



**Capital
Electric**
COOPERATIVE



2024 Annual Meeting

**Bismarck Event Center
June 11**

Notice and call of annual meeting

YOU ARE HEREBY NOTIFIED THAT the 2024 Annual Meeting of the members of Capital Electric Cooperative, Inc., will be held in Bismarck, North Dakota, at the Bismarck Event Center, Exhibition Halls C and D, located at 315 S. 5th St., beginning at 6:30 p.m., Central Daylight Time, on Tuesday, June 11, 2024.

The following actions will be taken at the meeting:

1. Members will receive, consider and take action on reports of officers, directors and committees;
2. Members will elect three directors to serve three-year terms; and
3. Members will consider and take any action on all other business that may properly come before the meeting or of any adjournment or adjournments thereof.

Enclosed and made part of this notice is the list of candidates nominated by the nominating committee and petition. Nominations may not be made from the floor of the Annual Meeting.

/s/ Kyle Tschosik
Kyle Tschosik, Secretary
Capital Electric Cooperative, Inc.

PLAN ON ATTENDING YOUR ANNUAL MEETING

Tuesday, June 11, 2024

Bismarck Event Center
Exhibit Halls C and D
Bismarck, North Dakota

The business meeting begins at 6:30 p.m.

Registration opens at 4:30 p.m. Members are encouraged to arrive early to enjoy a free meal, live music by the Dad Bod band and children's games and prizes, starting at 4:45 p.m.

All members will be entered to win a \$1,000 cash prize. The winner will be announced at the end of the business meeting. You must be present to win.

CAPITAL ELECTRIC COOPERATIVE, INC.

BOARD OF DIRECTORS



**Deon
Vilhauer**
President



**Dave
Charles**
Vice President



**Kyle
Tschosik**
*Secretary-
Treasurer*



**Lyndon
Anderson**
*Asst. Secretary-
Treasurer*



**Rex
Hollenbeck**
Director



**Dwight
Wrangham**
Director



**Kayla
Pulvermacher**
Director



**Sara
Vollmer**
Director



**Bret
Weiland**
Director



**Paul
Fitterer**
Manager

Meet your 2024 board candidates



Dwight Wrangham
District 1

What makes you a good candidate for Capital Electric Cooperative's board of directors?

I am asking for your vote in Capital Electric Cooperative's District one election. If elected, I will continue to work to follow our mission statement, "Capital Electric Cooperative serves our community and member owners as their trusted energy provider and partner." My experience in community service, business, the state legislature and serving on the co-op's board have given me a good background to serve you as your director.

If elected, what are your priorities?

My priorities are to support our goal of providing safe, reliable electricity to our members at a reasonable cost. As a distribution cooperative, Capital Electric continues to do an excellent job of accomplishing these goals. However, electric generation and transmission continues to face increasing challenges from government regulation and social activist groups. I will continue to build upon the co-op's solid foundation while recognizing those challenges and plan as change comes.



Deon Vilhauer
District 2

What makes you a good candidate for Capital Electric Cooperative's board of directors?

I am honored to have lived in the Bismarck area for most of my life. The success of Bismarck, Lincoln, Wing, Sterling, Wilton, McClusky and the surrounding areas is a passion of mine, because America will not succeed without rural America being both strong and healthy. I have earned both the Board Leadership Certificate and the Credentialed Cooperative Director Certificate through the National Rural Electric Cooperative Association.

If elected, what are your priorities?

Rural electric service is a vital part of our region; thus, reliability and affordability must be high on our list of priorities. We must be aware of possible improvements to safety equipment as employee safety should never be taken for granted. We need to stay vigilant regarding potential threats to our electric grid, such as cyberattacks and infrastructure limitations.



Greg Dehne
District 3

What makes you a good candidate for Capital Electric Cooperative's board of directors?

As a retired engineer with more than 37 years of production experience working with a cooperative as our primary customer, I have broad experience in short- and long-term utility power distribution and generation experience. Because I have worked directly with cooperative management, I know some of their high priorities and reasons for them. I can hit the ground running.

If elected, what are your priorities?

