

**POWERING
THROUGH**



Your Touchstone Energy® Cooperative 

2019
ANNUAL REPORT

Ballot Enclosed

YOU'RE INVITED!

Please join us for our

ANNUAL MEETING DRIVE-THROUGH EVENT

Allamakee-Clayton Electric Cooperative HEADQUARTERS

Monday, September 14, 2020

1:30 p.m. – 6:30 p.m.

IMPORTANT NOTICE

Due to COVID-19 precautions, there will be NO member attended annual meeting this year. Director elections for Districts A and C, and voting on the discontinuation of the \$5 membership fee will occur via mail or can be dropped off during the drive-through event at the Cooperative on **Monday, September 14, 2020, from 1:30 p.m. to 6:30 p.m.**

See pages 23 and 24 for more detail.



A MESSAGE FROM THE BOARD PRESIDENT

Look at all the uncertainty surrounding us. As you're reading this, it is still uncertain how the fall school year will play out.

Will it be in person or a hybrid with online learning? Will we attend Friday night football games, or will the stands be silent? So much uncertainty.

But one thing is sure. Your cooperative is working every day to ensure that each member receives safe, reliable and affordable energy every day. Sometimes I think people take for granted that when you flip the switch, the lights come on. I can tell you that the board of directors and the staff at ACEC do not take it for granted.

We've seen a lot of stress these last few months as COVID-19 became a world pandemic. It forced your cooperative to make changes on how it operates. Some of these changes involved closing the lobby, running split work crew shifts, and having some employees working remotely. Each day and each month brings a different set of circumstances that require the Cooperative to be flexible while maintaining its service to you.

We don't have all the answers on how this all plays out. We keep adapting. Our annual meeting this year is not what we originally had planned. There are things in life that are out of our control. I do want our members to know that the board and staff remain focused every day and with every decision we make; to provide safe, reliable and affordable energy to you every day.

JEFF BRADLEY
PRESIDENT



HOW LOCAL OWNERSHIP WORKS FOR YOU

As our world is changing around us, we remain focused on ensuring our planning and actions keep your lights on. 2019 was a good year overall, and our economic performance remained strong. Our management team and board of directors are constantly evaluating our climate and striving to make decisions that have a positive effect on your co-op.

Electric co-ops are built by and belong to the communities they serve, and this is an excellent opportunity for us to remind you how local ownership works for you.

For electric cooperatives, it doesn't come as a surprise that there is a renewed commitment to supporting local communities and economies with purchases. Local ownership and local control are hallmarks of the cooperative business model, which has served our member-owners well during our 82 years of operation. Member involvement was the key to our formation decades ago, and it's what continues to fuel how we serve you today and the way we plan for the future.

Because your electric cooperative is owned by your fellow neighbors, friends, and community members, decisions are made in the best interests of our communities' needs. We don't take a one-size-fits-all approach. We know that what works well for a cooperative in southern Iowa may not work for a cooperative in northeast Iowa. Because Wall Street investors are not making decisions for the cooperative on your behalf, we can remain flexible and adapt to our region's unique needs. We can pursue economic development opportunities that complement existing businesses in our area and provide for the sustainable growth of local communities.

While Allamakee-Clayton's core purpose is to provide safe, reliable, affordable, and environmentally responsible electricity, we're also committed to making our communities quality places to live. We do this in many ways, such as by providing good and stable jobs; offering educational opportunities on programs and services such as energy efficiency and safety; deploying technology that is necessary for growth and success, encouraging student leadership and education; paying local, county and state taxes; and distributing patronage back to members based on our not-for-profit business model.

Across the country, America's 900 locally owned electric distribution cooperatives provide electricity to an estimated 42 million people in 47 states, covering three-quarters of the nation's landmass. The endurance of the cooperative business model is a testimony to the success of local control and ownership by the same people who rely on electric services to power their homes, businesses, and lives.

Although there will be no members attending the annual meeting this year, we encourage our members, the Co-op owners, to participate in the election this year. We sure hope to be back together again next year.

All the best to everyone!
HOLLEE MCCORMICK
EXECUTIVE VP/GENERAL MANAGER

A RENEWED COMMITMENT A REPORT ON DAIRYLAND POWER COOPERATIVE

The energy industry continues to transform in many ways. Dairyland Power Cooperative, our wholesale power cooperative, continues to focus on strengthening its safety programs, further diversifying energy resources, modernizing systems and ensuring competitive rates.

Several business initiatives will be implemented in 2020 to achieve the Strategic Imperatives established by its board, which focus on enhancing efficiency today and positioning Dairyland for future success.

- **Sustainable Generation Plan** – The Sustainable Generation Plan is a broad strategic effort to ensure Dairyland is best positioned to serve our members for generations to come. Dairyland is preparing for the transformation of energy resources by strategically developing power supply plans, determining future energy mix and anticipating members' long-term needs.
- **Dairyland Systems Modernization** – Dairyland is enhancing efficiency with a multi-year implementation of a comprehensive Enterprise Resource Planning program. A series of projects will ensure financial, business and technical environments are optimal for long-term success.
- **Strategic Workforce Planning** – This cooperative-wide initiative includes analyzing, forecasting and planning workforce supply and demand, assessing gaps and determining talent management activities. The goal is to ensure Dairyland has the right people with the right skills, in the right places to achieve the cooperative mission.

In addition to these top priorities, business plans continue in all areas of operations to fulfill Dairyland's Strategic Imperatives:

Cooperative Purpose – Dairyland reorganized in late 2019, focused on exceeding member expectations and reducing overall cost. The new structure supports Dairyland's Mission to be responsive to members and to efficiently achieve sustainability goals.

Employee Development – Dairyland is concentrating on attracting, developing and retaining talented leaders who are focused on serving co-op members. The new organizational structure enhances opportunities for employee development and skill growth.

Resource Diversification – The Board has set goals to continue to diversify Dairyland's energy portfolio, reduce its carbon footprint and be even more sustainable. As resource decisions are made, four criteria for sustainability are balanced: Economics, Environment, Social and Technical considerations.

A major component of the Sustainable Generation Plan has been evaluating how long Dairyland should continue to operate existing assets. In January, the difficult decision was made to retire the 345 MW coal-fired Genoa Station #3 when the contracted fuel supply is depleted. The estimated retirement is June-December 2021.

Dairyland announced two major renewable energy investments in 2019: a power purchase agreement (PPA) with Ranger Power for the 149 MW Badger State Solar facility (Wisconsin) and a PPA with Avangrid Renewables for the proposed 52 MW Tatanka Ridge Wind energy facility (South Dakota). The Badger State Solar facility received approval from the Public Service Commission of Wisconsin in January.

As Dairyland transitions to a low-carbon future, safety, reliability and competitiveness will remain at the forefront. The proposed Nemadji Trail Energy Center is integral to the Sustainable Generation Plan. It will serve as the "power behind the power" supporting our renewable energy investments. It will provide reliable and competitively-priced power when the wind isn't blowing and the sun isn't shining.

