

ANNUAL REPORT | 2020

Building A Smart Energy Future



Letter to the membership

From the Board Chair and President & CEO

Building a Smart Energy Future

The theme of this year's annual report is "Building a Smart Energy Future." What's that, you may ask? Well, it's the future of the energy world as often described by leaders in industry, media, public policy and business circles. It's a future marked by:

- The electrification of almost everything, from heating to appliances to transportation
- The delivery of increasingly clean energy through a more responsive, resilient grid
- The unlocking of an unprecedented level of control for consumers through technology, allowing the customization of energy use for their lifestyle, needs and values

The *Smart Energy Future* is built on three pillars: it's good for the environment, good for consumers and good for your electric provider. Let's take a deeper look.

FIRST, BUILDING A SMART ENERGY FUTURE IS GOOD FOR THE ENVIRONMENT.

Twenty years ago, renewables' contribution to daily power needs was a fraction of 1 percent. Today, renewables provide 30 percent of the power capacity in the Midcontinent Independent System Operator (MISO) market, which pools and distributes power to dozens of utilities from hundreds of generating facilities in 15 states. And the percentage of renewables is quickly headed higher – much higher – over the next decade. What has been Wright-Hennepin's (WH) approach?

- Our goal is to pursue low-carbon, cost-effective power supply options. In the past two years alone, we've secured three wind deals for 24 Megawatts at prices and terms that will save members \$50 million over 25 years.
- Under a landmark new contract with Great River Energy (GRE, one of our power suppliers), WH has choice for half of the replacement for a resource that retires. This means we are free to shop for the best options for our members, including those that reduce carbon and save money.

SECOND, BUILDING A SMART ENERGY FUTURE IS GOOD FOR THE CONSUMER.

Our industry is being transformed by the awesome power of consumers who have instant access to almost unlimited information from the supercomputer in their hand. In the not too distant future, they will be able to manage their security, energy and home environment all from a single platform. That's awfully good news for a consumer utility that also owns a retail security company!

Of course, this also means energy must remain affordable. WH did this in 2019 by:

- Delivering residential bills 2.17 percent lower than Xcel. Even better, WH residential bills are on track to be even lower in 2020.
- Giving back the highest capital credit refund in our history. Members received \$3.7 million back from WH and another \$850,000 from GRE. When these refunds are considered, WH's competitive advantage over Xcel swells to 6.71 percent.
- For as little as a dollar a month, members can support the development of renewables on the grid or offset part of their bill with a fixed solar rate. Almost 200 consumers are already taking part as participants in our Renewable and Solar Choice programs.

The *Smart Energy Future* also means the gradual transformation of the transportation sector to electricity. Consequently, WH:

- Is offering a \$500 rebate to electric vehicle (EV) users who install a charging station with a load controller already built into it. This allows immediate plug-in but delays charging to when costs are low.
- Has purchased an equity stake in ZEF Energy, a best-in-class charger/controller company.

But the *Smart Energy Future* brings challenges too. While huge improvements in appliance efficiency are good for consumers, they also mean traditional Energy-Saving Programs aren't as valuable as they once were. Consequently, over the next few years, WH will be repricing our air conditioning programs to reflect their actual costs and



Erick Heinz
Board Chair



Tim Sullivan
President & CEO

benefits. Look for timely updates about the changes, why they are being made and their impact to you.

THIRD, BUILDING A SMART ENERGY FUTURE IS GOOD FOR YOUR CO-OP.

The way utilities will deliver these benefits in the future is through deployment of a smart grid. A smart grid not only delivers traditional central station power but collects power from individual resources – say a residential solar array or a battery – then aggregates and redirects power to where it is needed. To do this well takes a lot of technology. That's why we have:

- Invested in an Advanced Meter Infrastructure (AMI) system that will allow us to read meters not just daily but hourly. This is good for members and allows us to operate our grid more efficiently and effectively. WH has already deployed 15,000 of these meters, another 5,000 will be connected this year and the project will be fully complete in 2023.
- In the past four years alone, we will have constructed or rebuilt three substations, installed 163 miles of line and added more than \$30 million to our total utility plant.

How does WH view this smart energy future? We're excited!