My number one goal is the safety of our employees. Next is the continued reliability and cost of our member electricity rate structure. I am committed to hearing our members' concerns and keeping transparent communication with our members to continue the cooperative tradition of providing, "safe, reliable and affordable electricity" for our members into the foreseeable future.

President and Manager's Joint Report

President Deon Vilhauer and General Manager Paul Fitterer



Vilhauer



Fitterer

It is our pleasure to present the 2024 Annual Report to the membership of Capital Electric Cooperative, Inc. This year we are celebrating the 78th annual meeting of your cooperative.

A review of 2023 shows Capital Electric sold 391,542,698 kilowatt hours (kWh) of electricity which is roughly the same amount sold in 2022. Capital Electric experienced a net increase of 284 accounts served and returned \$2,060,179 in capital credits to its member-owners. Over the past 10 years, the cooperative has paid out \$15,827,023 in capital credits to current and former members. Capital Electric carries an equity position of 38.9 percent. This annual report includes the cooperative's statement of condition.

From a reliability standpoint, Capital Electric consistently ranks in the top tenth percentile nationally of electric utilities for reliability as measured by annual outage time per consumer. This is by design through the co-op's long-term strategic commitment to reliability. In 2023, average outage numbers reflect 60 minutes per service for a total average system uptime of 99.99%.

In 2023, Capital Electric had net plant additions of \$7.1 million. The cooperative added 10.3 miles of distribution underground line and retired 7.5 miles of distribution overhead line for a net addition of 2.8 miles of line. Infrastructure was installed for four urban subdivisions

and 10.4 miles of line were converted from overhead to underground. The cooperative rebuilt another 28 miles of rural overhead line and replaced 6.4 miles of aging underground as part of its aging infrastructure initiative. After committing to rebuild aging infrastructure more than a decade ago, Capital Electric has seen progressively noticeable improvements to its system reliability, as confirmed through reliability metrics.

Average kWh sales per service have been somewhat flat over the past ten years with 2023 being no exception. However, Capital Electric seasonal peaks continue to increase faster than kWh growth. The cooperative's load is heavily concentrated on residential accounts, along with retail and restaurant commercial services that have similar usage patterns. Accordingly, the requirement for power during certain peak times of the day continues to set new system records. In 2022, Capital Electric established a winter peak of 87,600 kilowatts (KW) due to cold temperatures. The cooperative's overall summer peak of 92,300 KW occurred in 2021. Due to mild weather, Capital Electric didn't set any new all-time peaks in 2023. The trend of setting new peaks is likely to continue when normal weather returns.

Overall, Capital Electric rates remained stable between 2016 and 2022. However, due to the changing dynamics of how the cooperative's system peak increasingly drives the its overall power bill, a multi-year plan was implemented in 2021 to shift the member rate structure so rates properly reflect the way costs are incurred by the cooperative. In 2021 and 2022, the first and second years of the cost shifts were implemented as revenue neutral to the cooperative.

Unfortunately, increased costs of contractors, materials, interest and labor required that we increase our overall rates. An increase was implemented in

May of 2023 which was coupled with continued shifts in the cooperative's rate structure. Residential and small commercial members saw a new, third component on their monthly bill called a "grid capacity charge." This charge reflects each service's maximum power requirement.

In May 2024, it was again necessary for the cooperative to increase rates due to similar inflationary costs. Residential and small commercial members saw an increase of \$.75/kW on their grid capacity charge and a new, fourth component on their monthly bill called "On Peak Demand." Overall, the average residential member saw an 8% increase on their monthly bill.

Information on this change has been sent to members and posted to Capital Electric's website. The Energy Services team is also available to explain how this change affects your bill and help identify solutions that may help you save money.

On the transmission and substation front, Central Power Electric Cooperative (Central Power) continues its strong commitment to the reliability and redundancy of Capital Electric's system. Central Power has been focusing on enhancing reliability by adding new transmission tie lines and substations and rebuilding aging infrastructure. With crews currently based out of Minot and Wahpeton, Central Power will be building a new transmission facility in North Bismarck in 2024 and with it, bring in transmission lineworkers and electricians to provide faster response times in Capital Electric's service area. Also dealing with inflation on equipment, labor, and financing, Central Power expects to raise its rates in 2025.

