collectively own Great River Energy. Together, these cooperatives provide retail electric service to more than 720,000 member-owners across Minnesota and parts of Wisconsin.

With stable wholesale rates, record-setting transmission reliability and a plan to dramatically reduce carbon dioxide emissions, Great River Energy is living up to its mission and fulfilling its promise to member-owner cooperatives.

Strong financials in 2021

While other types of businesses strive to produce returns for investors, cooperatives focus on service. When there's excess revenue collected, it's reinvested in the company or returned to members.

That spirit of sharing guided Great River Energy throughout 2021. Due to strong sales and cost containment, Great River Energy recorded very strong margins. Great River Energy issued bill credits to members several times during the year and returned \$25 million in patronage capital payments.

Great River Energy's financial position has never been stronger. Great River Energy's wholesale power rates are 10.9% below the weighted regional average cost of electricity, and they are projected to remain steady or decline over the next several years.

Energy evolution underway

2021 witnessed some of the most significant and lasting changes to Great River energy's power supply portfolio. By dramatically reducing coal

and more than doubling its renewable resources, Great River Energy worked toward reducing its power supply costs and minimizing its environmental impact.

Great River Energy reached an agreement to sell its largest power plant, the coal-based Coal Creek Station located in central North Dakota. In addition, the 436-mile high-voltage, direct-current transmission system that delivered the plant's energy to Minnesota was contracted to provide a dedicated pathway for the planned 400-megawatt Discovery Wind project.

This shift has the cooperative positioned to meet Minnesota's 80% carbon dioxide emissions reduction goal more than 25 years ahead of schedule.

Battery comes into focus

Great River Energy's partner on its upcoming Cambridge Energy Storage Project, Form Energy, revealed long-awaited details about its technology. The primary component of Form's first-of-its-kind, multi-day battery is also a cornerstone of Minnesota's economy: iron.

While other battery technologies employ expensive and rare metals, iron is one of the safest, cheapest and most abundant minerals on Earth – and it is found in Minnesota's Iron Range.

The energy storage project is expected to be in operation at the end of 2023 in Cambridge, Minnesota. It will be the first commercial deployment of Form Energy's proprietary multi-day energy storage technology.

Serving members reliably

Transmission reliability is among the most important aspects of electric service. The electric system has developed over time and undergoes constant monitoring and maintenance to ensure it is reliable and resilient. Eight of the 10 metrics Great River Energy uses to assess transmission reliability were at all-time records in 2021.

Great River Energy's system performed well in June 2021 despite temperatures repeatedly reaching above 90 degrees Fahrenheit. The system did not experience any overloading, and Great River Energy did not need to make any special operational changes. Every resource in Great River Energy's power supply portfolio played a role in serving its member-owner cooperatives.

Transmission utility partnership builds under Grid North Partners

A partnership of utilities responsible for more than 800 miles of high-voltage transmission lines has been

reinvented. Great River Energy was central to the launch of Grid North Partners, a collaboration with ambitions to build the next series of projects needed to ensure continued reliable, affordable energy and open new pathways for renewable energy. Grid North Partners is an evolution of CapX2020.

Grid North Partners worked with regional partners to identify the regional transmission enhancements needed to integrate the changing generation fleet while educating policymakers and other stakeholders on the purpose and need for transmission.

Guided by members

Great River Energy measures its success by how well it serves its member-owners and interacts with the communities it serves. Member satisfaction remains high, and Great River Energy is advancing the industry to new places.

Great River Energy is living its mission to provide member-owners with affordable, reliable energy in harmony with a sustainable environment. ■



Operations focus on reliability, costs and service

Three main goals of the operations department of Lake Country Power in 2021 and this coming year are increasing the reliability of service, reducing costs and improving how the cooperative services the needs of members.

LCP field crews saved the co-op more than \$1 million combined on tree services, construction, updating old lines and right-of-way (ROW) work, while outage trends continue to move in the right direction and a newly-deployed metering system has allowed for outages to be tracked and traced more efficiently.

Outage management

Derek Howe, chief operating officer at LCP, said a key indicator of the co-op's improving reliability can be found on its Consumer Average Interruption Duration Index (CAIDI) and System Average Interruption Duration Index (SAIDI), which tell the average response time to an outage in hours and the average amount of time a member is out of power. Last year, both normalized CAIDI and SAIDI indexes hit 11-year lows, with the exception of 2016, when a major weather event presented an anomaly.

