

Slope Electric Cooperative, Inc.
2018 ANNUAL REPORT

Inspired by innovation.

Driven by service.



**OFFICIAL NOTICE OF
2019 ANNUAL MEETING
74th Anniversary**

The annual membership meeting of Slope Electric Cooperative, Inc. will be held at:

NEW ENGLAND PUBLIC SCHOOL

1200 Main Street

New England, ND

THURSDAY, JUNE 6, 2019

6:00 p.m. (MDT)

Registration will start at 4:45 p.m., with a roast beef dinner being served from 5:00-5:45 p.m. and the business meeting to start at 6:00 p.m.

The following business will be transacted:

1. Reports on 2018 operations
2. Election of directors
3. Any other business that may come before the meeting

The directors whose tenure of office expires are: Anthony Larson, Jerome Caron and John Lee Njos. You will also fill the remaining term open for Hettinger County.

The following members have been nominated by the Nominating Committee:

Anthony Larson.....	Hettinger	Adams County
Jerome Caron.....	Scranton	Bowman County
HJ "Chip" Fischer	Rhame.....	Bowman County
Amber Grist	Mott	Hettinger County

Nominations may be made by petition, with 15 or more member signatures, and filed at the Slope Electric office on or before 30 days prior to the annual meeting. Other nominations may be made from the floor at the annual meeting.

Please join us at your annual meeting – your presence makes a difference.

Anthony Larson
Secretary of the Cooperative

YOU'RE INVITED!
2019 ANNUAL MEETING
74th Anniversary

June 6, 2019 • New England Public School • New England, ND

PROGRAM

4:45 p.m.

Registration

5:00-5:45 p.m.

Complimentary Roast Beef Dinner

6:00 p.m.

Business Meeting

Invocation

Welcome

Door Prize Drawings

Reading Notice of Meeting

Reports:

Co-General Mgrs/CEOs

Financials

Operation Round Up

Election of Directors

Scholarship & Youth Tour Presentations

Old Business

New Business

Adjournment

Door Prizes

MUST BE PRESENT TO WIN:

Two - \$250 cash prizes

Yeti Cooler

\$125 credit on electric bill

Medora musical & fondue passes

\$20.00 credits on electric bill

Many other door prizes

Please bring this Annual Report with you to the annual meeting.

***If you require special assistance because of a disability, please call
Slope Electric Cooperative at 701-579-4191 or 800-559-4191.***

MESSAGE FROM THE CO-GENERAL MANAGERS/CEOS AND BOARD CHAIR

Leadership expert and coach John C. Maxwell once said, "Change is inevitable. Growth is optional."

At Slope, and at electric cooperatives across the state and nation, we are changing because you, our members, are changing — and we welcome new ways to better serve you.

Change brings opportunities and challenges. What will the future hold for the electric utility industry and your local cooperative community?

Find out and share your feedback, at this year's annual meeting.

Slope Electric Cooperative will hold its annual meeting on June 6 at New England Public School. This year's theme is, "Inspired by innovation. Driven by service."

For 74 years, Slope has worked to provide safe, affordable and reliable electric service for our member-owners. While our mission is clear, you continue to tell us you want more — more convenience, more technology, more communication. We are working to improve those very things.

Our greatest service to our members and to our employees is our culture of safety. We are most thankful our employees go home safely to their families every night. We are also honored to have the opportunity to share safety messages with you, our members.

Safety is a common topic in our new quarterly newsletter. Introduced late last year, the *Connections* newsletter publishes information on topics that may be of interest. So far, you've received quarterly newsletters on capital credits, winter preparedness and spring safety. If you have ideas for future newsletters, please let us know.

Member expectations are changing the way we communicate and do business. While some members prefer learning cooperative and community updates in *North Dakota Living*, other people would rather read on social media. This year, we've added digital advertising as a way to reach and educate



Lauren Klewin
President



Don Franklund
Co-General Manager



Travis Kupper
Co-General Manager

members, so you may see more of Slope on Facebook, YouTube and other sites online. This is one of many ways we are driven by service.

Another priority is making sure you have reliable electric service. Again this year, we used a helicopter to patrol our transmission lines. What once took weeks is now done in hours. This saves a significant amount of time, and after maintenance is completed, reduces the possibility of power outages.

