



TOGETHER WE STAND



Your Touchstone Energy® Cooperative
The power of human connections®

2019 Annual Report

Current Connection Special Edition May 2020, Volume 72, Number 5



THE MISSION OF CROW WING POWER HAS NEVER BEEN STRONGER



COVID-19 Cooperative Care Response

During these unprecedented times, Crow Wing Power is taking precautions to protect the well-being of its members and employees. Like most other essential businesses, we closed the lobby to the public in mid-March, provided technology for some employees to work from home, divided line workers into separate trucks and continue to monitor the situation to comply with State, Federal and Center for Disease Control guidelines.



Most importantly, we are empathetic to the struggles business and residential members are experiencing during this economic downturn and promote open dialogue with respect to members' ability to maintain payment schedules with their electric bills.

Emily Mineral Project Signs Historic Agreements

We are extremely pleased to announce final agreements were signed in April between our subsidiary, Cooperative Mineral Resources and North Star Manganese Inc (NSM), a company we have been working with since 2018. It's with great pleasure that we share with you the news of this extremely important undertaking.

Many of you, that have been following the development of the Emily Manganese Project, understand the ups and downs of negotiating and progression in a competitive corporate initiative such as this. And, because this is a private, for-profit corporate project outside of our core business, it has led to some controversy and misunderstanding on non-disclosure/confidentiality requirements we respectfully adhere to with other parties. We've addressed and responded to concerns and misinformation to the best of our ability in newsletters and newspapers.

We purchased land and mineral rights in Emily in 2008, in an attempt to capitalize on an endeavor that has the ability to reap millions of dollars for your Cooperative and gain momentum in the futuristic development in the electric utility industry with Electric Vehicle and Electric Storage batteries. The investment was made with previously earned investment dollars earmarked from another successful business enterprise with Hunt Technologies, one of our subsidiaries.

Over the years, we used \$23 million of those earned investment dollars to advance the project to attract the right company capable of developing a mine that has the potential to create local jobs and reap huge financial returns for Cooperative members, the City of Emily, school districts, Crow Wing County and the State of Minnesota.

Understandably, we've entertained several potential mining suitors and signed initial Memorandum of Understandings with several of them, who ultimately did not meet our stringent requirements for such a partner. However, NSM has met our expectations.

We developed the Project to this point and now look forward to NSM taking charge to move the Project toward a commercially feasible mining project.

We are pleased to rely on the expertise of principals of NSM in their 30 plus years of experience in other mining/mineral ventures.

This is a historic time for Crow Wing Power – let's look forward to the NSM development of this deposit and a mining plan that meets our environmentally conscientious and local dedication for the benefit of our members and region.

Bob Kangas, President & Bruce Kraemer, CEO

MEMBER ACTIVITIES SNAPSHOT



16,283 members enrolled in automatic electronic bill payment;



5,100 homes and businesses have a People's Security system;



11,540 members enrolled in load management programs;



5,412 people are Crow Wing Power Credit Union members; and



19,297 members access energy use and bills online;



8,076 members have selected paperless billing online, and save the Cooperative \$78,000 annually.

STRENGTHENING COMMUNITIES SNAPSHOT



SCHOLARSHIPS

\$76,731 to 63 high school seniors



OPERATION ROUND-UP

\$278,000 in 2019 to 73 organizations



ECONOMIC DEVELOPMENT LOANS

\$5,925,260 to 35 businesses (since 1996)

STRENGTHENING COMMUNITIES

Operation Round-Up

Operation Round-Up donated \$278,000 to 73 charitable organizations in 2019. Grant applications are reviewed by the Crow Wing Power Community Trust Board made up of nine Cooperative members, separate from the Crow Wing Power Board of Directors. The program, begun in 1996, has donated \$3.6 million locally.

Its vital importance was recently tested, when Covid-19 began affecting the ability of Food Shelves and other social well-being organizations to keep up with high demand. Trustees were able to provide over \$60,000 to help so far this year specifically for that purpose. Operation Round-Up collaborates with other local foundations to keep our communities strong.



<<< Left to right: Todd Malecha, Deb Prazak, Matt Kilian, Becky Olson, Betty Doss, Terry Sandstrom, Kevin Larson. Not pictured Donna Sutton

Shop Local

Crow Wing Power has promoted a shop local program for the past 18 years and now, more than ever, during these critical times, we join together with area organizations to support small businesses. The Crow Wing Power Co-op Connections program has 114 local businesses that partner with us to provide incentives to use their shops and services.