The approval for the Nemadji Trail Energy Center in January by the Public Service Commission of Wisconsin is a positive step in the project timeline.

Competitive Service – Ensuring rates and services are competitive is critical to the economic well-being of the region. A task force comprised of Dairyland Board members and managers from Dairyland member cooperatives – supported by Dairyland staff and a rate consultant – spent most of 2019 reviewing the current wholesale rate, which is nearly 10 years old. The wholesale rate is what Dairyland charges our cooperative to generate and deliver power to our local substations. In December, the Board approved a new wholesale rate design, which will go into effect in May 2021. The Task Force was assigned to develop a *Future Ready* rate that would allow Allamakee-Clayton Electric Cooperative and

the rest of Dairyland's members to reliably and innovatively serve our consumer-members.

The Board approved Dairyland's 2020 budget that will result in an average estimated rate year *decrease* of 1.8 percent on May 1. The 2020 budget supports the initiatives outlined in Dairyland's strategic business plan to serve Allamakee-Clayton.

By working with other utilities, regional transmission infrastructure has been strengthened to absorb changing generation sources and strengthen reliability.

Financial Strength – Maintaining financial strength and competitive access to capital are critical to delivering Dairyland's strategic plans. Dairyland has credit ratings of "A3" with a stable outlook from Moody's and "A+" also with a stable outlook from Standard and Poor's. Dairyland's Board and management work to balance building financial strength with competitive rates and sound operations.

Growth – Dairyland staff are working with its members to support economic development opportunities that will help communities grow by adding businesses and jobs. Innovative beneficial electrification strategies, including electric vehicle charging stations, are also a focus.

Safety Culture – Safety of employees, members and the public is the highest priority at Dairyland. Employees continue to educate, promote and maintain a culture of safety as they strive for an operational goal of "zero incidents."

Operational Excellence – The reliable performance of Dairyland's power plants and transmission system is a 24/7 priority. The men and women who operate and maintain Dairyland's facilities are focused on safety, while holding high standards for reliable operations.

Transmission Construction crews work to safely rebuild, construct and upgrade approximately 50 miles of 69 kV transmission line each year. Each mile takes approximately two weeks to complete with roughly 17 poles per mile.

In 2020, Dairyland will begin a programmatic approach for adding middle-mile fiber optic communications to its existing transmission infrastructure primarily for electric operation communication purposes. As the program progresses, excess fiber optic communication capacity may then be available to enable rural broadband service providers for access to the communities Dairyland serves.


I've had the privilege of being a director of Allamakee-Clayton Electric Cooperative for 24 years and have been honored to serve as your representative on the Dairyland Board for 10 years.

Respectfully,

LARRY LAMBORN

ACEC'S REPRESENTATIVE ON
DAIRYLAND POWER COOPERATIVE'S BOARD



A Touchstone Energy® Cooperative 

Allamakee-Clayton Electric Cooperative is one of 24 member distribution cooperatives that receive power from Dairyland Power Cooperative, which is headquartered in La Crosse, Wis.

LINWORKERS ARE THE HEART OF THE COOPERATIVE

Whether it's restringing line in the day or restoring power in the night, lineworkers are dedicated to keeping the power on for you.



Winter Storm Wesley arrived early in 2019, taking out power to over a thousand ACEC members. Crews worked through the night and next day to restore power and then traveled north to assist in power restoration for Minnesota REC members.



Crews set a pole by hand on an island in Harpers Ferry last summer.

EMPLOYEES VOLUNTEER THEIR TIME TO HELP KEEP OUR COMMUNITIES SAFE



Ryan Wagner is the Cooperative's manager of member services and is also a certified volunteer firefighter for the West Union Fire Department. He is training here with other volunteers on handling propane emergencies. (photo credit: West Union Fire Department)

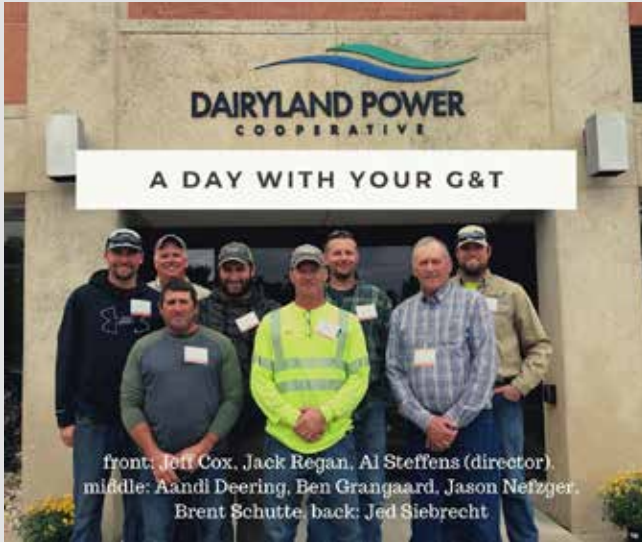


ACEC Linemen, Jason Nefzger (front) and Jason Donnelly are volunteer firemen for the Clermont Fire Department. They are pictured here working the Clermont Fish Fry in 2019.

A certified Emergency Medical Technician since 2018, Aandi Deering volunteers for the Postville Area Ambulance. Deering is the Co-op's staking engineer.



EDUCATION AND TRAINING



front: Jeff Cox, Jack Regan, Al Steffens (director),
middle: Aandi Deering, Ben Grangaard, Jason Netzger,
Brent Schutte, back: Jed Siebrecht

Director Don McCormick earned his Credentialed Cooperative Director certificate in 2019.



This group visited the co-op's wholesale power supplier for "A Day with Your G&T" in the fall of 2019.

The co-op's elected board invests a considerable amount of time in education and training to know the issues that affect ACEC. They are pictured here with our general manager attending NRECA's district meeting in Milwaukee last fall.



General manager, Hollee McCormick, and line superintendent, Tim Bauch, joined 50 others from multiple agencies for the Allamakee Emergency Preparedness Tabletop Disaster Drill in February. They worked through plans on how to respond to an emergency, and the power company is a vital piece to that.



High school juniors and seniors heard from Jack Regan during a Career Workshop hosted by Waukon High School in February 2019.

EDUCATION AND TRAINING



The Cooperative hosted Co-op Career Day last fall. The day was an opportunity for area high school students to learn about the careers that are available at a rural electric cooperative.

Aandi Deering and Jason Nefzger talked with K-6th grade Postville students during Career Day last spring.



Former employee, John Molumby, displays a lineman's safety glove explaining how it protects a line-worker from the dangers of electric current during Safety Day Camp on the Allamakee County Fairgrounds last summer.



Jason Nefzger and Jason Donnelly represented ACEC at the Career Exploration Fair at Upper Iowa in April 2019.





Nathan Monteith, Decorah, job shadowed Blair's crew in October of 2019, while Kyzer Enger, Decorah, watched and learned from Jack and crew. Both crews were working on a single-phase rebuild between Churchtown and Village Creek.