Howe said where an outage is located and how accessible it is have the biggest impacts on the indexes, noting an outage event in Crane Lake could take a Mountain Iron-based line crew more than hour to reach the area, with patrol and restoration still needed once they arrive.

"They're valuable tools," he said of CAIDI and SAIDI. "It tells me how long a member's power is out and how long it took us to restore it. Those times are trending downward, in the right direction, over the last few years."

Updating infrastructure

LCP is also working on replacing 2,300 miles of vintage poles first erected in the 1940s and 1950s before they reach an end-of-life-span at 100 years old. The co-op is replacing the poles on a 30-year plan in order to reduce rate pressure on members. Howe estimated that an enhanced replacement timeline could cost \$8-9 million a year.

"It's a minimal approach but a feasible approach to replace aging

infrastructure," Howe added.

Poles are being switched out with a higher quality replacement, a Class 3 pole, that has a wider diameter and provides LCP with an additional 15-20 year lifespan per pole, at a cost of \$50 more per pole when compared to the smaller models.

Right-of-ways

Clearing ROWs has the biggest impact on the co-op's reliability, Howe said, because it helps prevent future outages. LCP is currently beginning its second seven-year cycle of an Integrated Vegetation Management (IVM) Plan around its service area, and delaying those clearings pushes back the entire timeline, potentially causing more outages or more expensive ROW cleaning methods.

"I think everyone is seeing the benefits of staying dedicated to it," Howe added on the seven-year cycle initiative.

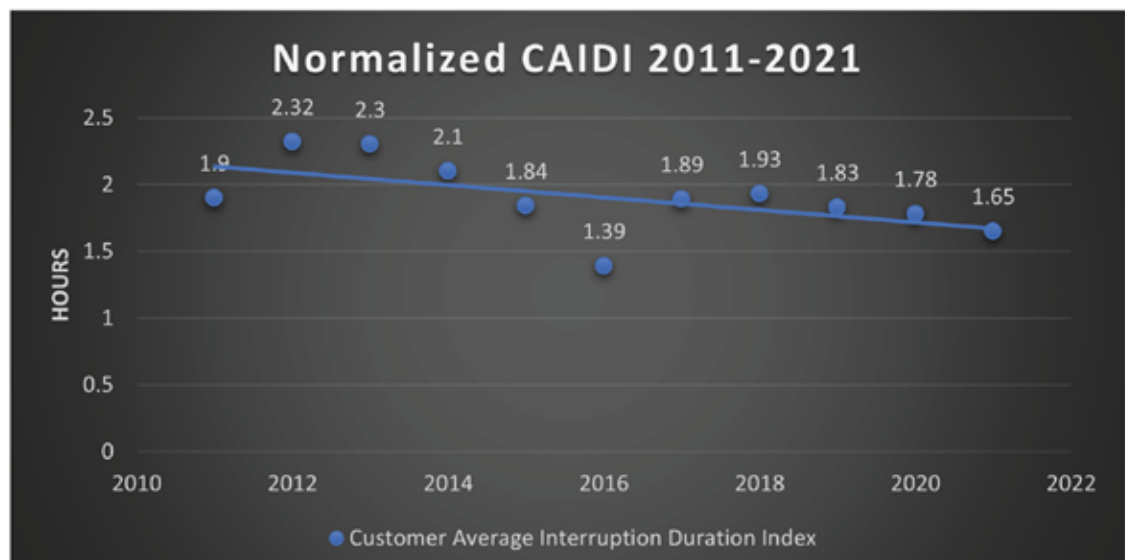
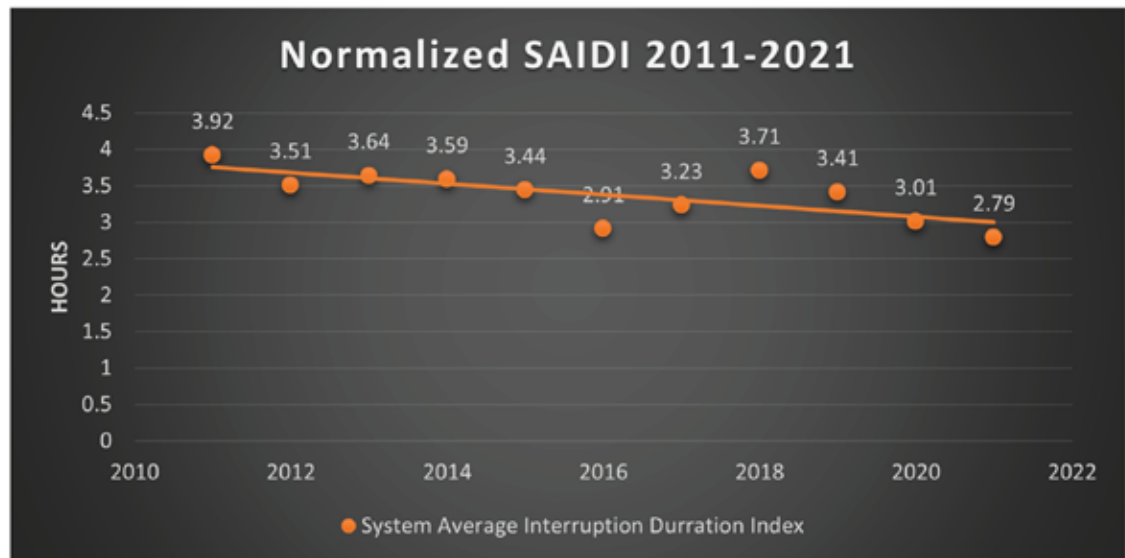
Metering

