

ANNUAL REPORT 2022



Going from Good to Great

A detailed look into what MLEC is doing to improve, evolve, and plan for the future.



WE'RE GLAD YOU'RE HERE

Welcome to the 2022 Annual Meeting! In this annual report booklet you will find facts and figures about your cooperative along with updates and reports regarding 2021. We thank you for being an active and engaged Mille Lacs Energy Cooperative member.

MLEC AT A GLANCE



MISSION:

To responsibly provide reliable, competitively-priced energy, services, and products to meet the needs of our members and customers.



1,986

MILES OF LINE

1197 Overhead
789 Underground



13,308

MEMBER
CONSUMERS



SEVEN MEMBER-ELECTED
DIRECTORS

1939
FOUNDED

6.8
MEMBERS PER
MILE OF LINE

3 COUNTIES SERVED
AITKIN, MILLE LACS, CROW WING

VISION:

Enhancing the quality of life throughout our communities.



FORTY-SIX
DEDICATED EMPLOYEES

7 COOPERATIVE PRINCIPLES

1. Voluntary and Open Membership
2. Democratic Member Control
3. Members' Economic Participation
4. Autonomy and Independence
5. Education, Training, and Information
6. Cooperation Among Cooperatives
7. Concern for Community



MLEC BOARD OF DIRECTORS



Barbara Welty

District 1
Secretary/Treasurer



Carol Pundt

District 2



Harold Harms

District 3
Board President



Aileen DeMenge

District 4
Asst. Secretary/Treasurer



Don Appel

District 5
Vice-President



Bruce Robinson

District 6



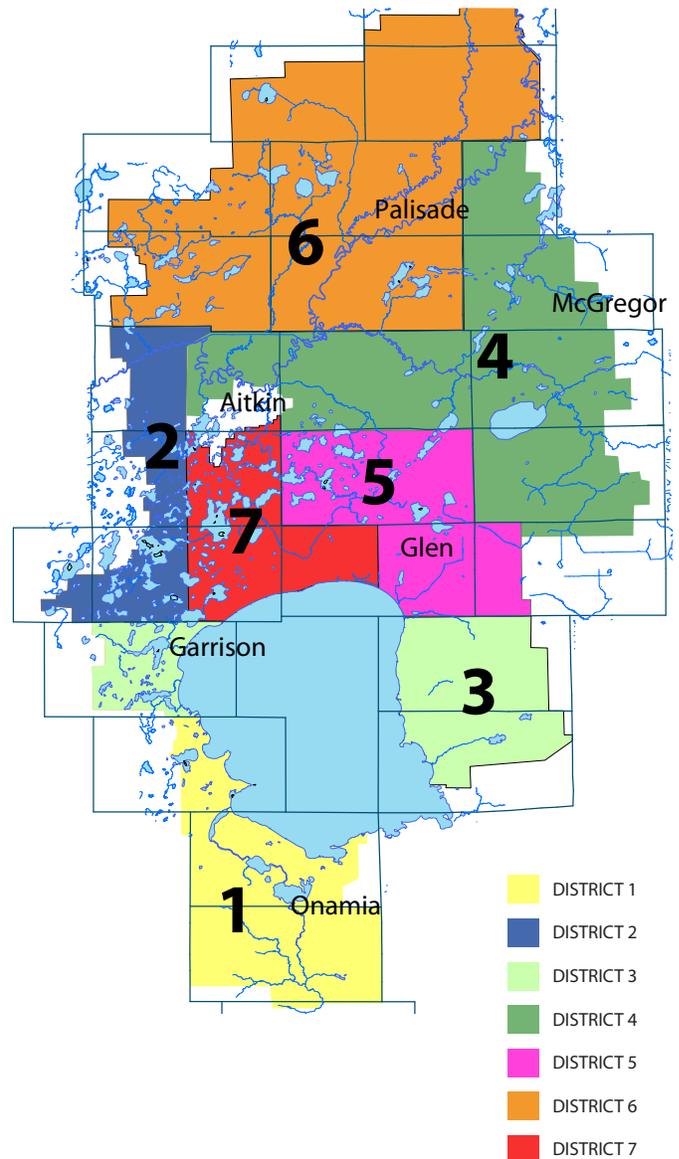
Michael Reem

District 7

GOVERNANCE BY MEMBERS

Mille Lacs Energy Cooperative is a democratically controlled business. It is governed by local people that are elected by you and your fellow cooperative members. With members in charge, you can feel confident that board decisions are made in the best interest of you and your community.

OUR SERVICE AREA



DIRECTOR CANDIDATES

MARK ANDERSON *District 1 - Elected by Acclamation*



Education: Cannon Falls Public Schools, St. Paul College Industrial Hydraulics Pneumatics AA Degree, Central Lakes College Natural Resources AA Degree
 Employment History: "Retired" MN Dept of Natural Resources Forestry Technician - Onamia Field Station 1979-2020, Onamia Schools General Route Bus Driver, Independent Consulting Forester
 Community Involvement: Member Bethany Lutheran Church (Church Council), Retired Member Onamia Fire Dept. (Treasurer) 26 yrs, Retired Member Mille Lacs Ambulance Service (22 yrs), Onamia School Board (2012-2015)

I have been a resident of our beautiful lake country and member of the Mille Lacs Energy Cooperative for over 42 years. My wife, Michelle, and I have 3 children, one of whom is a junior in high school. In 2020, I retired from the MN DNR Forestry Division in Onamia after 42 years and continue as needed as a Wildland Firefighter and a consulting Forester. Due to the current shortage, I also am a bus driver for the Onamia School District. I believe strongly in giving back to my community and was a member of the Onamia

Fire Department for 26 years and an EMT for Mille Lacs Volunteer Ambulance Service for 25 years. The decisions we make now as a cooperative will impact our children's future. I would like to be involved in a team shaping some of that future through economical clean energy, energy independence, and technology advancement. I have strived to be open and willing to listen to all sides of an issue and will work collaboratively with the board, staff, and directors.

