

ANNUAL MEETING

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MEC TRUSTEES

President
Tom Alsaker
District #2, Big Flat
880-8801

Vice President
Susan Thraen
District #3, Florence
240-6210

Secretary-Treasurer
Ray Cebulski
District #5, Seeley Lake
677-2280

Terry Hoke
District #1, El-Mar
728-6221

Chuck Drinville
District #4, Clinton
825-4101

Dena Hooker
District #6, Ovando
793-5632

Peter Simonich
District #7, Evaro
740-1033

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COOPERATIVE, INC.
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General Manager
Mark Hayden

MEC'S 2017 ANNUAL MEETING *Make Plans to Attend Today*

Missoula Electric Cooperative's (MEC) annual meeting is an important gathering to review the accomplishments of the past year, and identify the opportunities and challenges of the future.

Very few organizations are uniquely positioned like MEC to bring together members of our local communities around a common goal- the mission of SERVICE to our members. Whether you are a regular attendee, if its been a few years, or if you have never attended the annual meeting, we hope that you will take the time to meet with your fellow co-op members.

First and foremost, MEC's Annual Meeting is designed to take care of the important business of your co-op. This year the members in Trustee Districts 5 and 7 will be voting for the representative of their choice. In addition, the Board is asking all members to consider two By-law amendments aimed at strengthening the gov-

ernance of your cooperative. Director biographies and an explanation of the proposed By-law amendments are included on the following pages. I would also like to remind everyone voting by mail to follow the ballot instructions closely and be sure to sign the envelope to properly validate your ballot.

Another important purpose of the annual meeting is to update the membership on the financial condition of your cooperative. Rick Matusiak from Summers McNea in Billings will provide the results of our recently completed audit. During 2016, MEC's total utility plant eclipsed \$86 million dollars with the addition of nearly 200 new services and the completion of a variety system maintenance projects. Electric rates were unchanged in 2016 with the cooperative realizing a net margin for the year ending December 31 of \$1,796,710, compared to \$1,749,184 for the same period one year ago.

Sadly, the MEC Annual Meeting will be one of Rick's final duties as he "officially" retired at the end of 2016. Congratulations and thanks go out to Rick for his many years of service to MEC and its members- all the best to you in retirement.

Gary Wiens, Assistant General Manager of the Montana Electric Cooperative Association (MECA) will be joining us again this year to provide an update on issues affecting cooperatives across the State of Montana. Gary is a familiar face at our annual meetings, and is part of the MECA team working tirelessly to ensure that the collective voice of Montana's cooperative members are heard loud and clear.

MEC is connected to our communities by more than just powerlines. All cooperatives serve both an economic and social purpose, and while safe, reliable and affordable electric power is crucial to our mission, improving the quality of life for all

MANAGER'S ARTICLE *Mark Hayden*



members is also at the core of what we do every day. I hope that everyone can spend some time before the annual meeting begins to check out the displays that highlight work being done in the area of safety, reliability, community service and our subsidiary Energy Partners just to name a few. These booths are all staffed by local experts- the skilled and dedicated employees of MEC and Energy Partners that are the best in the business, and we couldn't be more proud of the work they do.

This year's event will be held on March 18, 2017 at the University of Montana, UC Ballroom. A detailed schedule is included in the Official Notice on the following page. I look forward to seeing you there.

**OFFICIAL NOTICE OF MEC'S
81ST ANNUAL MEETING**



**Missoula Electric
Cooperative Inc.**

Your Touchstone Energy® Cooperative 

Saturday, March 18, 2017

Registration: 9 a.m. - 11 a.m.

Meeting Begins: 11 a.m.

University Center Ballroom

University of Montana

32 Campus Drive

Missoula, MT

Agenda for 2017 Annual Meeting

- Registration: 9:00 a.m. to 11:00 a.m.
- Call to Order: 11:00 a.m.
- Pledge of Allegiance
- Invocation
- Determination of a Quorum
- Reading of the 2016 Annual Meeting Minutes
- Auditor's Report: Summers, McNea & Company, P.C.
- President's Report: Thomas Alsaker
- Manager's Report: Mark Hayden
- Guest Speaker: Gary Weins, Assistant General Manager, Montana Electric Cooperatives' Association
- Education Assistance Programs:
 - Triple E Recipients
 - IEP Recipients
 - Scholarship Winners
 - Youth to Washington Winner
- Election Results:
 - Trustee Districts #5 & #7
 - Proposed By-law Changes
- Unfinished Business
- New Business
- Grand Prize: \$500 Power Certificate
- Adjournment
- Board of Trustees and General Manager will be available for discussion after adjournment.

