



HILL COUNTY ELECTRIC NEWS & VIEWS

August 2020



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hcelectric.com



Craig Gates
General Manager/CEO

CEO Message

When the calendar changed to 2020, I never would have expected a pandemic turning our world upside down. Even in Montana, we have not been immune to COVID-19 and the wake of changes we continue to face.

Hill County Electric's (HCE) priority has always been the safety of our employees and our members. As a safety precaution in March, HCE closed our office to walk in traffic. No matter what happens, our commitment remains to provide our members with high quality, reliable, fairly priced, and safe electric services now and in the future.

This month's magazine focuses on updates from our Board of Trustees as well as information on the financial health of the cooperative. As allowed by our by-laws, the HCE Board decided to hold a special meeting by mail to elect Trustees. All ballots were due to Bosch, Kuhr, Dugdale & Brown by July 24th.

The results of the voting were not available as of press time but will be announced after July 27th on Facebook and in our September *Rural Montana* magazine. We thank you for your time and participation in our cooperative's future.

I would like to thank Merle Belcourt for his 30 years of service on the HCE Board of Trustees. His dedication to his fellow members is appreciated and to be admired. Thanks Merle we will miss you, and you can still come to the Annual Meeting to share one of your jokes!



Clarence Keller
HCE Board President

President's Message

As you know, we were unable to gather for our members' annual meeting of Hill County Electric (HCE). HCE had a good year in 2019, but also faces challenges ahead of us. The board must decide how we face these challenges; some people have concerns about climate change and would like more renewable energy sources of power.

We currently receive most of our energy from hydro generation, an excellent renewable resource. With having less than one member per mile of line, this makes our job challenging. Currently we have a few poles that date back to 1948; however, we have come a long way in making our system more dependable to last through storms and winds. We work hard to be as reliable as possible by constantly replacing poles and wire to ensure the lights stay on. The cost of doing business is never going down. With good plans, good employees, and execution of those plans, HCE is in good shape for the future.

NorthWestern Energy is asking Federal Energy Regulatory Commission or FERC for an increase in their transmission rates. This will affect HCE in the future as we do use some of their transmission lines. With the increase of power across these lines, there will be an increase in the cost of energy. This cost of energy may at some point be passed along to you the member. For now, our rates will stay the same for 2020; however, we will always be looking ahead to what we can do to keep rates low and cost at a minimum. Hope to see all of you around town.

Secretary/Treasurer Message

We were all looking forward to seeing you all and welcoming you to our 75th year, but due to the COVID-19 we're unable to greet you in person. I hope this finds you all in good health.

Your trustees, manager and staff have fought many battles over the last 30 years due to the ever changing electrical industry with the shut down of many coal generation plants and the move to wind, solar, hydro and even nuclear. So as you can see, the war is not over.

As I step down I want to wish the trustees, manager and staff the best of luck in the future

as they fight and work for you the membership for safe, reliable electrical service at the lowest possible rates.

I have enjoyed the past 30 years working for you, all the membership. May God bless you all with good health and safety. Thank you again for your support over the years.



Merle Belcourt
HCE Board Secretary/Treasurer



Financial Report

Hill County Electric had another good year financially in 2019.

Our balance sheet remains strong with total assets of almost \$36.5 million. Our equity position has increased from 49.1% at the end of 2018 to 51% at year-end 2019 and our debt is down almost \$1 million for the same period. Hill County Electric invested nearly \$1.5 million into our plant in 2019 to keep our plant in good running order and minimize power interruptions.

Revenues on the income statement were down \$218,407 in 2019, with most of the decrease from the industrial category. Expenses were down \$51,316, resulting mainly from the cost of power expense being down as a result

of the decrease in industrial sales. The other expenses (not including cost of power) saw an increase of only about 2.4% in total. Our Non-Operating margins were up \$127,000 due to an increase in the capital credits we received from our Generation & Transmission Cooperative. This brings us to our total margins for 2019 of \$1,483,623 which was down \$40,091 in comparison to 2018. These margins allowed Hill County Electric to pay out to our member owners \$630,868 in capital credits in 2019, this included both the estates retired and the general retirement.



Mark Majeres
HCE Chief Financial Officer

Financials

2019 Balance Sheet

ASSETS

The cost of our electric system is	\$50,535,840	
We estimate that it has depreciated	\$20,585,579	\$29,950,261
We also have:		
Cash in checking accounts	\$452,493	
Investments in Cash Equivalents	\$1,565,239	
Short-term investments	\$114,297	
Accounts Receivable:		
Electric Services	\$1,627,638	
Other Services	\$473,671	
Interest Receivable	\$5,677	
Materials & Supplies	\$767,630	
Prepaid Expenses:		
Dues & Subscriptions	\$32,479	\$5,039,124
Invested in Associated Organizations:		
NRUCFC - Certificates	\$404,008	
NISC - Capital Credits	\$45,569	
NRUCFC - Capital Credits	\$12,573	
Cobank	\$80,139	
Triangle Communications - Capital Credits	\$156,888	
Membership & Capital Credits in various cooperatives	\$56,972	\$756,149
Notes Receivable		\$716,655
Deferred Charges		\$19,827
TOTAL ASSETS		\$36,482,016