The Cooperative promoted Brent Schutte to First Class Lineman after completing his apprenticeship program last summer.



GOVERNMENT AFFAIRS

The Co-op would like to express appreciation for our area legislators' interest in energy policy that will maintain affordable, reliable, and safe electricity.



L-R: Sen. Michael Breitbach; Rep. Bruce Bearinger; Rep. Michael Bergan; Rep. Anne Osmundson; Kenric Scheevel, Dairyland Power Cooperative; Hollee McCormick, and Brenda Hackman.

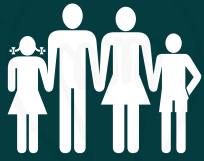
Senator Chuck Grassley discusses COVID-19 and several other timely matters with the board in May at the Co-op.



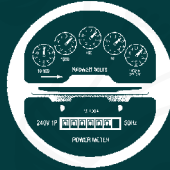
Brenda Hackman had an opportunity to talk with Rep. Michael Bergan at the Legislative Session in Des Moines in February.

ELECTRIC DISTRIBUTION BY THE NUMBERS

Allamakee-Clayton Electric Cooperative Services:



Serves
7,000
members on
10,000
active meters



Has **16**
substations
providing power
to its service
territory

Operates over
2,500
miles of
electric
distribution
power lines



93%
of these, or
2,336
miles, are overhead
power lines

7%
of these, or
183
miles, are
underground lines



ABOUT ALLAMAKEE-CLAYTON ELECTRIC COOPERATIVE

Allamakee-Clayton Electric Cooperative was organized in 1938 because investor-owned utilities bypassed rural Iowa due to its sparse population.

ACEC employs 41 people and provides electric power to more than 9,900 customers on over 2,500 miles of line in portions of eight counties: Allamakee, Clayton, Fayette, Winneshiek, Chickasaw, Bremer, Delaware and Dubuque.

Located in the extreme northeast corner of Iowa, the state of Minnesota borders the Co-op's service area on the north and the Mississippi River runs along our eastern border. Allamakee-Clayton Electric headquarters is located at Postville which is geographically near the center of our service area. ACEC maintains 24-hour, around-the-clock service. The Cooperative's customer base is 95% farm and rural residential.

ACEC's wholesale power supplier is Dairyland Power Cooperative, based in La Crosse, Wis. Dairyland provides the wholesale electrical requirements for 25 electric distribution cooperatives and 17 municipal utilities.

Crews strung over three miles of new line in Allamakee County on Deer Creek Road south of Volney this summer. Electrical lines and poles are rigorous and built to withstand the elements, but eventually, they need replacing due to age and capacity. This three-mile span of line was originally placed in the 1940's.

Cooperatives are organized under the Cooperative, or Rochdale, Principles

WHY MEMBERSHIP MATTERS

- Every home or business that receives power from Allamakee-Clayton Electric Cooperative owns a portion of the utility.
- Anyone who receives services is more than a customer; they are a member and they are an owner.
- Members have a voice and a vote on how the Cooperative is governed by democratically electing fellow members to represent them on the board of directors.
- Any excess revenues, or margins, are returned to members as capital credits based on their patronage.

WHY YOU SHOULD PARTICIPATE IN OUR COOPERATIVE'S ANNUAL ELECTION

You're a member of the Cooperative, but just what does that mean?

A cooperative is different from other forms of business. It's not owned by far away investors, and it's not run by an appointed board of directors. A cooperative is run by a democratically elected board of directors, a board who is given the privilege to serve because of your vote. Your directors are members of your community; they are concerned about the same issues as you because they face them, too.

MISSION STATEMENT

Allamakee-Clayton Electric Cooperative is dedicated to enhancing the quality of life for our members, partners and neighbors by providing safe, reliable and affordable electric services and other innovative solutions.

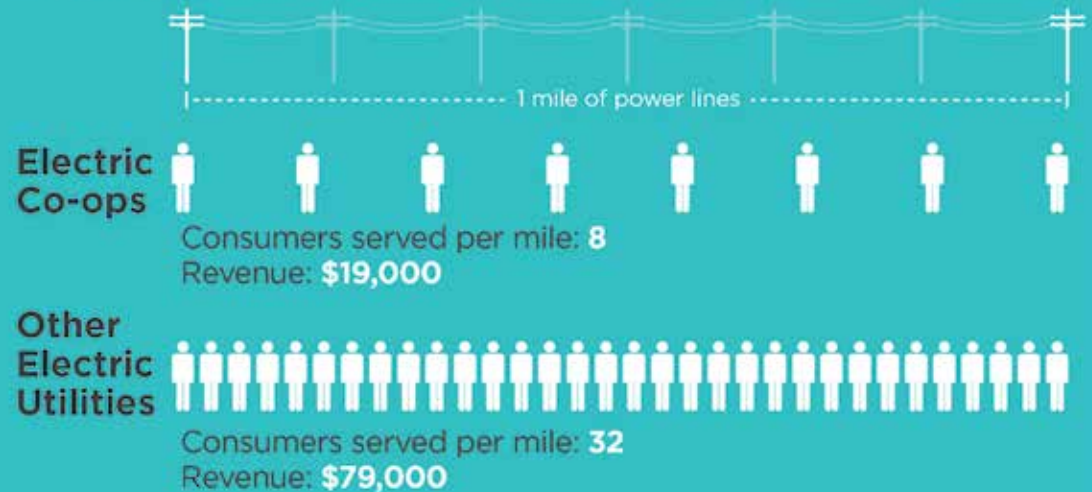
The board is given a privilege to serve because of your vote.

Casting your vote for the directors of your choice gives you a voice in how the Cooperative is run. Not every American has the right to vote for those who will represent their interests with their electric utility. You do have that right, so why not exercise it?

We hope to see you at the DRIVE-THROUGH event this year – it's an opportunity for you to safely see cooperative employees and an opportunity for us to see you, our members!

Going the Extra Mile

Electric cooperatives maintain more miles of power lines per consumer than other types of electric utilities. Even though they serve fewer consumers and acquire less revenue, electric co-ops always go the extra mile to power the communities they serve.



Source: EA 2017 data. Available revenue and production were based on mile of line.

DISTRICT A



BRUCE K. ANDERSON

*Waterville, Iowa
Center Township*

Crop farms 350 acres of corn, soybeans and hay. Custom raises dairy heifers for local dairy producer; milked 80+ registered Holsteins for over 40 years. Wife, Lynn, two children, Jennie and Ian. Member of St. Paul's United Methodist Church, Waukon. ACEC member since 1981.

In the past has served the local farmers on several boards, including Dairy Herd Improvement Association, County and District 1 Holstein Board, Calhoun Creamery Nominating Committee and the local county Farm Bureau Board.

Being involved in the agricultural industry, Bruce thinks he understands what the rural county cooperative member wants and needs for the future. "I offer a willingness to listen and report issues to the Cooperative in hopes to resolve future problems."