**BOARD OF TRUSTEES ELECTION
DISTRICT #5**

RAYMOND G. CEBULSKI



- Current Trustee for District 5
- Received both my NRECA Directors Certificate and more advanced Credentialed Director Certificate
- MEC representative on State Montana Electric Co-op Association
- Serve on several committees for MEC
- Active on legislative work for co-ops, state and national, received award for work to benefit state co-ops
- Instrumental in start-up, structuring of WMET, former Direct TV subsidiary, which netted your co-op over \$5 million, allowing payment of substantial capital credits.

My platform includes:

- Work with management on long range goals
- Improving our plant reliability
- Financial stability, maintaining reasonable rates
- Paying capital credits
- Treating employees fairly, making available education and safety programs
- I strongly support natural resources such as solar and wind power
- I also support community projects
- I am retired from my business of 35 years in Seeley Lake

Our power supply contract with BPA is critical to keeping rates affordable. I worked on previous contracts, helping to negotiate one of the lowest rates in state. I hope my EXPERIENCE and DEDICATION proves I work for you, the Member. I would certainly appreciate your vote for me.

Thank you

DISTRICT #7

PETER J. SIMONICH



It has been a privilege to represent the MEC members in District 7 on the board since the fall of 2016. I would appreciate your vote for me to continue in this role for the next 3 year term. My 35 years of experience in the energy business is well suited for the roles and responsibilities of a MEC Board Trustee. Prior to my retirement in the spring of 2015 I was Vice President for PPL Montana, managing coal and hydroelectric generation stations across the state. I have led organizations that involve engineering, operations, maintenance and compliance during my career. I am a Montana native, have a chemical engineering degree from Montana State University, and started my career at the Frenchtown Pulp Mill. As a member of the board I will focus on maintaining a strong electric cooperative and on providing safe, reliable, low cost energy to our members.

PROPOSED BY-LAW CHANGES

By-law Change #1

Amendment to Section 2, Article IV. Qualifications and Tenure of Trustees

Reasons for Amending Article IV, Section 2. Qualifications and Tenure of the By-laws:

This is a change to the By-laws proposed by the Board of Trustees. It expressly provides that a person with a Conflict of Interest is not qualified to be a nominee for a Trustee position. Conflicts of Interest in any business can be devastating. No trustee should be weighing whether his/her interests is best served by voting for or against a proposed action as opposed to deciding solely what is best for Missoula Electric Cooperative and its business. If a Conflict of Interest exists, this amendment will insure such nominee will be determined not to be a qualified applicant.

Current By-law, with proposed change: Article IV, Section 2, Qualifications and Tenure.

At each annual meeting of the members, the same number of trustees that corresponds with the number whose terms are expiring shall be elected by ballot to serve a term of three years. Upon election, trustees shall, subject to the provisions of these By-laws with respect to the removal of trustees, serve until the annual meeting of the members of the year in which their term expires or until their successors shall have been elected and shall have qualified.

The trustee nominees must possess the following qualifications:

- must be a member and a bonafide resident of the district which he/she intends to represent;
- must be willing to promote and safeguard the interests of the Cooperative among the members and the general public;
- shall represent the membership on an impartial basis for the good of and in the best interest of the entire Cooperative;
- must not in any way be employed by or have material, financial interest in a competing enterprise or business selling electric energy or electrical distribution supplies to the Cooperative or its members;
- must be willing to attend regularly scheduled and special meetings of the Board of Trustees, and other related educational training functions;
- the trustee nominee must be in good financial standing with the Cooperative; and
- must not have a Conflict of Interest with the Cooperative.

Upon establishment of the fact that a trustee is holding office in violation of any of the foregoing provisions, it shall immediately become incumbent upon the Board of Trustees to remove such trustee from office. Nothing contained in this Section shall affect any manner whatsoever the validity of any action taken at any meeting of the Board of Trustees.

