

# ADJUSTING OUR SAILS



## EAST CENTRAL ENERGY 2021 ANNUAL REPORT

Your Touchstone Energy® Cooperative





BOARD CHAIR LINDA LAITALA  
PRESIDENT/CEO JUSTIN JAHNZ



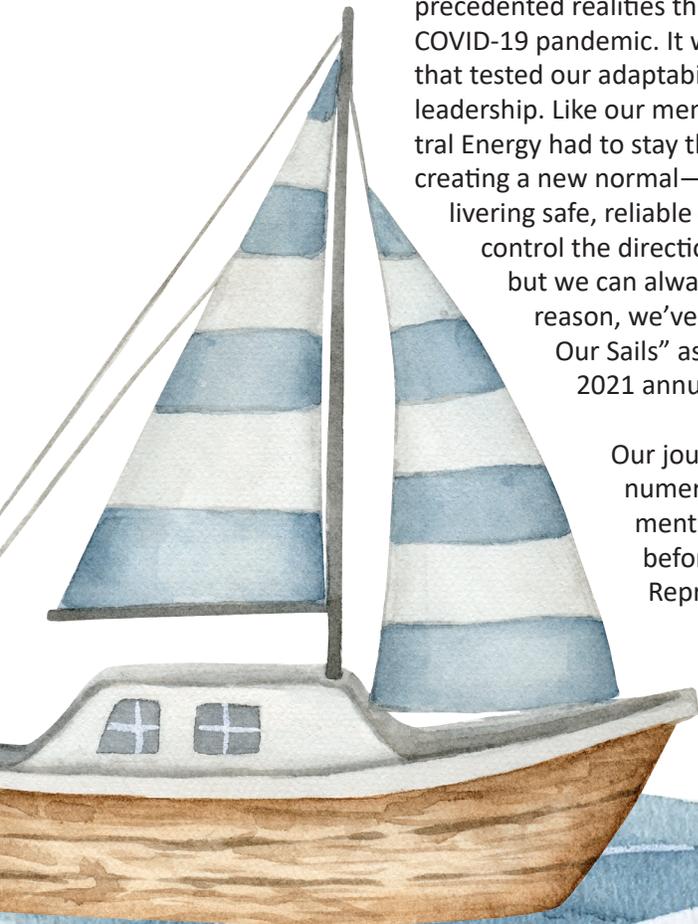
## Captain's Log

For most of us, 2021 continued the unprecedented realities that began with the COVID-19 pandemic. It was another year that tested our adaptability, resilience, and leadership. Like our members, East Central Energy had to stay the course—while creating a new normal—to continue delivering safe, reliable energy. We can't control the direction of the wind, but we can always adapt. For this reason, we've chosen "Adjusting Our Sails" as the theme of our 2021 annual report.

Our journey included numerous accomplishments, like appearing before the House of Representatives'

Water, Oceans, and Wildlife Subcommittee in Washington, D.C. We revisited the idea of broadband and made an immediate impact by working at local food pantries. Because ECE is governed by local people, elected by their peers, we run a tight ship that allowed us to return \$6.4 million in capital credits directly to our members. The cooperative also embarked on a new strategic plan, meant to strengthen our teams, products, and relationships.

From commitment to community, new projects, an expanded use of energy solutions and much more, this report spotlights the key initiatives ECE focused on in 2021. Please browse at your leisure to get an overview of how your cooperative successfully navigated the year. From the employees and directors at ECE, thank you for allowing us to serve you.



