

MINUTES OF BOARD MEETING
Lyon-Lincoln Electric Cooperative, Inc.
Monday, November 25, 2024

The regular monthly meeting of the Board of Directors of Lyon-Lincoln Electric Cooperative, Inc. was held on Monday, November 25, 2024 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, and Joel Buyck.

The following director was absent: Jared Dritz.

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

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 October 28, 2024 and there were no changes. A motion was made by Mr. Grant, seconded by Mr. Longtin, and carried to approve the October 28, 2024 Minutes.

President, Dale Fier, inquired whether there were any additions or changes to the Agenda. General Manager, Timothy O'Leary, indicated that when there was policy review under Plenary Matters item a, he was going to include a discussion concerning Policy No. 404 concerning Member Information. There being no further items to be noted in the Agenda a motion was made by Ms. Schreurs, seconded by Ms. Gunnink, 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 October 1, 2024 through October 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 October, 2024. After review, a motion was made by Mr. Longtin, seconded by Mr. Rokeh, and carried to approve the shares to be accepted.

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

Finance Manager, Kristi Jensen, reviewed the Financial and Operating Report with the Board which included the Income Statement for September, 2024 and a Balance Sheet for September, 2024. She also reviewed the Power Requirements Data for the various rates charged by the Cooperative for September, 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 September, 2024 was 0.68 and the Equity shown on the Balance Sheet for

September, 2024 was 40.03%. After discussion and review President, Dale Fier, indicated that the Financial and Statistical Report for the period ending September 30, 2024 was received and filed subject to audit.

The Board reviewed the Actual Capital Credit General Retirement for 2024 that would be paid in December and it was as follows:

2002	49%	LLEC \$ 198,997.56	
2019	45%	LLEC \$ 105,990.49	
		Sub-total	\$ 304,988.05
2004	100%	ER \$ 113,464.94	
2005	55%	ER \$ 97,199.88	
		Sub-total	<u>\$ 210,664.82</u>
Total Refund			<u>\$ 515,652.87</u>
Amount to Billing (applied to AR)		\$ 383,066.99	74.30%
Checks (inactive members)		\$ 91,458.57	17.73%
Uncollectibles (applied to UA)		\$ 2,458.98	0.47%
Invalid Addresses (unclaimed)		\$ 35,543.49	6.90%
Valid Address- Below \$25.00 (retired no check)		\$ 3,124.84	0.60%
		\$ 515,652.87	100.00%

After review a motion was made by Mr. Grant, seconded by Ms. Gunnink, and carried to approve the Actual Capital Credit General Retirement for 2024.

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

1. Mr. Jeremiason advised the Board that he had been visiting with Cooperative Insights about conducting a member survey in 2025. The Cooperative hasn't had a complete member survey conducted since 2016. The Cooperative can customize the survey with 5-10 customized questions to address any topics that the Board wanted to focus on. The survey would also include demographic and satisfaction scores across various aspects of the business. Since the Cooperative is a Touchstone Energy Cooperative, the Board can decide to move forward with the survey, and also get an ACSI score and some benchmarking scores against similar sized cooperatives. The estimate for the survey was \$10,000.00 to \$11,000.00. Mr. Jeremiason uploaded a sample survey summary to the Board for their information in the Call to Order App as an example of the kind of data that could be collected. It was indicated by Mr. Jeremiason that the Cooperative would like to collect responses from 100 to 200 members for the survey. There was no action taken concerning said survey.
2. Mr. Jeremiason indicated to the Board that the MREA reached out about the Clean Energy Resource Team Community Energy Ambassador Program. The program focuses on the following:
 - Community Engagement – an overview of how you can effectively engage your community to clean energy resources that fit their needs.
 - Paying for Your Project – an introduction to programs, incentives, and financing that can help make home energy upgrades more affordable.
 - Home Energy Efficiency – basics that explain different ways to save money and energy and residential applications.

- Heat Pumps for Homes – overview of how various heat pumps can efficiently work in homes for space heating and cooling, as well as heating water and even drying clothes.
- How to Speak Solar – solar energy and solar storage basics.
- EV 101 and EVs in Greater Minnesota – EV information and how they work in greater Minnesota.