LIABILITIES

We have mortgage notes to RUS & NRUCFC & CoBank	\$43,475,502	
Less unadvanced & repaid	\$27,971,366	
Less current portion owed	\$940,600	\$14,563,536
We also owe:		
Accounts Payable	\$1,525,238	
Current portion of long-term debt	\$940,600	
Line of Credit	\$0	
Consumer Deposits	\$28,012	
Balance of 2017 property taxes	\$270,462	
Accrued payroll & payroll taxes	\$261,841	
Accrued vacations & holiday	\$182,215	
Accrued interest	\$17,166	\$3,225,534
Deferred Credits		\$88,071
CAPITAL		
Patronage capital & other equities		\$18,604,875
TOTAL LIABILITIES & CAPITAL		\$36,482,016

2019-2018 Comparative Operating Statement

	2019	2018
OPERATING REVENUE		
Electric energy sales	\$16,353,655	\$16,580,281
Other electric revenue	\$438,067	\$429,848
TOTAL OPERATING REVENUES	\$16,791,722	\$17,010,129
OPERATING REVENUE DEDUCTIONS		
Cost of power	\$9,851,630	\$10,043,774
Electric plant operation expense	\$771,204	\$816,154
Electric plant maintenance expense	\$941,642	\$916,026
Consumer accounts expense	\$389,202	\$364,985
Customer service & sales expense	\$90,186	\$108,151
Administrative and general	\$1,210,259	\$1,124,422
Annual meeting expenses	\$21,379	\$24,357
Depreciation	\$1,477,590	\$1,394,965
Taxes	\$539,710	\$529,975
Interest	\$501,748	\$525,753
Miscellaneous	\$32,754	\$30,058
TOTAL OPERATING EXPENSE	\$15,827,304	\$15,878,620
Operating margins	\$964,418	\$1,131,509
Non-operating margins	\$519,205	\$392,205
TOTAL MARGINS	\$1,483,623	\$1,523,714

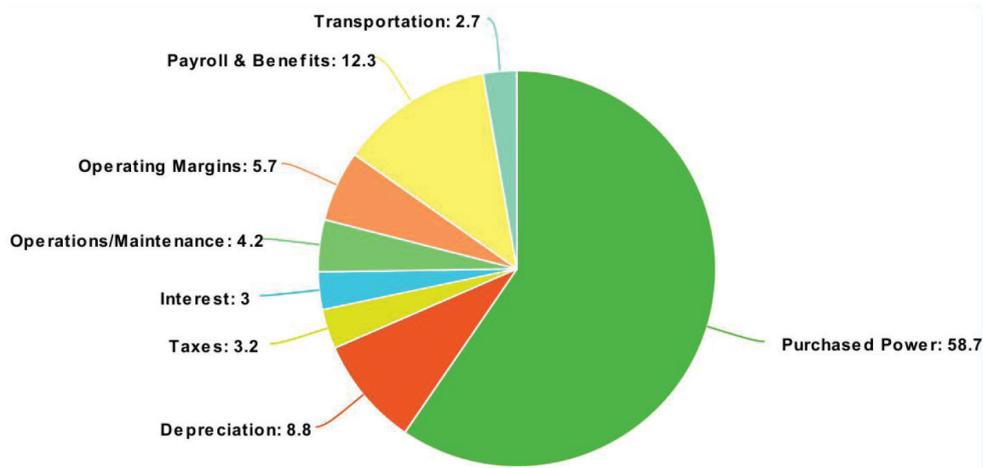
USE OF YOUR 2019 - 2018 ELECTRIC DOLLAR

		2019	2018
Purchased Power	58.7%	\$9,851,630	\$10,043,774
Depreciation	8.8%	\$1,477,590	\$1,394,965
Taxes	3.2%	\$539,710	\$529,975
Interest	3.0%	\$501,748	\$525,753
Operations/Maintenance	4.2%	\$697,866	\$774,036
Operating Margins	5.7%	\$964,418	\$1,131,510
Payroll & Benefits	12.3%	\$2,061,624	\$1,988,244
Transportation	2.7%	\$448,574	\$454,606
All Others	1.5%	\$248,562	\$167,267
TOTALS	100.00%	\$16,791,722	\$17,010,130

SOURCES OF YOUR 2019 - 2018 ELECTRIC DOLLAR

		2019	2018
Rural Service	28.2%	\$4,743,132	\$4,790,451
Annual Service	1.8%	\$307,622	\$314,011
Irrigation Service	1.6%	\$270,314	\$293,456
Commercial/Industrial	65.2%	\$10,942,147	\$11,091,984
Yardlights	0.5%	\$90,441	\$90,380
Other	2.6%	\$438,066	\$429,848
TOTALS	100.00%	\$16,791,722	\$17,010,130

Use of Your 2019 - 2018 Electric Dollar



Sources of Your 2019 - 2018 Electric Dollar