# Your ship's crew

ECE BOARD OF DIRECTORS

## DISTRICT 1



**GREG KVASNICKA**



**DIANE ZIMMERMAN**

## DISTRICT 2



**DAVID DEUTSCHLANDER**



**LONNIE JOHNSON**

## DISTRICT 3



**WAYNE ELLER**



**RICK OLSON**

## DISTRICT 4



**GARRY BYE**



**JOE MORLEY**

## DISTRICT 5



**LINDA LAITALA**



**JERRY TVEDT**

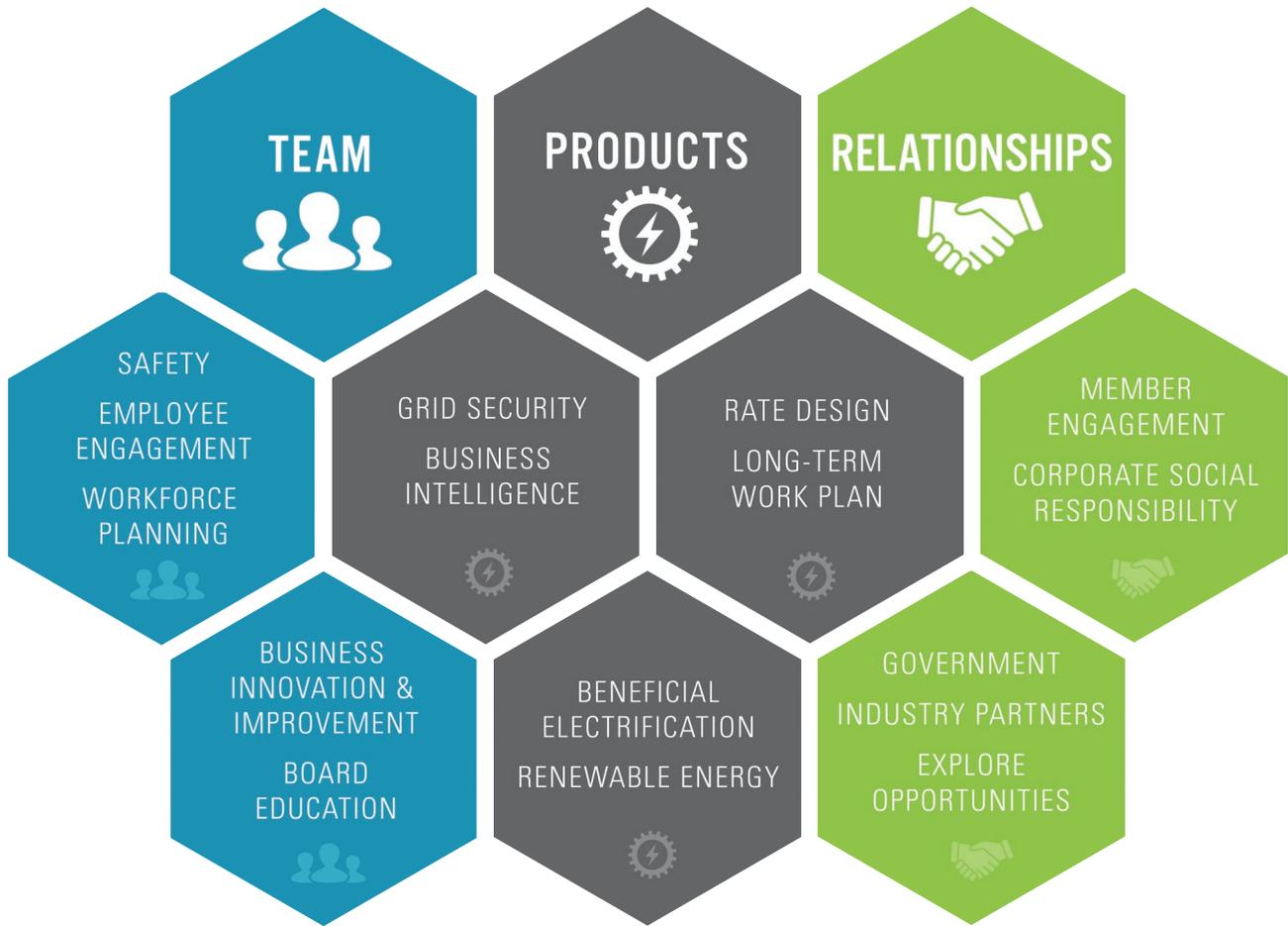
## DISTRICT 6



**JIM JESOK**



**WES SIEMERS**



# Charting a new course

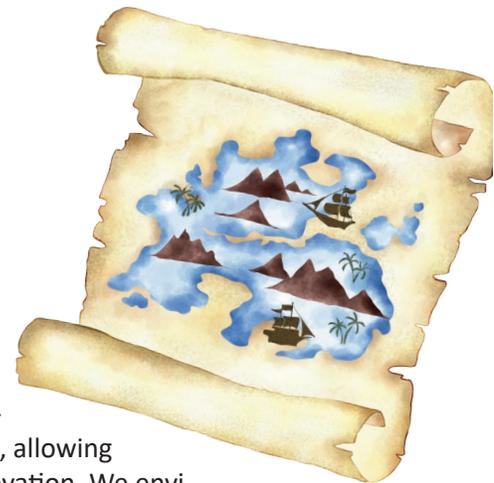
## ECE'S 2021-24 STRATEGIC PLAN

In 2021, East Central Energy embarked on a new strategic plan. Since then, we have made great strides in implementing our organizational initiatives. No individual is an island, and steering the cooperative in the right direction requires dedicated efforts from every employee and director.

