

# OCONTO ELECTRIC COOPERATIVE 80TH ANNUAL MEMBERSHIP MEETING

*Pursuant to Article III, Section 3 of the bylaws of Oconto Electric Cooperative, notice is hereby given of the annual meeting of the members to be held:*

**Saturday, March 25, 2017**

**Registration opens at 9 a.m. – Meeting begins at 10 a.m.**

**Held at the Performing Arts Center in the Oconto Falls High School**

## The following items of business will be conducted:

- Call to order/determination of quorum
- Invocation
- Adoption of Robert's Rules of Order
- Introduction of board members, guests, and former directors
- Reading of Notice of Meeting and Proof of Mailing
- Presentation and action on minutes of the 2016 Annual Meeting
- Presentation of 2016 financial report
- Chairman's report
- Approve/ratify reports and actions of officers and directors for 2016
- Election of directors
- CEO's report
- Special presentation
- Presentation of 2017 scholarship recipients
- Presentation by Community "Change"
- Old business
- New business
- Final announcements
- Adjournment
- \$100 Cash drawing
- Prize drawings
- \$1,000 Cash drawing

**Members will receive the official notice and registration card in the mail during the week of March 1.**

## MINUTES FROM THE 79TH ANNUAL MEETING OF OCONTO ELECTRIC COOPERATIVE HELD ON APRIL 9, 2016

The 79th Annual Meeting of Oconto Electric Cooperative was held on Saturday, April 9, 2016, at the Oconto Falls Performing Arts Center. Registration of members began at 9 a.m.

Chairman David Hischke introduced himself as director of District #2 and called the meeting to order at 10 a.m. With a current count of 256 members registered, the chairman declared a quorum present.

The invocation was given by Pastor David Henke of United Methodist Church in Oconto Falls, Wisconsin.

Cooperative attorney Howard Eslien was introduced as the Parliamentarian to assure that the meeting was governed by Robert's Rules of Order and would also be conducting the director election process.

Chairman Hischke introduced the board of directors along with recognizing former directors, retired employees, and special guests in attendance.

Chairman Hischke called on Secretary Todd Duame to read the official notice of the 79th annual meeting and the proof of mailing, which was a postcard mailed out March 15, 2016, to

each member of the cooperative.

Chairman Hischke called for the reading, or a motion to waive the reading, of the 2015 Annual Meeting minutes. A motion was made and seconded to waive the reading and accept the minutes as published. Motion Carried.

Treasurer Dan Kanack provided the cooperative's 2015 financial report. The 2015 income totaled \$15,978,009. Total expenses were \$14,492,555 with net margins for 2015 totaling \$1,485,454. Additional facts about the cooperative were also shared. Total kWhs purchased in 2015 were 111,717,096, and total kWhs generated at the OEC's Stiles hydro plant were 6,007,182. Kanack stated 5 percent generation is provided by the hydro plant. Capital credits refunded to the membership in 2015 totaled \$550,381. The total refunded in capital credits since OEC began is \$14,321,809. This concluded the treasurer's report.

Chairman Hischke gave his report on the following areas:

- Safety record: 784,587 hours worked with no lost-time accidents since 2004



- Less contractor work: OEC brings on new OEC right-of-way clearing crew soon
- 2015 Equity currently at 43.2 percent, an increase of 2.4 percent from 2014
- Wholesale power supply: Notice to withdraw from the current contract with WPS (now WE Energies) was sent. A three-year notice from the contract's expiration date December 31, 2018, was required. OEC will send out requests for proposals to other power suppliers.
- Affiliate cooperative organizations: Wisconsin Electric Cooperative Association and Cooperative Network have announced its joint relationship is being separated effective October 1, 2016.
- Badger Power Group: Badger Group is being restructured. OEC decided to withdraw its membership with the organization.
- ACE Award: Director Dan Kanack received the highest distinguished Ally Cooperative Electrification Award presented by the Wisconsin Electric Cooperative Association (WECA) for his many years of dedicated cooperative service.

- New OEC scholarship category added: Available to students attending the Lineman's Power Distribution Course offered through Northwest Technical College, Green Bay.

The chairman called upon Attorney Eslien to explain and conduct the election process. This year with districts #2 and #3 each having only one candidate nominated, balloting would not be necessary. Attorney Eslien called for a motion to cast a unanimous ballot to approve incumbent directors David Hischke of district #2 and Tony Wagner of district #3 to serve on the board of directors for another term of three years. Motion made and seconded. Motion Carried. District #5 had two candidates brought forward Ronnie Kruse and incumbent Ken Cisar, thus requiring an election to be conducted. Each candidate was offered an opportunity to briefly address the membership. Attorney Eslien called for the membership to cast their ballot and requested the assigned tellers to collect the ballots.