CAROL PUNDT *District 2 - (Incumbent)*



Education: Insurance Mgt (FLMI); Life Underwriting (LUTCF) both from American College
 Employment History: Clerk for Bay Lake and Deerwood Townships, MLEC Director
 Community Involvement: I participate in a singing group, A Wing & A Prayer, from Immanuel Lutheran Church. I assist organizing fundraisers for Malawi Orphan missions in South Africa, and participate in BeFriender Ministries.

I am presently serving on the Board of Directors for MLEC. I have been a member of Mille Lacs Energy Cooperative since 1998. It has been an honor and privilege to serve on the MLEC Board of Directors for this past year. I take the responsibility of representing the members of District 2 very seriously. There is a real need for reliable, sustainable, and affordable electricity in our area. How that happens is up to everyone who works at MLEC, the working policies, and how those policies are communicated by the Board. The present Board of Directors have a

good working relationship with each other, MLEC management and employees. I find it exciting to be a part of this organization in moving forward with broadband installation, researching the possibility of a new facility, electric vehicle charging stations, and electrical grid improvements. Strengths I bring to the Board are: collaboration, cooperation, team building and organizational skills. I am a graduate of the Blandin and Initiative Foundation leadership programs. I thank you for your vote for District 2 Board Director for Mille Lacs Energy Cooperative.

DERIK MIDTHUN *District 2*



Education: Crosby Ironton High School, Electrician 2 year AA Degree
 Employment History: Master Electrician (Up North Electric), Electrician for past 10 years
 Community Involvement: Deerwood Fire Dept, Cedar Brook Church

It would be a privilege to represent District 2 for the MLEC Board of Directors group. I have been an electrician for 10 years, and I am proud to say that I hold the Masters License for my employer, UP North Electric. I believe that I can bring insight from a contracting point of view as a member of MLEC, by bringing fourth and explaining what exactly it takes to provide each customer with a reliable electrical service. If elected, I

have hopes to provide MLEC's customers with a better understanding of how to save money with something like an off peak or dual fuel system. I have lived in the Crosby-Aitkin area for 30 years and I also have been a customer of Mille Lacs Electric for 4 years with my beautiful wife. It would be an absolute honor to become a member of such a great cooperative company. I will serve District 2 to the best of my abilities.

PRESIDENT'S REPORT

2021 was a challenging year as we continued to adjust to the everchanging COVID-19 pandemic, dealt with supply chain issues, and rising inflationary costs. Out-of-the-ordinary weather conditions also presented challenges for MLEC. However, some instances provided a silver lining and benefited our cooperative.

Throughout the past two years, MLEC has done an impeccable job keeping COVID-19 outside of our walls. The precautions we took helped keep a majority of our workforce healthy. However, we still dealt with a low number of cases and potential exposures. We continued our pandemic response plan and monitored employees that may have been exposed. If exposed, employees were asked to work remotely, if possible. We continued to social distance, sanitize common areas, and use hand sanitizer frequently while in the office. All these safeguards were put in place to protect our members and our employees. Through all of this, our cooperative has performed very well, keeping the lights on and continuing work on our major ongoing projects like Right-of-Way (ROW) clearing and Advanced Metering Infrastructure (AMI) deployment.

“With a dedicated group of employees, a strong management team and an engaged Board of Directors, we are weathering the challenges experienced every day and continuing to provide the top-notch service expected by you, our member-owners.”

MLEC has completed installation of our AMI metering system. Employees have been trained to use the corresponding software and are already seeing its benefits. This metering system is more efficient, improves reliability, and will help keep future costs down for members and the cooperative. The new and improved meters can detect issues on power lines so they can be fixed before an outage occurs. Having access to this data helps us accurately identify issues, often without sending a truck on site to investigate.

Since 2018, MLEC has taken an aggressive approach to fully reclaim our Right-of-Way. We are now nearing completion of our first major pass. In areas where we have completed clearing, we are seeing fewer outages and quicker restoration times than before. We will be entering the next phase by maintaining our ROW on a 5-year rotation. Having ROW maintenance on a rotating cycle will save time, money, and resources in the future.

Extreme weather helped increase cooperative revenues with higher summer temperatures and a cold, snowy winter. We are also seeing more seasonal members move to their cabins

full-time. Having access to Broadband Internet allows them to work from home and take advantage of the “up north” lifestyle. MLEC Fiber continues to expand as we obtain additional grants. However, we have experienced supply chain issues in obtaining transformers, wire, fiber optic cable, and other maintenance items. Increasing fuel costs are also a concern. The Board of Directors and management team continue to keep a close eye on all expenses to avoid unpleasant surprises and keep rates stable for our membership.

2021 was a considerable improvement over 2020 in all aspects of MLEC. Our financials remain strong. We are maintaining our financial metrics and returning large amounts of capital credits back to our members. With a dedicated group of employees, a strong management team and an engaged Board of Directors, we are weathering the challenges experienced every day and continuing to provide the top-notch service expected by you, our member-owners. Thank you for attending our Annual Meeting and for being an active cooperative member.



Harold Harms
Board President

Harold Harms



CEO'S REPORT

Dear Member:

It has been a great year for Mille Lacs Energy Cooperative (MLEC), and I could not be prouder to work for this membership and with this team.

Let me tell you what was so great about the year?

Did you know that sixty cents of every dollar we take in goes directly to Great River Energy (GRE) to pay for the cost of purchased power? Twenty cents of every dollar we take is used for compensation and workforce expenses. These numbers are not unique to MLEC; in fact, many electric cooperatives have costs even higher in these two categories alone. Even with razor-thin margins, we were able to hold your electric rates stable for a third consecutive year and return a record amount of patronage back to you – our members – of nearly \$1 million! We were able to accomplish this in part to our stable rates from GRE and also the sound fiscal practices of your MLEC Management Team.

“We were able to hold your electric rates stable for a third consecutive year and return a record amount of patronage back to you – our members – of nearly \$1 million!”