Scholarships to Students

Crow Wing Power was able to award \$76,731 to 63 area high school seniors in the three-county area we serve. Crow Wing Power members' children from eleven high schools are the recipients. The program is made available from unclaimed capital credits. When capital credit checks are returned, we make every effort to find members that may have moved and not kept their address current. By law, the Cooperative holds those funds for seven years before they are released.

BEYOND THE CO-OP

Security Services

People's Security Company, a subsidiary of Crow Wing Power, has been in business for 31 years. People's was originally formed to provide Cooperative members with a trusted partner to provide local installation and service of security systems. Today, People's serves thousands of customers, providing not only security systems, but also video surveillance cameras, home automation and other electronics for their homes and businesses.

As a modern security company, People's Security is in the connection business. They connect to customers with the information to give them peace of mind. Comforts like knowing if your home or business is safe from

intruders, fire, freeze-up or flooding. Today's technology

even takes it a step further by connecting people directly to their homes or businesses from a smart device allowing them to control heat, lights, and locks from anywhere.



People can receive notifications when their kids arrive home or that an elderly parent is up and active for the day.

Visual connection to properties is one of the fastest growing segments of the security industry. Camera systems of all types are an especially popular item mainly because it delivers real-time information like who is on your property when you aren't home? Or, what is damaging my bird feeder? Or, is my boat still on the lift after last night's storm? The motivation behind visual connection will vary per customer and People's Security has developed solutions that match every need. In addition, they carry a line of DIY products allowing you to be hands-on if you prefer.

People's Security is fully servicing current customers and potential customers as an essential business during this time. They are taking the safety of employees and customers very seriously by following all guidelines set forth by the industry and state.

People's Security looks forward to continuing to service the Brainerd Lakes as one of the area's most trusted security providers and welcomes the opportunity to tailor a solution to your needs. Call People's Security at 218-828-4828 or 1-800-735-1440 or go online at PeoplesSecurity.com.



Financial Services

Crow Wing Power Credit Union was established in 1999 to provide not-for-profit financial services to members. Today, it has over 5,400 members. In the last 21 years it has grown to become a full-service financial institution with \$83 million in deposits and \$56 million in loans. The Credit Union has eleven full-time employees.

In these turbulent times, Crow Wing Power Credit Union has remained open to serve our members. Four employees are currently working from home with the rest of the staff working in the office. The tellers have worked non-stop in the drive-up to accommodate the needs of members, while the lobby is closed to the public. The Credit Union's member service representatives have continued to provide all the services via secure email and the drive-up.

The Credit Union is located in the Crow Wing Power office on Highway 371 North in Brainerd. They can be contacted at 218-825-2208 or 877-563-3072. There is more information on their website cwpcu.org. Join the Credit Union to be a part of a financial institution that is "standing with you".



SERVICE ADVANCEMENTS

Technological Advancements in the Field

Meter Upgrades

Crow Wing Power is always looking at utilizing proven technology to improve our service to members. We began a meter exchange program a couple of years ago to upgrade our then aging Automated Meter Reading system. The new Advanced Metering Infrastructure is helping us serve members better with improved efficiency, reliability and power quality.

The replacement project, begun in March 2018, made great strides in 2019 and by the end of the year, we completed our system infrastructure and upgraded 62% of our 59,363 older meters. Currently, we have 98 % of the metering project completed and 46 % of our Load Management Controls upgraded.

In the process of physically replacing meters, technicians have found 1,704 wiring hazards, inaccessible meters and potential power outage situations. We have been successful in having most of these issues corrected.

The new metering system helps us provide more efficient and accurate information, better outage management control and gives members near real time information when looking at their electric use on SmartHub, the online management tool.



SERVICE ADVANCEMENT SNAPSHOT



New meters deployed **58,345**
for **38,200** members

Access to Information

SmartHub - SmartHub has features that make managing your account easily accessible, whether through the web, or your smartphone or tablet. As soon as you log in, you are able to view your bill, billing history, usage or make a payment in just a couple of clicks. New this year, you can now connect through a smart home device like Amazon Echo or Google Home.



Paperless In The Field – New investments in technology have allowed our field crews to use devices instead of paper for receiving their daily job information. Using devices saves time and money. They can quickly and easily use real time information through a secure network for mapping, equipment in the field, and be alerted to possible hazards at a location.

Money Saving Programs

A total of 31% or over 11,000 Crow Wing Power members are enrolled in some type of load control program for heating, cooling and water heating. Members reap the benefit by paying a reduced electric rate and Crow Wing Power saves an excess of \$2 million a year on high demand wholesale power costs. Other members save money by upgrading appliances and lighting.