Another aspect for LCP's reliability and service is the new metering system, fully deployed in November 2020, and the technological upgrades that allow outages to be found, reported and traced in a timelier manner.

Howe said the Aclara system detects an outage and pings other meters in the area, providing line crews and dispatchers with the extent of an outage earlier in the process, meaning they can disperse more crews, immediately if needed.

"It gives us a quick snapshot of the outage size, so we know that information right away, and know who to send," he added.

LCP linemen will be trained on the new meters so they can use the system in the field. This, Howe said, gives them the ability to ping a meter to detect a false outage, but also to ensure all outages noted on the map are cleared before they leave the area. ■



STATEMENT OF OPERATIONS AND CHANGES IN EQUITY

	2021	2020	2019
Revenue (In Thousands)			
Sales of electric energy to members	\$ 95,085	\$ 89,365	\$ 89,548
Miscellaneous other operating revenue	533	323	734
Total Revenues	\$ 95,618	\$ 89,688	\$ 90,282
Expenses			
Wholesale power (Great River Energy)	50,811	46,303	46,129
Operating expenses (maintenance, operations, administration, member support)	24,133	25,402	26,335
Depreciation of utility plant	10,741	10,264	10,380
Interest expense on long-term debt	6,727	6,753	6,599
Total Operating Expenses	92,412	88,722	89,443
Income from Electric Operations	3,206	966	839
Patronage capital from Great River Energy and Others	3,948	2,066	2,196
Non-operating and other income, net	176	770	389
Subsidiary Income or (Loss)	1,921	1,273	572
Net Margins	\$ 9,251	\$ 5,075	\$ 3,996
Accumulated patronage capital-beginning of year	\$ 112,738	\$ 111,541	\$ 111,838
Net other changes in equities	1,181	1,043	1,401
Retirement of patronage capital	(5,653)	(4,921)	(5,694)
Accumulated Capital at Year End	\$ 117,517	\$ 112,738	\$ 111,541

FINANCIAL HIGHLIGHTS

Kilowatt Hours Sold (In Thousands)	2021	2020	2019
Rural Residential	489,955	491,205	497,976
Commercial /Industrial	159,754	121,610	132,809
Public Street Light	487	522	559
Resale	-	-	-
Total kWh Sold	650,196	613,337	631,344
Revenue (In Thousands)			
Rural Residential	\$ 75,403	\$73,449	\$72,710
Commercial /Industrial	19,562	15,812	16,705
Public Street Light	120	104	133
Resale	-	-	-
Total Revenue	\$ 95,085	\$89,365	\$89,548
Comparative Operating Statistics			
Number of accounts at year end	50,607	50,073	49,610
Miles of line energized	8,377	8,359	8,347
Accounts per mile of line	6.0	6.0	5.9
Average residential kWhs used per month	882	892	908
Average residential monthly bill	\$ 136	\$133	\$133
Plant investment per Account	\$ 5,439	\$5,332	\$5,170

The above figures are preliminary and unaudited.