Bruce believes that reducing our dependence on fossil fuels is very important as it will help reduce emissions that damage our environment. "Everyone should want to help with this to secure a better life for the next family generations to come."

In addition to reliable electric service, Bruce believes that the REC members deserve electric service at a reasonable cost, and he thanks the Nominating Committee for selecting him to run for the board of directors.



MICHAEL GIBBS

*Waterville, Iowa
Center Township*

Owns and operates a 500-cow dairy/grain farm and transport entity in partnership with sons, Shawn and Chris. Has farmed in Allamakee and Fayette counties for 45 years. Wife, Cindy, 4 children, 15 grandchildren. ACEC member since 1975; board member since 2008.

Mike is a big advocate of employee safety. "My main focus is that every ACEC employee goes home to their family every night." He says that linemen work in a very dangerous environment and he wants them to have all the safest, best, up-to-date equipment available. Mike supports co-ops helping other co-ops in the restoration of power in case of emergency (ROPE).

Mike understands the movement towards clean air with solar, wind and renewables and is happy to see that Dairyland Power Cooperative partnered on a new natural gas generation plant being built to retire the G-3 coal plant of over 50 years.

"I take my fiduciary responsibility seriously, balancing a stable and secure bottom line with fair, affordable cost of service to our member-consumers."



CINDY HEFFERN

*Harpers Ferry, Iowa
Taylor Township*

Rural resident employed at Peoples State Bank in Harpers Ferry. Husband, Jack; five children. ACEC member since 1987.

Cindy has served on the education board and in the rosary society for St. Ann - St. Joseph Catholic Church, is past president of the Waterville Elementary parent group association and served as historian for Thrivent Financial. Family runs a beef and crop Century Farm near Harpers Ferry.

"I feel strongly that renewable energy is something we need to encourage because as we look toward the not-too-distant future, our resources are quickly dwindling and the need for renewable energy is becoming much more important as we want our children's children and beyond to have a clean source of energy."

Cindy wants to do her part to help her community and feels she serves ACEC on the board of directors with integrity and honesty. She believes board transparency is key to a good relationship with cooperative members. "I have learned a lot in the three years that I've been a member of the board, and I would be honored to be able to further my education."



BRAD WINKIE

*Waukon, Iowa
Jefferson Township*

Owns and operates beef and row crop farm for 35 years; since 2015, jointly with son, Jared. Wife, Linda. ACEC member since 1985.

Brad currently serves as a director on the German Farmers Mutual Insurance Board and serves as a member of the Jefferson Township Trustee Board. Previously served on the Zion United Church of Christ Council.

“I would like to serve on the REC board because I am approachable, capable of looking at things from multiple perspectives, and can reason through challenging situations. I hope to serve the members of our district to the best of my ability.”

Brad believes that renewable energy will continue to be part of the equation and will become more utilized in the days ahead. “It is important to continue to develop new sources of renewable energy to fulfill our energy needs.”



ROBERT CAMP

*Elkader, Iowa
Read Township*

Retired agronomist of 24 years at the local co-op; now owns Camp Outdoor Services, specializing in seeding for lawn care. Will soon assume a part-time position with a trucking firm as their customer relations representative. Wife, Debbie, 2 children, 7 grandchildren. ACEC member since 1995.

Robert serves as Chairman of the Elder Board at Grace Evangelical Free Church in Elkader and serves on the Elkader Golf & Country Club Board.

He believes that leadership is a critical component of any organization. Robert added that a good leader will look and listen to all comments and suggestions brought to them from their team. “My past experiences in sales and as a business unit leader have helped me develop leadership, planning, and team-building skills.” He firmly believe that we have good leadership with our local REC board and would like to use his talents to continue on with that tradition.

“Using wind and the sun to replace fossil fuels has many benefits, and establishing unlimited source energies is a much cleaner and environmentally responsible way to go.” Robert points out that the drawback has been cost and we need to find a way to make it more affordable to the end-user.

“Keys to success for any organization are being able to accept feedback from customers; listening and watching what is going on in your community is an important part of a good organization.”



LARRY P. LAMBORN

*Luana, Iowa
Franklin Township*

Owns and runs Lamborn Farms LLC with son and daughter-in-law, dairy and feed out steers. Wife, Jane. ACEC member since 1972; board member since 1996.

Larry represents ACEC on the Dairyland board. Currently he’s a Franklin Township trustee and secretary/treasurer of the Postville Rural Fire Board. He’s a lifetime resident of Allamakee County except for the four years he spent in the U.S. Navy. Larry is seeking reelection and believes his experience on the board is an asset. He takes time to read and study the necessary material in order to make good decisions.

Renewable energy is getting a lot of attention and Larry believes solar energy is showing some promise for meeting peak daytime loads. He believes members look to the Cooperative for information on the latest electronics, as well as honest and informed answers to their questions on energy use and conservation. Larry’s made energy efficient improvements at home with electric thermal storage for interruptible water heating, efficient window replacements and additional insulation, and heat recovery water heating and a plate cooler in the dairy barn.

NOMINATING COMMITTEE

Allamakee-Clayton thanks the 2020 Nominating Committee for their time and efforts selecting candidates to run for the board this year.



Pictured l-r: Ronald Adam, Monona; Brad Winkie, Waukon; Debra McGeough, Waukon; Jean Pape, Maynard; Ross Weymiller, New Albin (chairman); Rosie Ney, West Union (secretary); John Rea, Lansing, and Jared Funk, Elkader (vice chairman).

