



YOUR SERVICE

OUR COMMITMENT
AND INVESTMENT



| 2018 ANNUAL REPORT

PROUDLY POWERING
OUR COMMUNITY
SINCE 1937

YOU ARE INVITED

82ND ANNUAL MEETING

THURSDAY, APRIL 4, 2019



WHERE

Melrose High
School Auditorium



WHEN

Doors Open 6:30 p.m.
Business Meeting 7:00 p.m.
Ice Cream Social 8:00 p.m.

The 82nd Annual Meeting of the members of Stearns Electric Association will be held at the Melrose High School Auditorium in Melrose, Minnesota at 7:00 p.m. on April 4, 2019, to act on the following matters:

1. Report of officers, directors and Chief Executive Officer.
2. Election of three directors of the Cooperative:
 - One from District No. 2 - Serving Minnesota townships: Holding, Brockway, St. Wendel and LeSauk in Stearns County.
 - One from District No. 3 - Serving Minnesota townships: Waite Park, St. Cloud, St. Augusta, Lynden and Fairhaven in Stearns County.
 - One from District No. 6 - Serving Minnesota townships: Millwood, Krain, Oak, Albany, Avon and Collegetown in Stearns County.

Members in a voting district may vote in one of three ways:

- a. In person at the Annual Meeting; the polls will open at 6:30 p.m. until balloting closes. **Be sure to bring this Annual Report with you for registration.**
- b. Vote online*; ballot packages will be mailed and an email will be sent to members with an e-mail address on record on March 20th. To vote for a director, follow the directions in these communications to log into the voting portal. Select the nominee for whom you wish to vote and press submit.
- c. Vote by mail*; ballot packages will be mailed on March 20th. To vote for a director, mark the nominee for whom you wish to vote and place the ballot into the envelope marked "Ballot Envelope" and seal. Then place the "Ballot Envelope" in the return envelope addressed to "Secretary," seal and mail it.

**Online or mail ballots will only be accepted if received by April 3, 2019 at 2:00 p.m.*

3. All other business that may properly come before this meeting or adjournment thereof.

Steve Notch,
Secretary

WELCOME MESSAGE

I DEAR MEMBERS

Since its founding in 1937, Stearns Electric Association has been a member driven, community focused organization. As board members and employees of your Cooperative, we realize the importance and value we bring to your lives. Our connection to each of you matters.

2018 was a year of change at Stearns Electric. New leadership, new rates, new technology and new priorities. What hasn't changed is our commitment to you and the quality of the service we provide. Our commitment and investment to your service resulted in another productive and successful year, and we are pleased to present to you the 2018 Annual Report.

You can rest assured that Stearns Electric is strong. We will continue to grow and adapt to the changes in our industry along with the evolving needs of our members. As we look to the future we understand that challenges will continue to present themselves, but we will remain poised in those times of adversity to become better, stronger and more reliable for our members.

Thank you for allowing us to bring the power to your life. It is our honor and privilege to serve you,



Robin Doege,
Chief Executive Officer



Randy Rothstein,
Board President

MISSION

Our mission is to provide competitively priced and reliable electric service, together with innovative energy solutions and an excellent member experience.

VISION

Stearns Electric Association is viewed as a premier energy provider in Minnesota.

2018 COOPERATIVE HIGHLIGHTS

MELROSE, MN
HEADQUARTERS

ST. JOSEPH, MN
BRANCH OFFICE

1937
YEAR FOUNDED

2,000+
SQUARE MILE
SERVICE AREA

26,994
NUMBER OF
CONSUMERS

61 FULL TIME
NUMBER OF
EMPLOYEES

33
NUMBER OF
SUBSTATIONS

4,127 TOTAL
1,512 UNDERGROUND
2,615 OVERHEAD
MILES OF LINE

6.68
MEMBERS
PER MILE

JANUARY

- CEO Dave Gruenes announces his plans to retire in the summer of 2018 and the board begins a national search for the next CEO.
- A comprehensive Cost of Service Study was completed by Power Systems Engineering and reviewed to provide a guide for ensuring the adequacy and equality of rates.

FEBRUARY

- The Cooperative's annual audit conducted by CliftonLarsonAllen, LLP notes that the Cooperative remains in a strong financial position.
- Line workers were added to the Cooperative's Energy Education program team, providing additional value to the students' understanding of the importance of electrical safety with first-hand stories from the field.





MAY

- A rate increase, primarily reflected by a \$5.25 increase to the fixed charge, went into effect on May 1.
- The communications team participated in an electric vehicle research and awareness road trip. Road Trip; Recharged was a huge success educating over 2 million people.



MARCH

- The board approved a rate increase, raising revenue by 4.4%, to ensure strong financial stability while maintaining the quality and reliability of our electric service.
- The Co-op earns high scores for its safety program and culture through the Rural Electric Safety Achievement program (RESAP).
- A “This is My Why” video series campaign was launched by our Safety For Life Program, featuring employees and their families in an effort to make safety more personal.

JUNE

- Stearns Electric worked with NRECA Market Research Services to complete a residential member satisfaction survey.