Mr. Jeremiason indicated that the Cooperative has access to the information with no requirements to engaging in the community. Mr. Jeremiason is going to go through the program and see what kind of information is available and how it could benefit the Cooperative's members.

3. There was discussion concerning two solar projects that are being developed. There will be further information provided to the Board in the future.
4. Mr. Jeremiason advised the Board of the following upcoming meetings/events:
 - November 26, 2024 – East River Member Services Meeting.
 - January 9-10, 2025 – MREA Member Services and Communication Conference.
 - January 31, 2025 – Co-ops in the Classroom – Marshall Southview Elementary.

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

Kellen Garrison of Eide Bailly attended the Board Meeting online and reviewed with the Board the Financial Statements from September 1, 2023 to August 31, 2024 which had been prepared by Eide Bailly. Mr. Garrison advised the Board of the purpose of the audit and reviewed with the Board the auditor's opinion as described in the Independent Auditor's Report dated November 11, 2024. The Board was advised of the responsibilities of management for the financial statements, the auditor's responsibilities for the audit of the financial statements, other reporting required by government auditing standards, and the report on legal and regulatory requirements. The Board and Auditor reviewed the Balance Sheets for the time period of September 1, 2023 to August 31, 2024, the Statements of Operations for the same time period, the Statements of Patronage Capital and Other Equities for the same time period, the Statements of Cash Flows and the Notes to Financial Statements for the same time period. The Board also reviewed with the Auditor the Independent Auditor's Report on Internal Control over Financial Reporting and Compliance with Other Matters Based on an Audit of Financial Statements performed in accordance with government accounting standards. There was also presented to the Board the Independent Auditor's Report in compliance with aspects of contractual agreements and regulatory requirements. Finally the Board was advised of the mini-audit that occurred for Operation RoundUp.

After discussion and review with Kellen Garrison of Eide Bailly a motion was made by Mr. Longtin seconded by Ms. Schreurs, and carried to approve the Audit presented by Kellen Garrison on behalf of Eide Bailly.

After the Audit was approved, Kristi Jensen, Finance Manager, left the meeting and was no longer in attendance.

Lyle Lamote, Line Superintendent, indicated that there was no Outage Report of 10 or more consumers for the month of October, 2024. Even though there were nominal outages a claim was submitted to Federated for damage to property because of a voltage issue due to an elbow not being pushed on all the way.

Mr. Lamote indicated that the linemen and others were doing the following work:

- He advised the Board that the linemen had completed a 3-phase underground line that was of approximately 4 miles northwest of Marshall.
- The linemen have three underground jobs to work on and one should be finished the week of November 25, 2024.
- EIR is still testing OCRs.
- The linemen will be performing line patrol.

Lyle Lamote, Line Superintendent, then reviewed with the Board the possibility of having the Cooperative purchase a heavy-duty forestry mulcher. There was general discussion with the Board and after review a motion was made by Mr. Rokeh, seconded by Mr. Buyck, to amend the Budget for the purchase of the heavy-duty forestry mulcher. After further discussion with the Board a motion was made by Mr. Grant, seconded by Mr. Longtin, to table the amending of the Budget to allow the purchase of a heavy-duty forestry mulcher to the December 23, 2024 meeting, said motion carried.

The Board adjourned for lunch at 12:00 o'clock P.M. and watched the East River Electric Power Cooperative, Inc. monthly video report which included the Basin Summary. The Board reconvened at 12:31 o'clock P.M.