CHALLENGE ACCEPTED

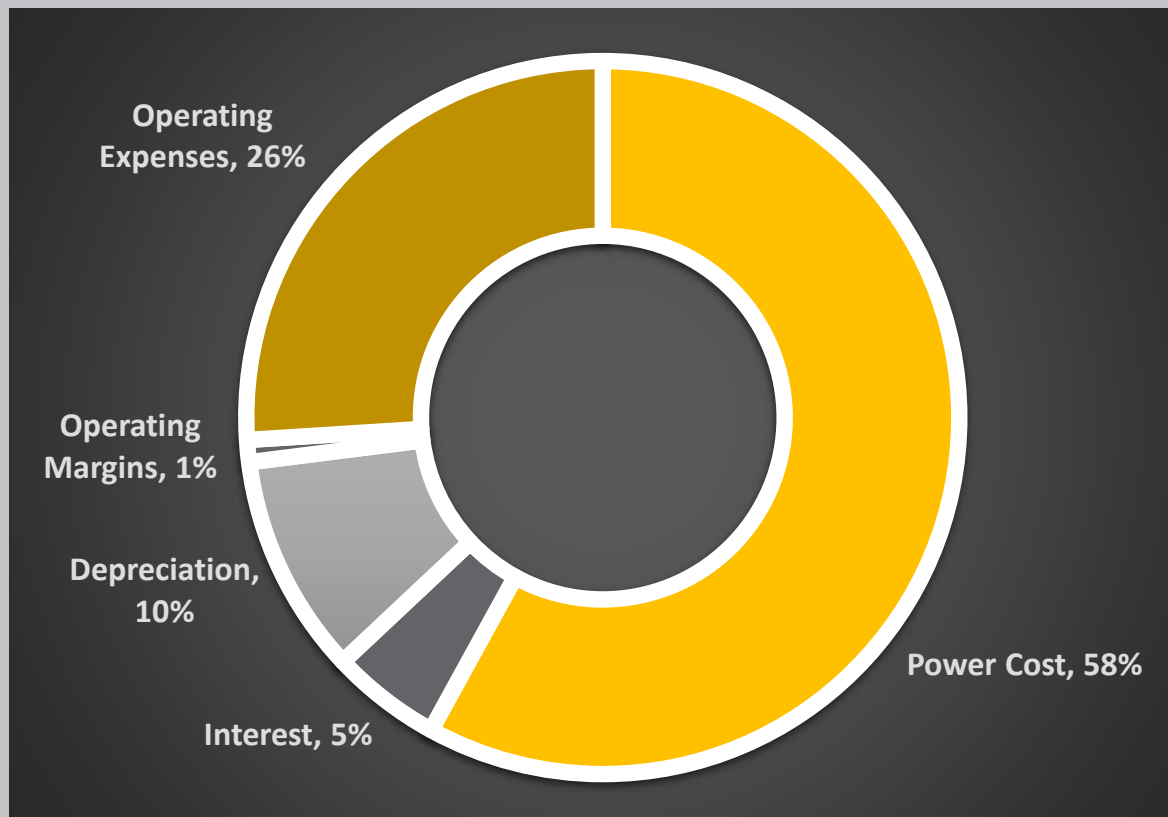
Allamakee-Clayton Electric Cooperative has worked to bring wireless broadband to rural areas in its service territory since 2014. And now more than ever, those areas require high-speed internet. At the onset of the pandemic, Allamakee-Clayton Skyways' staff responded quickly to navigate the unexpected challenge of the need to learn and work remotely online. Many people discovered that the internet services in their home did not have the speed and reliability required to keep up. AC Skyways staff worked long hours to install satellite internet and wireless broadband internet to homes in Allamakee, Clayton, and Fayette counties. Our technicians continued throughout the summer expanding the infrastructure to increase bandwidth, allowing more customers to access uninterrupted internet.



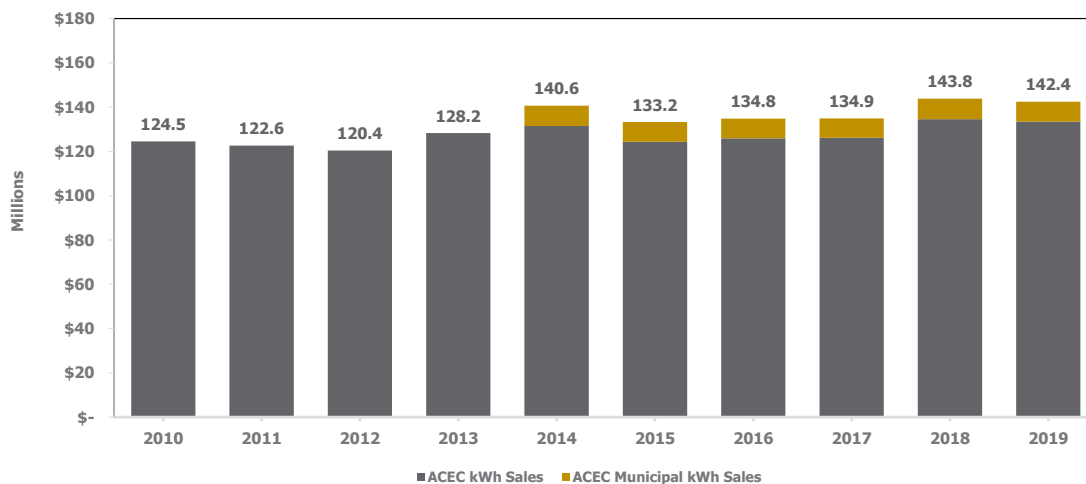
Skyways is a division of Allamakee-Clayton Electric Cooperative, and pictured above are Luke Hackman, broadband specialist (left), and Matt Marting, information technology specialist (right), with Carol Griebenow, who is the member service representative tasked with coordinating installation and service work. Visit acskyways.com for more information on the Co-op's internet plans.

2019 FINANCIAL HIGHLIGHTS

This graph depicts the percent of revenue for each major category of expense. Power Cost comprises 58% of revenue with Operating Expenses the next highest at 26%. Interest and Depreciation make up 15%, combined, while Operating Margins consist of the remaining 1%.



ACEC Annual kWh Sales 2010 to 2019



MANAGEMENT TEAM

HOLLEE MCCORMICK,
Executive VP/General Manager

With guidance from Allamakee-Clayton's board of directors, is responsible for the overall development and implementation of a comprehensive and effective management program including strategic planning, annual work plans, financial management, budgeting, engineering, operations, purchasing and warehousing, wholesale power supply, billing, staffing, human resources, information technology, member services, public relations, and the Skyways division.



DAVID DECKER,
Director, Finance & Administrative Services
Responsible for the administrative service department including, planning, developing, and implementing realistic and effective programs, budgets, and practices. Additional responsibilities include financial forecasting, electric rates, administration of energy assistance programs, development of personnel policies. Responsible for administration and compliance of all the employee benefits program.

BRENDA HACKMAN,
Manager, Economic Development and Community Relations

Responsible for advancing the economic development efforts of the Cooperative. Oversees rural economic development programs and acts as a community relations and legislative affairs liaison for Allamakee-Clayton Electric.



JENI KOLSRUD,
Manager, Information Technology
Responsible for maintaining system and network security, integrity and availability. Responsible for PCI Compliance, hardware, software, cybersecurity, end-user training and education, building access, security systems and telecommunications. Works with all departments to ensure that IT resources are implemented and maintained.

JENNY MCINTYRE,
Manager, Marketing & Communications

Responsible for communications to engage and educate members, employees, and the public. Accountable for the Cooperative's monthly newsletter, bill inserts, website, and social media. Also responsible for the marketing of the Cooperative's Skyways' internet division.




JASON TROENDLE,
Director, Operations & Engineering
Responsible for areas of strategic planning, operations and engineering, power supply, distribution system planning, member relations, annual and long-range work plans, vegetation management, purchasing, and inventory and management.

RYAN WAGNER,
Manager, Member Services

Responsible for the Cooperative's rebate and energy audit programs, high energy bill concerns, the sales tax exemption program, maintaining relationships with members, overseeing the load management program, and assisting with energy audits.