In 2021, we completed our first five-year cycle of our comprehensive Right-of-Way (ROW) reclamation process. This means that we were able to clear under the power lines on our entire system in just five years. This is important because our ROW maintenance budget had been getting cut for years, allowing trees and brush to overtake our legal powerline ROW. The result was an unstable network of over 1,100 miles of powerline that came down every time we had high winds or storms. After five years, we are seeing the fruits of our labor. We have seen a significant reduction in the number of tree-related outages, costs, and outage restoration time. This is a clear win for our members' comfort and pocketbook. Another major investment, and multi-year project, was completed in 2021 – the installation of our Automated Metering Infrastructure (AMI) system. Much like our ROW investment, we are also beginning to see the benefits of this major project. This new technology, and companion software, helps our staff to identify system problems before members report them, isolates outage locations reducing member outage time, and allows crews some remote work functionality eliminating some truck rolls. All these things have added up to documentable savings of over \$183,000 in 2021, and we have just scratched the surface when it comes to learning about its capabilities.



Sarah Cron
CEO

We made significant progress on our potential building project in 2021. We sold the house and seven acres from the original property we purchased in 2020, leaving us with over 30 acres of buildable land. We received permission from MNDOT to construct a driveway off Highway 169 into the property and have completed that process. We hired the architectural firm ARI and have rough drawings ready for the bid stage. All these things have put MLEC in a favorable position if we move forward with the project now or sometime in the future. We closed 2021 just shy of 1,000 MLEC Fiber customers. This is true, high-speed, fiber-to-the-home, serving parts of our service territory that are currently considered un-served or under-served. We have received over \$10 million in grant funding for this project and will continue our mission to provide our members with the same essential services that you have access to in urban areas – just like we did when we brought electricity to these same rural areas in the 1930s. MLEC has had a solid history of good leaders that have led us through over 80 years of positive achievements. I am so proud to work with a dedicated management team and staff that are committed to shaping MLEC through the necessary changes required of a modern electric cooperative to bring us from a good cooperative to a great cooperative.



FINANCIAL REPORT

How Are We Doing?

With nearly 14,000 members, our financial position remains solid. We know affordable rates are important to you and we strive to keep them as low as possible. We manage our operating costs by running your cooperative as efficiently as possible. That doesn't mean we sacrifice quality.

Membership in MLEC is a powerful thing. It means we are owned by you—our members. It means you have an energy expert you can trust to look out for its members' best interests, not its own bottom line. It is an honor to be your electric cooperative, and we'll continue to work to make sure we deliver reliable, affordable, and safe electricity to your homes and businesses every day.

Financial Highlights

STATEMENTS OF MARGINS	2021	2020	2019	2018
Electric Revenue	28,563,684	27,799,002	28,320,790	25,785,929
Cost of Power	(16,888,977)	(15,630,266)	(15,801,308)	(15,536,133)
Gross Margin	11,674,707	12,168,736	12,519,482	10,249,796
Operating Expenses (Including depreciation & interest)	(10,758,789)	(11,508,020)	(11,826,110)	(9,348,899)
Other Non-Operating Income	1,129,001	521,086	730,757	730,691
Net Margin	2,044,919	1,181,802	1,424,129	1,631,588

BALANCE SHEETS December 31, 2018, 2019, and 2020

ASSETS	2021	2020	2019	2018
Utility Plant				
Total utility plant	76,821,286	73,783,682	74,694,203	69,233,710
Less accumulated depreciation	(27,917,121)	(27,051,012)	(28,384,134)	(25,765,728)
Total utility plant, net	48,904,165	46,732,670	46,310,069	43,467,982
Other Property and Investments				
Non-Utility Property	5,128,172	3,849,643	2,925,644	2,049,746
Investments in associated organizations	14,950,720	14,395,818	14,186,688	14,009,546
Other Investments	1,047,558	94,549	142,563	194,973
Total other Property and Investments	21,126,450	18,340,010	17,254,895	16,254,265
Current Assets				
Cash and cash equivalents	9,150,406	11,006,953	8,735,716	5,305,257
Accounts Receivable-net	4,065,651	3,043,657	450,031	573,888
Current Portion of Economic Development Loans	47,207	46,941	42,967	37,875
Materials and supplies	1,505,686	604,769	883,370	818,967
Prepaid Expenses	202,581	28,925	30,370	3,955
Other	22,941	34,536	2,474,698	2,109,285
Total current assets	14,994,472	14,765,781	12,617,152	8,849,227
Regulatory Assets	1,744,432	2,472,869	2,236,577	2,494,039
TOTAL ASSETS	86,769,519	82,311,330	78,418,693	71,065,513

Members' Equity and Liabilities	2021	2020	2019	2018
Members' Equity (Capital Credits)	31,268,280	30,323,271	30,041,052	29,518,851
Long term Debt-Less Current Maturities	47,263,061	45,224,701	42,160,987	35,382,125
Other Long-Term Liabilities	1,000,000	-	-	-
Current Liabilities				
Accounts payable	3,379,492	3,028,586	3,007,609	2,648,748
Current portion of Long-Term Debt	1,760,000	1,780,000	1,265,000	1,186,068
Customer deposits	283,223	272,181	238,012	255,744
Accrued Liabilities	475,444	463,405	264,332	246,987
Other	363,923	447,295	435,316	348,233
	6,262,082	5,991,467	5,210,269	4,685,780
Deferred Credits				
Customer Energy Prepayments	282,827	159,088	281,593	217,954
Other	693,268	612,803	724,791	1,260,803
Total Deferred Credits	976,095	771,891	1,006,384	1,478,757
TOTAL MEMBERS' EQUITY AND LIABILITIES	86,769,518	82,310,330	78,418,692	71,065,513

kWh Sold

2021



2020



2019



Comparative Operating Statistics

	2021	2020	2019	2018
Miles of Line Energized	2,002	1,991	1,986	1,986
Number of Services in Place	16,611	16,481	16,315	16,238
Number of Services Built	177	130	77	105
Number of Services Retired	8	34	47	62
Number of Services Not Energized	931	916	832	904
Number of Members Served (Wt Avg)	15,600	15,422	15,339	15,266
Total kWhs Purchased	212,301,753	211,713,913	218,634,468	217,765,775
Total kWhs Sold	199,912,953	199,345,206	204,563,340	203,219,997
Total kWhs Use by Cooperative	574,373	625,750	688,161	661,993
Total kWhs Unaccounted for	11,814,427	11,742,957	13,382,967	13,883,785
Percent of Line Loss	5.56	5.54	6.12	6.38
Total Cost of Purchased Power	16,888,977	15,630,266	15,801,308	15,536,134
Average Cost per kWh Purchased	0.0796	0.0738	0.0723	0.0713
Total Sales of Electricity	28,563,684	27,521,958	27,137,344	25,708,014
Average Income per kWh Sold	0.1429	0.1381	0.1327	0.1265

How Was Your Dollar Used?