**Our mission** is to improve the quality of life by safely providing reliable energy and related services, while embracing our cooperative principles.

After recognizing the changes in both the energy industry and the lives of our members, we identified key components to achieve the cooperative's goals and provide additional value to our communities. Strategic focus areas include our team, our products, and our relationships.

**Our vision** includes a culture that fosters a spirit of service in a collaborative environment, allowing for fresh ideas and innovation. We envision positive relationships with stakeholders that represent our members' interest, and a reputation for finding common ground, providing exceptional service, world-class reliability, and affordable energy. We aim to make wise investments in our distribution system, as well as technology-driven decisions that promote programs and services to meet members' evolving needs. Continuing to explore forward-looking energy options will improve the quality of our members' lives.



# Batten down the hatches

## SAFETY BEGINS BEFORE THE STORM ARRIVES

From sea to shining sea, safety is our highest priority. In 2021 we unveiled a custom, high-voltage safety demonstration trailer. At 30 feet in length, the trailer is decorated with safety messages and can be energized to 7,200 volts. It helps the cooperative demonstrate the hazards of power lines and electrical equipment.



No buoys were needed when our Finlayson line crew safely navigated a potential prolonged outage. In September, the linemen participated in annual switch training, which certifies that they can operate the manual switches needed to isolate damaged lines and get substations operating until our power supplier can respond. It is rare that we need to do this type of switching, but we always need to be prepared. Coincidentally, the very next day we had a storm that knocked out the transmission line near the Denham substation! Our line crews safely operated the switch and confidently restored power to several thousand members in a fraction of the time it would have taken had we not received the training.



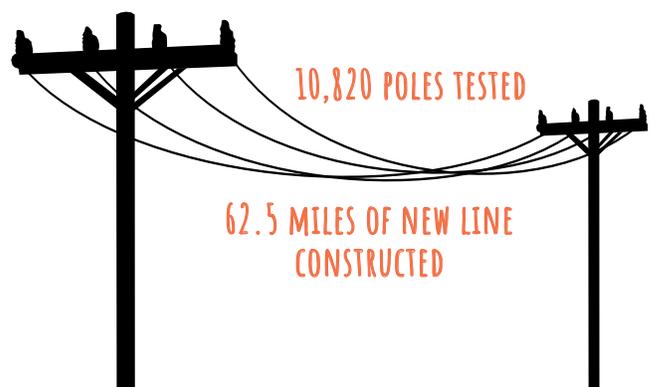
We have a safe fleet! Our employees drove 1.25 million miles in 2021. These miles were driven in our 85 company vehicles. We reported two incidents to our insurance, and both were deer collisions.

Throughout the year, our employees "seas"ed every opportunity to share safety messages. We participated in 10 presentations with a total attendance of 331, including a visit to a 1904 one-room schoolhouse.

In what could have been a dark and stormy night, our crews worked safely to backfeed the Milaca substation during the overnight hours of October 19-20.

We replaced a buss tie switch, which was coordinated with our power supplier, Great River Energy. This was a rare engineering and operational feat for the cooperative.

To allow for smoother sailing year-round, 1,537 hazard trees were identified for removal and 1,270 miles of powerline corridor received vegetation management treatment measures. To plant trees in the best places, we sponsored 400 trees for members thanks to our partnership with the Arbor Day Foundation's Energy-Saving Trees program.





# Anchors aweigh

## MAKING WAVES WITH INNOVATION

We're never salty when it comes to new projects, and 2021 was especially busy. From revisiting the idea of broadband to breaking ground on a new solar array, our employees were excited to help improve the cooperative and develop more opportunities for members. In 2021, we sold our portion of Milaca Local Link and also began offering a texting option for members to easily report an outage. We launched a new website in March, featuring improved mobile functionality and a user-friendly interface. In addition, workstations in the System Control area were remodeled to provide separate desks for safer 24/7 staffing.