Your Touchstone Energy® Cooperative 

ALLAMAKEE-CLAYTON ELECTRIC EMPLOYEES

Josh Abbott, lead lineman
Tim Bauch, line superintendent
Jeff Cox, line crew foreman
Aandi Deering, staking engineer
Jessica Deering, member accounts clerk
Jason Donnelly, first class lineman
Nick Dougherty, journeyman lineman
Dave Dull, custodian
Travis Erickson, first class lineman
Blair Everman, first class lineman
Susan Goodman, engineering supervisor
Ben Grangaard, first class lineman
Carol Griebenow, Skyways/member service representative
Luke Hackman, IT/broadband specialist
Genette Halverson, staff services/accounting assistant
Garett Hamilton, IVM work planner (shared employee)
Andrew Henderson, first class lineman

Sonja Hillman, FirstCall senior customer service representative
Regan Jacobson, accountant
Jason Leonhart, lead lineman
Matt Marting, IT specialist
Josh Mitchell, utility forester (shared employee)
Doug Moose, equipment operator/groundman
Jason Nefzger, lead lineman
Brad Pecinovsky, compliance/training coordinator (shared employee)
Derrick Peters, lead equipment technician
Jack Regan, hot line foreman
Ben Schulmeister, fleet services & equipment technician
Donna Schultz, cashier/collections representative
Norm Schultz, meter reader
Brent Schutte, first class lineman
Stacy Stock, operations and engineering coordinator/inventory clerk
Jo Suckow, data processing clerk

CELEBRATING LONG-TERM SERVICE, PROMOTIONS AND NEW FACES

The cooperative recognizes staff changes since the 2018 annual report. Thank you to each of these individuals for their service and dedication to make this electric co-op what it is today! We welcome our newest employees, and look forward to getting to know each of you.

PROMOTIONS

Aandi Deering | Staking Engineer
Jason Troendle | Director, Operations & Engineering
Ryan Wagner | Manager, Member Services



Aandi Deering



Jason Troendle



Ryan Wagner

You can read about these retirements and promotions in recent publications of acec NEWS available on our website at acrec.com.

RETIREMENTS

Dave Dougherty | Fleet Services Technician | 21½ years
(Joined ABM Equipment as a salesman)
John Molumby | Manager, Member Services | 21 years
Jed Seibrecht | Equipment Operator | 29 years
Dan Stelpflug | Director, Operations & Engineering | 10 years



Dave Dougherty



John Molumby



Jed Seibrecht



Dan Stelpflug

WELCOME NEW EMPLOYEES

Jeni Kolsrud | Manager, Information Technology | April 2020
Ben Schulmeister | Fleet Services & Equipment Technician | August 2020
Nick Dougherty | Journeyman Lineman | August 2020

BALANCE SHEET

As of December 31

ASSETS	<u>2019</u>	<u>2018</u>
ELECTRIC PLANT		
In service	\$63,415,741	\$62,141,128
Under construction	363,123	482,353
Total electric plant	63,778,864	62,623,481
Less accumulated depreciation	24,012,019	23,649,664
Electric plant, net	39,766,845	38,973,817
OTHER PROPERTY AND INVESTMENTS		
Investments in associated companies	11,476,303	11,226,479
Non-utility property, net	994,276	1,050,010
Restricted investments, net	1,368,483	1,342,528
Total other property and investments	13,839,062	13,619,017
CURRENT ASSETS		
Cash and cash equivalents	110,755	98,494
Restricted cash	367,263	435,331
Accounts receivable, net of allowances	1,842,858	1,814,388
Material and supplies	588,120	655,052
Prepayments	135,766	148,094
Interest receivable	22,163	22,198
Total current assets	3,066,925	3,173,557
DEFERRED DEBITS	46,875	56,802
TOTAL ASSETS	<u>\$56,719,707</u>	<u>\$55,823,193</u>
EQUITIES AND LIABILITIES		
EQUITIES		
Memberships	\$45,850	\$45,600
Patronage capital	13,863,855	14,071,006
Other equities	12,855,050	12,747,282
Total equities	26,764,755	26,863,888
LONG-TERM DEBT, LESS CURRENT MATURITIES	24,228,603	22,877,315
POST RETIREMENT BENEFITS	907,969	939,854
CURRENT LIABILITIES		
Current maturities of long-term debt	1,126,784	1,033,559
Line of credit	927,740	1,270,977
Accounts payable	1,345,511	1,342,548
Customer deposits	85,123	81,202
Taxes accrued	239,836	239,890
Post retirement benefits	25,244	16,340
Other	623,728	598,114
Total current liabilities	4,373,966	4,582,630
DEFERRED CREDITS	444,414	559,506
TOTAL EQUITIES AND LIABILITIES	<u>\$56,719,707</u>	<u>\$55,823,193</u>

STATEMENT OF OPERATIONS

As of December 31

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES	\$19,918,037	\$19,906,459
OPERATING EXPENSES		
Cost of power	11,426,497	11,453,226
Distribution - operations	1,323,582	1,139,846
Distribution - maintenance	1,868,337	1,874,270
Customer accounts	448,078	424,860
Customer service and informational	419,033	398,833
Administrative and general	1,094,538	1,051,976
Depreciation	2,061,582	2,037,724
Taxes	19,449	0
Interest on long-term debt	943,137	883,362
Other	47,147	49,401
Total operating expenses	<u>19,651,380</u>	<u>19,313,498</u>
OPERATING MARGIN BEFORE CAPITAL CREDITS	266,657	592,961
GENERATION AND TRANSMISSION AND OTHER COOPERATIVE CAPITAL CREDITS	548,858	339,100
NET OPERATING MARGIN	<u>815,515</u>	<u>932,061</u>
NONOPERATING MARGIN (LOSS)		
Interest income	113,641	110,094
(Loss) income from equity investments	6,083	(1,213)
Other nonoperating margin (loss)	<u>(447,453)</u>	<u>(337,360)</u>
Total nonoperating margin (loss)	<u>(327,729)</u>	<u>(228,479)</u>
NET MARGIN	<u>\$487,786</u>	<u>\$703,582</u>

Independent Auditor's Report EideBailly, LLP

Certified Public Accountants & Consultants

The Members

Allamakee-Clayton Electric Cooperative, Inc., Postville, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheets of Allamakee-Clayton Electric Cooperative, Inc. as of December 31, 2019, and the related statements of operations, equities and cash flows (not presented herein) for the year then ended, and in our report, dated February 19, 2020, we expressed an unmodified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed financial statements is fairly stated in all material respects in relation to the financial statements from which it has been derived. Complete financial statements are on file at the Cooperative's office.

February 19, 2020

Sioux Falls, South Dakota

Reprinting or use of any information in this report is strictly forbidden without permission of the Cooperative.