Improving the integrity of the system through expanded preventative maintenance benefits you and your cooperative. Scheduling maintenance on a sunny day, rather than fixing an outage in the middle of the night, is better for all of us. An avoided outage is more convenient for everybody. Your cooperative saves money, and you don't have the inconvenience of being without electric service.

As we reflect on the process of change and what lies ahead for Slope, our mission will remain the same: to provide you with safe, affordable and reliable electricity. And we will continue to give you more — more convenience, more technology, more communication — to make your lives easier.

Thank you for supporting Slope, and being active and involved members. We hope to see each of you at the annual meeting.

BOARD OF DIRECTORS



Lauren Klewin
President



Steve Wegner
Vice President



Anthony Larson
Secretary



Jerome Caron
Treasurer



John Lee Njos
Director



Dale Hande
Director



Angela Carlson
Director

NJOS RETIRES FROM BOARD

Director **John Lee Njos** is retiring from the Slope Electric board after serving for 24 years representing Bowman County. John Lee has served on the Operation Round Up board, the 3C Construction, LLC board, and was very instrumental in helping formalize the management and shared services alliance Innovative Energy Alliance Cooperative.

Thank you, John Lee, for your many years of dedicated service to Slope Electric Cooperative, Inc.



Drew Madler
Line Technician



Darlene Herberholz
Plant Accountant



Craig Turner
Line Technician

2019 SERVICE AWARDS

Drew Madler, Line Technician 5 years
 Darlene Herberholz, Plant Accountant 10 years
 Craig Turner, Line Technician 20 years

 Jerome Caron, Director 30 years

Congratulations on your years of service and hard work!

FINANCIAL STATEMENTS

Balance Sheet | Dec. 31, 2018 & 2017

ASSETS	2018	2017
Utility Plant:		
Lines, Buildings and Equipment	\$76,221,367	\$74,461,542
Accumulated Depreciation	18,492,590	17,641,757
Present Value of Plant	\$57,728,777	\$56,819,785
Investments:		
Investments in - CFC	1,524,361	1,613,816
Investment in Associated Organizations	5,791,550	6,072,840
Other Long-Term Investments	21,554,928	18,223,731
Special Funds	9,842,384	9,338,053
Total Investments	\$38,713,223	\$35,248,440
Current Assets:		
Cash in Operating Funds	\$3,324,894	\$6,229,867
Temporary Cash Investments	9,467,753	6,967,334
Accounts Receivable	3,683,837	3,696,355
Materials and Supplies	1,585,324	1,579,635
Prepayments - Insurance	172,531	174,823
Interest and Rents Receivable	93,754	63,439
Total Current Assets	\$18,328,093	\$18,711,453
Deferred Debits	\$299,831	\$358,456
TOTAL ASSETS	\$115,069,924	\$111,138,135

EQUITIES AND LIABILITIES

Equities:		
Patronage Capital	\$62,610,289	\$61,174,337
Other Equities	7,886,207	5,136,732
Total Equities	\$70,496,496	\$66,311,070
Liabilities:		
Long-Term Debt Due RUS	\$15,841,395	\$14,451,303
Long-Term Debt Due CFC	9,282,456	10,919,377
Accounts Payable	2,674,526	2,991,256
Member Deposits	50,800	109,601
Other Current Liabilities	2,065,106	2,569,514
Regulatory Liabilities	13,023,801	12,443,539
Deferred Credits	1,635,344	1,342,475
Total Liabilities	\$44,573,428	\$44,827,065
TOTAL EQUITIES AND LIABILITIES	\$115,069,924	\$111,138,135