2021



2020



2019



POWER SUPPLY REPORT

Great River Energy: Your membership to affordable, reliable, responsible power.

Great River Energy provides wholesale power and delivery services to Mille Lacs Energy Cooperative and 27 other electric cooperatives that collectively own Great River Energy. Together, these cooperatives provide retail electric service to more than 720,000 member-owners across Minnesota and parts of Wisconsin.

With stable wholesale rates, record-setting transmission reliability and a plan to dramatically reduce carbon dioxide emissions, Great River Energy is living up to its mission and fulfilling its promise to member-owner cooperatives.

Strong financials in 2021

While other types of businesses strive to produce returns for investors, cooperatives focus on service. When there's excess revenue collected, it's reinvested in the company or returned to members. That spirit of sharing guided Great River Energy throughout 2021. Due to strong sales and cost containment, Great River Energy recorded very strong margins. Great River Energy issued bill credits to members several times during the year and returned \$25 million in patronage capital payments.

Great River Energy's financial position has never been stronger. Great River Energy's wholesale power rates are 10.9% below the weighted regional average cost of electricity, and they are projected to remain steady or decline over the next several years.

Energy evolution underway

2021 witnessed some of the most significant and lasting changes to Great River energy's power supply portfolio. By dramatically reducing coal and more than doubling its renewable resources, Great River Energy worked toward reducing its power supply costs and minimizing its environmental impact.

Great River Energy reached an agreement to sell its largest power plant, the coal-based Coal Creek Station located in central North Dakota. In addition, the 436-mile high-voltage, direct-current transmission system that delivered the plant's energy to Minnesota was contracted to provide a dedicated pathway for the planned 400-megawatt Discovery Wind project.

This shift has the cooperative positioned to meet Minnesota's 80% carbon dioxide emissions reduction goal more than 25 years ahead of schedule.

Battery comes into focus

Great River Energy's partner on its upcoming Cambridge Energy Storage Project, Form Energy, revealed long-awaited details about its technology. The primary component of Form's first-of-its-kind, multi-day battery is also a cornerstone of Minnesota's economy: iron.

While other battery technologies employ expensive and rare metals, iron is one of the safest, cheapest and most abundant minerals on Earth – and it is found in Minnesota's Iron Range. The energy storage project is expected to be in operation at the end of 2023 in Cambridge, Minnesota. It will be the first commercial deployment of Form Energy's proprietary multi-day energy storage technology.

Serving members reliably

Transmission reliability is among the most important aspects of electric service. The electric system has developed over time and undergoes constant monitoring and maintenance to ensure it is reliable and resilient. Eight of the 10 metrics Great River Energy uses to assess transmission reliability were at all-time records in 2021.

Great River Energy's system performed well in June 2021 despite temperatures repeatedly reaching above 90 degrees Fahrenheit.



David Saggau
President and CEO
Great River Energy

The system did not experience any overloading, and Great River Energy did not need to make any special operational changes. Every resource in Great River Energy's power supply portfolio played a role in serving its member-owner cooperatives.

A responsible conclusion

Two-and-a-half years after the retirement of the Elk River Energy Recovery Station, the power plant site now resembles how it likely looked a century ago.

Crews spent much of 2021 removing underground structures, disposing of building materials and landscaping. The site has been graded to match the surrounding topography and seeded with pollinator plantings.

Transmission utility partnership builds under Grid North Partners

A partnership of utilities responsible for more than 800 miles of high-voltage transmission lines has been reinvented. Great River Energy was central to the launch of Grid North Partners, a collaboration with ambitions to build the next series of projects needed to ensure continued reliable, affordable energy and open new pathways for renewable energy. Grid North Partners is an evolution of CapX2020.

Grid North Partners worked with regional partners to identify the regional transmission enhancements needed to integrate the changing generation fleet while educating policymakers and other stakeholders on the purpose and need for transmission.

Guided by members

Great River Energy measures its success by how well it serves its member-owners and interacts with the communities it serves. Member satisfaction remains high, and Great River Energy is advancing the industry to new places.

Great River Energy is living its mission to provide member-owners with affordable, reliable energy in harmony with a sustainable environment.



HEADQUARTERS PROJECT UPDATE

ARI would like to thank the Mille Lacs Energy Cooperative employees and community members for the opportunity to be a part of this important project. It is our mission to design a facility that balances the functional requirements of your current operations with the sustained well-being of the MLEC employees. The end goal will be a facility that provides long-term value for the member-owners and the communities MLEC serves. Our process began in January 2022 with a series of design meetings. ARI met in large groups with every staff member at MLEC to document all the ways in which a new facility could improve the efficiency of operations, as well as the health and well-being of employees. We organized this information into a space program in which a square footage will be based upon. Next, we will develop a floor plan and site plan that will reflect these day-to-day operations. Throughout this process we will continue to review the design alongside the original project goals set forth by the MLEC building committee, including the following:

- Design and construction appropriate for critical infrastructure
- Flexible design providing for operational efficiencies, changing workforce interests, and future needs
- Community engagement during the design process
- Welcoming environment for employees, members, and the community.
- Employee health, wellness, safety, retention, and attraction.
- Balanced sustainable design with key interests including natural daylight, indoor air quality, appropriate stormwater treatment, and conservation of natural resources
- Advanced communication, training, presentation, and business technologies.
- Telling the story of the local community and surrounding landscape



Karl Larsen

*Principal and Registered Architect
Architectural Resources, Inc. (ARI)*



MAY IS ELECTRICAL SAFETY MONTH!

At MLEC, we recognize Electrical Safety Month every May, but we also know the importance of practicing safety year-round. From our co-op crews to you, the consumer-members we serve, we recognize that everyone has a part to play in prioritizing safety.