COMPARATIVE OPERATING STATISTICS

	<u>2018</u>	<u>2019</u>
Number of Members Billed	9,990	9,976
Total Miles of Line Energized	2,513	2,516
Number of Substations	16	16
Total kWhrs Purchased	151,840,679	150,687,778
Total kWhrs Used by All Members	144,286,547	142,918,808
Total kWhrs Unaccounted For	7,554,132	7,768,970
Percent of Line Loss	5.0%	5.20%
Average Monthly kWhrs Used Per Member	1,204	1,194
Average Cost Per kWhr Per Member Per Month	13.58	13.72
Average Monthly Bill	\$163.41	\$163.74
Average Cost Per kWhr of Purchased Power	7.54	7.58
Total Cost of Purchased Power	\$11,453,226	\$11,426,497
Total Annual Operating Revenue	\$19,906,459	\$19,918,037
Average Plant Investment Per Member	\$6,269	\$6,393
Deferred Patronage Dividends Refunded this Year	\$566,094	\$594,937
Deferred Patronage Dividends Refunded to Date	\$16,514,724	\$17,109,661

ALLAMAKEE-CLAYTON ELECTRIC COOPERATIVE, INC. ANNUAL MEETING OF THE MEMBERS September 16, 2019

The 81st annual meeting of the members of the Allamakee-Clayton Electric Cooperative, Inc. was held at the Postville High School Fine Arts Center, Postville, Iowa, beginning at 7:00 p.m. on Monday, September 16, 2019. Entertainment had been provided before the meeting by the musical group “Root River Jam”.

The meeting was called to order by Roger Arthur, President of the Cooperative, who presided; and Robert V. Swenson, Secretary of the Cooperative, acted as Secretary and kept the minutes.

Those present recited the Pledge of Allegiance to the United States flag. The Chairman presented Cindy Heffern, who gave the invocation.

President Arthur gave the Moment for Safety discussion and spoke to the members regarding directions for restrooms and other pertinent matters.

Upon motion and a second of that motion, the members voted to adopt rules of order for the official business meeting as had been printed on the back of the program presented to them at the time of registration.

Secretary Swenson had reported to the President that a quorum was present, and that notice of this meeting had been mailed to each member in accordance with the Bylaws of the Cooperative. A motion was made, seconded, and passed to waive notice of this annual meeting, and reading of the publication of such notice.

Minutes of the annual meeting held September 10, 2018, were included in the booklet mailed to each member of the Cooperative prior to the annual meeting. There being no objections or corrections to the minutes, President Arthur declared the minutes approved as submitted.

Members of the Board of Directors of the Cooperative were introduced by President Arthur.

President Arthur stated that in accordance with the By-laws of the Cooperative, the Board of Directors had appointed a Nominating Committee that had met on May 22, 2019, at Postville, Iowa. Nominations for Directors to be elected at this annual meeting were made. President Arthur called upon William Bennett, Chairman of the Nominating Committee, to present the Report of his committee. Mr. Bennett read his Report to the members, and his Report showed that the following members had been nominated by his committee for the office of Director:

DIRECTOR DISTRICT “A”

Arlyn Fossum	Waterville, Iowa	Center Township
Robin Harmon	New Albin, Iowa	Iowa Township

DIRECTOR DISTRICT “B”

Roger Arthur	Sumner, Iowa	Center Township
Alan Steffens	Clermont, Iowa	Dover Township
Duane Patterson	Elgin, Iowa	Pleasant Valley Township
Lisa Roberts	Fayette, Iowa	Smithfield Township

President Arthur moved for the adoption of the Report of the Nominating Committee; this motion was seconded and unanimously carried. The candidates were then introduced to the members. Members of the Nominating Committee were appointed Inspectors of the Election.

President Arthur called upon the Cooperative’s Attorney, Amanda James, to explain the voting procedures for the election of three

UNDERSTANDING THE SEVEN COOPERATIVE PRINCIPLES

Cooperatives around the world operate according to the same set of core principles and values, adopted by the International Co-operative Alliance. These principles are a key reason why America’s electric cooperatives operate differently from other electric utilities, putting the needs of our members first.



1 VOLUNTARY AND OPEN MEMBERSHIP

Membership in a cooperative is open to all persons who can reasonably use its services and stand willing to accept the responsibilities of membership, regardless of race, religion, gender or economic circumstances.



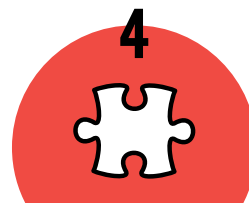
2 DEMOCRATIC MEMBER CONTROL

Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. Elected representatives (directors/trustees) are elected from among the membership and are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote); cooperatives at other levels are organized in a democratic manner.



3 MEMBERS’ ECONOMIC PARTICIPATION

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital remains the common property of the cooperative. Members allocate surpluses for any or all of the following purposes: developing the cooperative; setting up reserves; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.



4 AUTONOMY AND INDEPENDENCE

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control as well as their unique identity.



*This is an abbreviated version of the minutes.
A full version is available by request.*

Directors. Ms. James referred to the ballot and indicated that Directors would be elected for only two districts, but that all members in attendance could vote for each position without regard to the district in which they reside. The members were then directed to proceed with the marking of the ballots. The Inspectors of Election passed through the aisles and picked up all ballots from the members and took them to the counting room in the building.

General Manager Hollee McCormick introduced former Directors Oliver Larson, Bill Moody, George Beardmore, Duane Klink, John Storbeck, and Cletus Mathis. She also introduced guests from Iowa Area Development Group, Heartland Power Cooperative, and MiEnergy Cooperative and Representatives Anne Osmundson and Michael Bergan from the Iowa House of Representatives.

President Arthur introduced Rand Fisher, President of Iowa Area Development Group. Mr. Fisher spoke on "Winning the Lottery."

President Arthur and General Manager Hollee McCormick spoke on "Your Cooperative's Principled Approach."

President Arthur stated that his report and the report of the General Manager, the financial report, and the report of the Director for Dairyland Power Cooperative had all been included in the booklet mailed to the members. He asked for any questions or comments concerning these reports. The motion was made and seconded, and passed to approve all of these reports.

President Arthur introduced Michael Hagen and Skyler Kelly, who were participants in the Washington Youth Tour for 2019. Michael and Skyler spoke about their experiences on this tour and they thanked the Cooperative for the opportunity to be part of the Youth Tour for 2019.

President Arthur announced that awards for the Robert "Bill" Hauschild Memorial Scholarship had been made to Clayton Helle, Zachary Massman, Cole Walch, and Mason Wille.

After all ballots for the election of Directors had been counted and tabulated, the Certificate of the Inspectors of the Election was presented by William Bennett, Chairman of the Nominating Committee. He certified that Arlyn Fossum had been elected as Director for District "A" and that Roger Arthur and Alan Steffens had been elected as Director for District "B". The persons elected to the board will serve terms to run for three years, or until their successors shall have been elected and shall have qualified. Said Certificate was ordered by the Chairman to be attached to the minutes of this meeting.

The Chairman thanked all for their attendance. There being no further business to come before the meeting, upon motion duly made, seconded, and carried, the meeting was adjourned.