JULY

- Line crews addressed their most challenging right-of-way clearing project of the year in the Westwood neighborhood of St. Cloud where access to power lines was difficult and over 400 trees needed to be removed.

APRIL

- The 81st Annual Meeting of the Cooperative was held on April 5.
- The new Five Points Substation in St. Wendel Township was energized on April 17.



AUGUST

- A record setting 2,000 members attend the Member Appreciation Pancake Feed on August 12.
- CEO Dave Gruenes retired and the Cooperative celebrated his 19 years of leadership.
- Robin Doege assumes the role of Stearns Electric CEO.



OCTOBER

- The board approved hybrid voting for board of director elections in an effort to adapt to the changing expectations of members and encourage participation in the democratic process.

NOVEMBER

- \$1.2 million is returned to members in the general retirement of Capital Credits.

DECEMBER

- A new Four-Year Construction Work Plan was completed. This plan creates an outline to build and replace facilities, which will further improve reliability.



- In an effort to better connect with our agriculture members, 49 members were hosted on a bus trip to Farmfest on August 8. In addition to the show, attendees enjoyed a social at Goat Ridge Brewing Company.

SEPTEMBER

- Retired CEO Dave Gruenes was honored with the NRECA Regional Award for Outstanding Service for his proven record of promoting cooperative values and working tirelessly to serve members.



- The Cooperative applied for a nearly \$41 million loan which will be used for capital projects, including construction projects outlined in the Four-Year Work Plan.



MANAGING YOUR RESOURCES

SOUND FISCAL MANAGEMENT

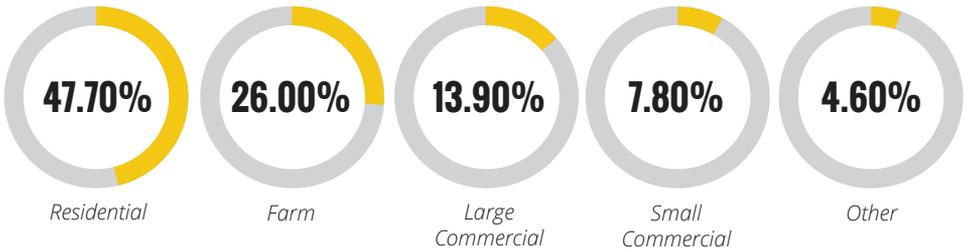
A defining feature of your Co-op membership and a principle that guides us is your economic participation. The partnership we have with you, as members and owners of Stearns Electric, rests on our commitment to prudently use the resources you provide.

We ended 2018 with an increase in kWh sales primarily due to weather. Our 2018 total operating revenue was \$58,620,934. Our internal costs and wholesale power cost increases were moderate, helping us end the year with a good margin of \$3,876,299. Equity as a percent of assets ended the year at a healthy 47.91%.

As a result of the Cooperative's sound and stable financial condition, we returned nearly \$1.2 million in general retirement Capital Credits to you, our member-owners. That adds up to more than \$32 million returned over the years - quantifiable proof that you are an owner of a successful, effective organization.

ENERGY DOLLARS

WHAT MAKES UP THE REVENUE



WHERE YOUR DOLLAR GOES



2018 | FINANCIAL REPORT

CONSOLIDATED BALANCE SHEET

FISCAL YEAR ENDED DEC. 31, 2018 & 2017

ASSETS	2018	2017
UTILITY PLANT		
Electric Plant in Service	\$130,116,763	\$126,071,884
Construction Work in Progress	1,798,817	1,586,159
Total	131,915,580	127,658,043
Less Accumulated Provision for Depreciation	(39,696,886)	(37,555,958)
Net Utility Plant	92,218,694	90,102,085
INVESTMENTS		
Investments in Associated Organizations	27,538,404	26,429,328
Investments in Related Companies	1,086,065	1,102,319
Investments in Economic Development Projects	1,830,535	1,781,474
Other Investments and Loans	691,119	689,998
Total Investments	31,146,123	30,003,119
CURRENT ASSETS		
Cash and Cash Equivalents	994,034	558,481
Temporary Investments	1,114	4,647,110
Consumer Accounts Receivable, Net	5,989,797	6,069,219
Other Accounts Receivable, Net	3,095,677	198,216
Materials and Supplies Inventory	2,279,004	2,165,411
Prepaid Expenses	350,149	231,633
Interest Receivable	12,508	12,508
Total Current Assets	12,722,283	13,882,578
DEFERRED DEBITS	1,486,382	1,620,223
TOTAL ASSETS	\$137,573,482	\$135,608,005
EQUITIES AND LIABILITIES	2018	2017
EQUITIES		
Patronage Capital	\$64,177,910	\$61,779,012
Other Equities	1,729,473	1,651,932
Total Equities	65,907,383	63,430,944
LONG TERM DEBT (Less Current Maturities)	58,831,163	58,275,125
ACCUMULATED PROVISIONS FOR PENSION AND BENEFITS	457,147	497,043
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	2,691,470	2,997,595
Accounts Payable	6,527,150	7,412,099
Other Accrued Liabilities	2,047,462	2,299,507
Total Current Liabilities	11,266,082	12,709,201
DEFERRED CREDITS	1,111,707	695,692
TOTAL EQUITIES AND LIABILITIES	\$137,573,482	\$135,608,005