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

1. The Board had been provided the October Power Bill. Purchases for October were slightly above the October budgeted amounts (100.11% of budget) with lower electric heat sales. Heat sales were 469,599 kWhs below budget. The overall average rate for the month was 64.46 mills versus the budgeted amount 69.28 mills. Mr. O'Leary indicated that these numbers should help with year-end numbers.
2. Lyon-Lincoln Electric Cooperative, Inc.'s kWh purchases through the month of October are currently 96.8% of the budget. It's kWh sales to members through October were currently 96.49% of the budget. The line loss for the year stands at 5.50%.
3. General Manager, Timothy O'Leary, advised the Board that it is necessary to continue to discuss the cost drivers that are impacting the Cooperative's purchase power rates in the Newsletter. Mr. O'Leary will focus on East River next month and then finish with costs impacting the Cooperative locally. Mr. O'Leary will continue to share the articles to get the Board's thoughts and to make sure that the Board is comfortable with the article.
4. East River Electric Power Cooperative, Inc. MAC meeting included some of the following topics:
 - a. The highlights from the MAC were detailed in the video presented to the Board during the lunch hour. The Budget was reviewed and questions were answered by the East River staff. East River will implement a 7.6% increase in the average base rate and Lyon-Lincoln Electric Cooperative, Inc. will see an 8.17% increase in its rates for 2025. The increase is being driven by increases in power costs from Basin and WAPA, interest (\$4.33M) and depreciation (\$1.5M), inflation for materials/equipment, and benefits/insurance costs. The East River Board will provide some rate relief in the form of a bill credit and this decision will be made at the November meeting. There was discussion concerning the load management control hours for 2024 year-to-date at the East River MAC Meeting. Control hours and dates are down in 2024 year-to-date and the

East River staff continues to look for opportunities to lower control hours and days. The East River staff reviewed the heating degree days and cooling degree days and indicated that both were lower than the budget. Robert K. Sahr, CEO/General Manager for East River Electric Power Cooperative, Inc., and the East River staff provided updates on large load discussions that were happening in Minnesota and that are coming to South Dakota, updated the group on large loads across East River's system, provided a Midwest Electric Consumers Association update, and reviewed the budget and construction work plan for 2025. Chris Studder, Chief Member and Public Relations Officer for East River Electric Power Cooperative, Inc., gave an update on Federal Funding opportunities. East River has been approved for a \$20M grant (50% contribution). The grant would be used to install more efficient transmission lines. At the present time East River has to negotiate with the Department of Energy on the project.

- b. Mr. Sahr gave an update on a recent manager's meeting he attended at Basin Electric Power Cooperative, Inc. According to the Basin financials, Basin is ahead of budget by \$39M. The \$39M includes a transfer of \$20M from the Rates Stability Fund. However, Basin is still seeing lower than expected sales to non-members and a lower rate for natural gas sales. Mr. Sahr indicated that the meeting included an extended discussion on large loads, the risks that are associated with them, and how Basin should meet the load requirements of the large loads. There was discussion concerning renewable energy credits (RECs). The discussion revolved around the different state requirements for the RECs with a focus on Minnesota carbon free standard and improvements that could be made to the program to increase efficiency and revenue.
 - c. Mike Jaspers, Business Development Director for East River Electric Power Cooperative, Inc., indicated that the financial outlook for row crop farming over the next 5 years will put significant pressure on farm margins. Production is up, but so are break-even prices due to increasing input costs and lower sale prices.
5. WAPA is considering allowing renewable energy credits (RECs) to be sold or transferred. This would allow Lyon-Lincoln Electric Cooperative, Inc. the opportunity to meet state compliance requirements. Currently the credits cannot be sold.
6. General Manager, Timothy O'Leary, advised the Board that Federated Insurance will be moving from 2-year policies to 1-year policies due to changes in the reinsurance market. Federated will be retiring \$8.7M in capital credits at the end of the year which will bring this years retirement total to \$11.4M.
7. The Board was advised of the following scheduled meetings and office hours during the holidays:
 - December 3, 2024 the East River Electric Power Cooperative, Inc. MAC Meeting.
 - December 16, 2024, Lyon-Lincoln Electric Cooperative, Inc. Budget Meeting at 10:00 o'clock A.M.
 - December 23, 2024 the Board Meeting at the Headquarters Building in Tyler, Minnesota at 9:30 o'clock A.M.
 - December 24th and 25th the Office for the Cooperative will be closed for Christmas.
 - January 1, 2025 the Office for the Cooperative will be closed for New Year's.

