

**Minutes of the Regular Board Meeting of the
Jump River Electric Cooperative, Inc.
Tuesday, August 26, 2025**

A Regular Meeting of the Board of Directors of the Jump River Electric Cooperative, Inc. was held on Tuesday, August 26, 2025, at the Cooperative headquarters building in Ladysmith, Rusk County, Wisconsin.

Thank you cards and letters from Aiken Electric Cooperative, Inc., Blue Hills Trail Association, Inc., Cooperative Family Fund, Grace Lutheran Church VBS, Hawkins Lions Club, Rusk County 4-H Educators, Rusk County K9 Program, The Siri Strong Foundation, Rep. Rob Summerfield, Taylor County Association of Cooperative Christmas Wish Program, and Town of Round Lake Fire Department were circulated by Chairman van Doorn.

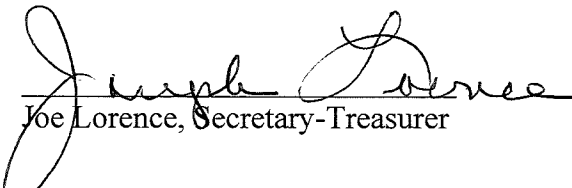
1. **Call the Meeting to Order.** Chairman van Doorn called the Regular Board Meeting to Order at 9:04 a.m.
2. **Roll Call.** Chairman van Doorn stated that the following Board Members were in person at the start of the meeting: Jane Reich, District 1; Christine Beadles, District 2; Joe Lorence, District 3; Jay Waeltz, District 4; Bill van Doorn, District 5; Bill Amery, District 6; Mike Gardner, District 7; Walter Kruk, District 8; and Sandy Schara, District 9. Also present in person was General Manager/CEO, Kurt Harris; Finance Manager, Dawn Zahurones; Operations Manager, Ben Modl; and Executive Assistant, Virginia Jacobs.
3. The **Pledge of Allegiance** was recited.
4. **Acceptance of the Agenda.** A motion was made by Waeltz and seconded by Lorence to accept the agenda. Unanimously approved.
5. **Open Comment Session.** No one in attendance.
6. **Safety Moment.** Reich presented on back-to-school safety, including obeying school zone rules, drop off procedures, stop for and never pass a stopped bus and be especially cautious within 10 feet of the school zone.
7. **July Minutes.** A motion was by Reich and seconded by Schara to approve the July Board minutes as presented. Unanimously approved.
8. **Check Register.** Discussion held. A motion was by Beadles and seconded by Kruk to approve the July Check Register as presented. Unanimously approved.
9. **Consent Agenda.** Member applications, member refunds, outages, and director expense reports were posted to Call to Order prior to the meeting for review by the Board. A motion was made by Reich and seconded by Schara to approve the consent agenda items as presented. Unanimously approved.
10. **Operations Report.** Operations Manager Ben Modl reported on the under-budget completion of spraying for the Flambeau Substation, Hwy E grant project status, sectionalized work effort to limit the number of members out during an outage, Round Lake substation data to support the need for an addition, and new services totals for the month and year-to-date. Discussion held. A motion was made by Waeltz and seconded by Beadles to approve the Operations Report as presented. Unanimously approved.
11. **Financial Report.** Finance Manager Zahurones reported on the income statement comparison, monthly margins, year-to-date margins, tier/o-tier, year-to-date balance sheet summary, equity, year-to-date highlights, monthly kilowatts sold, year-to-date kilowatts sold, and operating statement, balance sheet, supplemental data for July 2025. Discussion held. A motion was made by Waeltz and seconded by Gardner to approve the financial report as presented. Unanimously approved.
12. **General Manager Report.** General Manager/CEO Harris reported on Monthly updates –

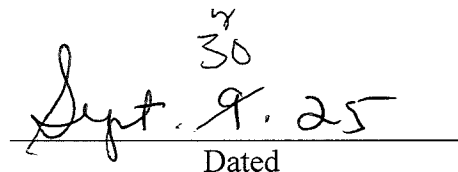
commencement of OEI grant work, personal noise monitoring assessment results, DPC strategic planning check-in, WI Managers Association meeting attendance, loan verses plant balance history, utility rate comparison, GM expenses for the month, strategic plan updates including development of Post Accident Manual, lineman attendance at National Night Out, receipt of LCO grant funds from last year and approval of new DOE and LCO grant project for overhead-to-underground conversion. Discussion held. A motion was made by Amery and seconded by Lorence to approve the General Manager Report. Unanimously approved.

The Board took a break from 10:43 a.m. to 10:50 a.m.

