

MINUTES OF BOARD MEETING
Lyon-Lincoln Electric Cooperative, Inc.
Monday, January 27, 2025

The regular monthly meeting of the Board of Directors of Lyon-Lincoln Electric Cooperative, Inc. was held on Monday, January 27, 2025 at 9:35 o'clock A.M. at the headquarters building in Tyler, Minnesota.

The following directors were present: James Rokeh, Kathy Schreurs, Galen Grant, Mary Gunnink, Scott Johnson, Dale Fier, Mike Longtin, Jared Dritz, and Joel Buyck.

Also present at said Board Meeting were General Manager, Timothy O'Leary, Finance Manager, Kristi Jensen, and Attorney, Michael W. Cable.

The Board and others in attendance stood and gave the Pledge of Allegiance before the meeting was called to order.

President, Dale Fier, noted that a quorum was present and called the meeting to order.

President, Dale Fier, inquired whether there were any changes to the Minutes of December 23, 2024 and there were no changes. A motion was made by Mr. Longtin, seconded by Ms. Gunnink, and carried to approve the December 23, 2024 Minutes.

President, Dale Fier, inquired whether there were any additions or changes to the Agenda and General Manager, Timothy O'Leary, indicated that he had no changes. A motion was made by Mr. Longtin, seconded by Ms. Schreurs, and carried to approve the Agenda.

President, Dale Fier, asked the Board after reviewing the Agenda if anyone had any conflict of interest that should be disclosed. There was no conflict of interest to be disclosed by any of the Board.

The Board reviewed the accounts payable check register from December 1, 2024 through December 31, 2024. After review and discussion, President, Dale Fier, indicated that the check register was received and filed subject to audit.

The Board reviewed the applications for membership, which had been submitted as shares to be accepted for the month of December, 2024. After review, a motion was made by Mr. Rokeh, seconded by Mr. Dritz, and carried to approve the shares to be accepted.

The Board reviewed the shares to be cancelled for the month of December, 2024. After review, a motion was made by Ms. Schreurs, seconded by Mr. Longtin, and carried to approve the cancellation of said shares.

The Board considered the capital credits to be paid to the following Estates: the Estate of Richard L. Calvin for the unretired amount of \$183.57 with \$150.38 being paid, and \$33.19 being discounted; the Estate of Stanley D. Gorecki Jr. for the unretired amount of \$5,368.61 with \$2,416.27 being paid, and \$2,952.34 being discounted; the Estate of Gary Grabau for the unretired amount of \$3,109.74 with \$1,491.39 being paid, and \$1,618.35 being discounted; the Estate of Kenneth Grooters for the unretired amount of \$745.74 with \$583.34 being paid, and \$162.40 being discounted; the Estate of Leona Hauschild for the unretired amount of \$1,953.53 with \$887.60 being paid, and \$1,065.93 being discounted; the Estate of Curtis B. Johnson for the unretired amount of \$1,092.66 with \$582.42 being paid, and \$510.24 being discounted; the Estate of John Landgren for the unretired amount of \$2,041.86 with \$921.00 being paid, and \$1,120.86 being discounted; and the Estate of Galen Lanners for the unretired amount of \$2,580.37 with \$754.56 being paid, and

\$1,825.81 being discounted. A motion was made by Mr. Longtin, seconded by Mr. Dritz, and carried to approve the payment of capital credits to said Estates.

Finance Manager, Kristi Jensen, reviewed the Financial and Operating Report with the Board which included the Income Statement for November, 2024 and a Balance Sheet for November, 2024. She also reviewed the Power Requirements Data for the various rates charged by the Cooperative for November, 2024. The Board also reviewed the Summary Report concerning Sales, Operation Expense, Maintenance Expense, Customer Accounts Expense, Customer Services and Information Expense, Sales Expense, Administrative and General Expense, Interest Expense-Other, Other Deductions, Non-Operating Margins-Interest, and Other Capital Credits & Patronage. The Operating TIER shown on the Income Statement for November 2024 was 0.95 and the Equity shown on the Balance Sheet for November, 2024 was 39.13%. After discussion and review President, Dale Fier, indicated that the Financial and Statistical Report for the period ending November 30, 2024 was received and filed subject to audit.

Kristi Jensen, Finance Manager, reviewed with the Board the Lyon-Lincoln Electric Cooperative, Inc.'s Weighted Cost of Capital for 2025. The Weighted Cost of Capital was as follows:

Lyon-Lincoln's Weighted Cost of Capital For 2025						
Co-op's Cost			Percent of Capitalization		Contribution to Cost of Capital	
Debt	KRTA #23	2.90% x	57%	=		1.65%
Equity	KRTA #27	6.65% x	K RTA#18	43%	=	2.86%
Weighted Cost of Capital or Suggested Discount Rate						<u>4.51%</u>

*Current Discount Rate is set at 6%

After discussion a motion was made by Mr. Rokeh, seconded by Mr. Longtin, and carried to have the Weighted Cost of Capital for 2025 for Lyon-Lincoln Electric Cooperative, Inc. at the rate of 6%.