2021 Annual Report – Statement of Operations and Changes in Equity for the years ended
December 31, 2021, 2020 and 2019 (Numbers in Thousands)

Balance Sheet

Assets

What we own

	2021	2020	2019
Cost of Our Utility System	\$ 395,581	\$ 379,357	\$ 369,481
Depreciated Plant	(120,324)	(112,358)	(112,987)
This gives our system a book value of:	<u>\$ 275,257</u>	<u>\$ 266,999</u>	<u>\$ 256,494</u>

We Have Other Property and Investments

Investments in Associated Organizations	\$ 48,095	\$ 46,974	\$ 46,511
Other Investments	9,382	8,022	7,117
Total other property and investments	<u>\$ 57,477</u>	<u>\$ 54,996</u>	<u>\$53,628</u>

We Have These Current Assets

Cash and cash equivalents	\$ 9,061	\$ 5,814	\$2,075
Members and others owe us for our services	12,094	8,999	8,752
Materials and supplies for line construction	6,036	5,306	4,942
Other current assets	196	232	120
Total Current Assets	<u>\$ 27,387</u>	<u>\$ 20,351</u>	<u>\$15,889</u>

We Have Deferred Debits

	\$ 482	\$ 793	\$1,278
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TOTAL ASSETS

\$ 360,603 \$ 343,139 \$327,289

Liabilities

What we owe

Long Term Debt

We owe Rural Utility Service	\$ 154,239	\$ 134,970	\$119,897
We owe NRUCFC	11,444	12,604	13,721
We owe CoBank	56,177	62,537	62,617
We owe Great River Energy	257	288	78
Other long-term liabilities	-	-	-

\$ 222,117 \$ 210,399 \$196,313

(8,480) (6,956) (7,146)

Total Long Term Debt

\$ 213,637 \$ 203,443 \$189,167

Other Noncurrent Liabilities

Capital Lease - noncurrent portion \$- \$- \$-

We Owe Current Liabilities

Power, materials, etc.	\$ 14,065	\$ 12,182	\$11,092
Payments on long-term debt due in the next year	8,480	6,956	7,146
Other current liabilities	6,893	5,807	6,067

\$ 29,438 \$ 24,945 \$24,305

11 2,013 2,276

TOTAL WE OWE

\$ 243,086 \$ 230,401 \$215,748

Net Worth

Members' Equity in the Cooperative

Your accumulated patronage capital	\$ 89,022	\$ 86,697	\$87,114
Other capital	28,495	26,041	24,427

\$ 117,517 \$ 112,738 \$111,541

\$ 360,603 \$ 343,139 \$327,289

The above figures are preliminary and unaudited.

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:

- \$164,290 contributed through Operation Round Up® in 2021 (more than \$2.8 million overall since October 2004 for community-based projects and programs).
- \$4.6 million capital credit retirement to LCP members.
- 29 local high school seniors from 29 different schools received the Les Beach Memorial Scholarship from LCP, valued at \$4,000 each.
- Employees volunteered 537 hours in 2021 despite the ongoing COVID-19 pandemic.

- Employees contributed nearly \$13,481 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.
- \$314,042 was given back to residential co-op members through the co-op's rebate program.
- Recognized New Beginnings Pregnancy Care Center of Grand Rapids, Minn. and Deer River, Minn. as the winner of its annual Touchstone Energy Community Award and \$500.

Editor's Note: A complete copy of the 2021 annual meeting minutes will be distributed at the annual meeting and are also available online at lakecountrypower.coop.

Condensed Board Minutes

2021 Annual Meeting - Condensed Minutes

The twenty-fifth Annual Membership Meeting of Lake Country Power was held via Zoom video conference from the LCP Cohasset Service Center on April 15, 2021. President Craig Olson called the meeting to order at 5 p.m.

Olson reported that the COVID-19 pandemic changed how LCP operates, interacts and conducts essential co-op business, but operations at the co-op did not slow down its focus and mission to provide safe and reliable electric resources. He noted the Board hired a new general manager and updated policies during the

pandemic. Olson said LCP has had rate stability over several years, including 2020.

General Manager Mark Bakk thanked Greg Randa, who retired in January 2021 after 41 years of co-op employment. Bakk noted some of LCP's achievements in 2020, including all planned work on time and under budget despite the pandemic and its best-ever reliability score and completion of the first full seven-year cycle of integrated vegetation management.