According to the Electrical Safety Foundation International, thousands of people in the U.S. are critically injured or electrocuted as a result of electrical fires and accidents in their own homes. Many of these accidents are preventable. Electricity is a necessity, and it powers our daily lives. But we know first-hand how dangerous electricity can be because we work with it 365 days a year. Given the prevalence of electrical devices, tools and appliances, I'd like to pass along a few practical electrical safety tips.

Frayed wires pose a serious safety hazard. Power cords can become damaged or frayed from age, heavy use or excessive current flow through the wiring. If cords become frayed or cut, replace them, as they could cause a shock when handled.

Avoid overloading circuits. Circuits can only cope with a limited amount of electricity. Overload happens when you draw more electricity than a circuit can safely handle—by having too many devices running on one circuit.

Label circuit breakers to understand the circuits in your home. Contact a qualified electrician if your home is more than 40 years old and you need to install multiple large appliances that consume large amounts of electricity.

Use extension cords properly. Never plug an extension

cord into another extension cord. If you “daisy chain” them together, it could lead to overheating, creating a potential fire hazard. Don't exceed the wattage of the cord. Doing so also creates a risk of overloading the cord and creating a fire hazard. Extension cords should not be used as permanent solutions. If you need additional outlets, contact a licensed electrician to help.

We encourage you to talk with your kids about playing it safe and smart around electricity. Help them be aware of overhead power lines near where they play outdoors.

Our top priority is providing an uninterrupted energy supply 24/7, 365 days per year. But equally important is keeping our community safe around electricity.

**PLUG
INTO
SAFETY**





ELECTRICAL SAFETY MONTH
Make electrical safety a priority
this month, and every month.

MLEC FIBER INTERNET

MLEC Fiber is the fastest and most reliable Internet available in our area. The decision to enter the broadband market was influenced by you, our members. We understand that having an Internet connection is extremely important to our members' quality of life. Having broadband is vital to economic development and prosperity in our rural areas. MLEC is committed to enhancing the quality of life for our members and the communities we serve. We also see the advantages a fiber-optic network can bring to our electric distribution system. Smart grid development is an important part of the electric grid now and in the future.

Since the initial investment in 2016, our MLEC Fiber network has grown to pass over 2,300 customers and members, all with access to 1 Gbps symmetrical fiber-to-the-home broadband. We currently have fiber available to members south of Aitkin (Project Phases 1-4). In addition, construction will be completed this summer on Phase 5 on the west side of Farm Island Lake and in the East Lake area and south along Highway 65 in McGregor. Work has begun on the McGrath area project, which was our largest funding secured to date. \$4.8 million from the

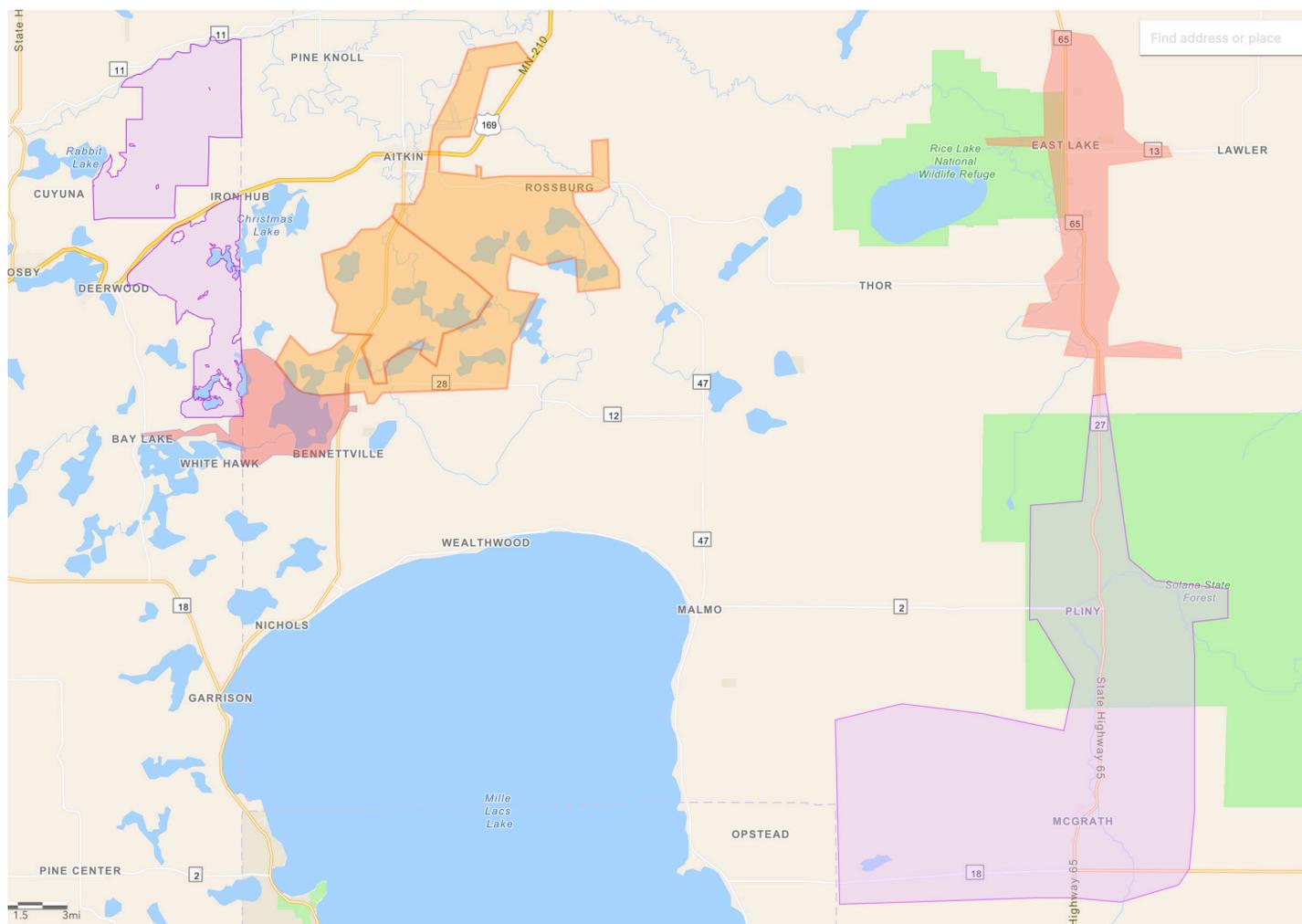
State of Minnesota Community Development Block grant. This project will bring fiber to another 500 residents in Aitkin County. Residents in these project areas will have expanded educational, economic, and health care opportunities. Mille Lacs Energy Cooperative is always searching and applying for grant opportunities to bring MLEC Fiber Internet to more members. The process takes time since most of our projects rely on grant funding. However, we feel the value it brings is unmatched. To date, MLEC has secured over \$11 million in grant funding. Project maps, pricing, and more details can be found online at www.mlecmn.net/fiber.