CONSOLIDATED STATEMENT OF OPERATIONS

FISCAL YEAR ENDED DEC. 31, 2018 & 2017

OPERATING REVENUES	2018	2017
Electric Energy Revenue	\$58,308,199	\$55,493,750
Other Electric Service Revenue	312,735	313,144
Total Operating Revenue	58,620,934	55,806,894
OPERATING EXPENSES		
Cost of Power	38,518,318	37,443,626
Distribution Expense - Operations	2,793,278	2,637,707
Distribution Expense - Maintenance	4,260,291	4,124,661
Consumer Account Expense	1,107,293	1,099,196
Customer Service and Informational Expense	899,739	697,114
Sales Expense	83,641	53,312
Administrative and General Expense	2,710,884	2,445,334
Depreciation Expense	3,899,456	3,765,897
Other Deductions	18,305	9,529
Total Operating Expenses	54,291,205	52,276,376
OPERATING MARGINS BEFORE FIXED CHARGES	4,329,729	3,530,518
INTEREST ON LONG-TERM DEBT	2,168,256	2,228,415
OPERATING MARGINS AFTER FIXED CHARGES	2,161,473	1,302,103
G&T AND OTHER CAPITAL CREDITS	1,195,009	1,674,222
NET OPERATING MARGINS	3,356,482	2,976,325
NON-OPERATING MARGINS		
Interest and Other Income	417,071	673,173
Income from Equity Investments	102,746	100,018
Total Non-Operating Margins	519,817	773,191
NET MARGINS	\$3,876,299	\$3,749,516

ASSETS

what we own

EQUITIES

our net worth

LIABILITIES

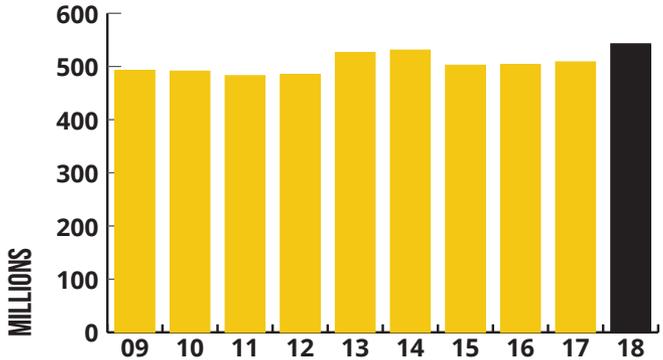
what we owe

AUDIT

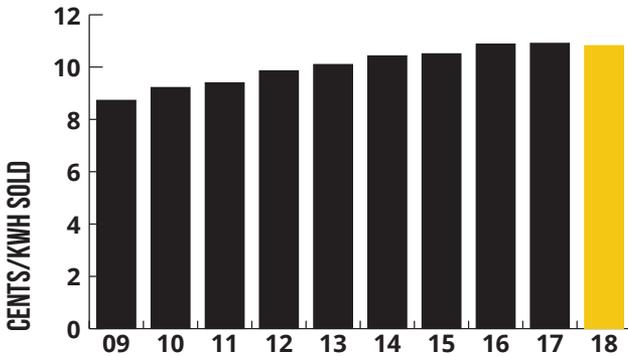
The 2018 financial statements were audited by the accounting firm CliftonLarsonAllen, LLP.

I KWHs SOLD

This is a look at energy sold over the past ten years. There is a correlation between consumer growth and sales. In 2018 Stearns Electric sold 542,552,558 kWhs of electricity.



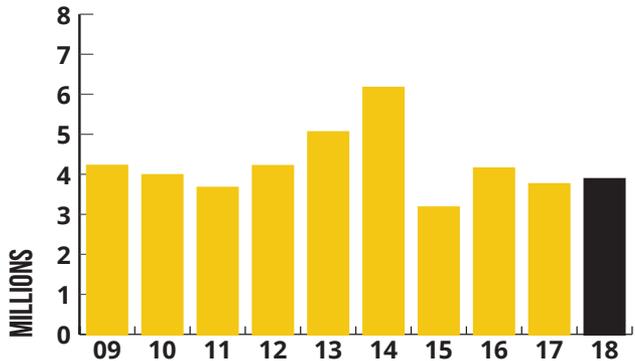
I REVENUE PER KWH



The average revenue per kWh of electricity sold in 2018 was 10.82 cents. In 2018 we experienced a slight decrease in wholesale power cost which is reflected in revenue per kWh sold.

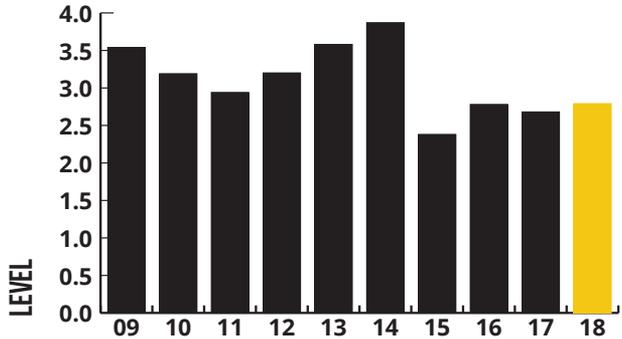
I NET MARGINS

This graph shows the Co-op's margins over the past ten year period. This is simply what is left over at the end of the year. In a co-op, margins are your Capital Credits. The Co-op's margin in 2018 was \$3,876,299.