Statement of Revenue and Expenses | For Years Ending Dec. 31, 2018 & 2017

OPERATING REVENUE	2018	2017
Farm	\$3,755,832	\$3,611,056
Seasonal	1,357,314	1,052,128
Irrigation Sales	10,009	12,748
Small Commercial	2,707,687	2,544,520
Large Commercial & Industrial	25,752,014	25,352,330
Public Street, Highway Lights & Wheeling	646,007	125,317
Other Electric Revenue	18,000	2,521,977
TOTAL OPERATING REVENUE	\$34,246,863	\$35,220,076
OPERATING EXPENSES		
Purchased Power	\$26,161,396	\$26,511,631
Transmission Expense	61,920	99,367
Distribution Expense - Operations	1,567,438	1,509,712
Distribution Expense - Maintenance	418,830	494,184
Consumer Account Expense	193,135	184,910
Customer Service and Information Expense	254,438	199,084
Administration and General Expense	1,450,322	1,505,894
Depreciation	1,905,072	1,788,361
Tax Expense - Property & Gross Receipts	368,444	346,439
Interest on Long-Term Debt	768,282	849,549
Other Deductions	126,069	104,259
TOTAL COST OF ELECTRIC SERVICE	\$33,275,346	\$33,593,389
Operating Margins	\$971,517	\$1,626,687
Non-Operating Margins	340,456	99,397
Generation & Transmission Capital Credits	3,681,712	1,247,750
Other Capital Credits & Patronage	102,977	74,379
TOTAL MARGINS	\$5,096,662	\$3,048,213

CONDENSED MINUTES OF JUNE 7, 2018 ANNUAL MEETING

The 73rd annual meeting of Slope Electric Cooperative, Inc., was held in Bowman on June 7, 2018.

At 6:09 p.m. President Lauren Klewin called the meeting to order.

Klewin announced Roberts Rules of Order would be followed.

Angela Carlson gave the invocation.

Secretary Anthony Larson confirmed the proof of mailing, and moved the waiver of reading of official notice and condensed minutes of the last annual meeting as it is printed in the annual report.

Co-General Managers/CEOs Don Franklund and Travis Kupper presented the managers' report.

Alex Craigmile, Alliance Chief Financial Officer, presented the 2017 Slope Electric financial report. The financial report was accepted.

At this time Chairman Klewin turned the meeting over to Vice President Steve Wegner.

Chip Fischer, spokesperson for the Nominating/Resolutions Committee, was introduced and submitted the following nominations: Slope County – Lauren Klewin and Dale Hande. No nominations were received, either by petition or from the floor. A motion was made to suspend the rules and cast a unanimous ballot for nominees.

Vice President Wegner turned the meeting back over to Chairman Klewin.

Laurie Braaten gave the Operation Round Up Report.

Angela Carlson and Anthony Larson presented the \$1,000 Basin Electric Power Cooperative scholarship award to Braden Rayhorn of New England; the \$1,000 Slope Electric scholarship that is presented in partnership with Upper Missouri Power Cooperative to Paige Ehlis of New England; the West Dakota Utility Services and 3C Construction scholarship for a technical vocation in the amount of \$1,000 was awarded to Jonah Candrian and Nicholas Rettinger. Five-hundred-dollar scholarships were awarded to a recipient from each school within Slope's service territory: Bowman County - Meggie Fischer, Hettinger Public School - Jarad Mattis, Lemmon Public School - Aubrey Weishaar, Mott-Regent High School - Dalton Miller, New England Public School - Victoria Jalbert, Scranton Public School - Elizabeth Bartholmy.

The 2017 Electric Cooperative Youth Tour winner, Paige Ehlis of New England, was announced and spoke to the membership about her positive experience attending the Youth Tour.

The meeting was adjourned at 7:32 p.m.

Anthony Larson

Secretary

VOTING CREDENTIALS

Voting regulations are part of the bylaws of Slope Electric Cooperative, Inc. The spouse of a member automatically holds a proxy if the member is not present. No paperwork is required for spouses who wish to vote in place of the absent member.

Bylaws Article III, Section 5

Each member shall be entitled to only one vote. All questions shall be decided by a vote of a majority of the members voting thereon in person, except as otherwise provided by law, the articles of incorporation, or these bylaws. Corporations,

cooperatives, firms and bodies politic shall have the right to cast one (1) vote on any issue the same as other members, provided that a duly elected and acting officer executes a proper certification or other qualifying instrument as the Board of Directors may, from time to time, prescribe.

Bylaws Article III, Section 7

Voting by proxy shall not be allowed except that the spouse of a member who is not present and registered shall be considered to hold a proxy of that member and shall be entitled to vote.