13. **Dairyland Power Cooperative (DPC).** Reich reported on joining the DPC audit and risk committee along with their function and duties, annual strategic planning including a MISO Market simulation activity, resource planning, practicing “plan, do and act” decision making approach, board actions including approving DPC capital credit retirements in October, and other financial updates. Discussion held. A motion was made by Gardner and seconded by Lorence to approve the DPC Director report as presented. Unanimously approved.
14. **Wisconsin Electric Cooperative Association (WECA).**
 - a. **Capital Credits Issues Meeting Summary.** Director reports from Director Beadles and Director Gardner were posted to Call to Order prior to the meeting for review by the Board. Discussion held.
 - b. **WECA Director’s Conference Summary.** Director report from Director Amery was posted to Call to Order prior to the meeting for review by the Board. Discussion held.
15. **New Business.**
 - a. **August PCA.** A PCA rate calculation report was presented. Discussion held. A motion was made by Reich and seconded by Gardner to pass the August power cost adjustment charge from Dairyland on to the membership. Motion carried.
 - b. **CFC Voting Delegate.** Discussion held. A motion was made by Amery and seconded by Waeltz to appoint Harris as the CFC Voting Delegate. Unanimously approved.
 - c. **KRTA presentation.** General Manager/CEO Harris presented on 2024 Key Ratio Trend Analysis (KRTA). Discussion held.
16. **Next Meeting Date.** The September board meeting date was scheduled for September 30, 2025. Unanimously approved.

A motion was made by Kruk and seconded by Beadles to Adjourn **the Meeting at 12:21 p.m.** Unanimously approved.


Joe Lorence, Secretary-Treasurer


Dated

(CORPORATE SEAL)

Director Report – Capital Credits: Issues and Decisions
August 5, 2025
Christine Beadles

This class was held at Florian Gardens in Eau Claire and I attended along with Mike Gardner. It is always helpful to have a fellow director in attendance so discussions can take place. At one point Mike mentioned that he got more out of the morning session, whereas, I felt like I got more out of the afternoon sessions. That is what a diverse board is all about.

Our presenter today was Tom Sobeck, from Michigan (that's all I know). He stressed that Capital Credits is a subject that needs to be revisited frequently and in depth. A joint NRECA-CFC task force was created in 2005 to give staff and directors of electric cooperatives information and insight. Capital credits can also be known as patronage capital or patronage dividends.

Capital Credits Basics

Capital credits are the allocations of margins to members based on their contributions to the margins realized. This must be done annually. Allocations are kept by the coop, and when the board decides to 'retire' these allocations the members receive a 'payout'.

Operating margins is revenue less the cost of service and must be allocated. Non-Operating margins is income from other sources such as interest income. Equity on the balance sheet is the amount of these margins that have not been yet retired to the members. Capital is the total of equity and long-term debt. My question here is... Do we count businesses as members and do they receive capital credits?

Allocating Capital Credits

There are several different ways to handle allocations and notification thereof to members.

Allocations can be based on total \$ of patronage, total kWh sold, total \$ patronage less the cost of power, or total cost of service. Which method do we use? Notification can be done by mail, a bill statement message, or electronically. Which method do we use?

Operating margins must be allocated. Patronage margins, G&T Capital Allocations, and other Co-op allocations are prudent to allocate. Non-operating margins, such as interest income, may be allocated. Would somebody please explain to me what G&T (Generation & Transmission) is?

Retiring Capital Credits – Why and What

Questions to ask when deciding if the time has come to retire capital credits: Are we financially able? When was the last time we retired credits? Is the average check large enough to matter to the individual member? Is it expected by the members at is time? The task force suggests that a reasonable equity level is in the 30-50% range. Also, if you retire credits, you must have a plan to replace it.

A statement from the task force that makes no sense to me is, "It is an acceptable practice to borrow, if necessary, in order to have the actual cash to retire patronage capital. If the cooperative is following its equity management plan, it should be indifferent to the actual source of cash at the time of retirement." In my mind, why borrow just to give it away? Mr. Sobeck did give an explanation, but I did not comprehend it. Sorry.

Retiring Capital Credits – How and Who

Several methods of how and to whom to retire credits are possible. First in First Out (FIFO) is where the oldest capital is retired first in effect giving back to the people holding the longest. Last in First Out (LIFO) is another way where the newest capital is retired first. The idea of this is to create an understanding of co-ops and how they work to their newest members. Lastly, applying a percentage to every member is also an option. A board can create their own hybrid version of these, if they so choose.

Another interesting topic was the question of when to retire the credits to obtain the maximum effect. At annual meeting time? Right before the holiday? During the highest usage period? Mr. Sobeck mentioned a co-op that would present a capital credits check to a school at a school board meeting which I thought was interesting.

Capital Credits Communications Techniques

Every cooperative should have a communication plan for educating members about capital credits and cooperative's capital credits policies. Every director and each employee should understand the policy and be able to explain to members who have questions how it works and why it was adopted. I am wondering if this is something we should be presenting at our annual meetings... either by a brochure or a well-done video.

Director Report

Mike Gardner: District 7

Capital Credits: Issues & Decisions (NRECA Course 975.1)

August 5, 2025, Florian Gardens, Eau Claire, WI

The training was my first as a director and in many ways like jumping into the deep end of the pool. It was rapidly clear to me that understanding the cooperative model and capital credits are the two most important things for me or any director to learn. The ability to integrate and communicate into the JREC story is critical.