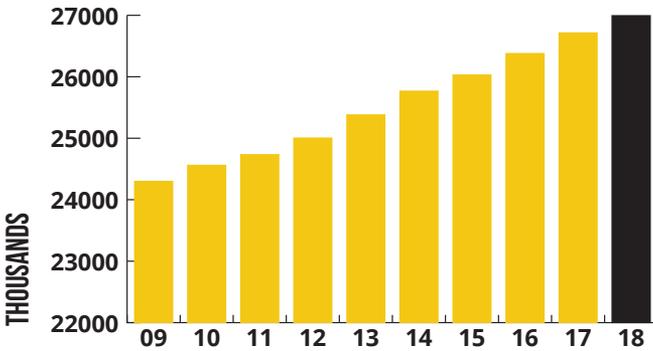


I TIER

On a more technical level, this graph follows the Co-op's TIER (Times Interest Earned Ratio) level, or our ability to pay the interest on our loans. Our 2018 TIER ratio was 2.79.



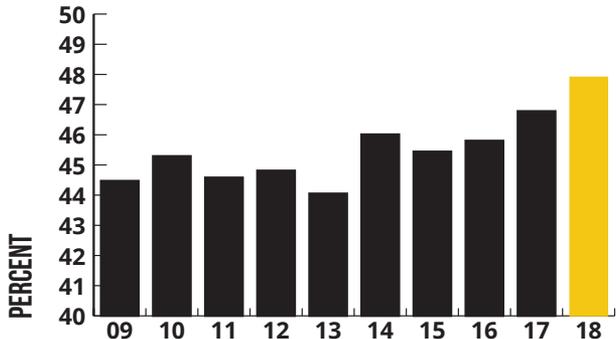
I TOTAL CONSUMERS



Our Co-op has shown a steady growth in consumers over the past ten years. We served 26,994 members in 2018, an increase of 3.7%.

I EQUITY

Our members' equity in their Co-op, or how much they own in a percent, slightly increased in 2018 to 47.91%. Sales and Capital Credit retirements influence this ratio.