By-law Change# 2

Addition of New Section 6, Article IV. Removal of Trustees by Trustees Modification of and Renumbering of Section 6, Article IV. Vacancies Renumber Section 7, Article IV. Compensation; Expenses Renumber Section 8, Article IV. Rules, Regulations and Contracts Renumber Section 9, Article IV. Accounting System and Reports Renumber Section 10, Article IV. "Close Relative" Defined

Reasons for the Addition of Article IV, Section 6. Removal of Trustees by Trustee of the By-laws:

This is a change to the By-laws proposed by the Board of Trustees. The change, if adopted by the Membership, will provide that the Board of Trustees have the authority to remove an individual Trustee by unanimous vote of the remaining Trustees. The Board believes it is in the best position to monitor all Trustees to make certain that Missoula Electric Cooperative is well served by the Board as a working group and by each individual

Trustee. Due process will be provided to the Trustee. The proposed amendment requires a legitimate business reason to initiate the removal process. If a legitimate issue is identified, this amendment provides that the Board conduct a special meeting before a Trustee is removed. This change, if adopted, will assure that Missoula Electric Cooperative adheres to the National Standard by incorporating this By-law change.

Article IV, Section 6, Removal of Trustees by Trustees.

A Trustee may be removed by the unanimous vote of all remaining trustees: (i) for any action or inaction which significantly and adversely affects the Cooperative; (ii) for conduct that is not in the best interest of the Cooperative; or (iii) for any reasonable performance related grounds for dismissal based upon Trustee's failure to satisfactorily perform Trustee's duties, disruption of the Cooperative's operation or other legitimate business reasons. If such action is to be taken, a petition shall be filed by all remaining Trustees which sets forth that the removal of a Trustee is required, and must set forth the reasons for such proposed action. The petition shall schedule a Special meeting of the Board for the sole purpose of addressing the removal of such Trustee. At the Special Meeting, the Trustee shall be entitled to be represented by counsel and shall have the right to be heard in person, through counsel and through witnesses to present evidence that said Trustee desires to present. After the presentation of evidence and argument is concluded, the question of the removal of such Trustee shall be considered and voted upon at such meeting. Removal of said Trustee shall require the unanimous vote of remaining Trustees. Any vacancy created by such removal shall be filled by vote of the members residing in that Trustee's district by mail-in-ballot conducted pursuant to Article III, Section 7 of the By-laws. Nomination(s) must comply with Section 3 of Article IV. The successor must reside in the same district as the Trustee to whose office he/she succeeds and shall serve the unexpired portion of the removed trustee's term.

Reasons for Amending of Article IV, Section 7. Vacancies of the By-laws:

This is a change to the By-laws proposed by the Board of Trustees. This amendment is necessary if the change to Article IV, Section 6 is approved. If a Trustee is removed by unanimous vote of the Board, this change insures continuity. The Board will fill the vacancy with a qualified person from the District that was previously served by the removed Trustee for the remaining term of the removed Trustee. Upon completion of such term, the successor will then be elected by the Membership in that District consistent with existing practices.

Article IV, Section 6-7. Vacancies.

Subject to Except as set forth in the provisions of these By-laws with respect to the filling of vacancies caused by the removal of trustees by the members (Article IV, Section 5) or trustees (Article IV, Section 6), a vacancy occurring in the Board of Trustees shall be filled by the affirmative vote of a majority of the remaining trustees. A trustee thus elected shall serve out the unexpired term of the trustee whose office was originally vacated and until a successor is elected and qualified. The member elected as trustee to fill the vacancy must reside in the same district as the trustee whose office he/she succeeds.

Reasons for Renumbering Sections:

The proposed renumbering of the remaining sections is necessary if the new Section 6, Article IV is approved.

Proposed Renumber of Sections

- Article IV Section 78 Compensation; Expenses.
- Article IV, Section 89 Rules, Regulations and Contracts.
- Article IV, Section 910 Accounting System and Reports.
- Article IV, Section 1011 "Close Relative" Defined.