ORANGE - Service Available

RED - Construction Started

PURPLE - Coming Soon



MLEC TRUST BOARD



The MLEC Trust Board was started in 1998 to administer a new charitable program for MLEC: Operation Round-Up. The fund is derived from consenting members of the cooperative “rounding-up” their monthly bill to the next highest dollar. This amounts to about \$6.00 per year per member, and about 83% of all MLEC members contribute. This money makes up the trust fund that the trust board administers.

There are 8 members of the board, one from each district and one at-large member. They are Lisa Anderson and Darlene Stigen (Garrison), Bethany Sellers (McGregor), Becky Joerger (Palisade), Kim Waffensmith (Deerwood), Bob Nelson, Doyle Jelsing, and Chuck Schotzko (Aitkin). We serve staggered three-year terms and can serve 2 terms in succession.

Operation Round Up generates about \$20,000 every three months to disburse the funds. We are guided by bylaws and trust funding policy and guidelines. Our mission statement is: “to be responsible stewards of the generosity of MLEC members. To distribute the trust funds in such a manner as to improve, enhance, foster and benefit the citizens’ lives in the greater area of the cooperative.”

Our major funding categories are:

1. Community Service: entities and projects that affect quality of life with emphasis on public safety, health care, self-sufficiency, and basic human needs. Programs and projects which enhance the cultural environment of communities in our local area.
2. Leadership Development: programs to improve problem-solving skills, self-reliance in identifying solutions to economic and social problems.

3. Education and Youth: scholarships for ongoing education especially for those involving our youth, i.e. wellness and participation in fitness and athletic activities.

4. Environment: programs and projects that promote recycling, natural resource preservation, environmental education, environmental agriculture research.

5. Emergency Energy Assistance

6. Disaster Relief: programs that provide food, clothing, shelter, medical care, clean up and repairs.

We also consider potential benefits to area residents and communities, the level of community support for the program or organization, and the capability of the organization to deliver the service or program.

Recipients of the grants range from youth to elderly and students to veterans. Examples include food shelves, health awareness programs, 4H, select school programs, first responders, cultural programs including arts and music, Habitat for Humanity, and many more.

Since 1998, just under \$1,400,000 has been dispersed to organizations that service and affect the MLEC area and its citizens. The difference this funding has made can be seen throughout the service area. Many thanks to all the MLEC members and the governing board for making this possible.

– Charles Schotzko, Trust Board President

THE PATH TO CLEANER ENERGY

Your electricity is cleaner (and as safe and reliable as ever)

There has been a lot of talk about climate change and emissions targets over the years in places like Paris, Washington D.C., and St. Paul.

There has been a lot of action taking place within our cooperative, and it’s benefiting families and businesses in Aitkin, Crow Wing, and Mille Lacs Counties.

We are on the path to clean energy. We believe MLEC’s members have the best electric service around, whether you value cost, reliability, environmental responsibility—or all three. In partnership with our wholesale electricity provider, Great River Energy, we will dramatically reduce the energy we receive from coal. Not only will we meet Minnesota’s goal to reduce carbon dioxide emissions 80% from 2005 levels, we will get there next year—27 years before the 2050 target.

Our renewable energy portfolio – which already meets Minnesota’s renewable energy standard of 25% – will nearly triple in output by 2025.

As these changes occur, MLEC’s wholesale power costs will flatten. As inflation is causing other costs to rise, Great River Energy’s wholesale power rate remains well below the average

cost of electricity in the region and is projected to remain flat for years to come.

The changes to the way we generate electricity have occurred intentionally for over a decade. We have closed two power plants and recently sold a third. Your elected directors have faced decisions that will have wide-ranging and long-lasting effects. They take into careful consideration the impact their decisions will have on the environment, reliability, community and the state and local economy. Through it all, they have focused on doing what’s best for MLEC’s membership.

MLEC and Great River Energy are in the strong position we are today because of the way we do business, as cooperatives. We are an owner of Great River Energy in the same way you are an owner of MLEC.

Cooperatives are owned by those we serve, governed by democratically-elected directors, and guided by a simple goal: to do what’s best for the membership, in every scenario. By continuing to listen to our members and work with partners like Great River Energy, Mille Lacs Energy will remain innovative, nimble and deliver on our promise to members for generations.

2021 HIGHLIGHTS

MLEC Top 5 in 2021

1. No rate increase for MLEC members in 2021.
2. MLEC Fiber Internet service expanded, surrounding Farm Island Lake and down Tame Fish Lake Road. We have over 1,000 customers connected and plan for more fiber projects in 2022.
3. Continued exploration of the New Operations Center Project.
4. Successfully reopened our lobby to the public. Precautions and protocols are still in place to keep our members and staff safe.
5. Retired a record amount of capital credits totaling over \$1 million. This is the largest retirement in MLEC's history.

Reliability

- Since work began reclaiming a neglected Right-of-Way (ROW) in 2016, this effort has shown a 44% reduction in power outages caused by vegetation overgrowth.
- MLEC has seen a decrease in small animal related outages following its launch of the Small Animal Protection Program (SAP) in 2016. This involves making changes on power pole equipment and adding pole wraps to keep animals, such as squirrels, from causing outages. Small animal contacts can take out entire lines and sometimes affect 50 members or more.
- MLEC crews are in the process of replacing porcelain fuse cutouts. Porcelain cutouts tend to break and can cause outages. The updated polymer cutouts are more reliable and better suited for cold Minnesota weather.
- MLEC has completed installation of our advanced metering infrastructure (AMI) and meter data management system (MDMS). This metering system is more efficient, improves reliability, and will help keep future costs down for members and the cooperative. The meters can detect issues on power lines so they can be fixed before an outage occurs.