General Manager, Timothy O’Leary, reviewed with the Board the Minnesota Group Retention Program for the policy period from January 1, 2024 thru December 31, 2024. The Board was advised that there would be no group retention payment for Lyon-Lincoln Electric Cooperative, Inc. at the end of the year. There was a projected individual refund for July 1, 2026 in the amount of \$5,575.00.

Jacob Schaefer from East River Electric Power Cooperative, Inc. Cyber Security Department reviewed with the Board Cyber Security issues and what users should do to protect their information and how the Cyber Security Department at East River can assist the Board and employees of Lyon-Lincoln Electric Cooperative, Inc. with cyber security issues. He discussed general phishing and red flags to be aware of concerning cyber security. Mr. Schaefer then reviewed with the Board the Cyber Report for October, 2024 which was prepared by the East River Cyber Security Department.

General Manager, Timothy O’Leary, asked Vice-President, Mike Longtin, if he had any matters to add to the East River Report and Vice-President, Mike Longtin, indicated that the Budget from East River was approved and how the Construction Work Plan for East River was defended.

It was pointed out to the Board that the East River Board Meeting Draft Minutes for October of 2024 were in the Call to Order App that the Board could access.

The Board was presented with Policy 310 – Appearance Before the Board and after review a motion was made by Mr. Longtin, seconded by Ms. Schreurs, and carried to approve Policy 310 – Appearance Before the Board.

The Board reviewed policies of the Cooperative being Policy 401 through 407. After discussion and review a motion was made by Mr. Longtin, seconded by Ms. Schreurs, and carried to approve Policy 401, 402, 403, 405, 406 and 407. Policy 404 will be reviewed at the December Board Meeting which concerns member information and whether Form 990 should be included on the Website.

There was discussion concerning the employee incentive referred to as a year-end bonus for employees of the Cooperative and a motion was made by Mr. Rokeh, seconded by Mr. Longtin, and carried to pay the employees of Lyon-Lincoln Electric Cooperative, Inc. a year-end bonus of \$250.00 each.

The Board reviewed the map showing members for District No. 1, District No. 2, and District No. 3 and the Townships or Cities included in each District. After review a motion was made by Mr. Buyck, seconded by Mr. Longtin, and carried to approve the map for director districts which show district totals as follows: District No. 1 – 1,273, District No. 2 – 1,444, and District No. 3 – 1,198, total 3,915. There was discussion concerning the District/Annual Meeting dates and after discussion a motion was made by Mr. Rokeh, seconded by Mr. Buyck, and carried to have the Annual Meeting held on June 4, 2025 at the headquarters building in Tyler, Minnesota commencing at 5:00 o’clock P.M. There was then discussion concerning when to hold the District Meetings and after discussion a motion was made by Mr. Grant, seconded by Ms. Gunnink, and carried to set the District No. 1 meeting to be held on April 7, 2025, the District No. 2 meeting to be held on April 8, 2025, and the District No. 3 meeting to be held on April 10, 2025 with all meetings commencing at 7:00 o’clock P.M. The District No. 1 meeting will be held in Tyler, Minnesota, the District No. 2 meeting will be held in Russell, Minnesota and the District No. 3 meeting will be held in Hendricks, Minnesota.

There was discussion concerning the Nominating Committee and the Board requested that General Manager, Timothy O’Leary, provide a membership list for the Board to review at the December meeting to help deal with the question of the Nominating Committee.

The Board was reminded that there would be a Christmas Party held on Friday, December 13, 2024, commencing at 6:00 o'clock P.M. at the Tyler Golf Club in Tyler, Minnesota.

There was discussion concerning who should be the voting delegate for the CRC 2025 meeting and it was indicated that Secretary/Treasurer, Kathy Schreurs, was already designated as the delegate and Director, Joel Buyck, was already designated as the alternate.

The Board was advised that there would be an NRECA BLC Summit, offering 3 BLC classes to be held on January 14th through January 16th of 2025 at the MREA Office in Maple Grove, Minnesota.

There was no discussion concerning the Board Forum.

President, Dale Fier, adjourned the meeting at 2:47 o'clock P.M.

ATTEST:

Secretary

President