

2018 ANNUAL REPORT

# BUILDING A SMART ENERGY FUTURE

mjenergy™  
COOPERATIVE

Your Touchstone Energy® Cooperative 

*Look inside to  
see what we are  
already doing!*

# YOU'RE INVITED

## MIENERGY COOPERATIVE'S 3RD ANNUAL MEETING

### WHERE?

Mabel Community Center  
201 South Main Street  
Mabel, Minn.

### WHEN?

Tuesday, April 23, 2019  
Doors open at 6 p.m.  
Business meeting at 7 p.m.

OFFICIAL ORDER OF BUSINESS IS ON THE BACK COVER.

## MiEnergy Cooperative

### Notice of Annual Meeting of Members

The 3rd annual meeting of the members of MiEnergy Cooperative will be held at the Mabel Community Center, 201 South Main Street, Mabel, Minnesota, beginning at 7 p.m., on April 23, 2019, to take action upon the following matters:

1. The reports of officers, directors, and committees;
2. All other business which may legally come before the meeting or any adjournment or adjournments thereof.

Consistent with the terms of the Plan of Merger approved by the members in April of 2016, there will be no election of directors at this meeting. Absent a resignation, retirement, or other event causing a vacancy on the Board, the existing directors will continue to serve until the initial postmerger election, which will occur at the Annual Meeting to be held in 2020.

You are urged to attend the meeting, hear the reports of the officers and transact such other business as may come before the meeting.

Dennis Ptacek  
Secretary

## 2018 BOARD OF DIRECTORS

YOUR BOARD, THE DISTRICT THEY SERVE AND THE YEAR THEIR SEATS ARE UP FOR RE-ELECTION



DEAN FISHER  
District 4, 2022



CHARLES FRANA  
District 4, 2022



ROGER HEGLAND  
District 1, 2020



DEAN NIERLING  
District 2, 2021



BETH OLSON  
District 5, 2022



DON PETERSEN  
District 3, 2021



DENNIS PTACEK  
District 1, 2020



DARLA RANCE  
District 1, 2020

Co-op members are representing you

MiEnergy is a democratically-controlled business, meaning the cooperative is governed by local people, just like you.



JEFF REDALEN  
District 1, 2020



CARL REICKS  
District 4, 2022



JENNY SCHARMER  
District 5, 2022



RON STEVENS  
District 2, 2021



SKIP WIESER  
District 3, 2021



DENNIS YOUNG  
District 3, 2021

## A SMART ENERGY FUTURE

WHAT BEGAN IN 1936, CONTINUES TODAY

### DEAR MEMBERS:

The founders of our electric cooperative were surely amazed at the benefits electricity provided such as light during darkness, refrigeration to keep milk from spoiling and well pumps for indoor plumbing. What began in 1936 has not stopped. Reliance on reliable and affordable electricity is even greater today. Today's technology is creating opportunities and much of it is being charged by or plugged in to electricity. A smart energy future has changed over the years, but the one thing that remains unchanged is MiEnergy Cooperative's commitment to working for its members to bring change to their doorstep. Reflecting on the past year, we are pleased to report on the cooperative's financial success and highlight what we are doing to continue to build a smart energy future.

### FINANCIAL SUCCESS

MiEnergy exceeded budget calculations and met all the financial requirements of lenders. Operating revenue, which is primarily from the sale of electricity to members, was over \$75 million. Seasonal weather, increased commercial growth, the addition of the city of St. Charles as a wholesale member and an extended grain drying season contributed to increased energy sales. All rate classes of members experienced increased kWh sales, with the exception of street lighting, which is due to the LED conversion program.

Wholesale power costs from Dairyland Power Cooperative and Alliant Energy exceeded \$48.5 million. Wholesale power costs and operating expenses provided a margin of just under \$1.6 million. The operating margins, combined with non-operating margins and capital credits from Dairyland of almost \$2.2 million brought the year-end margin to nearly \$3.8 million. As a result of our stable financial condition, board action returned \$2.1 million in capital credits back to members.