Sunny days are on the horizon in Hinckley. A new three-megawatt solar array broke ground in October near the Grand National Golf Club on the grounds of Grand Casino Hinckley. A subsidiary of NextEra Energy Resources will develop, operate, and own the solar array while ECE will purchase the array's output and sell to Mille Lacs Corporate Ventures for a defined period. The transaction will keep Grand Casino Hinckley on their load control program, while allowing ECE to stay within the terms of our contract with our power supplier, Great River Energy.

...Speaking of Great River Energy, in 2021 the cooperative held a system-wide vote regarding its sale of Coal Creek Station. The membership voted to approve the sale of the 1,151-megawatt power plant to Rainbow Energy Center, LLC, which plans to operate the power plant using current plant employees they hire, and implement carbon capture and sequestration at Coal Creek Station. Great River Energy will operate and maintain the HVDC system for Nexus Line, LLC, using existing transmission employees under a 20-year contract.



We were "knot" far into the year when the IT department worked with our printer vendor to save up to \$12,000 a year in printing costs. They also completed an upgrade of over 90 iPads for employees that work in the field. In addition, they added an extra level of security through a product that allows only a specific set of software to run on each computer, and introduced a new intelligence platform that offers data for better decision-making.

Supporting the projects of local seafarers is important for ECE. In 2021, we supplied a loan of \$250,000 in gap financing to Pine City Senior Living, LLC, for the construction of a 103-unit senior living facility on a six-acre site located on Northridge Drive in Pine City, located north of Welia. Our revolving loan fund, supported by the USDA Rural Economic Development Loan & Grant Program, underscores our commitment to local economic development.



# Smooth sailing

## SERVING AS YOUR ENERGY COMPASS

Every vessel needs an energy source. Part of our new strategic plan is to embrace forward-looking energy options to improve the quality of our members' lives. Our programs, rates, and rebates help members save energy and money and enjoy efficient energy solutions. As of Dec. 31, 2021, ECE had over 25,000 controllable loads (over 165 MW). Residential rebates totaled over \$518,000. There were 58 commercial rebates issued in 2021 totaling \$88,200 and 3,386,893 kWh in energy savings.



A total of four electric vehicle chargers were added to our system through our destination charging initiative, and we joined national electric vehicle charging network CHARGE™ EV, LLC, a collaboration of over 30 member-owned electric cooperatives who aim to build a national electric vehicle charging network throughout rural America.



In September, we dropped anchor with other cooperatives when we partnered to host the North Country EV Show & Tell Event in Duluth at the Canal Park Lodge during National Drive Electric Week. Visitors were happy as clams! We will continue to pursue outreach opportunities and educate our members on EV technology, benefits, incentives, and rates.

We were feeling blue back in 2016, when our power supplier announced they would retire their load management system in January 2026. In 2021 we created

a cross-functional team to work on a multi-year project regarding demand response/load management technology, with the goal of replacing our obsolete radio receivers with a new device. We plan to pursue the benefit of two-way communication, allowing us to acknowledge control events and tampering, and give us greater flexibility when configuring the device to control multiple loads.

Our Energy Services team cruised into port with the Center for Energy and Environment—a clean energy nonprofit that promotes energy efficiency—when we embarked on a three-year heat pump technology study. One of ECE's residential members in Milaca is participating in the study and the equipment was installed at their home in November. The study will look at air-to-water heat pump systems and optimal configuration for serving Minnesota's residential load, and measure the energy savings and cost-effectiveness for heating with this type of equipment.

RESIDENTIAL REBATES  
\$518,000

COMMERCIAL REBATES  
\$88,200





# All hands on deck

## EMBARKING ON A COMMUNITY-FOCUSED VOYAGE

We formed a Community Engagement Committee in 2021 to specifically focus on member and employee interaction. From ringing bells for the Salvation Army Red Kettle campaign, to sponsoring a free drive-in movie and snacks at the fairgrounds, member interaction was at the forefront of our initiatives.



## HAVE YOU SEEN OUR POWER SQUAD?



As we work to support more community initiatives, expect to see ECE employees out and about in their bright turquoise and yellow shirts. Give us a wave and a smile!



No scurvy for our members! Nearly 60 employees participated in four food distributions in 2021, reaching 950 families in the Pine City and Mora areas.