\$1,150,000

CAPITAL CREDITS GENERAL
RETIREMENT TO MEMBERS

112,919

UNIQUE VISITS
TO OUR FACEBOOK

46,315

UNIQUE VISITS
TO OUR WEBSITE

13,929

UNIQUE VISITS TO OUR
ONLINE OUTAGE MAP

11,639

SMARTHUB USERS

8,717

MEMBERS PAYING
WITH AUTO PAY

2,932

PAPERLESS
ACCOUNTS

2,870

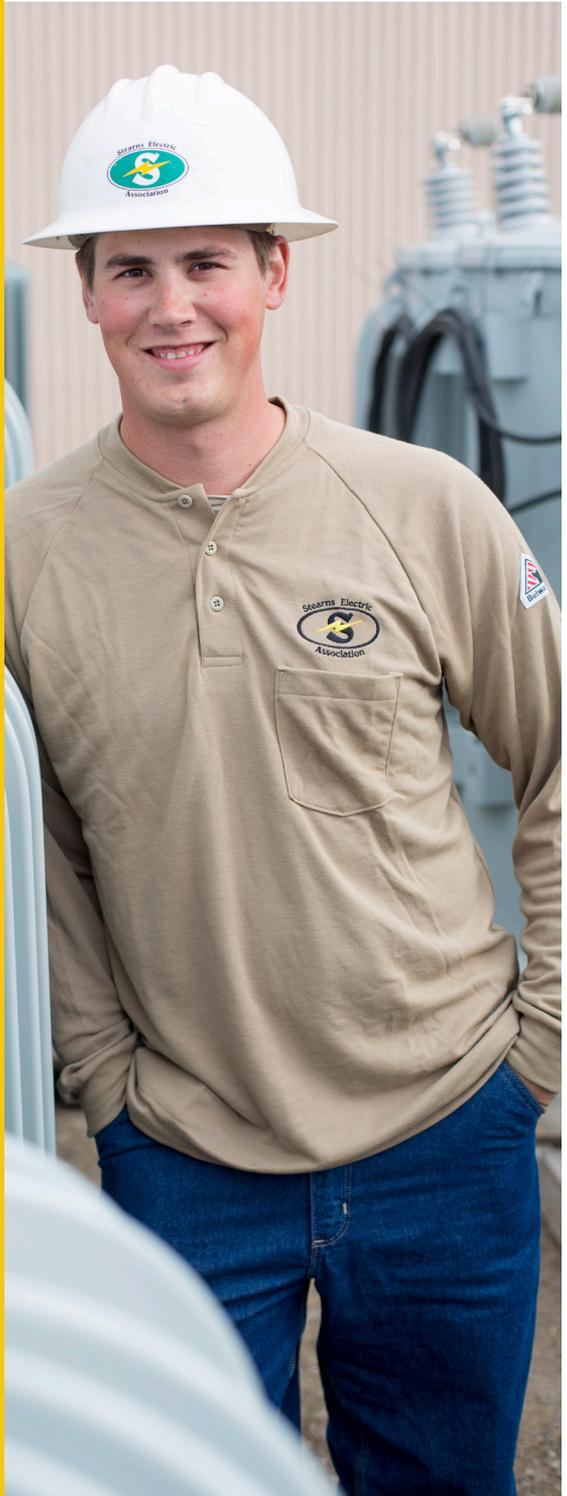
NUMBER OF
FACEBOOK LIKES

95

CALLS PER DAY TO THE
STEARNS ELECTRIC OFFICE

1

COOPERATIVE
SERVING YOU



DELIVERING SAFE, RELIABLE POWER



Electric utilities are a capital-intensive industry and we must continually be investing substantial money in our utility plant. The equipment on our system is your link to safe, reliable electricity. To keep you connected, we regularly test poles for strength and durability, replace aging line and convert overhead conductors to underground, where feasible.

Our 2018 construction work plan represented a \$5 million commitment to reliable electric service. In addition, managing vegetation in our power line corridors keeps our system in optimum condition and promotes safety.

PROVIDING SAFE, RELIABLE ELECTRICITY IS OUR CORE RESPONSIBILITY AND TOP PRIORITY. DELIVERING QUALITY ELECTRIC SERVICE TO OUR MEMBERS CAN ONLY BE DONE WITH PROPER PLANNING AND SYSTEM MAINTENANCE. THE ABILITY TO ACCOMMODATE INCREASING LOADS, NEW SERVICES AND EMERGING ENERGY SOLUTIONS, WHILE KEEPING EXISTING SUBSTATIONS AND DISTRIBUTION EQUIPMENT OPERATIONAL IS ESSENTIAL TO DELIVERING RELIABLE ELECTRICITY AND A QUALITY MEMBER EXPERIENCE.

CONSTRUCTION NOTES

550 projects were designed, staked and/or inspected.

Rebuilt 7 miles of single-phase overhead line and 2.5 miles of three-phase overhead line.

Replaced 1 mile of aging single-phase underground line and 24.3 miles of aging three-phase underground line.

Installed 308 new services for members, a decline of 64 additional services from the 2017 new construction level.

Completed about 100 member alterations of service.



ENERGY USE

Energy use on our system increased by about 6.5% in 2018 as compared to 2017. Cooler than normal temperatures in the winter and warmer than normal temperatures in the summer were big drivers in the increase. The system's peak demand, which typically occurs in the winter, increased from 109 megawatts (MW) in 2017 to 111 MW in 2018. With modest but still increasing growth rates, along with aging facilities, we must continue to upgrade our plant and add lines to reliably serve our members.

I SUBSTATION CONSTRUCTION



In 2018, we completed construction of our new Five Points Substation along County Road 133. This substation was energized in early spring and will help us meet the energy requirements of the growing St. Joseph and Sartell areas. In addition, we added animal protection to one third of our substations to help minimize outages caused by animal contact within the substation.



With new technology in substation automation, we purchased a new ARCO tester in 2018. This equipment allowed us to test nearly 70 electronic substation breakers to verify that the equipment is operating properly for the safety of the public, members and our employees working on the lines.

CONSTRUCTION WORK PLAN

In 2018, the Engineering department completed a Four-Year Construction Work Plan. The work plan outlines and prioritizes construction activities from 2019 through 2022. This 12 month process requires an extensive analysis of our distribution system which is used to determine system improvement projects, recommend service for new loads and identify improvements in the overall quality of electric service we provide. A few highlights from this work plan include; 1,100 new service installations, over 20 miles of new tie-lines and line conversions, six substation transformer upgrades, 2,000 pole replacements and 3,400 security light LED replacements. This plan represents a \$28.6 million investment by Stearns Electric to maintain and improve your electric service.



I MAINTENANCE NOTES

8,953 poles were inspected and tested for strength and durability, of which 468 (5.23%) were identified for replacement.

All 33 substations were inspected with infrared cameras to detect any potential “hot” spots that are likely to cause an outage if not detected.

Replaced 345 high pressure sodium (HPS) security lights with LED lights. These replacements are completed as maintenance issues arise, however as we move into the future, the Cooperative is preparing for a complete retrofit.

2,094 miles of overhead line and 338 miles of underground line were patrolled for hazards and safety concerns. These inspections identified 614 items that were repaired.

Installed 1,558 animal guards and 2,700 feet of stinger cover on our system in 2018 to reduce the number of outages caused by birds and small animals.

| VEGETATION MANAGEMENT

CLEARING RIGHT-OF-WAY IS CRITICAL TO KEEPING OUR MEMBERS' LIGHTS ON.

Outside of construction activities, we invested \$2.2 million into our Right-Of-Way (ROW) program to reduce potential power outages and energy hazards. Year two of an aggressive four-year plan was completed in 2018. Even though we are only halfway through the program, our efforts are already paying off. In 2018 we saw over a 76 percent reduction in tree-related outages on feeders that have been cleared.