The meeting adjourned at 5:58 p.m. ■

2021 Election Results

*Denotes current LCP Director

District 1:

Jason Long, Cook* 723 votes

District 3:

LaTisha Gietzen, Mountain Iron 351 votes
Steve Raukar, Hibbing 494 votes

District 5:

Robert Bruckbauer, Remer* 468 votes

District 9:

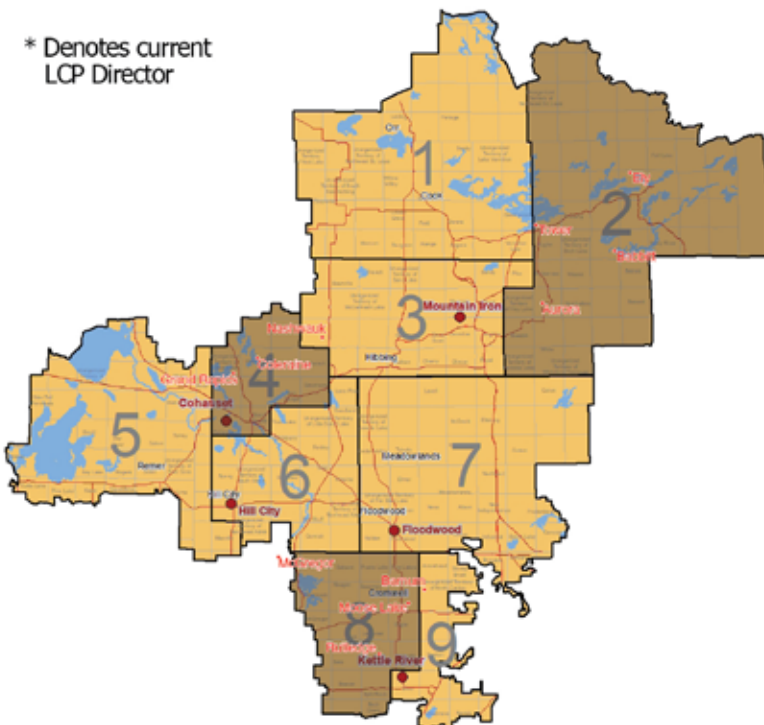
Larry Anderson, Esko 423 votes
Paul Horgen, Sturgeon Lake 246 votes
Kevin Maki, Saginaw 313 votes

Districts Voting • 2022

District 2:
Michael Forsman, Ely*

* Denotes current LCP Director

Director election results in District 2 will be announced during the business meeting. Only one candidate is running for election. An announcement will be made for Districts 4 and 8 where no members filed to run for a seat on the board.

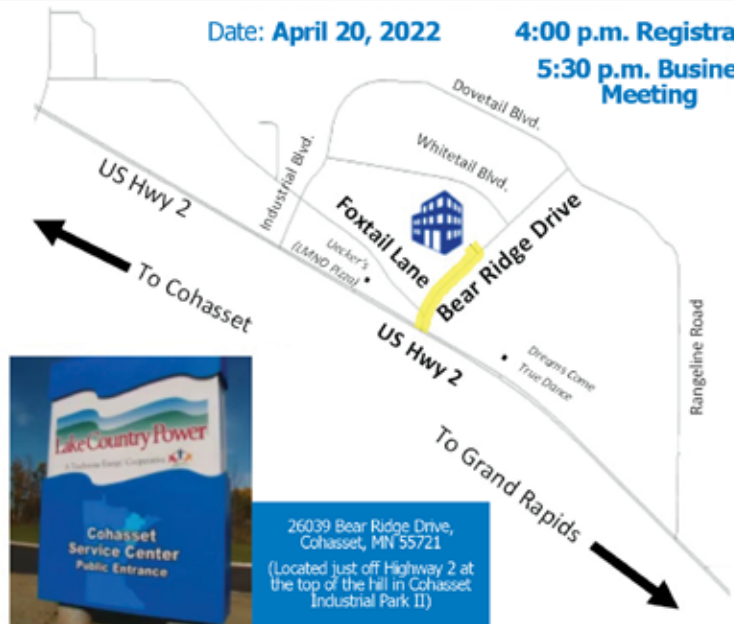


Annual Meeting Location Map

Date: April 20, 2022

4:00 p.m. Registration

5:30 p.m. Business Meeting



Lake Country Power, Cohasset Service Center

FROM THE WEST

- Take Hwy 2 East of Cohasset (approx. 1.5 mi.)
- Turn Left on Foxtail Lane
- Stay to the right on Bear Ridge Drive
- Parking attendants will direct traffic

FROM THE EAST

- Take Hwy 2 West of Grand Rapids (approx. 3 mi.)
- Turn Right on Foxtail Lane
- Stay to the right on Bear Ridge Drive
- Parking attendants will direct traffic