While the tellers counted the ballots chairman Hischke called upon the CEO, Byron C. Nolde for his report.

The CEO took a moment to thank our men and women serving to protect our country. The CEO's report provided information concerning the following areas:

- The makeup of the cooperative was reviewed (i.e. number of members served, kWh sales, and the number of miles of distribution / transmission line in OEC's territory)
- 2016 work projects planned
- #1 Priority – Safety of OEC members and employees
- System upgrades and maintenance done to ensure power reliability
- Cybersecurity – Tabletop exercises for preparedness
- Rates – No current rate increase planned; OEC never implements an increase without prior notification to its members
- EPA regulations continue to be challenging – members encouraged to help by contacting their elected officials
- Focus On Energy programs available to members

CEO Nolde ended his report with the success of the 2015 employee charities selected, Little Hearts for Life, Inc. and

the Lena Public Library. Each received \$5,000 dollars. OEC employees have raised a total of \$56,000 since 2004.

Chairman Hischke also thanked the employees and also noted from the CEO's report in acknowledging those serving in the armed forces. Hischke stated that for those who might not know, Nolde's father was the last official casualty of the Vietnam War. Members were encouraged to ask the CEO any questions or curiosities they may have about his father's service.

Robin Banaszynski provided an update concerning the recently announced bankruptcy filing of a Chapter 11 by Radio Shack, as well as an update on the success of the store's new location with its expanded areas to assist customers, and better opportunities to display and stock merchandise. Since the store's opening in 1999 the retail profit has been \$850,000. These margins have helped keep OEC's rates in check.

The following 2016 OEC scholarships recipients were acknowledged: Laci Jespon, Breeana Kittredge, Ryan Petter, Brittany Russell, Derek McMullen, Ally Magnin, Nathan Below, Carolyn Malcheski. Recipients mentioned but unable to attend were Cassandra Stoll, Liza Leja, and Alex Zeitler.

The chairman continued the meeting with the annual report from Community "Change" being presented by president Dale Baker. President Baker reported 15 grants were distributed totaling \$7,200 in 2015. Since the program began in 2000 the program has provided 311 grants totaling \$155,000. Recent grants helped those with medical needs, house fire victims, and community events. President Baker encouraged those who are currently not rounding up their bill to consider signing up and being a part of this great community program.

Chairman Hischke asked if there was any old business to be discussed.

Hearing of no other old business, Chairman Hischke announced the election results. Election results reported: District #5 most votes: Ronnie Kruse.

Chairman Hishcke thanked incumbent director Ken Cisar for his loyalty and 21 years of dedicated service to the cooperative. Hischke welcomed OEC's new director, Ronnie Kruse, to the board.

Chairman Hischke continued the meeting asking if there was any new business to be discussed.

Hearing of no new business, the chairman thanked the members for attending and made some final announcements.

This concluded the business meeting of Oconto Electric Cooperative. A motion was made and seconded to adjourn. Motion Carried.

Chairman Hischke announced that he would begin the attendee drawing for the cash prize of \$100 dollars utilizing the meeting registration cards. The \$100 cash prize winner was Lowell Suring. The drawing for other prizes donated by area businesses and OEC vendors concluded the morning's event. Lastly, the drawing for the special progressive prize of \$1,000 was conducted (all co-op member names are entered in the drawing—member must be present to win). Verna Peterson's name was drawn. She was in attendance. Congratulations to all the winners!

# COMPARATIVE BALANCE SHEET

## ASSETS

|  | AUDITED 2015        | UNAUDITED 2016      |
|--|---------------------|---------------------|
| <b>UTILITY PLANT:</b>                                  |                     |                     |
| Electric Plant in Service                              | \$54,673,126        | \$55,870,227        |
| Construction Work in Progress                          | \$346,707           | \$445,134           |
|  | <u>\$55,019,833</u> | <u>\$56,315,361</u> |
| <b>LESS:</b> Accumulated Provision<br>for Depreciation | \$20,603,243        | \$21,763,171        |
| Net Utility Plant                                      | <u>\$34,416,590</u> | <u>\$34,552,189</u> |
| <b>OTHER PROPERTY AND INVESTMENTS:</b>                 |                     |                     |
| Investments in Associated<br>Organizations             | \$1,618,199         | \$1,664,904         |
| Other Investments                                      | \$2,074             | \$2,124             |
|  | <u>\$1,620,273</u>  | <u>\$1,667,028</u>  |
| <b>CURRENT ASSETS:</b>                                 |                     |                     |
| Cash - General   | \$541,236           | \$1,903,043         |
| Temporary Cash Investments                             |                     | \$1,053,212         |
| Accounts Receivable                                    | \$2,323,375         | \$2,589,931         |
| Materials and Supplies                                 | \$779,580           | \$898,428           |
| Prepayments  | \$89,871            | \$91,334            |
| Other Current Assets                                   | \$5,341             | \$5,341             |
|  | <u>\$3,739,404</u>  | <u>\$6,541,289</u>  |
| <b>DEFERRED CHARGES</b>                                | <u>\$73,680</u>     | <u>\$87,320</u>     |
| <b>TOTAL ASSETS</b>                                    | <u>\$39,849,946</u> | <u>\$42,847,826</u> |