### SYSTEM IMPROVEMENTS

Electric utilities are a capital-intensive industry and we must continually be investing financial resources in our utility system. Over \$10.2 million was spent in 2018 on system improvements and new capital projects. Reinvesting in plant and system improvements are on schedule with our 10-year Rural Utilities Service work plan.

### BATTERY STORAGE

We announced in 2018 that MiEnergy Cooperative is one of four electric cooperatives in the United States that is piloting smart battery storage for residential applications. Grants from the Department of Energy and the Iowa Energy Center provided support for the ►►

WHAT ELECTRICITY PROVIDES CONTINUES TO BE AMAZING, EVEN 80+ YEARS LATER.

REVENUES GREW DUE TO WEATHER, COMMERCIAL GROWTH, SERVICE TO ST. CHARLES AND AN EXTENDED GRAIN DRYING SEASON.

DELIVERING ELECTRICITY IS CAPITAL INTENSIVE; \$10.2 MILLION WAS SPENT TO KEEP THE ELECTRIC GRID SAFE AND WELL MAINTAINED.

MIENERGY IS 1 OF 4 CO-OPS IN THE NATION PARTICIPATING IN A RESIDENTIAL SMART BATTERY STORAGE PILOT.

# SMART BATTERY STORAGE SYSTEMS

Charge the battery when demand for electricity is low and discharge the battery when demand is high.

It keeps the home powered even during an outage!



5-YEAR PILOT STARTED IN 2018

investment to research and test battery storage as an energy management tool. Chosen participants in the pilot allow the cooperative to switch the home's energy source from the distribution grid to the battery during critical peak energy periods.

The first battery was commissioned in October and early research is promising. Avoiding daily transmission peaks and using electricity during off-peak times provides a great opportunity if paired with a future time-of-use energy rate. We are anxiously awaiting more data on this five-year pilot.

## RURAL BROADBAND

A smart energy future depends on broadband for the use of technology from smart devices like thermostats, appliances and automation to avoid peak energy use periods. These devices can enhance quality of life and help keep electric rates affordable.

We believe today's delivery of broadband service in rural areas is equivalent to the first delivery of electric service in the 1930s. It's equally noteworthy that your electric cooperative is again leading this initiative with two respected local telecommunications cooperatives.

In July, we announced our partnership with Mabel Cooperative Telephone Company and Spring Grove Communications to create MiBroadband. It includes ownership in Harmony Telephone Company, which provides the customer service and expertise for MiBroadband service.

As MiEnergy continues to expand its broadband communications network to communicate with our 43 substations and nearly 25,000 electronic meters, so too will MiBroadband's service area grow.

## GREENER OPTIONS

Renewable energy, primarily wind and solar, in addition to energy efficiency and energy management has made electricity the energy choice of the future. Combined with battery storage, the opportunities and advancements seem endless.

Electrification of the transportation industry has every automobile manufacturer responding with electric vehicles and progressive goals to transform their production lines. MiEnergy launched its off-peak electric vehicle charging rate in 2018. With an off-peak rate of 5.6 cents per kWh, it is equivalent to paying 75¢ per gallon for gasoline.

In 2019, electric vehicle charging stations will be installed at our Cresco and Rushford locations. We are also adding two Chevy Bolts to our fleet. Our initiative is to incorporate the electric vehicles into our operations to educate our members and support the buildout of charging stations across the cooperative's service territory and region with the help of our statewide associations.

## COMING IN 2019

It was announced in 2018 that we are adding a cooperative-owned 1.5-megawatt utility-scale solar array east of Decorah, Iowa, and a 1-megawatt (MW) array near Utica, Minn. We are also evaluating the addition of 2-MW of smart battery storage at our Chatfield Substation.

MiEnergy will continue its commitment to meet our members' needs in providing safe and affordable electricity just as it has for decades. Together, our members, employees and directors are what makes us successful and a leader in the utility industry. We're proud of what we have accomplished and look forward to continuing to build a smart energy future.

