

**The Ontonagon County Rural Electrification Association  
Annual Meeting of Members  
Chassell Township School  
41585 Highway US 41  
Chassell, MI 49916  
Saturday, June 17, 2017  
Registration: 9:00 A.M. to 10:00 A.M.  
Meeting Begins: 10:00 A.M.**

The Annual Meeting of the Members of the Ontonagon County Rural Electrification Association was held at the Chassell Township School on Saturday, June 17, 2017 at 10:00 a.m.

The record shows that a quorum was present with 77 members in attendance.

Board President, Calvin Koski, called the meeting to order at 10:00 a.m. followed by the Invocation and the Pledge of Allegiance.

President Calvin Koski welcomed the members to the meeting and introduced the Board of Directors and the districts they represent:

District 2 – Lake Mine/Toivola: Frances Wiideman, Vice President

District 3 – Ewen/Trout Creek: Paul Koski

District 4 – Aura/Skaneecook: Calvin Koski, President

District 5 - Pelkie/Herman/Keweenaw Bay: Wayne Heikkinen

District 6 – Chassell: George Rajala

District 7 – Boston/Lake Linden: Absent

Randy Myrhen, the Director representing Green/Firesteel was absent.

President Calvin Koski asked for volunteers to count the ballots for the election and appointed Peggy Macko as the Chairman of the Election Committee.

President Calvin Koski then introduced Mr. Kenneth Bradstreet who moderated the remaining portion of the business meeting. Mr. Bradstreet is a former legislator and former chairman of the Michigan House Energy and Technology Committee.

Mr. Bradstreet informed the membership that the meeting will be run in an organized, business-like, and fair manner, with members of the cooperative having equal opportunity to receive the information being provided and to express views or ask questions concerning past or possible future actions of the cooperative board or management.

Mr. Bradstreet told the membership that there were cards available to take notes or to write out their questions. He identified the Sergeants that would be responsible for collecting the cards.

The annual meetings in 2015 and 2016 did not have the required 50 members in attendance to constitute a quorum but while the Secretary did keep a written record of those meetings, they were not official meetings. The membership can act on the last official meeting at which a quorum was present, which was the 2014 meeting.

In the absence of the Secretary, Director, Paul Koski read the official notice of meeting.

Mr. Koski reported that there are seventy-seven (77) members present and according to the bylaws this constitutes a quorum for the meeting.

A motion was made and seconded to waive the reading of the Minutes of the 2014 Annual Meeting and the written report of the 2016 meeting. The minutes of the 2014 meeting were approved.

Mr. Bradstreet gave a brief report on behalf of the Michigan Electric Cooperative Association.

President Calvin Koski reported that the accounting and business practices of the Ontonagon County R.E.A. were examined by Makela, Pollack & Ahonen, of Ironwood MI, an independent accounting firm. In a letter dated April 25, 2017 the cooperative received the audit report which verified that the cooperative's books are in order, that best business practices are being employed by our management, and that all transactions for the year ended 12/31/2016 are appropriate and properly accounted for.

In the absence of the Secretary, Director, Paul Koski gave the financial report. As of the period ended 12/31/2016 the OTIER was 1.43 and the net TIER 1.80. The TIER (Times Interest Earned Ratio) is how our lenders determine the financial health of our organization. To meet the requirements of our loan covenants, we need to maintain at least a 1.10 OTIER and a 1.25 net TIER.

The net utility plant as of 12/31/2016 was \$20,057,356, an increase of \$2,704,636 from 2015. Net margins were \$546,465 as compared to \$572,004 for 2015.

In the absence of the line Superintendent, Paul Koski reported that we have just completed our last year in a five year rotation of meter testing. All meters on our system have been tested. We completed 31 miles of rebuilds in 2016, which included some in Green, Mass, Aura and Keweenaw Bay.

We are continuing our right of way clearing, spending around \$125,000 per year on tree trimming and brushing. This year will include some spraying of herbicides.

We are also continuing our pole testing program which is also on a five year rotation.

The manager reported 2016 with a slight decrease in our OTIER & Net TIER. We were hit with an ice storm in March and a wind storm in July. In both cases we had to bring in contractors to help restore power. The July wind storm took out a transmission line that took out seven (7) of our substations.

In April of 2017 we refinanced our remaining 5% RUS loans with CFC for a savings of 1.4 million over the life of the loans (1.5-30 years).

The PSCR factor had increased to 1.65 in 2016 from 1.54 in 2015. The Board had authorized a factor of 1.65 in December of 2014. As of 12/31/2016 we have over/collected \$132,000. This over collection was taken into consideration when calculating the 2017 factor of .0083.

Our current power contracts are with US Energies and Wisconsin Public Service. Power costs declined in 2016, the average rate per kWh in 2015 was .09332 and that average was .08567 in 2016. Part of the decrease was due to the fact that we are by-passing UP power's distribution line for the Boston Substation. Our current contracts are formula based rates and that means that if the power supplier's costs are increased or reduced, our purchased power costs follow accordingly.

We purchased 28,080,352 kWh, 457,930 or .0160% less than 2015 and sold 24,292,742 kWh, 638,997 or .0263% less than 2015. Our sales have been decreasing by approximately 2.5 each year for the last several years.

On April 21, 2017 the Board approved an average rate increase of 7.64%, which included a \$5.00 increase in the facility charge and a .00691 increase in the energy charge. The increase will become effective August 1, 2017.

The issue of redistricting was discussed under “old business”. Districts range from 1,400 to 300 members. It was pointed out that according to the bylaws the districts need to be redeliberated so that each shall contain as nearly as possible the same number of members.

Under new business a document was distributed by Sarah Green for discussion. The document contained member resolutions. A copy of the document is attached. There was a lengthy heated discussion regarding the resolutions. All resolutions were voted on by the membership and all passed overwhelmingly with each resolution receiving more than 50 votes in favor and 10 or fewer opposed.

The Election Committee reported that Paul Koski received 58 votes and Gerald Kitzman received 49. Paul Koski will continue representing the Ewen/Trout Creek District. James Moore was seated as the director for the Boston/Lake Linden District. Mr. Moore was unopposed

The drawing for the prizes was held.

There being no further business, the meeting was adjourned and followed by a lunch catered by the Kangas Café.