5

EDUCATION, TRAINING AND INFORMATION

Education and training for members, elected representatives (directors/trustees), CEOs and employees help them effectively contribute to the development of their cooperatives. Communications about the nature and benefits of cooperatives, particularly with the general public and opinion leaders, helps boost cooperative understanding.

6

COOPERATION AMONG COOPERATIVES

By working together through local, national, regional, and international structures, cooperatives improve services, bolster local economies and deal more effectively with social and community needs.

7

CONCERN FOR COMMUNITY

Cooperatives work for the sustainable development of their communities through policies supported by the membership.

**THESE ARE
THE WORDS
WE LIVE BY.**



The National Rural Electric Cooperative Association (NRECA) is the national service organization for more than 900 not-for-profit rural electric cooperatives and public power districts providing retail electric service to more than 42 million consumers in 48 states and whose retail sales account for approximately 12 percent of total electricity sales in the United States. Learn more at electric.coop

BOARD OF DIRECTORS



ROGER ARTHUR,
Sumner



JEFF BRADLEY,
president,
Wadena



ARLYN FOSSUM,
Waterville



MICHAEL GIBBS,
vice president,
Waterville



CINDY HEFFERN,
secretary-treasurer,
Harpers Ferry



JERRY KELEHER,
Elkader



LARRY LAMBORN,
Luana



DONALD MCCORMICK,
Harpers Ferry



AL STEFFENS,
Clermont

PROPOSED AMENDMENT TO THE ARTICLES OF INCORPORATION

The Board of Directors has the responsibility of periodically reviewing the Articles of Incorporation of the Cooperative to determine if any modifications are in order. At the June board meeting, the Board identified an area where it felt the Articles should be modified with regard to membership fees. The Cooperative Members will be asked to cast a ballot, either by mail or drop-off during the drive-through event at the annual meeting scheduled for September 14, 2020, for the proposed amendments to the Articles of Incorporation. Ballots are enclosed with this annual report and mailed to all members with the Official Notice of the annual meeting drive-through event.

The Board of Directors propose to amend Article VII, Sections 1, 2, and 6, and Article XIII to **eliminate the membership fee requirements**. The Board has determined that the agreement to purchase services from the Cooperative and comply with the Articles of Incorporation and Bylaws, and any rules and regulations adopted by the Board of Directors shall be deemed sufficient consideration for Membership.

The amendment related to the **membership fee would eliminate the current \$5.00 charge. Any current member who has paid this fee shall have it refunded as a credit against the member's bill and the fee will no longer be required.** The administrative burden of collecting and subsequently refunding the fee outweighs the benefits of the same.

You are encouraged to vote in favor of the proposed amendments to the Articles of Incorporation. Should you have any questions regarding the proposed Amendments, please do not hesitate to call the office. The full text of the proposed Amendment can be obtained from the office, or by viewing the Cooperative's website at acrec.com, or picking up a copy at the annual meeting drive-through event.

IMPORTANT REGISTRATION CARD

PLEASE RETURN
THE ENCLOSED DIRECTOR
BALLOT BY MAIL.

Bring this registration card with you to the
DRIVE-THROUGH ANNUAL MEETING EVENT

Allamakee-Clayton Electric Cooperative, Inc.

ACEC HEADQUARTERS – Enter at main entrance
MONDAY, SEPTEMBER 14, 2020
1:30 PM – 6:30 PM



PRESENT THIS CARD at the drive-through event for your free gift and snack while supplies last. By doing so, you will automatically qualify for a bill credit or a five-year solar panel subscription. Winners will be announced in the October Energy Update bill insert and the October newsletter.

OFFICIAL ANNUAL MEETING NOTICE

Note: MEETING TO BE CONDUCTED VIA A DRIVE-THROUGH SERVICE

The regular annual meeting of members of the Allamakee-Clayton Electric Cooperative, Inc., will be held **via a drive-through event** at the Cooperative's headquarters, Postville, Iowa on Monday, September 14, 2020, between the hours 1:30 p.m. – 6:30 p.m. to take action upon the following:

1. The election of three (3) directors of the Cooperative.
2. Vote on the proposed Amendments to the Articles of Incorporation as recommended by the Board of Directors of the Cooperative. A summary of the proposed Amendments is enclosed with this Notice. Should you wish to receive a copy of the actual text of the proposed amendments, you may obtain the same by contacting the Cooperative office, viewing the same on the Cooperative's website, or picking up a copy at the annual meeting drive-through event.

In light of the concerns related to the COVID-19 virus, and in order to protect the health and safety of our employees, members, and guests, Allamakee-Clayton Electric Cooperative intends to conduct the election of directors via a drive-through event. All reports will be videotaped and available on the cooperative's website at acrec.com.

The Bylaws permit voting for the Director election by mail and amendment to the Article by mail. Further, the Bylaws provide that to the extent members vote by mail, such votes count toward the quorum requirement for the election. Thus, the Board has determined that the election can be completed without an in-person meeting.

For your information in connection with the election of three (3) directors scheduled for this drive-through event, the committee on nominations, appointed by the board of directors of the Cooperative, according to the by-laws, has nominated six members of the Cooperative as indicated on the enclosed ballot.

PLEASE VOTE BY MAIL: For directors by marking a check ✓ opposite the names of three (3) candidates you wish to vote for. After you have marked your ballot, enclose it in the self-addressed envelope provided, seal it and return it to the Cooperative's office. Any other type of envelope will be accepted if the member's name is in the upper left corner of the envelope, **BUT TO BE VALID IT MUST BE ADDRESSED TO:**

SECRETARY: Allamakee-Clayton Electric Cooperative
PO Box 715
Postville, IA 52162

CAUTION: Ballots are not valid if mailed in an envelope without your name and return address on same. Mail your ballot so it reaches the Cooperative office before September 14, 2020.

PLEASE: Return your ballot by mail to qualify for a \$25 bill credit. The senders of the 10 mail ballots drawn will receive one of ten \$25 bill credits.


If you have any questions, please contact Allamakee-Clayton Electric Cooperative at 888-788-1551 and let them know you have a question about the annual meeting.

Dated at Postville, Iowa, this 17th day of August, 2020.

Cindy Heffern,
Secretary



P O Box 715
Postville, IA 52162-0715

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DON'T FORGET! Tear off here and bring this card to register at the annual meeting drive-through event. 

JOIN US FOR OUR ANNUAL MEETING DRIVE-THROUGH EVENT

MONDAY, SEPTEMBER 14, 2020

1:30 PM – 6:30 PM

Members will enter at the main entrance of the Cooperative's headquarters at 229 Highway 51, Postville, and be guided around into the garage.

You will be greeted by ACEC employees while you **REMAIN IN YOUR VEHICLE** to vote, register for prizes, and receive a gift and snack while supplies last. Prizes will be the same amount as prior years, but will be awarded in the form of a credit on your next bill. We will also draw for two 5-year solar panel subscriptions.

Please bring your registration card to be eligible for the drawing!

The Cooperative believes this drive-through event is the best way to help keep our members and employees safe during this time. We hope to see you there!