The course, instructed by Tom Sobek was well organized and supported. I was pleased to receive an in-depth Participant Guide that will serve as a valuable resource as I continue my training and Board tenure. We learned about the Capital Credits Task Force Report (2005) and the 85 / 15 % Rule. Understanding what to return or retain and the ability to explain to members is essential to equity management. I felt that the course met its objectives, and I left with the ability to research further and ask good questions. Additional resources are available at <https://www.cooperative.com> with a membership.

The Course Promise says it all:

“Capital Credits is perhaps the most discussed, argued, misunderstood, important, fascinating and unique term in the lexicon of rural electric cooperatives. It is also the most complex – involving accounting, finance, legal, tax, political and member relations problems. It is a subject alien to every person newly arriving upon the cooperative scene. It is a subject seldom completely mastered by any, but in any event, needful of being revisited by all frequently and in depth.”

William T. Crisp II (1924 – 1992)

I will gladly share the Participant Guide with any director. Thank you for the opportunity.

WECA Directors' Conference
August 6, 2025
Florian Gardens Conference Center, Eau Claire

This was the first in a new series of educational offerings that WECA is calling the “Directors’ Conferences.” It was well organized, and the venue is great. I would estimate there were 60 people in attendance. Five more Director’s Conferences are planned for 2026.

Understanding the Cost Structure of Your Cooperative

Teri Wallis, Terilyn Wallis Consulting

This began with each co-op board member using his/her RUS Financial and Operating Report Electric Distribution (Form 7) to calculate fixed and variable expense, operating margin, total utility plant and total members; arriving at a “cost to serve” for running your co-op. For Jump River, this would be a way to answer the question: “How much would our Fixed Cost of Delivery charge be if we wanted it to cover all of our costs to run the coop?” For what it’s worth, my calculation showed that this would have been \$68.21 for 2024, rather than the \$47 we actually charged.

While this is good as an exercise in understanding costs, it has limited practical value. It excludes the Dairyland cost of power and it also does not consider non-operating revenues and expenses, such as capital credits we receive from RUS and Dairyland. It never addressed the difference between a fixed cost and a variable cost. Further, I think most coops factor some of their overhead into the cost of power, rather than fully segregating it and charging for kWhs purchased as a straight cost pass through.

At this point I was feeling that the cost analysis was only scratching the surface, breezing over some points and ignoring others. I was too critical. After I saw how mightily the participants struggled with the accounting terms and, especially, the math, I realized it was a good start on a topic that is both important and difficult to understand.

Also, it turned out that all of this is OK, because the cost analysis just set the stage for the main theme, which was that we need a major adjustment to our thinking about rates as we look to the future. The cost of materials and supplies has skyrocketed since COVID, and these costs are not coming down any time soon. The point Ms. Wallis pushed adamantly is that coop boards need to do some hard thinking about rates going forward. Her message was that coops need to look at aggressive solutions (for example, we might need to add another \$10 per member/per month) to its fixed charge just to keep up with materials and supplies expenses.

Post script:

Since attending this meeting, I have seen more data that tends to confirm the above themes. A recent infographic on cost increases that shows how everything has gone up since COVID (see RE magazine, August, page 7). Just yesterday I tuned in to a CFC webinar on the strategic

financial implications of supply line challenges, tariffs, access to critical minerals and threats to core utility asset availability. None of this is good. China is in the driver's seat on everything. Increasing demand for data centers, EVs, bitcoin mining, etc. will only make it worse, and renewables can't possibly keep up. Whew!

Debt Management Strategies for Electric Cooperatives

Vicki Trees, VP-electric distribution, CoBank

This was a short review of how to analyze your debt portfolio and strategies for managing debt. The main point was that, while low interest rates are important, so are things like flexibility and keeping the administrative component of managing debt under control. This might be a good topic to dig into when we do the strategic planning exercise. As a board, we should understand the philosophy and tactics of our long-term debt strategy.

Leading With Trust: The Board's Role in Supporting the Co-op's CEO.

Beth Knudson, BeThEnergy Consulting

The format for this session was a topic overview, followed by table discussion of the topic, and then Beth asked for feedback from the tables in order to process and synthesize the participant's thoughts.

I think this format is workable, but it often leads to mixed results. Everyone agrees that honesty, transparency and mutual trust are essential to the Board/CEO relationship. Everyone acknowledges that the Board needs to be proactive and involved, but not overreach or micromanage. Sorting out what this means and how it applies to your coop can be a challenge. Everyone starts from a different place, and it can be frustrating if you are looking for a specific solution to a specific problem. Inevitably, someone points out that "If you've seen one coop, you've seen one coop" which gives license to the notion that we are all unique, that comparisons between coops are therefore suspect, and that there are no reliable answers or precepts to follow. This can be confusing and annoying if you come to the meeting looking for answers. I must admit that I might have personally covered this ground too many times in too many meetings.

Bill Amery

August 20, 2025