When opinion leaders, public policymakers, businesses and consumers all say, "electrify everything," we see the world as headed our direction. When the key enabler to a *Smart Energy Future* is the proven ability to deploy cutting-edge technology, we view the world as hurtling toward our sweet spot. And when the key is a world that puts a premium on responsiveness to end-use consumers, it's music to the ears of a consumer-owned organization like WH.

Because at WH, our members have been, remain and will always be at the thriving, beating heart of everything we do. We look forward to building that smart energy future together!

Erick Heinz,
Board Chair

Tim Sullivan,
President & CEO

Energy initiatives

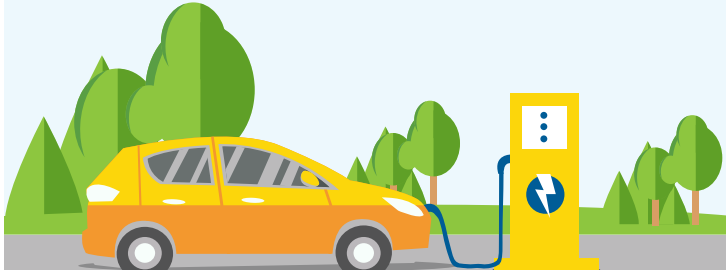
TWO WAYS TO SAVE ON EV CHARGING

1. STORAGE CHARGE

allows charging for eight hours a day at a discounted rate.

2. TIME-OF-USE

allows charging any time of day with a varied discounted rate based on time.



TWO WAYS TO REDUCE YOUR CARBON FOOTPRINT

1. SOLAR CHOICE

offsets an amount of your electric bill with a fixed solar rate.

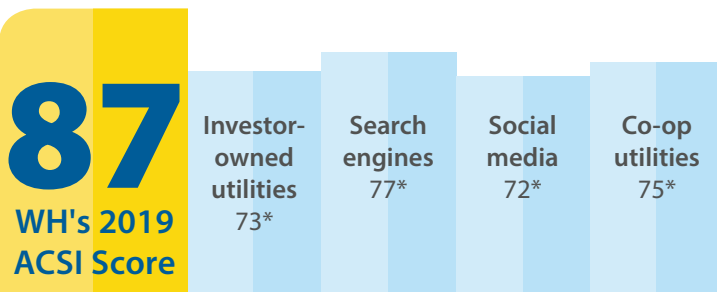
2. RENEWABLE CHOICE

allows WH to match 100 percent of your energy consumption with Renewable Energy Credits generated by renewable resources.



Service performance

WH is committed to offering valuable products and services. This constant commitment is demonstrated in returned capital credits, high member satisfaction scores and excellent reliability. More information can be found on our website at whe.org.



WH uses the American Customer Satisfaction Index (ACSI) survey to collect your feedback.

**Data from 2019 ACSI Industry Reports*

WH's Board of Directors



Back: Burton Horsch, District 3; WH Vice Chair and Chair of WH Holding Timothy Young, District 1; Mike Tieva, District 6; WH Board Chair Erick Heinz, District 9; Duane "Butch" Lindenfelser, District 2. Front: Casey Whelan, District 8; Kenneth Hiebel, District 7; Secretary-Treasurer Dale Jans, District 4; Chris Lantto, District 5.

IN 2019, WH RETURNED

\$3.7 million

IN CAPITAL CREDITS

Capital credits are remaining margins returned to members after WH uses the capital to offset the cost of providing services.

IN 2019, WH INVESTED

\$10.4 million

IN IMPROVING GRID RELIABILITY

including a new substation, upgraded poles and wires, transformers and more!

83,332

INCOMING CALLS ANSWERED

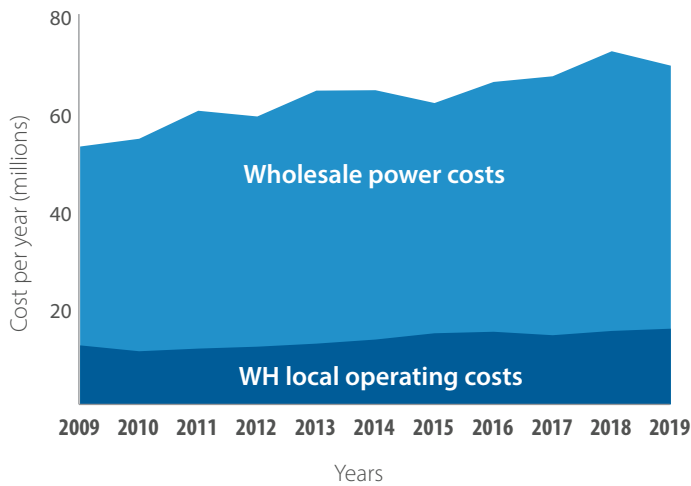
WH received 83,332 incoming calls in 2019. WH addressed members' questions and concerns and established service for almost 1,000 new accounts.