387
ROW MILES
CLEARED

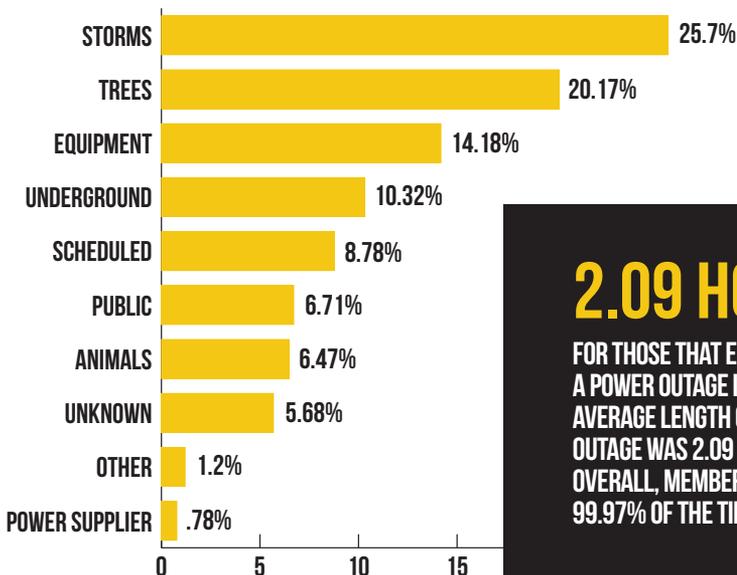
18,175
PROBLEM TREES
ADDRESSED

378
TREE CLEARING
MEMBER REQUESTS

1,666
PARCELS SPRAYED
AND MOWED



| 2018 OUTAGE CAUSES AND RELIABILITY



2.09 HOURS

FOR THOSE THAT EXPERIENCED A POWER OUTAGE IN 2018, THE AVERAGE LENGTH OF THEIR OUTAGE WAS 2.09 HOURS. OVERALL, MEMBERS HAD POWER 99.97% OF THE TIME.

WHOLESALE POWER

IN 2018, 65.7% OF EVERY DOLLAR COLLECTED BY STEARNS ELECTRIC ASSOCIATION WAS USED TO PURCHASE WHOLESALE POWER.



94.5% of Stearns Electric's wholesale power is purchased from Great River Energy and the remaining 5.5% is purchased from the Western Area Power Administration, a federal hydropower resource.

GREAT RIVER ENERGY'S GENERATION PORTFOLIO

50%
BENEFICIATED
LIGNITE

25%
RENEWABLE

14%
MARKET

10%
HYDRO

1%
NATURAL GAS



After meeting Minnesota's 25% renewable energy standard eight years early, Great River Energy announced a new goal to supply its member cooperatives with energy from 50% renewable resources by 2030.

542,552,558
kWh SOLD

\$58,620,931
OPERATING REVENUE

\$38,518,318
COST OF POWER

\$5,006,888
PLANT INVESTMENT

4,875,608
kWh ENERGY SAVED

\$287,894
EFFICIENCY REBATES
PAID TO MEMBERS

33,800
METERS

1,143
AVERAGE kWh
USE RESIDENTIAL

308
NEW SERVICES

1
COOPERATIVE
SERVING YOU

ENERGY SMART

BY DEVELOPING SMARTER WAYS TO USE ELECTRICITY, WE'RE PUTTING THE POWER TO MAKE SMARTER ENERGY CHOICES WHERE IT BELONGS—IN YOUR HANDS. WE'VE USED AND PROMOTED ENERGY-EFFICIENT PRODUCTS AND PROGRAMS FOR DECADES BECAUSE IT'S RIGHT FOR OUR MEMBERS AND HELPS THE CO-OP CONTROL COSTS.

I PROVIDING ENERGY SOLUTIONS

Stearns Electric's EnergyWise® Programs and Rebates provide incentives to assist members in making their homes, farms and businesses more energy efficient. With these programs, our members save money while helping the Cooperative hold down electric rates by reducing the need for Great River Energy to build new power plants or purchase expensive power during peak demand times for electricity.

We experienced growth in our programs in 2018 as members took advantage of special promotions and attractive rebates to invest in effective, efficient and affordable energy solutions. The Cooperative had 25,086 systems controlled under load management, with 499 new systems installed in 2018 for an additional 4,758 kW of controlled load.

You've long counted on our leadership and expertise when it comes to using energy wisely. As we blend our knowledge and experience with innovations that are happening in our industry, your connection to efficient, affordable energy only grows.



STEARNS ELECTRIC IS COMMITTED TO HELPING MEMBER-OWNERS IMPLEMENT INNOVATIVE AND ENERGY EFFICIENT TECHNOLOGY IN THEIR HOMES AND BUSINESSES.

TWO SIGNIFICANT PROJECTS IN 2018 INCLUDED ASSISTING ROHE DAIRY INSTALL ROBOTIC MILKING EQUIPMENT AND BAYER BUILT ADD AN ELECTRIC FORKLIFT TO ITS FLEET.