Every sailor was once a deckhand. To support local students, we provided \$89,000 in scholarships in 2021. We also worked with Royalton Elementary fourth-grade teachers to distribute 60 backpacks filled with water bottles, earbud headphones, seedling bookmarks, and saplings. And for the sixth consecutive year, ECE employees delivered school supplies to teachers, including label makers, laminating machines, headphones, and snacks. The items were donated by ECE in partnership with CoBank, a financial institution that supports the work of cooperatives nationwide through their Sharing Success program.



Thanks to members who round their bill to the nearest dollar, the Operation Round Up® program provided \$106,365 to local organizations. Because the pandemic once again canceled many of our yearly plans, we ended 2021 with an excess of unused budget dollars, which we chose to evenly distribute a total of \$109,200 to 26 fire departments across our service area.

# COOPx

Three high schoolers learned the cooperative ropes during COOPx, our personalized cooperative youth experience, which was held at Braham Headquarters June 23-25. Allison, Ria, and Lacy spent three days with various co-op employees, exploring ECE facilities, job tasks, and programs. The event culminated with a board meeting and a presentation of \$2,000 scholarships for each student.



We steered our ship toward ECE's youngest members when we attended Kids Day at the Isanti County Fair. Over 600 people stopped by to spin the prize wheel and nearly 400 children signed up for bike drawings!

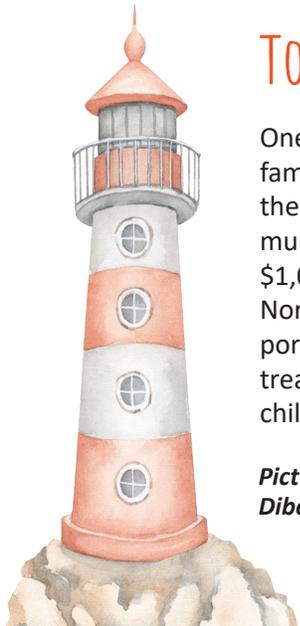
We were also happy to send two linemen to the open house night held at Isanti Intermediate School in August, where families got to check out our bucket and digger trucks. In December, ECE donated a 2010 International 4400 Altec bucket truck to the Minnesota State Community & Technical College line program in Wadena.



## TOUCHSTONE ENERGY COMMUNITY AWARD WINNER

One local organization serves as a lighthouse in the dark for families experiencing crisis, and we were proud to recognize them as our winner of the 2021 Touchstone Energy® Community Award. North Star Family Advocacy Center received \$1,000 and was entered into the statewide competition. North Star, located in Braham, provides comprehensive support and a multidisciplinary approach to the investigation, treatment, and prosecution of sexual and physical abuse of children and vulnerable adults.

*Pictured right are North Star employees Jenna Furlong, Cassie Dibeler, and Jeremie Reinhart with therapy-dog-in-training Lola.*



# Trimming our sails

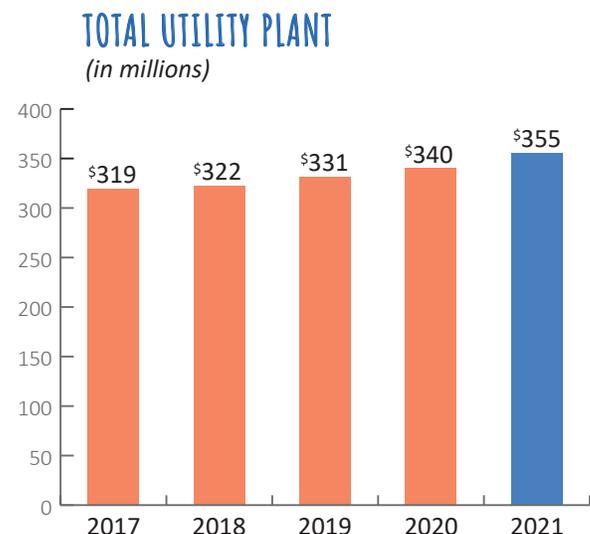
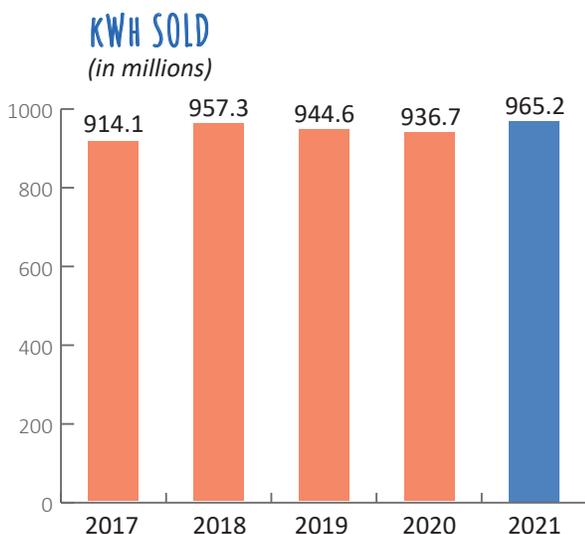
## 2021 FINANCIAL SUMMARY