Wholesale Power Supply

Great River Energy (GRE)

- MLEC is one of the twenty-eight member-owners that make up Great River Energy.
- GRE's energy source mix includes: coal, natural gas, wind, hydro, and solar.
- GRE is projected to be 50% renewable by 2030.

Affordability

- GRE has made a dramatic shift in its energy source mix with the sale of Coal Creek Station. This transition will keep wholesale power rates stable.
- MLEC has completed installation of our advanced metering infrastructure (AMI). This technology allows outages to be discovered quickly and accurately. The new system is more efficient and saves time for cooperative employees which, in turn, saves the co-op money.
- MLEC distributed capital credit refunds totaling \$1,000,835. The 2021 payment brings the total dollars refunded through the years to over \$20.08 million.



Sustainability

- The 20kW solar array located at the Aitkin headquarters continues to generate power.
- GRE will add 900 MW of wind energy by 2023 and remains on track to meet Minnesota's 80% carbon dioxide reduction goal ahead of schedule.
- MLEC now has an electric vehicle charger located at the headquarters office. The charger is available for members and the public.



Member & Public Engagement

- The 2022 Annual Meeting is back to being an in-person event. Welcome MLEC members!
- 2nd grade students learned about electrical safety virtually due to COVID-19.
- MLEC participated in Fire & Safety Day at Nay Ah Shing Lower School.
- MLEC coordinated the 2021 Riverboat Days Parade and participated in/sponsored other local festivities.
- MLEC Fiber Internet is available to the public in the headquarters parking lot. This has helped many students and parents get work done remotely.



Community Giving & Development

- MLEC has donated \$57,250 to local organizations through Operation Round Up in 2021.
- Employees who participate in "Denim Days" donate quarterly to wear jeans on Fridays. The money raised is donated to local organizations.
- MLEC donated \$250 to Loaves and Fishes to help conduct free community meals.
- Gift card trivia in the Outlet newsletter is popular amongst members. Winners receive a \$10 gift card to businesses within MLEC's service territory.
- In 2021, unclaimed capital credits totaling \$22,894 were distributed and donated to 7 local schools.
- MLEC was a drop off site for Operation Christmas of Aitkin County. Many new toys and \$1,310 was collected to help families in need over the holidays.



Employees

- MLEC has 46 dedicated employees.
- The cooperative is a recognized leader in the community and provides high-value and stable jobs.

2019 ANNUAL MEETING MINUTES

Pursuant to due action by the Board of Directors, and due notice mailed to each member, the 80th Annual Meeting of the members of the Mille Lacs Energy Cooperative convened at the 40 Club Convention Center, Aitkin, Minnesota at 6:15 p.m. on Thursday, April 11, 2019. President Harold Harms presided. Debra Chute, Administrative Assistant, recorded the minutes.

Registration of the members started at 5:00 p.m.

Harold Harms thanked everyone for attending and stated registration was closed. A moment of silence was held in honor of our country's military troops, and in memory of cooperative members and friends who are no longer with us.

President Harms called the meeting to order at 6:15 p.m. and declared a quorum present with 53 members registered. President Harms led the Pledge of Allegiance.

President Harms announced the appointment of Mr. Henry Brucker of Ryan, Brucker & Kalis, Ltd. as parliamentarian. There being no corrections or additions to the minutes of the 2018 annual meeting, the minutes were declared approved as printed.

M/S/P to accept the annual meeting agenda as printed and handed out at registration.

President Harms read a statement regarding the Independent Auditor's Report and announced that the audit report in its entirety is on file at the cooperative's headquarters office and is available for any member to review it.

M/S/P to approve the financial reports.

President Harms introduced other directors, Deb Chute, Administrative Assistant; Henry Brucker, Attorney; Mille Lacs Energy Cooperative Management Team of Sarah Cron, Bill Fillion, Shelly DeFoe, Stacy Cluff and Carol Kyar. MLEC employees at the annual meeting were recognized.

As there were only two members who filed for the two open director positions, according to Article II, Section 8 of the MLEC Bylaws, both directors have been elected by acclamation and no vote is needed.

Congratulations to Barbara Welty, District 1, and William Bernard, District 2, who were elected by acclamation and will serve as your directors for the next term.

President Harms gave welcoming comments - "Our Roadmap for the Future". MLEC is excited to welcome Sarah Cron as your new General Manager. As electricity usage has declined due to more energy efficient appliances and lighting, we need to find additional products and service to stay financially viable. Sarah's experience in sales and marketing will lead us in that effort.

We are continuing to clear right-of-way using our own crew as well as a contract crew. Both the number of outages and overall outage time in areas that have been cleared have been reduced. Right-of-way continues to be a significant investment as we continue clearing all existing circuits. Once all circuits are cleared, we will continue rotating through each circuit on a 5-year cycle.

Our next building block to our future is offering our members fiber broadband service. MLEC's initial projects have been through the grant process for state and federal funds. In many ways, broadband today is what rural electrification was 75 years ago when electric cooperatives formed to bring electricity to those homes that investor owned utilities ignored as they were not profitable. A member satisfaction survey will be conducted soon with questions regarding how your cooperative should proceed in the broadband rollout. Please thoughtfully consider your answers and let us know what you think.

Thank you for attending; we strive to remain Your Trusted Energy Experts.

General Manager, Sarah Cron gave a brief introduction of her experience prior to coming to Mille Lacs Energy Cooperative. Grassroots efforts refer to electric cooperative directors, employees and members who take an active role in the political process to protect their cooperative from harmful legislation and regulation. Grassroots efforts also refer to promoting the value of cooperative

ownership to local, state and national legislators. Grassroots are important to rural electric cooperatives in Minnesota and throughout our nation. You can stay involved by contacting your legislator through an email or phone call. MLEC's number one goal is to keep rates affordable and ensure that our legislators always consider affordability when they are reviewing a piece of legislation. Thank you for supporting your cooperative and for attending your annual meeting.