At the power generation level, Basin Electric Power Cooperative (Basin Electric) generates and/or purchases approximately 87% of Capital Electric's wholesale power. The remaining 13% is purchased from Western Area Power Administration (WAPA). Both perform vital functions in generating and procuring power and providing transmission services, which play a key role in Capital Electric's system reliability.

Basin Electric had a challenging year in 2023. The generation and transmission cooperative saw strong margins from power sales, but lower than expected

commodity prices and a scheduled outage led to lower sales from its subsidiary, Dakota Gasification Company.

Basin Electric has provided rate relief to its members over the last couple of years, which was a large driver in holding Capital Electric's rate steady for seven years. Basin Electric is investing in significant new generation and transmission projects as demand for power continues to be strong in North Dakota. Though a measurable amount of transmission cost is spread across the regional power market, we expect that Capital Electric will see purchased power cost increases from Basin Electric beginning in 2025.

As we discussed last year for WAPA, the water levels in the mainstem dams on the Missouri River were low, resulting in an overall rate increase. In addition, a drought adder was put in place in 2023 that will continue until conditions improve. Additional cost pressures sound imminent, and another rate increase is expected in 2025.

Unfortunately, based on the estimates from our transmission and wholesale power providers, we expect continued pressure on Capital Electric's electric rates in upcoming years.

In November 2022, Capital Electric moved into its new headquarters located just north of the intersection of Highway 83 and Highway 1804. The addition of a vehicle storage building and other modifications were completed in early 2024. We enjoyed visiting with those who attended our open house last fall.

This past year has been another successful year for Capital Electric. We are pleased to recognize our employees for their hard work and dedicated commitment to the cooperative.

We hope you will join us at the Bismarck Event Center on June 11 prior to the beginning of the business portion of our 78th annual meeting. The grand prize for this year's meeting will be \$1,000, but you must be present to win. Please attend your annual meeting, participate in the business and elections of your cooperative, enjoy a nice meal, music and more. We hope to see you and your family on Tuesday, June 11 at the Bismarck Event Center. **CEC**

Financial year in review

Luke Steen, Business Manager



Steen

years seems substantial, both were constituted almost entirely of non-operating margins. That is important as non-operating margins don't assist in the meeting of the cooperative's financial covenant ratios.

Capital Credits

The board of directors was pleased to retire a total of \$2,060,179 in 2023. The general retirement made up the vast majority of that amount. Members who had service in 2003 and/or 2004 received the retirement in June 2023. As has been the case for a number of years, members with active service received their retirement as a bill credit, while inactive members received a check in the mail.

Rates

In May of 2023, a rate increase was implemented along with rate structure changes. Unfortunately, the trend continues in 2024, as an additional rate increase was implemented along with similar structural changes. Unfortunately, Capital Electric finds itself in a period of rising costs. Capital Electric hopes that those pressures plateau soon. In the meantime, the cooperative continues to offer opportunities to its members to influence their power bill by helping to reduce cooperative costs.

Margin

Capital Electric Cooperative reported a 2023 margin of \$3,095,755 compared to the 2022 margin of \$6,361,011. It should be noted that while the margin for both

Financials & Audit

Our board of directors is happy to comply with our lenders' requirement to have our financial statements audited by an external accounting firm. Brady Martz & Associates, P.C., completed the audit of the 2023 financial statements. At the conclusion of their process, they presented the cooperative with an unmodified opinion. This opinion is the cleanest report that can be received from the audit firm. The completed audit report has been reviewed and accepted by the board of directors. A summary of the audited financials are included in this annual report and will be presented at the annual meeting. I hope each of you will be able to participate. If there are any questions concerning the financials, feel free to send an email to lukes@capitalelec.com, or call the cooperative at 701-223-1513.

OPERATING STATISTICS: 2013 THROUGH 2023

	2013	2015	2017	2019	2021	2023
Number of electric services served (average)	17,330	18,847	19,984	20,937	21,482	22,100
Average kWh/service/month	1,558	1,483	1,461	1,482	1,463	1,476
Miles of line	2,758	2,656	2,700	2,741	2,776	2,801
Total capital credits retired	\$1,236,134	\$550,038	\$1,410,371	\$1,920,857	\$1,891,851	\$2,060,179
Total utility plant (in millions)	\$105.0	\$96.3	\$107.4	\$118.6	\$142.0	\$157.0

Are you a high school senior or college student

interested in what's happening at your local cooperative?