Cooperatively,

Brian Krambeer  
President/CEO



Dean Nierling  
Board Chair



**TODAY'S RURAL MEMBERS WANT BROADBAND SPEED SIMILAR TO HOW FARMERS WANTED ELECTRICITY IN THE 1930'S.**

**PARTNERSHIPS ARE KEY TO OFFERING BROADBAND TO RURAL AREAS.**

**RENEWABLE ENERGY AND ELECTRIFICATION OF THE TRANSPORTATION INDUSTRY IS MAKING ELECTRICITY THE ENERGY CHOICE OF THE FUTURE.**

**THE CO-OP ANNOUNCED PLANS TO ADD TWO SOLAR ARRAYS IN 2019 IN RURAL AREAS OF DECORAH AND UTICA.**

# RURAL BROADBAND

A hybrid system of fixed wireless and fiber used by MiEnergy's electric grid is offering broadband to rural residents for their homes, farms and businesses.



Bringing the world to your door!



**BROADBAND LAUNCHED IN 2018**

# GREENER OPTIONS

With transportation going green, MiEnergy added an off-peak electric vehicle charging rate. Look for a charging station at our Cresco and Rushford offices coming in 2019.

In 2019, MiEnergy will add 2 Chevy Bolts to its fleet!

**NEW RATE FOR FUTURE NEEDS**

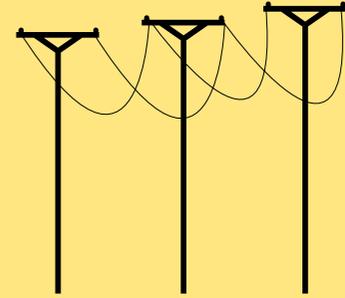
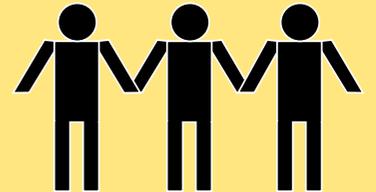
# LEARN MORE ABOUT THE CO-OP

A REVIEW OF THE NUMBERS FOR 2018



**18,738**

# OF MEMBERS SERVED BY THE CO-OP



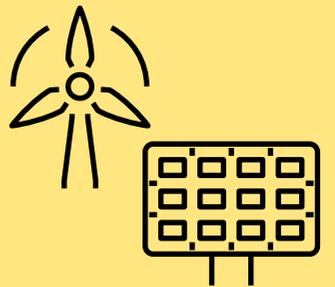
**3.38**

AVERAGE # OF MEMBERS PER MILE OF LINE



**18%**

OF OUTAGES WERE CAUSED BY TREES



**402**

PRIVATE ENERGY SYSTEMS OWNED BY MEMBERS



**66¢**

OF EVERY DOLLAR YOU PAY THE CO-OP PAYS FOR WHOLESALE POWER

**1,098**

AVERAGE # OF KWH USED EACH MONTH BY RESIDENTIAL MEMBERS

# A RENEWED COMMITMENT

## REPORT ON DAIRYLAND POWER COOPERATIVE

Decades ago, cooperative leaders unified with the vision to ensure reliable electricity in their rural communities. In 1941, they made a long-term commitment and created their own power provider, Dairyland Power Cooperative. Today, Dairyland remains steadfast in its vision to provide safe, sustainable, reliable and competitively-priced electricity to its members. The 24 members of Dairyland renewed their commitment in 2018 by extending their individual wholesale power contracts. This agreement will continue to provide the energy and flexibility needed for MiEnergy to serve our membership. Below are highlights for our wholesale power provider:

### RESOURCE DIVERSIFICATION

- Staff have been diversifying resources intentionally and thoughtfully by using the best economic decisions for a sustainable resource mix.
- Through power purchase agreements, renewable wind energy resources were added from the Quilt Block Wind Farm in southwest Wisconsin and Dodge Center Wind Farm in Minnesota.
- Since 2017, 18 large-scale cooperative solar energy projects have been announced in the service areas of Dairyland members. In 2019,

a 1.5 MW solar project will be constructed in MiEnergy's territory near Decorah, Iowa. Additionally, two 1.5 MW solar project will be constructed near Albert Lea, Minn. and Thompson, Ill.