Operating performance

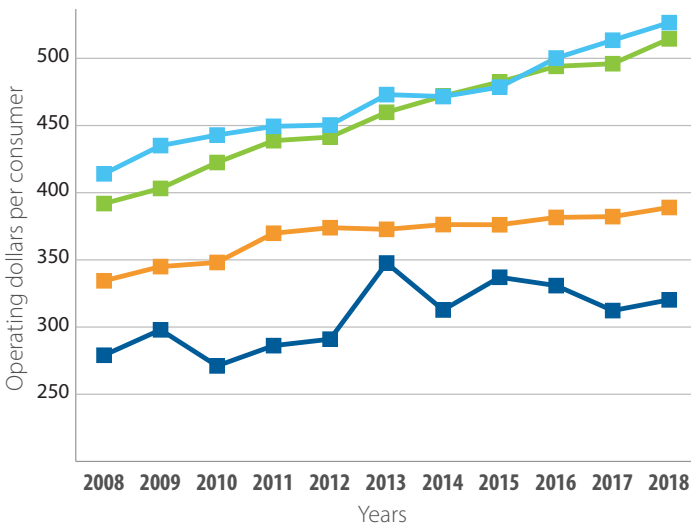
KEEPING COSTS LOW

WH has consistently kept operating costs below state and national benchmarks. This is accomplished by implementing technology and process improvements that allow us to do our jobs more efficiently.

WH wholesale power and operating costs



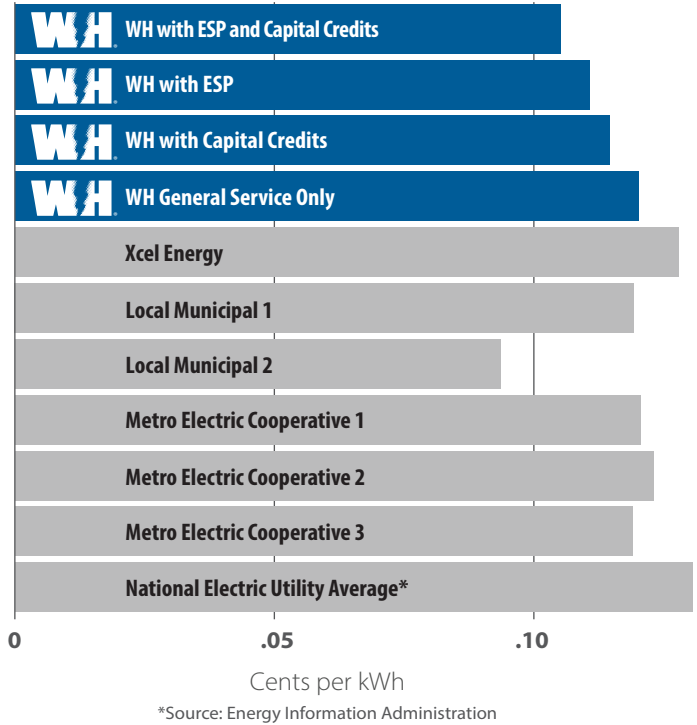
Keeping operating costs low



Competitive performance

2019 RESIDENTIAL RATES WERE VERY COMPETITIVE

One of the core tenants of WH's mission is to keep rates competitive. WH stacks up well against other electric utilities and cooperatives as the graph below shows. Moreover, members enrolled in a WH Energy-Saving Program (ESP) experienced an even lower price for power. WH's rates are below state and national averages.