General Manager, Timothy O'Leary, and Kristi Jensen, Finance Manager, reviewed with the Board the 2025 Final Budget and there was discussion concerning the same. After discussion a motion was made by Ms. Gunnink, seconded by Mr. Dritz, and carried to approve the Budget as presented. Director, James Rokeh, voted against approving the Budget.

Chief Financial Officer, Scott Shewey, and Rates & Billing Manager, Andrew Plucker, for East River Electric Power Cooperative, Inc. attended the meeting and reviewed with the Board the East River System Demand Overview. Brian Jeremiason, Manager of Marketing and External Relations, arrived at the meeting and was in attendance. Mr. Shewey and Mr. Plucker reviewed the following topics with the Board:

1. Demand and Its Importance and Use in System Planning,
2. Demand at System Planning,
3. Distribution Substation Upgrades,
4. Load Growth Over Time for East River Electric Power Cooperative, Inc.,
5. East River Electric Power Cooperative, Inc. Land Forecast,
6. SPP Planning – Integrated Transmission Plan ITP,
7. SPP 2024 - ITP Portfolio,
8. 2024 Basin Electric Load Forecast (Summer Season)
9. 3 year Budget Forecast for East River Electric Power Cooperative, Inc.,

10. Demand Cost and Rates, Demand Cost – Purchase Power Prices Set to Increase in 2025,
11. WAPA Cost Increase,
12. East River Electric Power Cooperative, Inc. Base Rates for 2025
13. Demand Billing,
14. Demand Billing – Waiver Periods,
15. Demand Billing – Load Management,
16. Summer Peak Day – All Loads Controlled,
17. East River Demand Data,
18. Lyon-Lincoln Electric Cooperative, Inc. Demand Data,
19. Billing Example for August 2024 for Lyon-Lincoln Electric Cooperative, Inc. showing a peak at 6:30 o'clock P.M. on August 2, 2024, and
20. Lyon-Lincoln Electric Cooperative, Inc. August 2024 Bill.

The Board recessed for lunch at 12:10 o'clock P.M. and reconvened at 12:30 o'clock P.M.

Scott Shewey and Andrew Plucker continued with their presentation concerning the East River Electric Power Cooperative, Inc.'s System Demand Overview. They discussed a billing example for May 23, 2024 for Lyon-Lincoln Electric Cooperative, Inc. that peaked at 5:30 o'clock P.M. on May 31, 2024. There was also a billing example reviewed from May 31, 2024. Finally, they presented trends for demand rates and discussed margin stabilization.

After making the presentation, Scott Shewey and Andrew Plucker left the meeting and were no longer in attendance. Kristi Jensen, Finance Manager, also left the meeting and was no longer in attendance.

Brian Jeremiason, Manager of Marketing and External Relations, gave his report as follows:

1. He advised the Board that Lyon-Lincoln Electric Cooperative, Inc. now has the ability to access information from the Call to Order App outside of the app. This link can be used through any internet connection such as a laptop, tablet or even a smartphone. The link is <https://call-to-order.cloud.coop/?domain=llec>. The username is the first initial of your first name followed by your complete last name. Lyon-Lincoln Electric Cooperative, Inc. will have access to this new web based site, as well as the app we've been using. Information will be updated on both locations simultaneously.
2. MREA, STAR Energy and other cooperatives are forming a work group to look at revising the existing interconnection process for distributed energy interconnections. Some of the changes likely to come out of the process are as follows:
 - An increase in the application fee from \$100 to \$200-\$250.
 - Exempting connected batteries from counting towards the name plate rating of residential projects.
 - Adding language to account for interconnected EVs and potential of calling on them for on-peak energy.
 - Islanding screening – ensuring that there are safeguards against production during a grid outage.

Mr. Jeremiason advised the Board that next month there will be a report on the 2024 DER production and purchases to the Board and to the PUC. There also will be updating for Lyon-Lincoln Electric Cooperative, Inc.'s average retail rate information for DG projects.

3. With the recent cold weather, the Cooperative has received a few questions about electric heat and if our rate is still competitive. Also, what is the cutoff for

where propane would make more sense. Mr. Jeremiason then presented information to the Board showing a comparison of energy costs for producing 1,000,000 BTUs for an unmetered space heater, electric resistance heat system, air-air heat pump, geothermal heat pump, propane furnace, natural gas furnace, and fuel oil furnace.