- The regulatory process for the Nemadji Trail Energy Center (Superior, Wis.) is moving forward in Wisconsin. Dairyland and ALLETE's Minnesota Power (Duluth, Minn.) announced the proposed natural gas facility in June 2017. The plant is an up to 625 MW combined-cycle natural gas facility scheduled to be in service by 2025, contingent on regulatory approvals. This facility will help add more renewable energy and reduce carbon intensity. It will also ensure reliability.

### COMPETITIVE SERVICE & FINANCIAL STRENGTH

- Ensuring rates and services are competitive is critical to the economic well-being of the region. Dairyland's Board approved a 1 percent increase on the average wholesale rate in Dairyland's 2019 budget, effective May 1.
- Maintaining financial strength and competitive access to capital are critical to delivering Dairyland's strategic plans. Standard and Poor's elevated Dairyland's rating to A+ with a stable outlook in early 2018. Dairyland's Board

and management work to balance building financial strength with competitive rates and sound operations.

- Dairyland's system will grow by about 10 percent in the next few years with the addition of service territory acquired by member cooperatives, mostly in southern Minnesota.

### OPERATIONAL EXCELLENCE

- The safety of employees, members and the public is the highest priority at Dairyland. Employees continue to educate, promote and maintain a safety focus as they strive for an operational goal of "zero incidents."
- Reliable performance of Dairyland's power plants and transmission system are high priority. 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.
- Great progress was made to dismantle the La Crosse Boiling Water Reactor (LACBWR) and the Alma Station in 2018. Structures were removed from both sites, including LACBWR's reactor building. The safe demolition of the Alma Station's 700-foot stack was successful.

### PLANNING FOR LONG-TERM SUCCESS

In 2019, several business initiatives will be implemented to achieve the Strategic Imperatives established by Dairyland's Board of Directors. Our industry is rapidly changing and Dairyland is positioned to be a dynamic cooperative leader into the future.

- Sustainable Generation Plan – This plan will provide a framework for resource planning for the next 7-10 years. It will provide value to members through continued expansion of renewable energy, evaluating price volatility and determining the best project mix for Dairyland's members.
- Wholesale Rate Study Task Force – The Board of Directors and managers of Dairyland's members are working together to assess Dairyland's current wholesale rate structure, along with potential new rate structures. The goal is to develop a rate design that is competitive, while providing long-term mutual success for Dairyland and its member cooperatives.
- Strategic Decision Excellence – The goal of this initiative is to enhance how Dairyland makes business decisions. This includes evaluating processes and systems used to make major capital, operational and strategic business decisions.

Exceeding members' expectations is Dairyland's vision as it continues to plan to reliably and sustainably meet our cooperative's future energy needs.

Cooperatively,

*Jennifer Scharmer*

Jennifer Scharmer  
MiEnergy's Representative on  
Dairyland Power Cooperative's  
Board



# 2ND ANNUAL MEETING MINUTES

The 2nd annual meeting of the members of MiEnergy Cooperative was held at the community center in Mabel, Minn. at 7 p.m. on the 18th day of April, 2018.

The meeting was called to order by Dean Nierling, chair of the board, who presided, and Dennis Ptacek, secretary of the cooperative, acted as secretary of the meeting and kept the minutes thereof.

Nierling called the meeting to order. In the absence of a quorum, due to inclement weather, he recessed the meeting until April 19, 2018 at 7 p.m.

Nierling concluded the recess at 7 p.m. on April 19, 2018, and called the meeting back to order.

Nierling welcomed the members and special guests in attendance. He noted that the meeting would be conducted pursuant to the "Modern Rules of Order" and indicated that there would be an opportunity for member questions following the CEO report.

An invocation was offered by Director Jenny Scharmer. Nierling then led the members in reciting the Pledge of Allegiance.

Nierling introduced Ptacek, who noted that the notice of annual meeting had been mailed to all members and was printed in the annual meeting program. He read the affidavit of mailing of the notice.