Attend Capital Electric Cooperative's annual meeting on June 11 for a chance to win a \$500 college scholarship!

The scholarship will be given away to a dependent of a Capital Electric member who will be attending college this fall. All you have to do is attend with one of your parents or guardians, and you can register to win! In addition, you will have the opportunity to witness the democratic process in action at a co-op annual meeting.

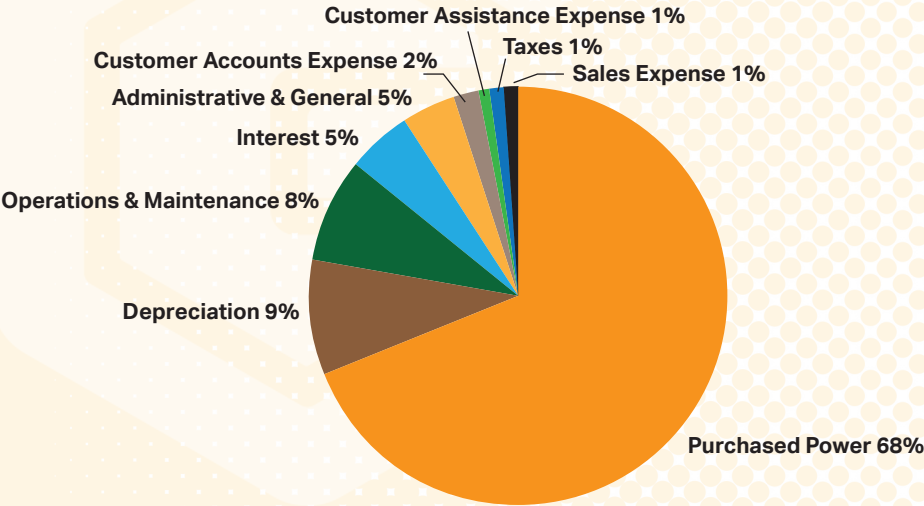
The annual meeting will be held on June 11, 2024, at the Bismarck Event Center, Exhibition Halls C and D, 315 S. 5th Street. Registration and dinner will begin at 4:30 p.m., followed by the meeting at 6:30 p.m.

Don't miss this chance to start your fall semester off with an extra \$500 in your pocket!

STATEMENT OF OPERATIONS

	2023	2022
INCOME:		
Residential Sales	\$27,202,564	\$26,111,204
Small Commercial Sales	\$14,558,535	\$14,281,485
Large Commercial Sales	\$504,442	\$551,137
Seasonal (pasture wells/grain drying)	\$393,900	\$352,665
Street Lighting	\$274,608	\$279,351
Irrigation	\$211,172	\$262,460
Interest Income	\$261,697	\$144,408
Capital Credits (G&T & Other)	\$3,009,310	\$3,271,596
Miscellaneous & Other	<u>\$(101,201)</u>	<u>\$3,019,491</u>
Total Income:	\$46,315,027	\$48,273,797
EXPENSES:		
Purchased Power	\$29,284,637	\$28,579,060
Depreciation	\$4,097,529	\$3,900,622
Operations & Maintenance	\$3,239,332	\$3,347,904
Interest	\$2,275,270	\$2,077,051
Administrative & General	\$2,217,372	\$2,004,967
Customer Accounts Expense	\$1,002,202	\$939,674
Customer Assistance Expense	\$429,954	\$428,834
Taxes	\$348,021	\$337,850
Sales Expense	\$281,115	\$257,925
Other	<u>\$43,361</u>	<u>\$38,898</u>
Total Expense:	\$43,218,793	\$41,912,785
ANNUAL MARGIN:	\$3,096,234	\$6,361,012

2023 EXPENSES BY PERCENTAGE



ASSETS:

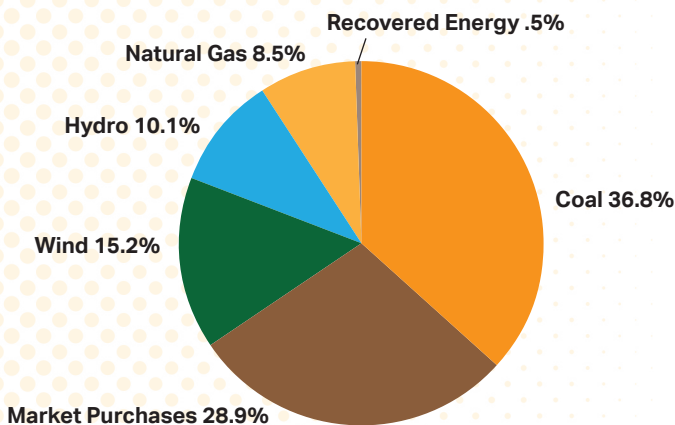
	2023	2022
Total Utility Plant in Service	\$156,992,353	\$149,264,081
Less: Depreciation	\$(46,668,622)	\$(46,076,729)
Net Utility Plant:	\$110,323,731	\$103,187,352
Investments - G&Ts	\$26,285,805	\$24,191,457
Investments - Other Co-ops	\$1,587,920	\$1,403,196
Cash	\$2,381,782	\$2,546,130
Temporary Investments	\$500,000	\$6,051,894
Accounts Receivable	\$4,125,986	\$4,308,934
Materials and Supplies	\$4,178,622	\$3,281,999
Other	\$766,210	\$771,883
TOTAL ASSETS:	<u>\$150,150,056</u>	<u>\$145,742,845</u>

LIABILITIES:

Debt - FFB (via the Rural Utility Service)	\$74,862,909	\$75,719,770
Debt - CoBank	\$6,716,568	\$5,208,440
Debt - Cooperative Finance Corporation	\$4,953,067	\$1,099,417
Debt - Other	<u>\$12,623</u>	<u>\$42,229</u>
Total Long Term Debt	\$86,545,166	\$82,069,857
Accounts Payable	\$2,698,018	\$3,222,961
Other Liabilities	\$1,879,015	\$1,792,025
Revenue Deferral	<u>\$676,000</u>	<u>\$1,567,000</u>
Total Liabilities:	<u>\$91,798,199</u>	<u>\$88,651,843</u>

EQUITY:

Prior Years Equity	\$55,255,622	\$50,729,991
Current Year Equity	<u>\$3,096,234</u>	<u>\$6,361,011</u>
Total Equity:	\$58,351,856	\$57,091,002
TOTAL LIABILITIES & EQUITY:	<u>\$150,150,056</u>	<u>\$145,742,845</u>

SOURCE OF POWER BY PERCENTAGE

**MINUTES OF THE ANNUAL MEETING OF THE MEMBERSHIP
OF CAPITAL ELECTRIC COOPERATIVE, INC.
OF BISMARCK, NORTH DAKOTA**

Tuesday, June 20, 2023

The 77th annual meeting of the members of Capital Electric Cooperative, Inc., Bismarck, North Dakota, was held at the Bismarck Event Center, Bismarck, North Dakota, on Thursday, June 20, 2023, commencing at 6:30 p.m. Preceding the formal convening of the annual meeting, registration commenced at 4:30 p.m.

Convening: The meeting was called to order at 6:30 p.m., by President Deon Vilhauer. President Vilhauer called on Sister Kathleen Atkinson to deliver the invocation. The national anthem was played.

Quorum Report and Minutes: The President reported there was a quorum based on the total number of ballots received by mail, online, and in person. It was moved, seconded and carried to dispense with the reading of the Notice of Mailing, the Affidavit of Proof of Mailing of such notice to the members, and the minutes, and to approve and accept the minutes of last year's annual meeting held on June 12, 2022.

Election Committee and Credentials Committee: The President appointed members to serve on the Elections Committee and Credentials Committee, as follows:

Elections Committee

Mark Steele
Teresa Bauer
Scott Meske
Al Wald
John Paul Martin
Keith Schmaltz
Brian Bitner
Jill Trygg
Mark Wagner

Credentials Committee

Teresa Bauer
Keith Schmaltz
Mark Wagner

Attorney Zachary Pelham of Pearce Durick PLLC, was appointed parliamentarian and recording secretary of the meeting.