ENERGYWISE BY THE NUMBERS

- The Cycled AC program had 10,159 participants, with 166 new enrollees in 2018.
- The Dual Fuel program had 6,888 participants, with 152 new enrollees in 2018.
- The Stored Water Heating program had 5,459 participants, with 102 new enrollees in 2018.



RESIDENTIAL

- 710 rebates totaling \$147,886 were dispersed to members for making energy efficiency changes which saved 2,058,078 kWh of energy.
- 96 air source heat pumps and 8 ground source heat pumps were installed on Stearns Electric's system.



COMMERCIAL AND AGRICULTURE

- 99 farm and business energy efficiency rebates were approved for a total of \$140,008.
- The total spent by farms and businesses to make these energy efficiency improvements was \$1,725,668.
- By making these improvements, farmers and businesses will save 2,817,530 kWh annually and about \$253,578 per year on their electric bills.



RENEWABLE ENERGY

- Stearns Electric's SolarWise Community Solar Array produced 19.7 MWh of electricity in 2018.
- Members have purchased 39 community solar panels since 2015, making 78 percent of the array purchased.
- 15 member-owned wind turbines and 42 member-owned solar arrays operate on Stearns Electric's system, with a total capacity of 1,028 kW.

IT'S YOUR POWER. OUR MISSION IS TO HELP YOU USE IT WISELY.

MORE THAN EVER, ELECTRICITY POWERS OUR LIVES. AND IN THE YEARS TO COME, IT WILL BE THE SMART USE OF ELECTRICITY THAT PLAYS A KEY ROLE IN SOLVING OUR SHARED ENERGY CHALLENGES. AFTER ALL, THE GREATEST SOURCE OF ENERGY FOR THE FUTURE IS USING IT AS WISELY AS POSSIBLE TODAY.

THE COOPERATIVE DIFFERENCE

As member of Stearns Electric, you're not just a consumer, you are a member and an owner.

Therefore, we strive to not only provide reliable electric service, but also to put members first by keeping you informed and being responsive to local needs.

Today, our education, training and information include everything from helping you navigate the changing world of energy, to understanding your bill, to teaching electric safety.

We're proud to keep you informed with traditional communication tools like connecting with a real, local person when you call our office or sending a new issue of the

Power Connection to your mailbox every month.

However, we're also adapting with technology to grow accessibility online. In 2018, 11,639 members used the SmartHub app to monitor their electricity usage and pay their energy bill. Our website, where information is available 24/7, saw 46,315 visits. In addition, 112,919 visitors used Facebook to stay up-to-date on Cooperative activities.

We're also regularly investing in our community through charitable giving and engaging with members through Cooperative events such as our Member Appreciation Pancake Feed, Annual Meeting and Energy Education program.

WE'RE NEIGHBORS, FRIENDS AND FAMILY, AND WE'RE HERE TO HELP.

AS VITAL AS THE POWER OF ELECTRICITY IS TO OUR COMMUNITIES, IT'S FAR FROM THE ONLY CONNECTION WE HAVE TO YOU. COMMITMENT TO COMMUNITY IS ONE OF OUR PRINCIPLES, AND CARING IS THE COOPERATIVE WAY.



On Saturday, August 11, 2018 a record breaking 2,000 members came out for a high flying pancake breakfast and family fun at the Freeport Community Center. This event is an important opportunity for us to connect directly with our members and thank them for their patronage.

Chris Cakes joined us again to serve breakfast and we gave away bags of school supplies to all children in attendance at the event.

INVESTING IN OUR COMMUNITY



COMMUNITY AWARD

Becky's Troop Care Packages was named Stearns Electric's Touchstone Energy® Community Award winner for preparing and sending care packages to soldiers serving on dangerous duty in the Middle East.



YOUTH TOUR

Luke Miller, high school junior at Little Falls High School and son of member-owners Keith and Lynette Miller, represented Stearns Electric on the Rural Electric Youth Tour to Washington, D.C. June 9-14th, 2018.



ENERGY EDUCATION

In January and February, 1,660 4th grade students in 38 schools were able to participate in energy efficiency and safety demonstrations provided at no cost by the Cooperative. In 2018, our line workers helped deliver these important presentations.



OPERATION ROUND UP

Since the program's inception in 1993, Operation Round Up has awarded over \$2.3 million total. In 2018, 216 community organizations shared \$137,000 in Operation Round Up funds.

2018 BOARD OF DIRECTORS

COOPERATIVE MEMBERS REPRESENTING YOU

Stearns Electric is a democratically-controlled business, meaning we are governed by local people, just like you and elected by you.



GREG BLAINE
DISTRICT 1



ARLYN LAWRENZ
DISTRICT 2
Vice-President



RJ "DICK" NATHE
DISTRICT 3



RANDY ROTHSTEIN
DISTRICT 4
President



TONY AMPE
DISTRICT 5



STEVE NOTCH
DISTRICT 6
Secretary/Treasurer



LONNIE IVERSON
DISTRICT 7



MIKE BLENKUSH
DISTRICT 8



JERRY FRIES
DISTRICT 9

**YOUR VOICE.
YOUR VOTE.**

COOPERATIVE SUBSIDIARIES

STEARNS ELECTRIC'S SHARE OF OUR SUBSIDIARIES NET PROFIT IN 2018 WAS \$100,883

KARIAN PETERSON POWERLINE CONTRACTORS

Stearns Electric Association has a 14.29% ownership in Karian Peterson Powerline Contractors, LLC, specializing in construction and maintenance of overhead distribution lines, transmission lines and substations.