Nierling reported that the members present in person had been checked, and that a sufficient number of members were present to constitute a quorum.

Nierling introduced the board members, CEO Krambeer and Attorney Dennis Puckett.

Vice Chair Ron Stevens was introduced, and he introduced guests who were in attendance, including representatives of neighboring cooperatives, Dairyland Power Cooperative, the Iowa Association of Electric Cooperatives and key local business leaders.

Nierling noted that the minutes of the annual meeting held April 19, 2017, were mailed to the members in the annual report. He recommended that the reading of the minutes be waived and they be accepted as printed. A motion was duly made,

seconded and carried, to waive the reading of said minutes, and they were thereupon declared to be approved and were ordered to be filed in the records of the Cooperative.

Nierling introduced Board Treasurer Don Petersen who reviewed the financial statements for MiEnergy Cooperative for 2017. The annual report included summary statement of revenue and expense and balance sheet information and Petersen reviewed some of the key figures. He indicated that total assets increased by \$3.2 million and liabilities increased by \$1.7 million. Total equity at the end of 2017 was \$68 million, which is 36.7% of total assets. 2017 margins were \$3.85 million. \$2.4 million in capital credits were retired in 2017. The financial statements were audited by the Eide Bailly CPA firm.

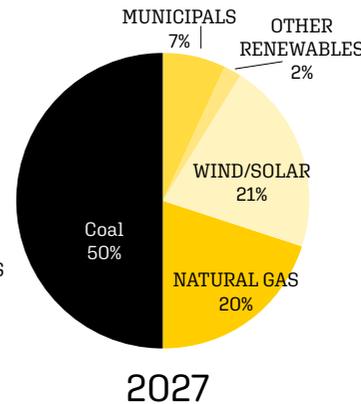
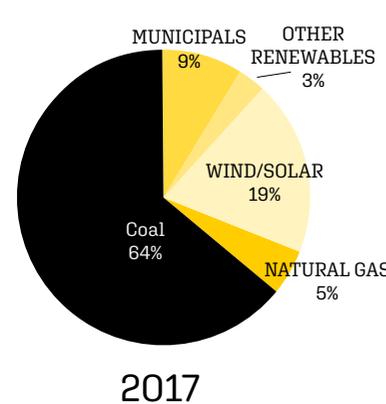
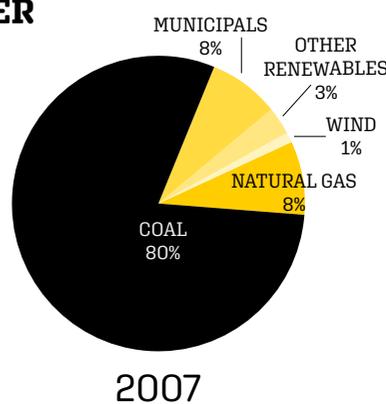
CEO Brian Krambeer was introduced and he presented the manager's report. Krambeer attributed the success of the cooperative to the employees. He thanked the board for its leadership and the members for their support and commitment. He reviewed some basic cooperative statistics and noted that the first year of the merged cooperative was a success. He reviewed the new rate structures and the methodology used to set rates. He reviewed the statement of purpose for the merger. He discussed new employees, rural infrastructure improvements, the "summer shift," potential new rate designs, a sonnen battery wall pilot program, electrical vehicle charging rates, Dairyland resource diversification, economic development loans, plans for 2018, and broadband expansion. At the conclusion of his report he answered questions from the members.

Nierling next noted that there was no unfinished business from last year's member meetings and called for any new business, and there was none. There being no further business to come before the meeting, Nierling declared the meeting adjourned at 7:45 p.m.