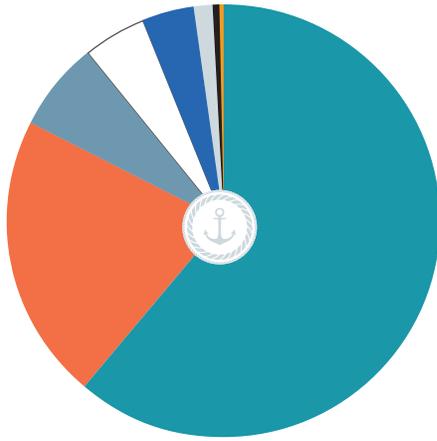
Because we exist to serve you, we take our financial obligations seriously. In 2021, ECE's total operating revenue was \$127.7 million. We were able to pay out \$6.4 million in capital credits to our members (which includes both general retirement and estates), thanks partly to \$3 million in capital credits from Great River Energy. Over the years, ECE has returned more than \$97.8 million to members—confirming that we continue to be a stable, successful organization. We are proud to provide quality electric service at the lowest possible long-term cost, consistent with prudent business practices not only for today, but far into the future.

Brady, Martz and Associates, P.C., an independent certified public accounting firm, audited our financial statements for the year ending December 31, 2021. The auditor issued their unqualified opinion, dated February 1, 2022, on the financial statements. Copies of the audited financial statements are on file at the cooperative's office for inspection.

### COMPARATIVE OPERATING STATISTICS

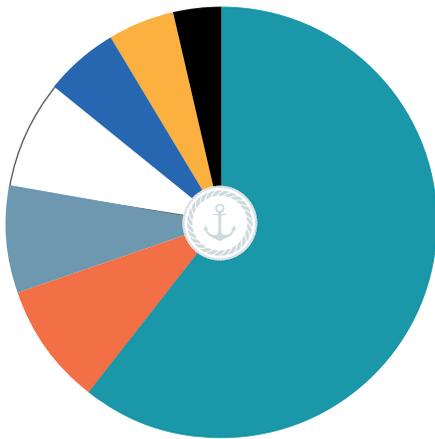
	2021	2020	% CHANGE
Number of Members Served	63,422	62,462	1.54%
Miles of Line Energized	8,473	8,434	0.46%
Average Selling Price per kWh Sold	\$0.1306	\$0.1317	-0.84%
Average Power Cost per kWh Sold	\$0.0835	\$0.0821	1.71%
Average Operating Cost per kWh Sold	\$0.1310	\$0.1292	1.39%
Members per Mile of Line	7.48	7.41	0.94%
Total kWh Sold	965,174,930	936,659,416	3.04%
Average Residential kWh Used per Month	954	948	0.63%
Margins Returned to Members	\$6,378,011	\$5,482,355	16.34%
GRE Plant Investment per Member	\$6,694	\$6,717	-0.34%
ECE Plant Investment per Member	\$5,594	\$5,449	2.66%
Total Plant Investment per Member	\$12,288	\$12,166	1.00%





## 2021 SOURCES OF REVENUE

■ Residential	61.27%
■ Commercial & Industrial (1,000 KVA or less)	21.35%
■ Commercial & Industrial (Over 1,000 KVA)	6.69%
□ Residential (Seasonal)	4.69%
■ Capital Credits	4.01%
■ Other Revenue	1.22%
■ Irrigation	0.48%
■ Public Street and Highway Lighting	0.29%