VOTING CREDENTIALS

Organization's Name: _____

Account Number: _____ Address: _____

The following is certified as an official voting representative of the above named organization at the Annual Meeting of Slope Electric Cooperative, Inc. Membership for the year _____, as set forth in Article III, Section 7 of the bylaws.

Voting Representative: _____ Title: _____

Signed by president of organization: _____

Signed by secretary of organization: _____

Date: _____

2019 RESOLUTIONS

The following six resolutions were adopted by the Nominating/Resolutions Committee at their meeting on March 25, 2019. Committee members are: Kent Maershbecker, Charlotte Meier, Allen Schmidt, Alberta Faye Burke, Michael Schneider, Gary Symanowski, Trevor Steeke, Bernadette Hendrickson, Leonard Jacobs, Lynn Pagel and Lori Pagel.

RESOLUTION NO. 1

North Dakota Electric Industry Legislative Issues

Territorial Integrity Act

We believe the North Dakota Territorial Integrity Act serves the best interest of both rural and urban consumers and electric power suppliers. The Territorial Integrity Act is needed to ensure orderly development of the state's electric infrastructure to deliver electricity without wasteful duplication. The Act is fair and it has worked well since it was passed in 1965. It has minimized disputes over service areas. Slope Electric will strongly oppose any legislative, regulatory or other effort to abolish or weaken the provisions of the Territorial Integrity Act.

Rural Electric Cooperative Board Regulation

As consumer-owned organizations, we oppose any attempts to place North Dakota's rural electric cooperatives under rate and service jurisdiction of the North Dakota Public Service Commission (PSC). North Dakota's rural electric cooperatives are directed by a member-elected board of directors who are responsible for rate and management decisions based on the best interest of the members. We believe the PSC should still be the watchdog for consumers who get their power from for-profit stock companies or other sources in which the consumer is not a member/owner.

RESOLUTION NO. 2

Rural Utilities Services Program – Electric

Slope Electric Cooperative calls upon the Congress and the administration to continue a commitment to a balanced approach to long-term financing for the nation's electric cooperatives, including hardship loans (for

those systems meeting strict eligibility requirements), municipal rate loans and Federal Financing Bank and Treasury rate loan guarantees.

While some in this country argue it's time for the Rural Development utilities lending programs to be eliminated, or that the lending programs be based only on guarantees, Slope Electric opposes such proposals. The need for capital to build new facilities and/or renew existing plant continues at a level that clearly justifies a well-funded loan program. The guarantee program should not become the sole solution to electric cooperative capital needs. While it's enticing to seek guarantees during times of low interest rates, the nation's electric co-ops remember many years when capital costs reached double-digit interest rates. Interest rates change with the market, but the primary focus for electric co-ops serving the high-cost, low-consumer-density areas of this country remains largely unchanged. Nationally, electric cooperatives still serve only about 7.4 customers per mile of line, compared to about 34 customers for the investor-owned utilities (IOUs) and about 48 customers for municipal power systems. In North Dakota, cooperatives average 1.96 customers per mile. Slope Electric Cooperative serves 1.25 meters per mile of line.

We would further oppose any effort to eliminate the 7 percent cap on Rural Development utilities municipal rate loans, and would not support the inclusion of any general funds policy that limits a rural electric system's ability to access Rural Development utilities loan programs.

We also oppose any means testing or move from the once-rural-always-rural test for borrower eligibility.

We wholeheartedly support the current, balanced Rural Development utilities loan program and urge Congress to fund the program sufficiently.

RESOLUTION NO. 3

Hydropower Policy

Preference Clause

Hydropower is an integral part of the rural electric cooperative power supply. Preference

power allocations, power marketing agencies, cost-based rates and other Pick-Sloan users are part of hydropower concerns, and regulations in these areas affect rural electric cooperatives and their reliance on hydropower.

We believe that the rightful allocation continues to remain with these existing qualified preference customers. As the capacity of federal resources is limited, we believe that careful consideration must be given when providing allocations to otherwise qualified new customers at the expense of existing preference customers. We further believe that non-contributing private interests, who would use the benefits of the resource for profit, should not be at all entitled to this resource.

Our energy future largely depends on our ability and willingness to use this nation's hydropower resource efficiently. We, therefore, continue to encourage and support full development of the Missouri River for its traditional preference customers.