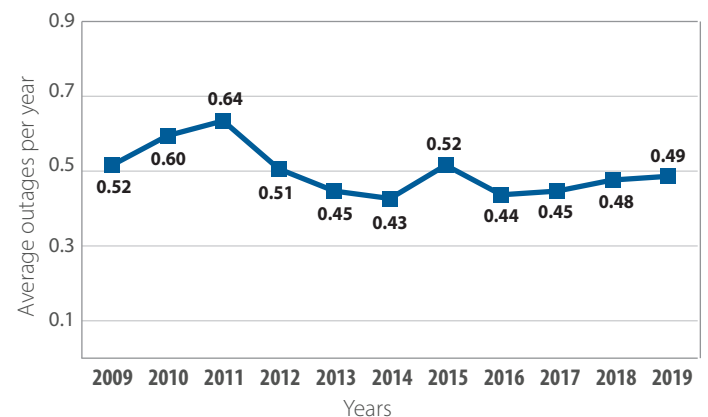


Reliability performance

WH PROVED RELIABLE AGAIN IN 2019

WH's electric service in 2019 proved to be reliable once again. Power was on for all members across our service territory on average for 99.99 percent of the year. We continue to improve our distribution system in order to achieve top 10 percent performance in reliability among cooperatives.

Averaged less than one outage over two years



WH's Annual Meeting has been postponed and will be rescheduled at a later date.

WH Holding products and services

WH owns multiple subsidiary businesses, which are separate from the electric operation. These businesses keep costs down by generating profits and eating costs that offset the retail price of electricity for WH members. WH Holding is the legal umbrella under which these businesses reside, protecting the electric cooperative's not-for-profit status.

WH Holding

In 2019, WH Holding **absorbed** more than **\$1.5 million** in cost allocations, which equals about **\$30 A YEAR IN SAVINGS FOR EACH WH MEMBER.**

WH Appliance Repair

WH Appliance Repair supplies service technicians to fix major appliances when needed and helps provide protection from large unexpected appliance repair bills.



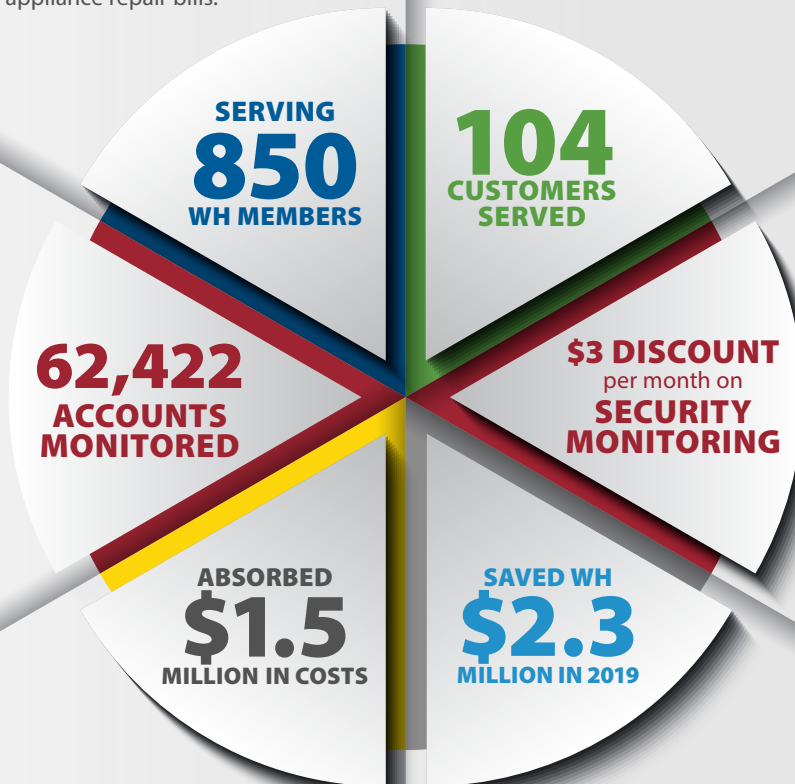
WH Tree Services provides tree trimming, shaping and removal, stump removal and emerald ash borer treatments.

WHIRC

WH International Response Center (WHIRC) provides around-the-clock wholesale home security monitoring services to customers across the United States.

WH SECURITY

WH Security provides retail security alarm systems and monitoring services to thousands of homes and businesses in Minnesota and Wisconsin, including 3,695 WH members.



WH Holding

WH Holding is the legal umbrella under which these businesses reside, protecting the electric cooperative's not-for-profit status.

WH Generation

WH Generation offers turn-key installation of on-site electric generators for commercial members.

Cost of electricity: Your basic charge pays for...

