

Presidents Report

Steve Nile

On behalf of the board, I would like to update all of you on the past year at MYEC.

This past year has been one that history will not allow us to forget. As a society, we have learned to adapt, accept change, look forward, and cherish the important things in life.

The year began with MYEC having to cancel the 2020 Annual Meeting due to the global COVID-19 pandemic to ensure the safety of all members and staff. This caused many challenges for the cooperative. For starters, without the in-person meeting, MYEC had to find a way to hold director elections and vote on proposed bylaw changes. With the help of many, we were able to hold the election and bylaw vote through mail which resulted in record participation by the membership. However, there were a couple difficult circumstances that arose. First, one of the nominees that was nominated did not reside in the specific district that was up for election; this was unfortunately the result of a legitimate clerical error and was not discovered until the votes were cast that resulted in a tie-vote. MYEC reached out to the National Rural Electric Cooperative Association (NRECA) for legal guidance, along with MYEC's attorney, and numerous other cooperative attorneys for advice on the best way to handle the situation. MYEC was advised that the clerical error did not overrule bylaws set forth by the membership or historical membership records. Therefore, the individual who did not reside in the correct district was determined to not be eligible to serve that district and the other candidate was elected as the director.

As a board, we have learned from this regrettable incident and have formed a committee that has established clear boundary lines for each district that will be put into our mapping system by year end. These new boundaries are labeled as districts; each trustee seat will be associated with his/her own district determined by the service area they represent. This will allow our member database to coincide the member with their respective district and ensure the districts are as nearly equal as possible.

MYEC's proposed bylaw changes will address tie-vote scenarios, redistricting, holding remote meetings, and voting by mail or electronically. Montana Electric Cooperatives' Association (MECA, our statewide organization) has introduced a new bill that allows coops more flexibility in how they hold meetings. The proposed bylaw changes are consistent with the new bill that is being introduced by the state.

The proposed bylaw change in Article 3 will allow more alternatives with the voting procedure and how annual / special meetings are held. This gives MYEC the ability to hold in-person meetings in conjunction with virtual meetings to provide our members an option on how they prefer to attend the meeting and vote. This bylaw change will ensure the cooperative business will proceed, regardless of circumstances, and will hopefully increase membership involvement during the meeting and voting process.

Article 4 will provide MYEC's Board a clear-cut direction on how to deal with a tie-vote, in the event a tie-vote arises at another annual meeting in the future. Article 4 will also allow the directors to redistrict as necessary to address any changes in the membership to ensure equal and adequate representation is maintained between the districts to the greatest extent possible.

The board would appreciate the members approval

on passing the bylaw changes that are presented. These proposed bylaw changes will help protect the cooperative with future conflicts, and will allow MYEC to meet state requirements, and provide more flexibility for member participation.

As I stated earlier, we have changed and must continue to change. Change is hard for many of us, with change comes the uncertainty of not knowing, which oftentimes stirs unpleasant thoughts, emotions, or actions. As a board, community, and cooperative family, we cannot let negativity tear us apart. By working together—and only together—do we succeed. Your positive efforts will make a huge difference in strengthening and uniting our cooperative and I thank you for your continued support. MYEC has faced many peaks and valleys and has come a long way. I feel we are on the right track to a successful, stable, long-term partnership with other cooperatives that will safeguard our electrical future. The partnership we formed with Lower Yellowstone Rural Electric Cooperative (LYREC) was important, but also rewarding for both cooperatives. The efficiencies, cost savings, and vision have been extraordinarily beneficial. We are proud to be part of this partnership, and excited for the opportunities that our small cooperative has had due to our shared service agreement. I am honored that other cooperatives are looking at MYEC & LYREC's shared service model as a way of the future. To say that we are an industry leader is something to be proud of; we are thankful for our neighbors who are willing to work together for the betterment of the membership.

Please continue to support MYEC as we navigate through the necessary changes that will help improve and maintain our electric grid; these changes will not only benefit our current membership but future generations to come. Your commitment makes all the difference. Thank you.