## 2021 USES OF REVENUE

■ Purchased Power	60.55%
■ Distribution	9.17%
■ Depreciation	8.18%
□ Administrative Services	8.15%
■ Interest & Taxes	5.49%
■ Margins	4.98%
■ Customer Accounts & Service	3.48%

## 2021 TOTAL REVENUE

Sales of electric energy to members	\$126,089,239
Miscellaneous electric revenue and penalties	\$921,666
Subsidiary net income (ECE Net, LLC and Local Access Network, LLC)	\$231,147
Non-operating and other net income	\$472,575
Capital credit allocations	\$5,339,445
<b>TOTAL REVENUE</b>	<b>\$133,054,072</b>

*Consolidated balance sheets*

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

ASSETS (what we own)	2021	2020
Cost of our system	\$354,766,071	\$340,340,211
Construction work in progress	6,639,507	8,721,584
We estimate our system has depreciated	(123,327,842)	(115,317,274)
<b>This gives our system a book value of</b>	<b>\$238,077,736</b>	<b>\$233,744,521</b>
<b>We have other property and investments:</b>		
Loans to members, net of amounts due in the next year	\$1,200,816	\$1,267,402
Great River Energy capital credits	64,553,487	62,807,315
Non-utility property	2,396,771	2,396,771
National Rural Utilities Cooperative Finance Corporation Investments required to obtain long-term financing	2,787,417	2,788,635
Other investments in associated companies	3,026,836	3,033,061
Other	1,097,541	1,100,513
<b>Total other property and investments</b>	<b>\$75,062,868</b>	<b>\$73,393,697</b>
<b>We have these current assets:</b>		
Cash and cash equivalents	\$13,423,683	\$16,723,764
Payments due us in the next year on loans to members	538,000	456,000
Members owe us for electrical energy	19,142,494	12,995,514
Material and supplies for line construction and maintenance	3,359,688	3,087,515
Prepayments	750,869	471,559
Interest receivable on investments	25,529	25,620
<b>Total current assets</b>	<b>\$37,240,263</b>	<b>\$33,759,972</b>
<b>We have deferred debits</b>	<b>\$3,241</b>	<b>\$2,950,802</b>
<b>We have assets of discontinued operations</b> ( <i>Diversified Enterprises, LLC</i> )	<b>\$24,900</b>	<b>\$24,900</b>
<b>TOTAL ASSETS WE OWN</b>	<b>\$350,409,008</b>	<b>\$343,873,892</b>

A copy of the complete 2021 audit report can be found at [eastcentralenergy.com](http://eastcentralenergy.com) or by calling 1-800-254-7944.

*Consolidated balance sheets* (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

LIABILITIES (what we owe)	2021	2020
<b>Long-term debt</b>		
We owe Rural Utilities Service (RUS)	\$1,381,000	\$1,381,000
We owe Federal Financing Bank (FFB)	122,778,970	126,266,993
We owe National Rural Utilities Cooperative Finance Corporation (CFC)	6,575,552	7,115,234
We owe Great River Energy	121,942	179,559
We owe CoBank	39,882,340	42,668,126
We owe others	119,207	128,878
Payments on long-term debt due in the next year	(7,393,105)	(6,880,824)
<b>Total long-term debt</b>	<b>\$163,465,906</b>	<b>\$170,858,966</b>
We owe current liabilities for power, materials, services, taxes, payments on long-term debt due in the next year	<b>\$34,438,539</b>	<b>\$26,616,310</b>
We have deferred credits ( <i>revenue, construction advances, unclaimed property, etc.</i> )	<b>\$16,731,297</b>	<b>\$11,234,019</b>
<b>TOTAL LIABILITIES WE OWE</b>	<b>\$214,635,742</b>	<b>\$208,709,295</b>
<b>NET WORTH (members' equity in the cooperative)</b>		
Your accumulated patronage capital	\$117,793,846	\$117,718,796
Other equities	17,979,420	17,445,801
<b>MEMBERS' EQUITY IN THE COOPERATIVE</b>	<b>\$135,773,266</b>	<b>\$135,164,597</b>
<b>COMMITMENTS</b>	<b>\$350,409,008</b>	<b>\$343,873,892</b>



Employees	162
Number of members	63,422
Miles of line	8,473
Members per mile	7.48
kWhs sold	965,174,930
Member equity	38.68%
Total GRE and ECE plant investment per member	\$12,288