The principles establishing the preference clause for the disposition of federal hydropower are as sound today as they were when initiated. We oppose any effort to change it.

Power Marketing Administrations

We believe power marketing administrations (PMAs) should not be sold. Selling federal assets is not sound fiscal policy. Likewise, we oppose the privatization of power marketing administration maintenance contracts for federal dams. We believe the federal government is best suited to provide the maintenance for the dams it operates and can provide the maintenance for a lower cost than private contractors.

The partnership that exists between the federal government and rural electric cooperatives regarding PMAs is an example of how the federal government can work to benefit its citizens. We believe that partnership should continue to benefit the rural, sparsely populated states like ours.

The power we receive from PMAs remains a vital component in continuing to ensure universal electric service at the lowest price possible.

Hydropower Rates

We do not believe hydropower rates should be increased beyond cost-based pricing. We strongly oppose any violation of the long-standing covenants between the government and its citizens, which clearly provide hydropower to be sold at the lowest possible cost, consistent with sound business principles. Straight-line amortization, surcharges, increased interest rates and other changes for accelerated repayment by power marketing agencies have been proposed by the Office of Management and Budget under various agencies, as well as by members of Congress. Similarly, the budget proposal to increase PMA rates to "market levels" is nothing more than a discriminatory tax that would fall inequitably upon millions of rural Americans. We urge Congress to reject this proposal and others who abandon the fair, reasonable and equitable principles that have guided the pricing of federal power for nearly a century.

Pick-Sloan Benefits

We recognize the water development benefits promised to Upper Missouri Basin states to compensate for Missouri River bottom land flooded to provide downstream flood control as part of the Pick-Sloan Plan.

Any changes from the original authorization for these federal projects should not jeopardize this region's hydroelectric users. We oppose changing preference clause provisions or raising hydroelectric rates to pay the debt obligation of the dams presently assigned to irrigation. We urge the Congress to strongly resist any attempts to provide for repayment assistance to municipal and industrial water systems in hydropower rates contrary to the reclamation law. We oppose any attempt to alter the benefits to preference customers that would increase hydropower rates to subsidize an investment which is not the responsibility of hydroelectric consumers.

RESOLUTION NO. 4

Environmental

Nature

As a rural state and region, we are concerned about the interrelation of man and

nature. Issues such as conservation, global climate change and carbon sequestration affect our land, and we believe that stewardship of our natural resources and concern for the environment are primary to all our members. We support continued study and greater scientific knowledge of the changes and issues that affect our environment here and in our nation and world.

Clean Coal

Electric cooperatives operating coal-based generating facilities in North Dakota have invested heavily in clean coal technology. We support their efforts and encourage even more research and funding for clean coal technology to reduce emissions of sulfur dioxide, mercury and nitrous oxide to ensure that the region's rural electric consumers can continue to benefit from the use of our state's plentiful lignite coal resources.

Environmental Protection Agency

The use of "sue-and-settle" lawsuits has become a loophole used by non-governmental organizations to advance their environmental agenda over the years. This tactic has resulted in major changes in laws, rules and policies under federal environmental acts, without providing for meaningful participation by the public, by state agencies whose primacy over environmental programs are being commandeered, and by stakeholders whose jobs and businesses are being impacted.

This tactic has been the genesis for a number of the changes in environmental laws, rules and policies that have negatively impacted the members of Slope Electric, including the efforts to override the state of North Dakota concerning regional haze, the limiting of Rural Utilities Service (RUS) funding for coal-fired power plants, the setting of CO2 standards for new coal-fired power plants that cannot be supported with current technology, the effort to reclassify coal ash as hazardous waste, and many other aspects associated with the Clean Air Act.

Slope Electric Cooperative supports legislation to close this loophole and allow meaningful participation by the public, states and stakeholders before such cases can be settled, and to require that policymaking

be done through the legislative and rulemaking processes, along with Appropriate Congressional Oversight and procedures that are essential to sound public policy, democratic government and the rule of law.

North Dakota Wilderness and Wild and Scenic River Proposal

Slope Electric Cooperative opposes proposals to redesignate a portion of the Little Missouri National Grasslands or other lands across the state as National Wilderness Areas, or to designate portions of the Little Missouri River, the Pembina River or other rivers running through the state as wild and scenic rivers or otherwise unduly interfere with private property rights or the orderly development of coal and other energy reserves when adequate protections already exist to protect the beauty of these areas and rivers.