Lineworker gear

The basic charge on your WH bill is the amount you pay each month, regardless of how much energy you use. It helps cover expenses like safety equipment for lineworkers (pictured right), along with poles, wire, transformers, meters and more! All of these aspects are essential to providing you with safe and reliable electricity.

LINEWORKER GEAR

\$5,000

WH has 28 full-time lineworkers



WH seeks new District 8 director

WH is seeking nominations in District 8 for the Board of Directors. District 8 Director Casey Whelan recently resigned for health reasons. The Board of Directors accepted his resignation on March 12, 2020. According to WH's bylaws, your Board of Directors must fill the vacancy. Since the timing of the 2020 Annual Meeting is now uncertain given public health concerns, the board will appoint a director from District 8 to serve until the next election.

For additional information, please visit our website at whe.org. Members in District 8 (see map) can now submit nominations.

Once the member is appointed to fill the District 8 seat, they will immediately begin to serve as director until the next Annual Meeting.

Your board district (BD) number is shown on the second line of the mailing address, just above your name.

Members can still file for board seats

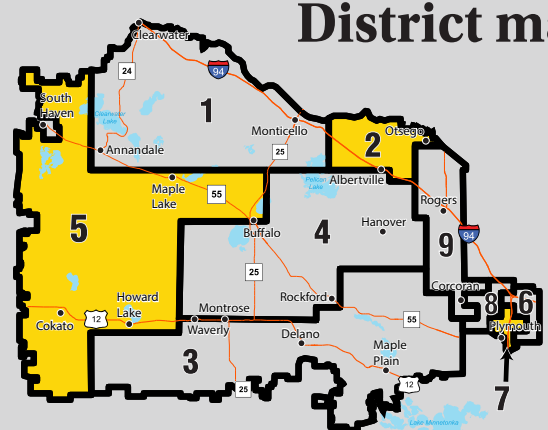
Due to the postponement of the annual meeting, WH members can still submit nominations to vie for a seat on the cooperative's board of directors in Districts 2, 5 and 7. Elections will take place at a future meeting. Your board district (BD) number is shown on the second line of the mailing address, just above your name.

Members in these districts who would like to compete in the election need to file a director nominee application form. To apply, print, complete and sign the form found at <http://bit.ly/2IGVgnk>. The deadline will be posted on the website.

Mail in the form along with a resume to:

Wright-Hennepin Cooperative Electric Association
Attn: Dale Jans, Secretary/Treasurer
P.O. Box 330
Rockford, MN 55373

District map



Board of Directors:

District 1: Timothy Young, Annandale	District 5: Chris Lantto, Annandale
District 2: Duane "Butch" Lindenfelser, Monticello	District 6: Mike Tieva, Maple Grove
District 3: Burton Horsch, Howard Lake	District 7: Kenneth Hiebel, Plymouth
District 4: Dale Jans, Buffalo	District 8: Open
	District 9: Erick Heinz, Corcoran

Financial report

for the years ended December 31, 2019 and 2018

Consolidated balance sheet

ASSETS	2019	2018
Plant assets		
1 Utility plant	\$ 207,260,174	\$ 197,328,239
2 Construction work in progress	140,759	775,927
3 Total utility plant	207,400,933	198,104,166
4 Less accumulated depreciation	78,072,635	73,483,958
5 Net utility plant	129,328,298	124,620,208
Other property and investments		
6 Investments in associated organizations	\$ 52,918,421	\$ 52,107,608
7 Non-utility property-net	1,866,517	2,589,749
8 Notes receivable	8,254	23,732
9 Other investments	1,298,328	917,718
10 Total other property and investments	56,091,520	55,638,807
Current and other assets		
11 Cash and cash equivalents	\$ 14,276,447	\$ 8,023,596
12 Accounts receivable	5,752,743	6,057,514
13 Other accounts receivable	1,435,469	963,113
14 Accrued unbilled revenue	6,749,810	6,453,268
15 Materials and supplies inventory	1,678,736	1,828,753
16 Other current and accrued assets	589,979	550,902
17 Total current and other assets	30,483,184	23,877,146
18 Deferred debits	1,986,922	2,084,146
19 Total assets	217,889,924	206,220,307

EQUITY	2019	2018
Members' equity		
20 Patronage capital	\$ 82,231,493	\$ 81,166,811
21 Other equities	10,376,800	9,124,453
22 Total members' equity	92,608,293	90,291,264