## EQUITIES & LIABILITIES

|   | AUDITED 2015        | UNAUDITED 2016      |
|---|---------------------|---------------------|
| <b>EQUITIES AND MARGINS:</b>            |                     |                     |
| Other Margins & Equities                | \$1,125,349         | \$1,227,315         |
| Patronage Capital                       | \$15,843,876        | \$16,921,730        |
|   | <u>\$16,969,225</u> | <u>\$18,149,045</u> |
| <b>LONG-TERM LIABILITIES:</b>           |                     |                     |
| RUS Mortgage Notes                      | \$8,623,478         | \$8,998,626         |
| Other Long-Term Debt                    | \$12,474,173        | \$13,762,559        |
|   | <u>\$21,097,651</u> | <u>\$22,761,184</u> |
| <b>CURRENT LIABILITIES</b>              |                     |                     |
| Accounts Payable                        | \$903,315           | \$1,012,510         |
| Customer Deposits                       | \$156,467           | \$157,495           |
| Other Current & Accrued Liabilities     | \$374,253           | \$425,207           |
|   | <u>\$1,434,035</u>  | <u>\$1,595,212</u>  |
| <b>DEFERRED CREDITS</b>                 | \$349,035           | \$342,385           |
| <b>CONTINGENT LIABILITIES</b>           | \$0                 | \$0                 |
| <b>TOTAL EQUITIES &amp; LIABILITIES</b> | <u>\$39,849,946</u> | <u>\$42,847,826</u> |



# STATEMENTS OF REVENUE & PATRONAGE CAPITAL

|  | AUDITED 2015        | UNAUDITED 2016      |
|--|---------------------|---------------------|
| <b>OPERATING REVENUE &amp; PATRONAGE CAPITAL</b> | \$15,653,308        | \$15,488,662        |
| <b>OPERATING EXPENSES</b>                        |                     |                     |
| Power Production Expense                         | \$77,620            | \$58,992            |
| Cost of Purchased Power                          | \$8,322,331         | \$7,810,407         |
| Transmission Expense                             | \$17,730            | \$27,351            |
| Distribution Expense-Operations                  | \$796,842           | \$845,613           |
| Distribution Expense-Maintenance                 | \$629,906           | \$508,481           |
| Customer Accounts Expense                        | \$336,034           | \$365,430           |
| Customer Service & Informational Expense         | \$325,008           | \$311,626           |
| Sales Expense                                    | \$273               | \$947               |
| Administration & General Expense                 | \$1,034,775         | \$1,110,349         |
| Board of Directors per diem*                     | \$41,934            | \$36,049            |
| Board of Directors Education & Travel Expense*   | \$72,130            | \$88,114            |
| Miscellaneous Board Expense                      | \$10,975            | \$9,229             |
| Depreciation Expense                             | \$1,643,450         | \$1,761,643         |
| Taxes  | \$238,243           | \$249,539           |
| Interest on Long-Term Debt                       | \$940,308           | \$957,477           |
| Other Interest                                   | (\$1,299)           | (7,004)             |
| Other Deductions                                 | \$6,296             | \$7,145             |
| Total Operating Expense & Interest               | <u>\$14,492,555</u> | <u>\$14,141,387</u> |
| Net Operating Margin                             | \$1,160,753         | \$1,347,274         |
| <b>NON-OPERATING MARGINS</b>                     |                     |                     |
| Interest Income                                  | \$100,282           | \$139,147           |
| Other Non-Operating Margins                      | \$57,107            | \$31,490            |
| Total  | <u>\$157,390</u>    | <u>\$170,637</u>    |
| <b>CAPITAL CREDIT ALLOCATIONS</b>                | \$167,312           | \$170,645           |
| <b>NET MARGINS</b>                               | <u>\$1,485,454</u>  | <u>\$1,688,556</u>  |
| <b>PATRONAGE CAPITAL AT BEGINNING</b>            | \$14,908,802        | \$15,843,875        |
| Retirement of Capital Credits                    | (\$550,381)         | (\$610,701)         |
| <b>PATRONAGE CAPITAL AT END</b>                  | <u>\$15,843,875</u> | <u>\$16,921,730</u> |

\*In accordance with the cooperatives bylaws, directors do not receive a salary for their services. Instead, each director receives a fixed fee compensation (per diem) of \$295 per full day and \$175 per half day for attendance at board meetings, training seminars and while performing cooperative business. Directors are reimbursed actual out-of-pocket travel expenses when traveling for cooperative business purposes.