After making his presentation, Brian Jeremiason, Manager of Marketing and External Relations, left the meeting and was no longer in attendance.

Lyle Lamote, Line Superintendent, gave the December Outage Report involving 10 or more consumers:

- 12-26 11 consumers were off 1 hour and 35 minutes in the Township of Shelburne. The cause was frost on the lines.
- 12-26 142 consumers were off 1 hour and 25 minutes in the Townships of Hope, Lake Benton, and Marshfield. The cause was frost on the lines.
- 12-26 13 consumers were off 2 hours and 15 minutes in the Township of Shelburne. The cause was frost on the lines.
- 12-26 20 consumers were off 2 hours and 40 minutes in the Townships of Lake Stay and Marshfield. The cause was frost on the lines.
- 12-26 50 consumers were off 1 hour and 25 minutes in the Township of Lake Shaokatan. The cause was frost on the lines.
- 12-26 28 consumers were off 2 hours and 30 minutes in the Township of Verdi. The cause was frost on the lines.

Mr. Lamote indicated that there was no Safety Meeting in the month of December.

Lyle Lamote, Line Superintendent, indicated that the linemen were doing the following work:

- The linemen were doing line patrol.
- The linemen were also repairing what they found on line patrol.
- The linemen are trimming trees starting on the east side of the system working to the west.
- Lineman straightened poles at East Twin Lake.

Mr. Lamote also advised the Board that he had submitted a grant for a grubber and he should have information in two weeks whether the grant was approved.

Lyle Lamote, Line Superintendent, then left the meeting and was no longer in attendance.

General Manager, Timothy O'Leary, gave his General Manager's Report and said report was as follows:

1. The Board had been provided the December Power Bill. Purchases for December were 1.32% over with the higher amounts split between regular and heat sales. Wade Thooft, Operations Staff Assistant, did a review of heat meters after receiving several high bill complaints and found meter errors and meters that were shut off. Heat sales will go up as a result. The average cost of power came in at 58.07 mills/kWhs versus the budgeted amount 60.50 mills/kWh. The year-end average monthly rate came in at 65.39 mills/kWh which was slightly higher than the budgeted average rate of 64.51 mills/kWh.
2. Lyon-Lincoln Electric Cooperative, Inc.'s kWh purchases through the month of December are currently 96.63% of the budget. It's kWh sales to members through December were currently 96.66% of the budget. The line loss for the year stands was 5.23%.

3. General Manager, Timothy O’Leary, presented the following monthly information for 2024 concerning purchases and sales and it was as follows:

		Actual	%		Actual	%		Line
		Purchases	Of Budget		Sales	Of Budget		Loss
January		11,157,651	99.01%		10,809,223	101.15%		3.12%
February		8,397,811	81.99%		8,035,386	80.96%		4.32%
March		8,491,516	97.65%		7,985,717	95.81%		5.96%
April		6,760,299	91.98%		6,417,226	93.10%		5.07%
May		6,044,989	97.67%		5,759,472	98.95%		4.72%
June		6,591,479	93.63%		6,127,888	91.68%		7.03%
July		7,845,716	99.29%		7,337,094	99.48%		6.48%
August		7,540,609	102.94%		6,978,733	100.84%		7.45%
September		6,833,902	108.98%		6,429,791	108.74%		5.91%
October		9,171,713	100.11%		8,616,063	99.60%		6.06%
November		8,564,064	90.06%		8,113,142	90.11%		5.27%
December		10,632,518	101.32%		10,292,594	101.94%		3.20%
		98,032,267	96.63%		92,902,329	96.66%		5.23%

4. East River Electric Power Cooperative, Inc. MAC meeting included some of the following topics:
- a. Basin’s FERC rate cases were reviewed, East River Electric Power Cooperative, Inc. has a new \$360M construction work plan, Basin Financials were reviewed, Dakota Gas financials were reviewed, East River Electric Power Cooperative, Inc.’s load forecast was reviewed, and there was an overview from the Midwest Electric Consumers Annual Meeting and an update on the Summit carbon pipeline.
 - b. East River Electric Power Cooperative, Inc.’s staff indicated that margins are expected to exceed the budget margin by \$3.1M. The plan was to use the excess margins to help offset the power cost increases through a bill credit in 2025. This wasn’t discussed at the recent MAC Meeting, but is on the draft agenda for February, 2025 which is when the books will be closed for 2024.
 - c. Robert Sahr, CEO/General Manager, recapped the most recent Class A Manager’s Meeting at Basin by letting the MAC know that Basin continues to discuss generation options for large loads. The discussion includes possible contributions in aid to construction options and how Basin will be involved in the large load discussions. Discussions will continue at the upcoming February Member Manager’s Meeting in Sioux Falls, South Dakota. While it may be hard for Lyon-Lincoln Electric Cooperative, Inc. to get a large load to locate in our service territory, this discussion will impact out future power costs as Basin looks for ways to limit impacts to legacy members.
5. General Manager, Timothy O’Leary, signed and returned the Facility Planning Study Agreement to the Cooperative Building Solutions (CBS). The Cooperative agreed that it wouldn’t start the process until April/May to allow them time to inspect the Cooperative’s entire facility free of any snow or cold. The Cooperative is expecting the work to take between 10 to 12 weeks and a final report will be given to the Board in the September timeframe.
6. CFC Directors approved a motion recommending an amendment to its Bylaws to ensure equitable member representation on the Board while enhancing their board’s governance structure. The amendment would remove the two board