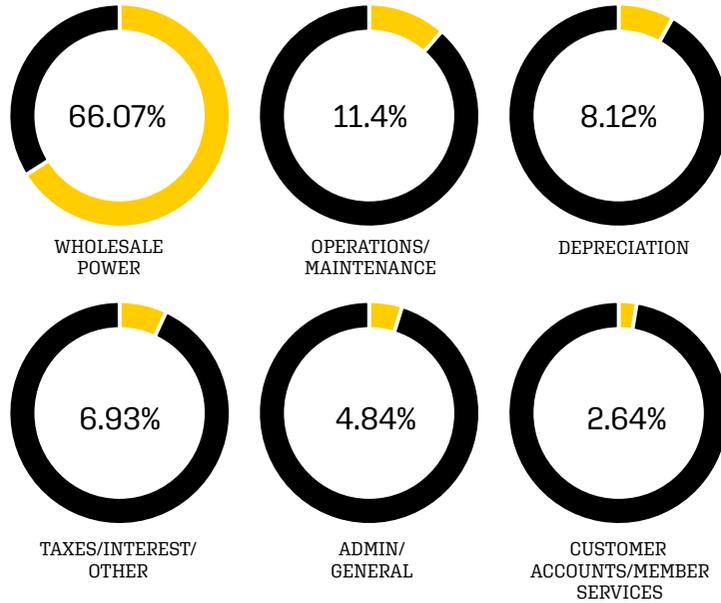
A drawing was held for door prizes and the members in attendance were provided an attendance gift as they left the meeting. Prior to the meeting, the members enjoyed dessert and coffee.

### DAIRYLAND POWER COOPERATIVE'S GENERATION MIX

Dairyland generates electricity using traditional and renewable energy resources to maintain a reliable supply of energy to its members, like MiEnergy. The energy portfolio is progressive and varied, utilizing domestic coal, natural gas, hydro, landfill gas-to-energy, wind and solar.