CARR'S TREE SERVICE

Stearns Electric Association has 11.11% ownership in Carr's Tree Service, Inc. based in Ottertail, MN. Carr's provides tree trimming, removal, shaping, hydro-axing, brush mowing, lot clearing, and power line clearing services primarily to utility customers.

HEARTLAND SECURITY SERVICES

A partnership of 13 electric cooperatives, Heartland Security monitors and installs alarm systems, cameras, and medical alerts throughout central, western and southern Minnesota, and northern Iowa. Heartland Security serves over 8,000 customers.

181ST ANNUAL MEETING MINUTES

The 81st Annual Meeting of Stearns Electric Association was held at the Melrose Area High School in Melrose, MN on Thursday, April 5, 2018, at 7:00 p.m.

OPENING OF THE MEETING

The meeting began with the Presentation of Colors by the Melrose Color Guard and was followed by the Pledge of Allegiance. President Randy Rothstein officially opened the meeting and asked for approval of the agenda. A motion to accept the agenda was made by Robert Theisen, seconded by Charles Ampe and carried. Rothstein appointed Scott Dymoke to serve as Parliamentarian and Sue Meyer as Recording Secretary. Rothstein announced that a sufficient number were present to declare a quorum. Sally Larson made a motion, seconded by Kay Cook and carried to waive the reading of the Notice of Meeting and the Affidavit of Mailing. A motion to accept the 80th Annual Meeting minutes was made by Tony Gruenes and seconded by Rich Essler and carried.

NOMINATING COMMITTEE REPORT:

President Rothstein called on Troy Lundell, Chairperson of the 2018 Nominating Committee. Mr. Lundell introduced the following candidates for director elections: District 4: Randy Rothstein; District 5: Tony Ampe; District 9: Jerry Fries and Steve Dudding.

FINANCIAL REPORT:

CEO Dave Gruenes stated the 2017 annual audit was performed by CliftonLarsonAllen, LLC. The balance sheet and statement of operations were reviewed in detail as printed in the 2017 Annual Report. A motion to accept the financial report was made by Eric Linn, seconded by Mark Hebig and carried.

REPORT TO MEMBERS:

Manager of Administrative Services Vicky Herkenhoff highlighted several ways in which Stearns Electric connected with members in 2017. She noted that the Co-op educated over 1,500 4th grade students on the importance of electric safety and energy conservation and that Operation Round Up continues to make significant contributions to local organizations. The Co-op also has prioritized connecting and communicating with members through social media, our website and SmartHub. Ms. Herkenhoff invited Emma Johnson, Stearns Electric's 2017 Youth Tour recipient, to come forward. Emma provided a report of her Washington, D.C. experience and thanked the Co-op for allowing her the

opportunity to represent Stearns Electric at the nation's Capitol. Manager of Engineering Matt O'Shea provided an overview of construction projects and needed upgrades completed in 2017. He also emphasized the importance of vegetation management. Mr. O'Shea provided an update on the Cost of Service Study that was recently completed. CEO Dave Gruenes explained that a rate increase will go into effect May 1st, 2018. The rate increase was needed for the Co-op to meet financial objectives and continue providing safe and reliable electricity. He also informed the members that there will be phone and online member surveys in June. Member opinions matter and this survey will play a role in upcoming strategic planning to improve service to our members. Mr. Gruenes announced his upcoming plans to retire. Member Robert Mueller commented on the distributed generation grid access fee. Mr. Gruenes responded by stating the Co-op is very supportive of renewable energy, but considerations need to be made to ensure fairness for all members, specifically when it comes to infrastructure cost.

BUSINESS MEETING:

Rothstein opened the business meeting and called on Attorney Scott Dymoke. Dymoke stated the purpose of the Annual Meeting was to give members an opportunity to speak or ask questions. No items were brought forward for old business or new business.

ELECTION TELLERS REPORT:

Keith Overman, chairperson of the teller's committee, came forward and reported a total of 387 ballots were cast with 6 ballots found to be ineligible. The results for a three-year term were as follows:

District 4: Randy Rothstein – 103
Write In: Robert Lieser - 1
Write In: Ann Carlson - 1

District 5: Tony Ampe - 82
Write In: Gary Lieser - 1

District 9: Jerry Fries - 136
Steve Dudding – 55

CLOSING OF THE MEETING:

President Rothstein thanked Director John Anderson for his 6 years of service to the Co-op and thanked Mr. Gruenes for his 19 years of dedication and service as well. There being no further business to conduct, a motion was made by Jon Baumgard and seconded by John Silbernagel to adjourn the meeting. Motion carried and the meeting adjourned at 8:10 p.m.



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JOIN US FOR THE 82ND ANNUAL MEETING

THURSDAY, APRIL 4TH, 2019

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