LIABILITIES	2019	2018
Long-term debt (less current maturities)		
23 RUS notes	\$ 52,543,306	\$ 44,036,675
24 Nat. Rural Utilities Co-op Finance Corp	12,357,594	13,429,582
25 CoBank notes	26,590,241	28,612,901
26 Total long-term debt	91,491,141	86,079,158
Current and other liabilities		
27 Current maturities of long-term debt	\$ 4,745,897	\$ 5,009,826
28 Accounts payable	1,822,567	1,507,498
29 Accounts payable-purchased power	9,685,746	8,915,122
30 Consumer deposits	2,076,542	2,006,959
31 Other current and accrued liabilities	8,178,420	6,742,398
32 Total current and other liabilities	26,509,172	24,181,803
33 Deferred credits	7,281,318	5,668,082
34 Total members' equity and liabilities	217,889,924	206,220,307

Statement of operations

	2019	2018
51 Operating revenues	\$ 105,183,005	\$ 106,128,615
52 Deferred revenues	(2,089,244)	(1,300,000)
53 Cost of power	69,402,046	72,355,844
Local operating expenses		
54 Distribution (operations and maintenance)	\$ 7,761,184	\$ 7,461,015
55 Member accounts and service	3,739,682	3,736,080
56 Administrative and general	3,966,085	3,840,239
57 Total local operating expenses	15,466,951	15,037,334
Fixed charges		
58 Property tax	\$ 1,961,136	\$ 1,930,377
59 Depreciation and amortization	6,110,445	5,999,665
60 Interest on long-term debt	3,521,835	3,624,923
61 Total fixed charges	11,593,416	11,554,965
62 Extraordinary items	-	-
63 Net Operating Margins	6,631,348	5,880,472
64 Conservation improvement program	(468,704)	(557,846)
65 Non-operating margins	675,612	630,435
66 Net operating and non-operating margins	6,838,256	5,953,061
67 Generation and transmission and other capital credits	2,276,101	4,052,747
68 Net margins	9,114,357	10,005,808

Letter to the members of Wright-Hennepin Cooperative Electric Association, Rockford, Minn.

Brady Martz & Associates, P.C., an independent certified public accounting firm, has audited Wright-Hennepin Cooperative Electric Association's financial statements for the year ended December 31, 2019. The auditor has issued his unmodified opinion dated February 26, 2020, on the financial statements. Copies of the audited financial statements are on file at the cooperative's office for inspection.

Brady Martz

Brady Martz & Associates, P.C.
Grand Forks, N.D.

6800 Electric Drive
 Rockford, MN 55373

Hotline Update

March 2020 Annual Report for Wright-Hennepin members

Commitment to community

Since 1994

\$4,210,499



donated to
**LOCAL CHARITIES
 AND ORGANIZATIONS**
 through
 Operation Round Up.

Since 1988

\$716,650



in
SCHOLARSHIPS
 awarded
 to students by WH.

In 2019

64



HOTLINE DEMOS
 conducted by WH
 at local schools and
 community events.

In 2019

22



**LOCAL COMMUNITY
 EVENTS AND ACTIVITIES**
 hosted and
 participated in by WH.

In 2019

7,100



**TREE SEEDLINGS
 AND NIGHT LIGHTS**
 donated to
 schools by WH.

Keep in touch with your cooperative!

Member call center:

7:30 a.m. – 6 p.m., Monday - Friday
 (763) 477-3000 or (800) 943-2667

To report an outage:

Dispatchers are available 24/7
 (763) 477-3100 or (888) 399-1845

WH Security monitoring:

Security dispatchers are available 24/7
 (763) 477-4275 or (800) 858-7811

Website: whe.org

Email: info@whe.org

Facebook: @WrightHennepin

Twitter: @WrightHennepin

Instagram: [wrighthennepin](https://www.instagram.com/wrighthennepin)

YouTube: [WrightHennepin](https://www.youtube.com/WrightHennepin)

WH's Annual Meeting postponed



WH values the safety of the members, employees and communities we serve. As a result, due to current public health concerns, WH's Board of Directors has decided to postpone the Annual Meeting. The meeting will be rescheduled at a later date to be announced.

Look for updates about the meeting in the Hotline Update newsletters, in the e-newsletter, on WH's website at whe.org and on social media.