## EAST CENTRAL ENERGY

# Consolidated statement of operations and patronage capital

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
<b>REVENUES:</b>		
Sales of electric energy to members	\$126,089,239	\$123,337,326
Miscellaneous electric revenue and penalties	921,666	715,637
Subsidiary net income <i>(ECE Net, LLC and Local Access Network, LLC)</i>	231,147	78,927
Non-operating and other net income	472,575	515,020
<b>TOTAL REVENUE</b>	<b>\$127,714,627</b>	<b>\$124,646,910</b>
<b>EXPENSES:</b>		
Wholesale power <i>(majority paid to Great River Energy)</i>	\$80,569,675	\$76,867,068
Other operating expenses <i>(distribution, administrative services, customer accounts and service)</i>	28,108,139	26,501,717
Depreciation of utility plant	10,888,649	10,715,660
Taxes	1,083,281	1,071,382
Interest	5,782,724	5,838,051
<b>TOTAL EXPENSES</b>	<b>\$126,432,468</b>	<b>\$120,993,878</b>
<b>Patronage capital income before capital credits from associated cooperatives</b> <i>(total revenue less total expenses)</i>	<b>\$1,282,159</b>	<b>\$3,653,032</b>
<b>Patronage capital from Great River Energy and other associated cooperatives</b>	<b>\$5,339,445</b>	<b>\$2,530,091</b>
<b>NET PATRONAGE CAPITAL (Income)</b>	<b>\$6,621,604</b>	<b>\$6,183,123</b>
<b>ACCUMULATED PATRONAGE CAPITAL - beginning of year</b>	<b>\$117,718,796</b>	<b>\$117,039,537</b>
Unallocated margins	(168,543)	(21,509)
Retirement of patronage capital	(6,378,011)	(5,482,355)
Net patronage capital (income)	6,621,604	6,183,123
<b>ACCUMULATED PATRONAGE CAPITAL - end of year</b>	<b>\$117,793,846</b>	<b>\$117,718,796</b>

# Looking onward

## EXCITING THINGS TO COME



We're traversing the seas of change regarding two projects that are still in progress:

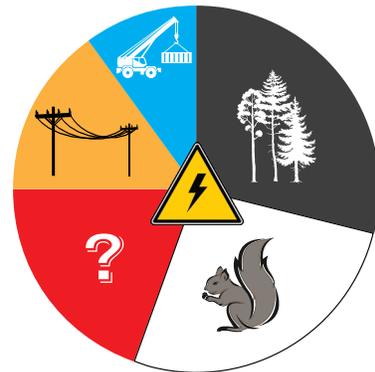
- ⚓ Stormy waters led the city of North Branch to approach ECE about its ability to continue operating its electric utility. The commission decided it was in the best interests of its customers to wind down the utility, affecting approximately 2,000 homes and businesses within the city of North Branch. We continue to discuss the future of this potential project.
- ⚓ In November, the ECE Board of Directors chose to sail through the challenges of a new industry when it voted to move forward with developing a plan for a full fiber-to-the-home broadband project. We are anticipating a multi-year plan, and we're continuing to research funding options and possible features.



## Nautical numbers

### TOP 5 CAUSES OF OVERHEAD POWER OUTAGES IN 2021

- 1 TREES
- 2 SQUIRRELS AND SMALL ANIMALS
- 3 CAUSE NOT FOUND
- 4 EQUIPMENT FAILURE (*AGING EQUIPMENT*)
- 5 VEHICLES OR MACHINERY



**\$109,200** DISTRIBUTED TO 26 FIRE DEPARTMENTS ACROSS OUR SERVICE AREA



**950 FAMILIES REACHED** DURING **4** FOOD DISTRIBUTIONS



**\$89,000** IN SCHOLARSHIPS AWARDED TO STUDENTS



**\$106,365** GRANTS FUNDED BY OPERATION ROUND UP MEMBERS



**OVER 121,000 PEOPLE** REACHED ON ECE'S FACEBOOK PAGE



**13 VIDEOS** WERE ADDED TO OUR YOUTUBE CHANNEL, COVERING TOPICS LIKE THE FEBRUARY 2021 SOUTHERN ENERGY CRISIS, POLLINATOR HABITATS, AND EV CHARGERS





**ECE** 1.800.254.7944  
eastcentralenergy.com

*ECE is an equal opportunity provider and employer.*