CEO Report

Jason Brothen

With so many aspects of our lives being disrupted in 2020, one thing has stayed consistent, electricity.

We knew as the COVID-19 pandemic started that we must be a stable part of our member's lives. The state and federal government asked cooperatives to take every precaution necessary to protect our employees and members. The overall fear was that if electrical companies lost workers to the COVID-19 illness, our power grid could become compromised if a storm situation arose, or in the event of a major outage. MYEC's employees work closely on a daily basis, so making sure to take the necessary precautions to keep our employees safe has been a challenge. Regardless of your views on the COVID-19 pandemic, we must continue to follow the direction given by our national organization along with local, state, and federal agencies.

In the budget planning process, we took every conceivable measure to shield the cooperative from any major incidents. This plan meant being good stewards of the members financial resources, maintaining the integrity and reliability of the system, and applying a fairness measure to all past, present, and future members. Our cooperative needs to follow all parts of the plan to ensure stability.

In 2018, the board of directors and management team, participated in strategic sessions that focused on the vision and future of the cooperative.

During those sessions we identified three fundamental objectives: capital budget, capital credit retirements, and equity thresholds. It is vital to establish policies that identify our goals, and objectives, so that the cooperative can sustain a reliable system well into the future. Ultimately by meeting our goals and objectives, we will strengthen the fairness measure, provide a consistent and sustainable financial profile; therefore, creating a lower overall rate impact to the membership.

It is imperative to identify how much is needed to invest in our plant each year to maintain the integrity and reliability of the system. A significant part of applying a fairness measure is to ensure that each member is contributing their fair share toward the plant each year. If we fall behind in maintaining our system, the system upgrades need to be made up in future years therefore passing the burden to future members. This ultimately ends up costing the cooperative more down the road, which increases rates for future members. Some of our current plant has not been upgraded since it was built in 1940. We have been working with our engineers to target areas that are in need of upgrades to maintain reliability.

After the cooperative pays their operating costs, the left-over margin is returned to the members as capital credits. The goal of the cooperative is to retire capital credits on a rotating 15-20 year basis. In the meantime, the left-over margins will be used by the cooperative to help reduce funds that the cooperative would otherwise have to borrow from a financial institution. Due to the unstable financial situation that MYEC has been in the past, we have not been able to retire capital credits as we would have liked. To maintain the fairness measure we need to ensure that each member is contributing to the pay back of long-time members. Over the past 4 years we have been working diligently to get the capital credit rotation years reduced. I am pleased with the plan we are using to return the retired capital credits to the members.

Understanding our equity goals, capital budget expenditures, and capital credit retirement methodology, will allow us to solve for margin requirements. When any of the 3 legs of the stool are not equal, it results in an additional burden to our future members and will ultimately put the cooperative in a financial bind making maintaining the electric grid problematic. But when we manage the 3 legs of the stool correctly, it stabilizes rates and allows us to meet our cooperative targets.

In 2020, we completed several projects to stabilize our system, including numerous small projects that are preparing us for some larger projects. With irrigation being a large part of our systems demand, we must plan our projects accordingly. At times our projects must be during the irrigation season, and I want to thank those members who understand we have a limited time schedule for construction.

In 2021, MYEC will be completing our mapping project and will continue with the pole testing. We will need to replace a few 3-phase tie lines and are looking at replacing some meters. In summary, the operation department plans to focus on maintenance projects and new construction in the current year.

I am honored to be part of MYEC and work with great employees, directors, and members. I am excited about what we have accomplished so far, and what the future holds for MYEC.