seats that are currently appointed by NRECA and replace them with two new seats being at large director seats that are subject to term limits. One seat would be selected by Class B Members (generation and transmission co-ops) and one from Class C (statewide and regional organizations) and Class D Members (national organizations including NRECA). The change would ensure that all directors are elected to serve on the Board. The size of the Board will remain the same.

7. General Manager, Timothy O’Leary, indicated that he had attended the CEO Close Up event in January and indicated that the event had general sessions and break out learning sessions. Artificial Intelligence was a big theme along with member/employee relations. There was also discussion concerning How to Serve Data Centers. Ty Thompson, from the NRECA Legal Department, covered Legal and easement issues.

8. The Board was advised of the following scheduled meetings:

- February 4, 2025 the East River Electric Power Cooperative, Inc. MAC and REED Meetings will be held.
- February 10-14, 2025 the Federated Board Meeting.
- February 17, 2025 the Legislative Dinner in St. Paul, Minnesota.
- February 19-20, 2025 the Basin MAC Meeting in Sioux Falls, South Dakota.
- February 24, 2025 the Lyon-Lincoln Electric Cooperative, Inc. Board Meeting.

The Board reviewed the General Manager’s Expense Report for January 2025 and after review a motion was made by Mr. Rokeh, seconded by Mr. Grant, and carried to approve the General Manager’s Expense Report.

The Board reviewed the Lyon-Lincoln Electric Cooperative, Inc.’s Cyber Report for December, 2024 which had been prepared by East River Cyber Security Department for Lyon-Lincoln Electric Cooperative, Inc.

The Board reviewed the 2024 Service Reliability Report which is required for the State of Minnesota and the purpose of the report is to review Lyon-Lincoln Electric Cooperative, Inc.’s service reliability and service quality of the Cooperative’s distribution system. The report is based on Lyon-Lincoln Electric Cooperative, Inc.’s Board Policy 607 and summarizes the Cooperative’s annual performance for the provisions listed in the policy such as Reliability Measurements, Major Service Interruption, Customer Notice of Planned Service Interruptions, Meter Reading Frequency, Replacing Malfunctioning Meters, Service Calls, Call Center Response Time, Service Extension Response Time, Member Complaints, Involuntary Disconnections, Emergency Medical Account, and Member Deposits.

The Board again discussed Policy 404 and what information should be provided to the members online such as Form 990 and Minutes of the Board Meeting. There was discussion and it was decided the matter should be reviewed in the future.

There was discussion concerning the Nominating Committee and after discussion a motion was made by Mr. Longtin, seconded by Mr. Buyck, and carried to appoint the following persons to the Nominating Committee:

District One: Deb Rouge, Pat Krog, & Alan Benz

District Two: Ken Schiller & Mike Olson

District Three: Jared Lipinski, Bob Polejewski, & Scott Fier

The Board reviewed Policy 304 being the Ethical Conduct Statement and there were no changes.

The Board was advised of the following upcoming meetings:

- East River Energize Forum, February 5-6, 2025, SF Convention Center, Sioux Falls, South Dakota.
- MREA Annual Meeting & Reception and Tradeshow, February 18-19, 2025; Intercontinental St. Paul Riverfront, St. Paul, Minnesota.
- NRECA Power Xchange, March 7-12, 2025 in Atlanta, Georgia.

General Manager, Timothy O’Leary, then had a discussion with the Board concerning rates and the discussion concerning margins, revenue deferral, and the timeframe for rates to be increased. After discussion General Manager, Timothy O’Leary, indicated that he would bring a proposal to the Board at the February Board Meeting.

There being no further business to come before the Board, President, Dale Fier, adjourned the meeting at 3:15 o’clock P.M.

Secretary

ATTEST:

President