REBATE ACTIVITIES SNAPSHOT



\$20,060 in appliance rebates;



\$1,480 energy-efficient lighting; and



\$1,725 air conditioning tune-ups;



\$48,861 for commercial/industrial upgrades.

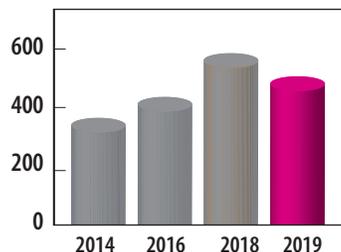
When members use energy more efficiently, it helps reduce the high demand for electricity during certain periods when wholesale power costs are high and assists in maintaining rates.

BALANCE SHEET

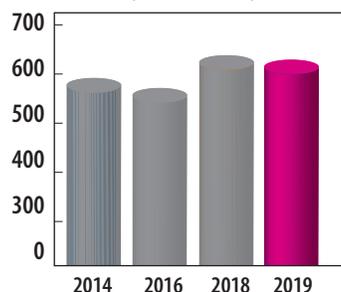
ASSETS

What we own

Services Added



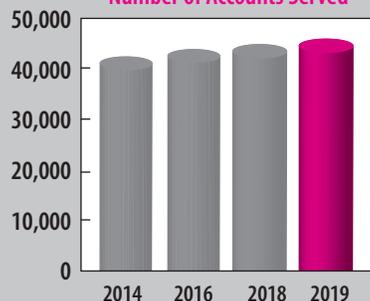
Electricity Sold
(In Millions of kWhs)



LIABILITIES

What we owe

Number of Accounts Served



NET WORTH

Members' equity in the co-op

Cost of Our System

We estimate our system has depreciated	\$ 226,764,990	\$ 218,208,633
This gives our system a book value of:	<u>(73,078,552)</u>	<u>(73,210,339)</u>
	\$ 153,686,438	\$ 144,998,294

We Have Other Property and Investments

Great River Energy & Basin Electric capital credits	\$ 36,695,065	\$ 36,085,981
Memberships in and capital credits from other associated organizations	880,851	836,795
National Rural Utilities Cooperative Finance Corp. (Investments required for long-term financing)		
Capital term certificates	2,479,274	2,486,227
Patronage capital credits	876,256	859,670
Other investments	<u>11,949,661</u>	<u>12,657,373</u>
Total other property and investments	\$ 52,881,107	\$ 52,926,046

We Have These Current Assets

Cash and cash equivalents	\$ 9,376,421	\$ 5,499,519
Members and others owe us for electrical energy, services, etc.	8,995,006	8,928,605
Materials and supplies for line construction and maintenance	2,751,952	2,797,168
Prepaid expenses	49,566	68,887
Interest receivable on investments	<u>31,035</u>	<u>28,386</u>
Total Current Assets	\$ 21,203,980	\$ 17,322,565

We have deferred debits	<u>21,927</u>	<u>43,854</u>
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Total Assets We Own

\$227,793,452 **\$215,290,759**

Long-term Debt

We owe Rural Utilities Service	\$ 101,221,473	\$ 90,939,290
We owe CoBank	4,902,644	5,246,499
We owe National Rural Utilities Cooperative Finance Corporation	<u>15,998,733</u>	<u>16,895,114</u>
Total Long-term Debt	\$ 122,122,850	\$ 113,080,903

We Owe Current Liabilities

Power, materials, etc.	\$ 9,074,389	\$ 8,331,225
Taxes, interest, etc.	3,137,669	3,044,461
Security deposits	<u>570,902</u>	<u>533,420</u>
Total Current Liabilities	\$ 12,782,960	\$ 11,909,106

We have deferred credits	<u>6,028,830</u>	<u>4,494,633</u>
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Total We Owe

\$140,934,640 **\$129,484,642**

Members' Equity in the Cooperative

2019 **2018**
\$86,858,812 **\$85,806,117**

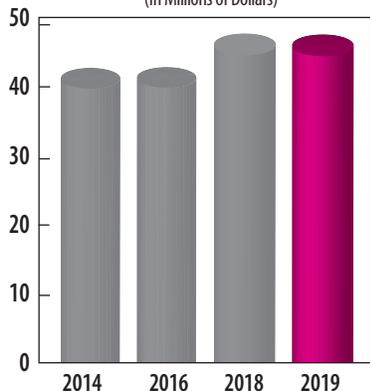
STATEMENT OF REVENUE

REVENUE

EXPENSES

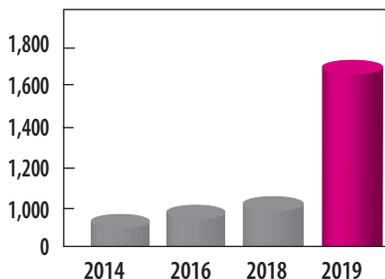
Wholesale Power Costs

(In Millions of Dollars)