Report of Nominations Committee and Election: President Vilhauer conducted the election. The report of the Nominating Committee was then presented by Mark Steele, chairperson of the Capital Electric Nominating Committee. It was moved, seconded, and carried to approve the Nominating Committee report as submitted. The nominees for Districts 1, 2 and 3 were as follows:

District 1

(one to be elected)

Dave Charles
Dwight Hinkel
Bryan Klipfel

District 2

(one to be elected)

David Straley
Bret Weiland

District 3

(one to be elected)

Kyle Tschosik

It was reported no nominations by petition were received. A pre-recorded video presentation was played for each candidate.

President Vilhauer reported on the proposed bylaw amendments, which were pre-published in the annual meeting booklet mailed prior to the annual meeting. The bylaw amendments were summarized as follows:

- 1) Ceasing new joint memberships, but allowing similar rights, such as voting and serving on the board, to spouses of individual members, and detailing ownership of capital credits in the event of divorce;
- 2) Clarifying director residence requirements, strengthening conflict of interest rules, and establishing a no felony conviction requirement for directors;
- 3) Miscellaneous formatting changes for better readability and consistency in terms.

Attorney Zachary Pelham explained the voting procedures for the election of directors and the proposed amendments to the Bylaws. Survey and Ballot Systems was the provider of election services. All mail-in and electronic ballots were sent directly to Survey and Ballot Systems for compilation. No one on the board or staff at Capital Electric had access to the election results prior to this meeting. Attorney Zachary Pelham delivered the results to the election committee so they can be added to the in-person votes. The distribution and collection of the in-person ballots occurred.

Basin Electric Power Cooperative:

Lexis Orn, a recent Century High School graduate, was awarded the \$1,000 Basin Electric scholarship for 2022. Ms. Orn will be attending North Dakota State University to study math and statistics.

Youth Tour Winner: Grace Larson, Bismarck, was this year's essay contest winner and will be traveling to Washington, D.C. to represent Capital Electric on the annual Electric Cooperative Youth Tour.

Treasurer's Report and Financial: The President introduced Business Manager Luke Steen, who presented the annual business

report to the membership. It was moved, seconded, and carried to accept the budget report as submitted.

Operation Round Up Report: President Vilhauer introduced Communications and IT Manager Wes Engbrecht, who presented the 2022 Operation Round Up report to the membership.

President and Manager's Report: President Vilhauer and General Manager Fitterer provided a joint report which reviewed the past year's operations and highlighted upcoming developments for the cooperative.

Recognition of Current and Former Directors: President Vilhauer recognized current and former Capital Electric directors of the cooperative.

Recognition of Current and Former Employees: General Manager Fitterer recognized current and former Capital Electric employees, with special recognition given to Laurie Rogstad who retired in 2023 after 17 years of service.

Report of Elections Committee: President Vilhauer called on the chair of the Elections Committee to present the results of the balloting for the board of directors election. Dave Charles was elected to District 1, Bret Weiland was elected for District 2, and Kyle Tschosik was elected for District 3. The amendments to the bylaws were approved by the membership.

Annual Meeting Scholarship: President Vilhauer announced attendee Savannah Benz was the winner of the \$500 scholarship.

Adjournment: There being no further business, the meeting, was adjourned at 7:51 p.m.

Dad Bod: Making Music for All Ages



Dad Bod isn't just about rocking the middle-aged physique, it's about rocking out with lifelong friends! This Bismarck-based band is a duo of guitar-slinging dads who have known each other since growing up in Minot, North Dakota. Their musical journey continues together, bringing a combined lifetime of experience and passion to the stage.

Get ready for a night of sing-alongs, fist-bumps and good times! Dad Bod

delivers high-energy renditions of favorites that span generations and genres. They specialize in classic country anthems and timeless rock riffs, but you might also hear a surprising goldies tune or a modern earworm thrown into the mix.

So come on down and reminisce with Dad Bod! You're guaranteed to leave with a smile and a renewed appreciation for great music.



NOTES



Capital Electric
COOPERATIVE

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ATTENTION

If attending the annual meeting in person, please detach this page on the perforation and bring it with you to the meeting for express registration.

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