## WHERE YOUR DOLLAR GOES



## STATEMENT OF REVENUE AND EXPENSE

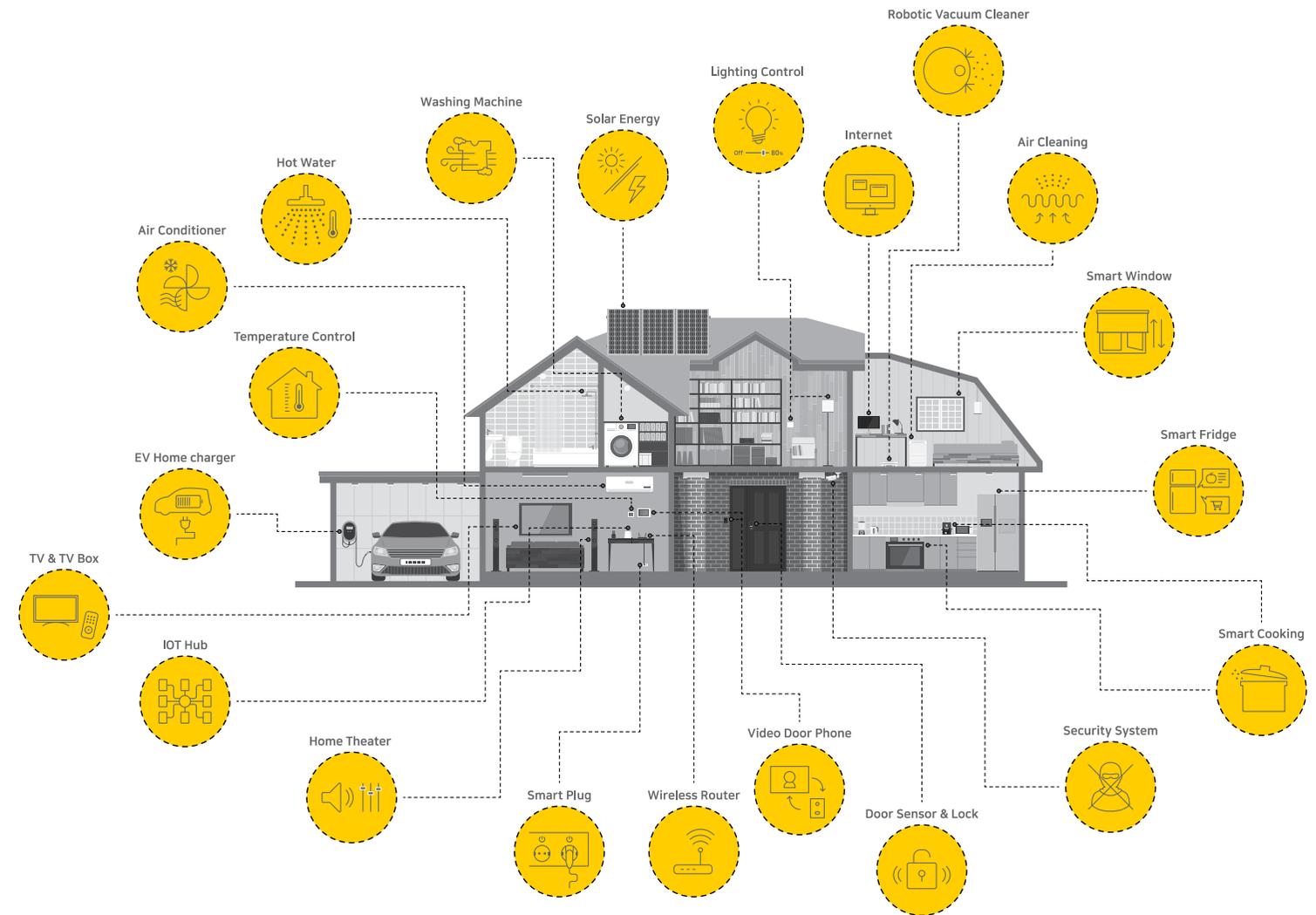
|                                    | 2018                | 2017                |
|------------------------------------|---------------------|---------------------|
| <b>OPERATING REVENUE</b>           | <b>\$75,011,089</b> | <b>\$71,815,322</b> |
| Cost of purchased power            | 48,515,213          | 47,121,297          |
| Distribution – operations          | 4,255,408           | 4,134,398           |
| Distribution – maintenance         | 4,113,346           | 3,861,550           |
| Consumer account                   | 934,988             | 890,861             |
| Customer service and informational | 1,001,274           | 890,230             |
| Administrative and general         | 3,554,004           | 3,632,504           |
| Depreciation                       | 5,960,919           | 5,899,250           |
| Taxes                              | 748,749             | 803,486             |
| Interest                           | 4,289,257           | 4,100,820           |
| Other                              | 57,179              | 58,161              |
| <b>Total operating expense</b>     | <b>\$73,430,337</b> | <b>\$71,392,557</b> |
| <b>OPERATING MARGINS</b>           | <b>\$1,580,752</b>  | <b>\$422,765</b>    |
| G & T AND OTHER CAPITAL CREDITS    | \$1,193,793         | \$2,454,983         |
| <b>NON-OPERATING MARGINS</b>       | <b>\$1,015,415</b>  | <b>\$973,602</b>    |
| <b>NET MARGIN</b>                  | <b>\$3,789,960</b>  | <b>\$3,851,350</b>  |