Clean Water Restoration Act

We oppose removing the word "navigable" from the Clean Water Act's definition of waters under federal jurisdiction.

Whereas immediate consequences would usurp the states' power to regulate streams, ponds and other permanent "wetlands." It would also create federal regulation over isolated waters, drainage ditches, ponds, prairie potholes, etc.

Accidental Wildlife Electrocution

Recent interpretations of the Migratory Bird Treaty Act (MBTA) have asserted that accidental electrocution of raptors and migratory bird species is a deliberate "taking" of wildlife by electric utilities. In addition, the MBTA is a "strict liability" law, which means that the U.S. Fish and Wildlife Service (USFWS) only has to show that the birds were killed by the activities of an individual or business.

Severe penalties have been assessed and proposed against utilities whose systems have experienced avian contacts with their facilities. USFWS is advocating that rural electric cooperatives enter into memorandums of understanding (MOUs) to eliminate migratory bird mortality due to electrocution on transmission/distribution lines and

associated equipment.

Rural electric cooperatives support the goal of reducing avian electrocutions, and they have installed equipment on lines and created attractive perches away from dangerous locations to prevent avian deaths. It is impractical, however, to convert all aerial equipment to underground or to retrofit all existing equipment to eliminate all impact to avian species.

We urge balance in the federal government's approach to establishing the MOUs for rural electric cooperatives. We urge Congress to act by changing two provisions of the MBTA by (1) modifying and tempering the language that treats in-flight electrocutions or contacts by avian species as an intentional "taking" of protected avian species, and (2) a re-evaluation of the "strict liability" standard for utilities that have implemented avian protection measures.

RESOLUTION NO. 5

Support For Family Farmers

North Dakota's rural electric cooperatives have invested more than \$1 billion in electric distribution facilities, and another \$5 billion in generation and high-voltage transmission facilities, to provide dependable electric power to the state's largest industry – agriculture. This investment was made by rural electric leaders based on a vision of a widely dispersed network of prosperous family farms that would in turn support rural communities.

In this time of relative uncertainty in agriculture, it is important to maintain a strong public partnership with the federal government to help family farm agriculture compete in a global economy. This can be achieved by maintaining a strong farm program that includes an adequate safety net for farmers, countercyclical payments in times of depressed market conditions, improved crop insurance, and a permanent disaster relief program of emergency assistance.

RESOLUTION NO. 6

Global Climate Change

Concern about global climate change has accelerated, leading to strong efforts to enact federal and state policies to reduce man-

made emissions of greenhouse gases into the atmosphere, including carbon dioxide from burning coal. Because the electric industry in general and electric cooperatives in particular rely heavily on coal for base load electric generation, poorly designed policies would cause substantial harm to electric consumers without measurable benefits in stabilizing or reducing global warming. We must assess the costs of current proposed global climate change legislation that have the potential to double wholesale coal-based electricity rates. To address climate change responsibly, we strongly endorse the following principles to guide climate change policy:

Emission reduction requirements must be directed to all sectors of the economy.

Emission reduction plans must be based on international understandings and agreements that ensure other nations, including both developed and developing nations, participate.

The emission reduction targets must be achievable and timed with the advancement and commercialization of technologies.

Emission reduction proposals, such as cap-and-trade plans, must include an economic safety valve, to avoid excessive financial hardships, market manipulation or large price swings.

Fuel diversity should be encouraged to avoid reliance on a few sources of electricity, which will limit competition and create higher prices. This means nuclear energy and coal with carbon capture and storage, must be part of our nation's energy future, together with hydropower and other renewable energy, such as wind and solar power.

Early adopters should receive credit for efforts made in CO₂ captured and sequestered before climate change policy is enacted.

New laws and regulations should be prospective rather than retroactive in application.

“Innovation distinguishes between a leader and a follower.”

– Steve Jobs



116 East 12th Street • PO Box 338
New England, ND 58647

Address Service Requested

ATTENTION: Please bring
this booklet to the annual meeting.

NO RSVP REQUIRED



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