Pat Scollard, Mille Lacs Trust Board President, reviewed the Operation Round Up® program. He introduced the Trust board members and gave a report indicating that Operation Round Up® has provided over \$1,142,429 for community projects since its inception in 1998. 83 % of MLEC members participant in the Operation Round Up® program. Mr. Scollard thanked the members for their generosity of contributions.

President Harms thanked the Trust Board Members for serving on the board.

President Harms called for unfinished business; there was none.

President Harms then called for new business. The Management Team addressed questions concerning:

- Why was there a fee put on secondary meters?
- Would fiber sold to non-electric customer still be considered members?
- Why the \$3.00 raise in service charge and submeters?
- Why new meters again?
- Where do the members of the public utility conversion (commission) come from?
- Should our bill be in both husband and wife's name?
- The Energy News Network (11/16/18) reported that Minnesota's 44 rural electric co-ops do not have information on their websites about the mix of energy sources that supply their power. Can MLEC do a better job of disclosing our energy mix on the website? Members were encouraged to call or stop in the office with any concerns.

Sarah Cron welcomed Broadband Discussion panelists Tim Steffens and Steve Hawrysh. They each shared what they have broadband service at home, how many devices do they connect to their home Wi-Fi, how they are using or could use broadband, what do they feel are the biggest barriers to bring broadband to rural America, what are the disadvantages of not having access to broadband, and do you know why cooperatives are different than large for-profit telco providers.

There being no further new business a motion was to adjourn the meeting.

M/S/P to adjourn at 7:25 p.m.



2021 ANNUAL MEETING MINUTES



Pursuant to due action by the Board of Directors, and due notice mailed to each member, the 82nd Annual Meeting of the members of the Mille Lacs Energy Cooperative convened at the Grand Casino Mille Lacs South Parking Lot, Onamia, Minnesota at 5:00 p.m. on Thursday, May 6, 2021. President Harold Harms presided. Debra Chute, Executive Assistant, recorded the minutes.

Registration of the members started at 3:30 p.m.

Harold Harms thanked everyone for attending and stated registration was closed.

President Harms called the meeting to order at 5:00 p.m. and declared with 47 members registered there was not a quorum. Members attending would not be able to approve minutes or financial reports. President Harms led the Pledge of Allegiance. President Harms announced the appointment of Mr. Heinrich (Henry) Brucker of Ryan, Brucker & Kalis, Ltd. as parliamentarian. The annual meeting agenda was included in the Annual Report booklet and handed out at registration.

President Harms introduced other directors, director candidates, MLEC Management Team of Sarah Cron, Stacy Cluff, Shelly DeFoe, Bill Fillion, Lincoln Messner, Mary Ward, Deb Chute, Executive Assistant; and Henry Brucker, Attorney. MLEC employees at the annual meeting were recognized.

President Harms gave welcoming comments - "Strength Moving Forward – Co-op Strong". Harold talked about MLEC's stability throughout the past year and the cooperative's strengths including its leadership, employees, and wholesale power provider Great River Energy. President Harms thanked all for attending as MLEC strives to remain Your Trusted Energy Experts.

MLEC CEO Sarah Cron spoke in detail about how MLEC has successfully navigated the COVID-19 pandemic and how the cooperative has given back to members during these unprecedented times. Sarah also discussed the potential new operations center.

MLEC Accounting and Finance Manager Lincoln Messner gave a summary of the cooperative's financials throughout 2019 and 2020. Members had a copy of the financial reports in their Annual Report booklets.

Henry Brucker announced the election results. There were a total of 1,707 ballots cast.

The Certificate of Election is filed with these minutes.

Carol Pundt was re-elected in District 2 by Acclamation. Donald

Appel was re-elected in District 5 by Acclamation. Bruce Robinson was re-elected in District 6 and Mike Reem was re-elected in District 7.

The Bylaw amendment vote allowing use of electronic signatures passed with 1321 "Yes" votes to 282 "No" votes.

The Bylaw amendment to allow a change from General Manager to CEO passed with 1325 "Yes" votes to 276 "No" votes. President Harold Harms answered the questions that had been received in advance of the meeting.

Questions included:

- Why are we building in a completely wooded lot which will require clear cutting and excavation to even start construction with access to Hwy 169 where the speed limit is 60 MPH? Do we have DOT approval for driveway access to Hwy 169 in the new location?
- How much bigger is the new office/maintenance building and why not build in phases and construct on the current location where the solar panels are? Do we even need a bigger office with many office workers able to work from home with high-speed internet?
- How much energy is produced from the solar panels located outside of the MLEC building in Aitkin? How are they supposed to generate power when they are covered with snow throughout the winter months?
- I think that MLEC should look into a large-scale Solar farm to be able to generate our own electricity versus paying someone else for the energy. As noted in some of the communication about the new building, interest rates are low so now may be the time to invest in such a solution. Power rates the Coop pays will continue to go up (even though that power is also coming more from solar), but payments on solar equipment would not. If I recall correctly, the wholesale purchase of the energy is one of the largest costs to the co-op, so to me it makes sense to look at ways of reducing that. As an added bonus, I would imagine it could create at least some temporary additional jobs in the area, which again I would prefer to see here than elsewhere. Figured I should throw the idea out there, or if it has already been proposed to offer some additional support for it. Members were encouraged to call or stop in the office with any concerns.

There being no further business, President Harms declared the meeting adjourned at 5:40 p.m.



ANNUAL MEETING AGENDA

Thursday, May 5, 2022

MN National Golf Course

McGregor, MN

4:30 - 5:45 p.m. Registration

5:00 - 5:45 p.m. Meal served

5:45 p.m. Welcome and Meeting Called to Order

Pledge of Allegiance

Approve 2019 and 2020/2021 Annual Meeting Minutes

Presentation of the Agenda

Financial Audit Report

Introductions and Acknowledgements

President's Report Harold Harms

Chief Executive Officer's Report Sarah Cron

Financial Report Lincoln Messner

Guest Speaker Kristi Robinson

P.E., Director of Operations, Star Energy Services, LLC

Guest Speaker Katie Hildenbrand & Karl Larson

Architectural Resources Inc. (ARI)

MLEC Trust Board Report

Election Results

Unfinished Business

New Business

Answers to "Ask the Coop" Questions

Adjournment

Door Prizes



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