## BALANCE SHEET

| ASSETS   | 2018                 | 2017                 |
|--|----------------------|----------------------|
| <b>ELECTRIC PLANT</b>                          |                      |                      |
| In service                                     | \$188,179,824        | \$181,678,975        |
| Under construction                             | 927,270              | 355,762              |
| Total electric plant                           | \$189,107,094        | \$182,034,737        |
| Less accumulated depreciation                  | 54,567,466           | 52,600,592           |
| <b>Net Electric Plant</b>                      | <b>\$134,539,628</b> | <b>\$129,434,145</b> |
| <b>OTHER PROPERTY AND INVESTMENTS</b>          |                      |                      |
| Investments in associated companies            | \$30,717,904         | \$30,143,929         |
| Restricted investments                         | 3,136,316            | 3,196,009            |
| Non-utility property, net                      | 199,085              | 250,512              |
| Other investments                              | 140,735              | 104,800              |
| <b>Total Other Property and Investments</b>    | <b>\$34,194,040</b>  | <b>\$33,695,250</b>  |
| <b>CURRENT ASSETS</b>                          |                      |                      |
| Cash and cash equivalents                      | \$3,895,990          | \$4,621,544          |
| Accounts receivable – net                      | 8,414,773            | 8,154,712            |
| Accounts receivable – FEMA                     | 32,700               | 79,110               |
| Materials and supplies                         | 5,549,537            | 5,390,303            |
| Other assets                                   | 377,673              | 484,410              |
| <b>Total Current Assets</b>                    | <b>\$18,270,673</b>  | <b>\$18,730,079</b>  |
| <b>DEFERRED DEBITS</b>                         | <b>\$2,781,874</b>   | <b>\$3,372,758</b>   |
| <b>TOTAL ASSETS</b>                            | <b>\$189,786,215</b> | <b>\$185,232,232</b> |
| <b>EQUITIES AND LIABILITIES</b>                |                      |                      |
| <b>EQUITIES</b>                                |                      |                      |
| Patronage capital                              | \$58,516,384         | \$57,329,976         |
| Other equities                                 | 11,047,386           | 10,681,708           |
| <b>Total Equities</b>                          | <b>\$69,563,770</b>  | <b>\$68,011,684</b>  |
| <b>LONG-TERM DEBT, Less Current Maturities</b> | <b>\$99,168,837</b>  | <b>\$95,396,940</b>  |
| <b>CURRENT LIABILITIES</b>                     |                      |                      |
| Current maturities of long-term debt           | \$5,069,000          | \$4,945,000          |
| Accounts payable                               | 5,306,357            | 5,941,155            |
| Customer deposits                              | 157,337              | 159,538              |
| Other current and accrued liabilities          | 2,949,991            | 3,096,650            |
| <b>Total Current Liabilities</b>               | <b>\$13,482,685</b>  | <b>\$14,142,343</b>  |
| <b>DEFERRED CREDITS</b>                        | <b>\$7,570,923</b>   | <b>\$7,681,265</b>   |
| <b>TOTAL EQUITIES AND LIABILITIES</b>          | <b>\$189,786,215</b> | <b>\$185,232,232</b> |

# POWERING HOMES, FARMS & BUSINESSES FOR TODAY AND TOMORROW

REQUIRES BUILDING A SMART ENERGY FUTURE



Bring this registration card to the annual meeting for your chance to win a prize.



**Annual Meeting**  
Mabel Community Center  
201 South Main St, Mabel, MN  
Tuesday, April 23

Card must be turned in by 7 p.m. to be eligible for the prize drawing. Must be present to win.



IOWA PO Box 90, Cresco, IA 52136  
MINNESOTA PO Box 626, Rushford, MN 55971

PRSR STD  
U.S. Postage  
**PAID**  
DPC

## ORDER OF BUSINESS

**THE ONE-HOUR  
BUSINESS  
MEETING  
BEGINS AT 7 P.M.  
THE OFFICIAL  
ORDER OF  
BUSINESS FOR  
THE MEETING  
IS LISTED AT  
RIGHT.**

|  |   |
|--|---|
| Call to Order and Meeting Rules .....        | Dean Nierling, board chair                              |
| Invocation .....                             | Ron Stevens, board vice chair                           |
| Pledge of Allegiance .....                   | All Attendees   |
| Meeting Notice and Proof of Mailing .....    | Dennis Ptacek, board secretary                          |
| Announcement of Quorum .....                 | Nierling  |
| Introduction of Board, CEO & Attorneys ..... | Nierling  |
| Introduction of Guests .....                 | Jenny Scharmer, board director                          |
| Approval of Annual Meeting Minutes .....     | Nierling  |
| Treasurer's Report (Audit) .....             | Don Petersen, board treasurer                           |
| Director Election Update .....               | Denny Puckett, attorney                                 |
| President/CEO Report .....                   | Brian Krambeer, president/CEO                           |
| Questions from the Membership .....          | Krambeer  |
| Unfinished Business .....                    | Nierling  |
| New Business .....                           | Nierling  |
| Adjourn .....                                | Nierling  |
| Drawing for Prizes .....                     | Employees Kaye Bernard, Cindy Christensen & Shelly Hove |