Annual Meeting Notice & Report

Income Statement

Receipts:	
Revenue from electric sales	\$ 3,751,782.22
Other operating revenue	38,028.70
Total operating revenue	<u>\$ 3,789,810.92</u>
Expenses:	
Cost of electric power	\$ 1,012,012.62
Operation and maintenance	816,238.69
Administrative and general	643,107.55
Depreciation	427,066.15
Taxes	134,672.64
Interest	108,163.74
Total operating expenses	<u>\$ 3,141,261.39</u>
Net operating margin	<u>\$ 648,549.53</u>
Capital credits	\$ 62,107.94
Non-operating margin	\$ 5,809.04
Total margin for the year	<u>\$ 716,466.51</u>

2020



SmartHub

Manage your electric account right from your smart phone or tablet with SmartHub.

- » View and pay bills
- » Set up recurring & stored payments
- » Manage your account
- » Communicate directly with Mid-Yellowstone
- » Enter meter readings for the month



Balance Sheet

Assets	
Utility plant:	
Total investment	\$ 16,473,689.03
Less: depreciation	(8,409,388.34)
Net value	<u>\$ 8,064,300.69</u>
Other property & investments:	
Investment in associated organizations	\$ 139,938.74
Associated organizations - patronage capital	332,821.27
	<u>\$ 472,760.01</u>
Current & accrued assets:	
Cash	\$ 329,903.78
Accounts receivable - electric sales	208,407.62
Accounts receivable - other	1,952.37
Interest receivable	1,621.23
Material and supplies	215,030.74
Advance payments and misc. assets	307,762.19
	<u>\$ 1,064,677.93</u>
Total Assets	<u>\$ 9,601,738.63</u>
Liabilities	
Long-term debt:	
We have borrowed	\$ 13,378,675.98
We have paid back	(10,550,787.97)
Total long-term debt	<u>\$ 2,827,888.01</u>
Current & accrued liabilities:	
Accounts payable	\$ 160,729.57
Other liabilities	323,034.68
Total	<u>\$ 483,764.25</u>
Equities and margins:	
Margins-previous years	\$ 8,167,881.43
Less: Capital credits paid/adjusted through 2020	(2,594,261.57)
Margins for 2020	716,466.51
Total	<u>\$ 6,290,086.37</u>
Total Liabilities	<u>\$ 9,601,738.63</u>

Kevan Kimball Retires



In March of 1985 following the retirement of his father from the board, Kevan Kimball became a director for Mid-Yellowstone Electric Cooperative. For almost 36 years Kevan served the members of MYEC with dignity, honesty,

and heart.

Kevan was an active member of the board and was the current board President at the time of his retirement. He attended trainings to advance his development as a board member. He also served as the director from MYEC on the Montana Electric Cooperatives' Association board.

While Kevan says he will miss the comradery of all the directors he has met, visited with, and learned from over the years, he knows Mid-Yellowstone Electric is in good hands with the current management and staff and feels peace in leaving the board.

"The security in our wholesale power contract with Upper Missouri and shared services partnership with Lower Yellowstone will allow Mid-Yellowstone to prosper for many years." he says.

Mid-Yellowstone Electric Cooperative thanks Kevan Kimball for his 36 years of dedication to the cooperative, and its members, and wishes him well.



Annual Meeting

The Annual Meeting of members of Mid-Yellowstone Electric Cooperative, Inc. will be held virtually this year due to COVID-19 requirements. Members will be able to join the meeting via video or by calling in through the phone. A meeting invite will be posted on MYEC's Facebook page and website closer to the event date. The meeting will be held in Hysham, Treasure County, Montana, at **5:30 p.m. on Wednesday, March 24, 2021.**

- » The reports of officers, trustees, and committees.
- » The election results of two trustees of the Cooperative for 3-year terms.
- » Results of proposed bylaw update

The following members have been nominated for trustee positions by the Nomination Committee appointed by the board of trustees or by petition pursuant to the bylaws of the Cooperative.

- » Steve Nile and Jason Brewer - District 4
- » Jim DeCock - District 7

The enclosed mailing contains all meeting information along with the ballot for the proposed bylaw amendments and district seats.

A prepaid envelope is enclosed. Please mail all ballots to MYEC.

Ballot must be signed and received by noon on Tuesday, March 23, 2021.