Capital Credit Retirements

(Thousands of Dollars)



2019 ELECTRICAL ENERGY SALES STATISTICS

Year Ending
December 31, 2019

COMPARATIVE OPERATING STATISTICS

Years Ending
December 31, 2018 and
December 31, 2019

	2019	2018
Sales of electric energy to members	\$ 72,279,770	\$ 71,839,732
Miscellaneous electric revenues and penalties	1,041,621	1,022,064
Non-operating and other income (interest income, miscellaneous items)	<u>653,336</u>	<u>607,448</u>
Total Revenue	\$ 73,974,727	\$ 73,469,244

Wholesale power (paid to power suppliers)	\$ 48,688,445	\$ 49,489,196
Other operating expenses (administration, sales, maintenance, taxes, etc.)	14,682,298	14,706,110
Depreciation of utility plant	6,248,345	5,778,399
Interest expenses on long-term debt	<u>3,240,699</u>	<u>2,647,103</u>
Total Expenses	\$ 72,859,787	\$ 72,620,808

Patronage capital income before generation and transmission capital credits	\$ 1,114,940	\$ 848,436
Patronage capital from Great River Energy, Basin Electric and other associated cooperatives	<u>1,654,095</u>	<u>3,355,428</u>
Net Patronage Capital (Income)	\$ 2,769,035	\$ 4,203,864

Patronage Capital

	2019	2018
Accumulated patronage capital—beginning of year	\$ 85,806,117	\$ 82,760,916
Net patronage capital (Income)	2,769,035	4,203,864
Retirement of patronage capital	<u>(1,716,340)</u>	<u>(1,158,663)</u>
Accum. Patronage Capital End Of Year	\$ 86,858,812	\$ 85,806,117

FINANCIAL HIGHLIGHTS

Type of Service	KWHs Sold	Revenue
Rural Residential	444,703,448	\$ 53,598,356
Commercial/Industrial	177,477,527	18,051,630
Irrigation	3,218,699	539,018
Public Street Light	<u>428,292</u>	<u>90,766</u>
Total	625,827,966	\$ 72,279,770

	2019	2018
Number of accounts served	45,052	44,627
New services added this year	547	593
Miles of line energized	5,531	5,518
Member accounts per mile	8.15	8.09
Total KWH purchased through GRE & Basin	663,000,651	666,382,713
Total KWH sold	625,827,966	627,649,056
Cost per KWH sold	\$ 0.0778	\$ 0.0788
Average cost per KWH to member	\$ 0.1182	\$ 0.1171
Average residential KWHs used per month	883	890
Average residential monthly bill	\$ 106	\$ 106
Plant investment per member	\$ 5,033	\$ 4,890
Percent of member equity—ownership	38.1%	39.9%

CROW WING POWER

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BOARD MEMBER CANDIDATES FOR 2020 ELECTION

District 1-At Large

Bryan McCulloch (Incumbent)
Dale Probasco
Darrell Shannon
Derek Ward

District 2B

Gary Bakken
Giles Radtke
Gert Roggenkamp (Incumbent)
Carl Younce

District 3A

Jay Andolshek
Loren Beilke
Dwight Thiesse (Incumbent)

This year's election saw 11 candidates running for three Board of Director seats. This year, because of COVID-19 concerns, the annual meeting has been postponed, but the election continues with mail-in ballots only. Ballots were sent in mid-May and mail-in ballots must be received by June 12, 2020. Once certified the results will be posted at cwpower.com.

LEADERSHIP

Nine board members, elected by our electric member/owners, direct Crow Wing Power. The board determines policies and procedures and has fiduciary responsibilities.

Directors attend ongoing training to keep them abreast of current issues relating to the electric industry.

The board meets the third Thursday of each month at 9:30 a.m.

Back Row: (left to right)
LuAnn Nelson, Bryan McCulloch, Paul Koering,
Ric Larson, Gordon Martin

Front Row:
Doris Mezzenga, Bob Kangas, Dwight Thiesse,
Gert Roggenkamp