Balance Sheet*

Missoula Electric Cooperative, Inc. - As of December 31, 2016 & 2015

ASSETS

	2016	2015
UTILITY PLANT		
Utility Plant in Service	\$86,455,035	\$83,789,378
Construction in Progress	449,371	1,237,537
TOTAL UTILITY PLANT	86,904,406	85,026,915
Accumulated Depreciation	(34,454,680)	(33,400,288)
NET UTILITY PLANT	52,449,726	51,626,627

OTHER PROPERTY & INVESTMENTS

Investments in Assoc. Organizations	4,451,385	4,383,961
Deferred Charges	1,432,623	1,559,010
TOTAL OTHER PROPERTY & INV.	5,884,008	5,942,971

CURRENT ASSETS

Cash	1,011,725	1,333,738
Accounts Receivable	1,875,102	1,669,344
Materials and Supplies	1,618,825	1,383,599
Other Current Assets	155,689	195,519
TOTAL CURRENT ASSETS	4,661,341	4,582,200
TOTAL ASSETS	\$62,995,075	\$62,151,798

LIABILITIES AND EQUITY

	2016	2015
MARGINS & EQUITY		
Patronage Capital	\$24,598,221	\$24,391,523
Other Equity	4,215,861	3,412,011
TOTAL MARGINS & EQUITIES	28,814,082	27,803,534

LONG-TERM DEBT

27,844,666 28,092,551

OTHER LIABILITIES

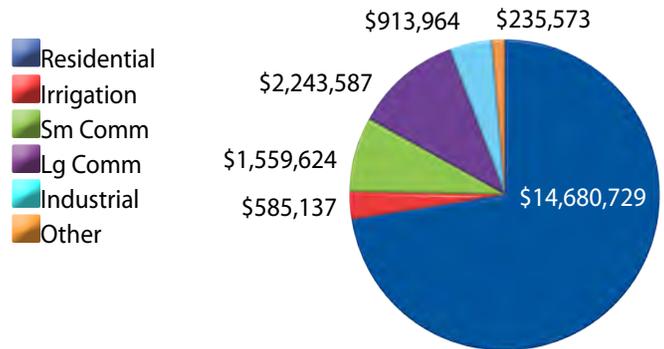
Accounts Payable	1,177,611	1,440,726
Current Portion of Long Term Debt	1,451,186	1,432,509
Notes Payable	-	-
Consumer Deposits	175,940	193,708
Other Current Liabilities	1,348,866	1,305,096
Other Deferred Liabilities	2,182,724	1,883,674
TOTAL OTHER LIABILITIES	6,336,327	6,255,713
TOTAL LIABILITIES & EQUITY	\$62,995,075	\$62,151,798

Statement of Revenue & Patronage Capital*

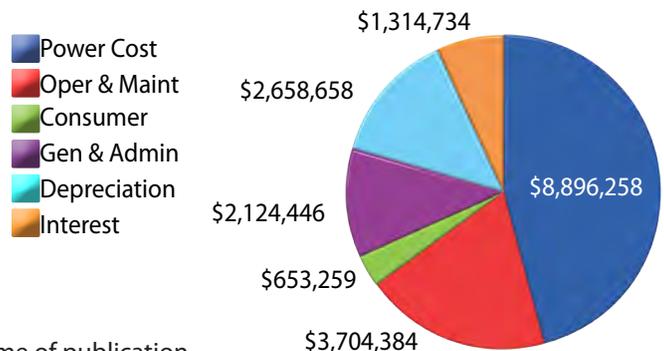
Missoula Electric Cooperative, Inc. - Year Ended December 31, 2016 & 2015

	2016	2015
OPERATING REVENUE:		
Sales of Electric Energy	\$20,218,614	\$20,233,921
TOTAL OPERATING REVENUE	20,218,614	20,233,921
Cost of Electricity	(8,896,258)	(8,844,411)
Patronage Capital Credits	125,985	90,138
NET OPERATING REVENUE	11,448,341	11,479,648
OPERATING EXPENSES:		
Operations & Maintenance	3,704,384	3,739,574
Consumer Services	653,259	578,754
General & Administration	2,124,446	2,147,424
Depreciation & Amortization	2,658,658	2,599,073
Interest Expense	1,314,734	1,380,923
TOTAL OPERATING EXPENSES	10,455,481	10,445,748
NET OPERATING MARGINS	992,860	1,033,900
NON-OPERATING MARGINS	803,850	715,284
NET MARGINS	\$1,796,710	\$1,749,184

MEC - 2016 SALES OF ELECTRIC ENERGY



MEC - 2016 OPERATING EXPENSES & COST OF ELECTRICITY



*Audited financial information for 2016 not available at time of publication