## AUDIT REPORT

In accordance with our mortgage agreements with National Rural Utilities Cooperative Finance Corporation (NRUCFC), Rural Utilities Service (RUS), and CoBank, an independent audit is conducted of the cooperative's records each year. Our most recent audit was completed for the period ending December 31, 2016, by the auditing firm of Bauman Associates, Ltd., P.O. Box 1225, Eau Claire, WI 54702.

The audit included a complete examination of the past year's operations and the income and expense entries to deter-

mine if they are made in accordance with generally accepted auditing and accounting standards. Other tests are made of accounting records and procedures as considered necessary by the auditors.

The auditing firm will present its report directly to the board of directors at a regularly scheduled board meeting. Copies of the completed audit are sent to NRUCFC, RUS, and CoBank and are available for review at the office of the cooperative.

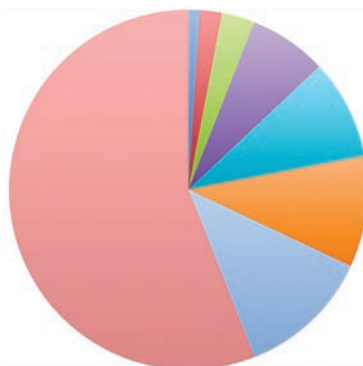
## OPERATING STATISTICS

|   | AUDITED 2015 | UNAUDITED 2016 |
|---|--------------|----------------|
| Net equity due members                                      | \$15,843,875 | \$16,921,730   |
| Interest paid RUS/CFC/CoBank                                | \$940,608    | \$957,477      |
| Total paid to RUS/CFC/CoBank (principle & interest)         | \$1,809,633  | \$2,225,447    |
| Total kilowatt hours generated                              | 6,007,182    | 6,339,894      |
| Total kilowatt hours purchased                              | 111,717,096  | 111,401,666    |
| Average kilowatt hour usage per month (residential only)    | 1,016        | 1025           |
| Average cost per kilowatt hour to member (residential only) | \$.1445      | \$.1412        |
| Average member's bill per month                             | \$146.81     | \$144.73       |
| Number of connected services                                | 9,729        | 9,784          |
| Highest system demand                                       | 20,748       | 22,230         |
| Cost per kilowatt hour generated in mills                   | 17.915       | 19.050         |
| Cost per kilowatt hour purchased in mills                   | 78.148       | 75.233         |
| Number of meters per mile                                   | 6.81         | 6.85           |
| Miles of distribution line                                  | 1,423.96     | 1423.75        |
| Miles of transmission line                                  | 59.29        | 59.29          |
| Total capital credits refunded during the year              | \$550,381    | \$610,701      |
| Total capital credits refunded to date                      | \$14,321,809 | \$14,932,510   |

## ANNUAL REPORT COMPARISON WITH PREVIOUS YEARS

|  | 2006         | 2011         | 2016         |
|--|--------------|--------------|--------------|
| Kilowatt hour sales                                    | 103,335,717  | 108,035,952  | 109,499,922  |
| Operating revenue                                      | \$11,000,529 | \$14,489,807 | \$15,488,662 |
| Cost of power  | \$6,119,251  | \$7,734,445  | \$7,810,407  |
| Power cost as percent of revenue                       | 55.63%       | 53.38%       | 50.43%       |
| Operating & maintenance expense                        | \$1,067,288  | \$1,329,789  | \$1,354,094  |
| Operating & maintenance expense as percent of revenue  | 9.70%        | 9.18%        | 8.74%        |
| General & administrative expense                       | \$895,928    | \$958,003    | \$1,243,741  |
| General & administrative expense as percent of revenue | 8.14%        | 6.61%        | 8.03%        |
| Consumer accounting expense                            | \$255,773    | \$352,648    | \$365,430    |
| Consumer accounting expense as percent of revenue      | 2.33%        | 2.43%        | 2.36%        |
| Depreciation   | \$1,101,960  | \$1,413,329  | \$1,761,643  |
| Depreciation expense as percent of plant total         | 3.00%        | 3.05%        | 3.13%        |
| Interest (long term debt)                              | \$774,520    | \$1,041,121  | \$957,477    |
| Interest as percent of revenue                         | 7.04%        | 7.19%        | 6.18%        |
| Total costs  | \$10,357,900 | \$13,411,245 | \$14,141,387 |
| Total costs as a percent of revenue                    | 94.16%       | 92.56%       | 91.30%       |

## 2016 EXPENSE DOLLARS



Other 1%

Customer Service 2%

Consumer Accounts 3%

Interest 7%

Administrative & General 9%

Operations & Maintenance 10%

Depreciation 12%

Power Costs 56%