

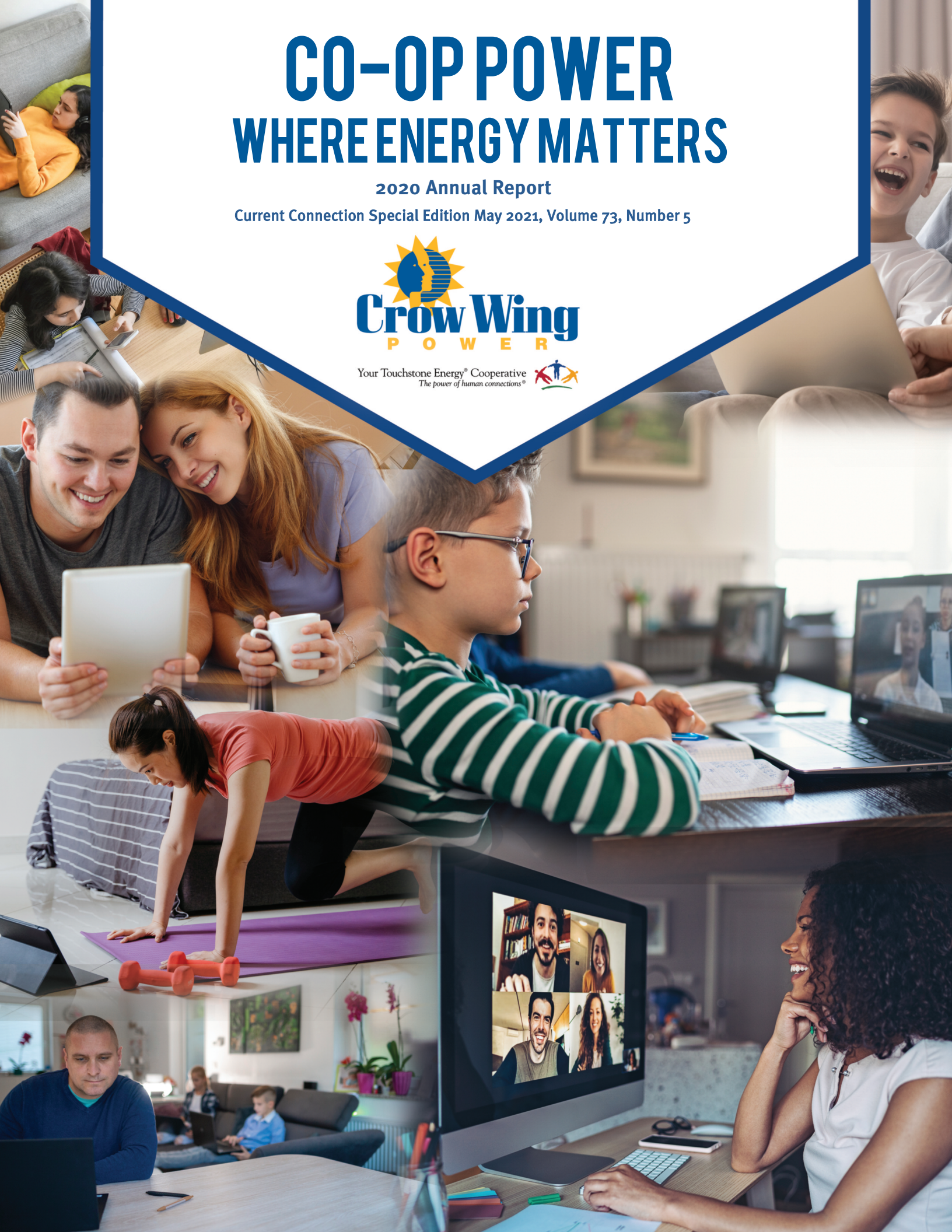
CO-OP POWER WHERE ENERGY MATTERS

2020 Annual Report

Current Connection Special Edition May 2021, Volume 73, Number 5



Your Touchstone Energy® Cooperative
The power of human connections® 



As we look at the activities of 2020 and those of the first few months of this year, we would be remiss if we didn't outline how the Covid-19 pandemic did or did not affect our cooperative.

In March of last year, we quickly took action. We know that our essential employees are at the forefront of our ability to maintain reliable power and keep the lights on for members. It was paramount that we do everything we could to mitigate anything that would endanger the health of our workforce.

WHAT WE DID

Our COVID-19 Preparedness Plan followed Centers for Disease Control and Prevention (CDC) and Minnesota Department of Health (MDH) guidelines, federal OSHA standards related to COVID-19 and Executive Order 20-48, and initiated the following actions:

- March 19, 2020 we closed the lobby to the public for social distancing measures;
- Employees that were able to work from home were equipped to do so in order to reduce the number of employees working together;
- We stepped up sanitizing the office on a continual basis;
- Outside crews sanitized their trucks and equipment;
- Lineworkers, who normally would travel two men in a truck, would now travel to work sites in separate trucks when possible;
- Business travel was limited. Training and meetings took place virtually, when possible;
- Personal Protective Equipment (PPE) used to mean rubber gloves, safety harnesses and hard hats. Now it included masks and hand/surface sanitizers; and
- Board meetings were, and still are, held either virtually or with limited in-person settings.



COVID-19 PREPAREDNESS - A YEAR IN REVIEW

We also recognized that many of our members were experiencing financial difficulties during these unusual times.

To address this, we took the following measures to work with our members and help ease their worries:

- We didn't charge the normal Power Cost Adjustments during the summer;
- We suspended disconnecting services for non-payment;
- We proactively waived late fees for past due balances for residential and small business accounts;
- We provided even greater flexibility in making payment arrangements; and
- We directed members to the many resources that provided energy and housing assistance programs.

MEMBER/CONSUMERS ACTIVITY CHANGED DRAMATICALLY

Last year was a boom year for Crow Wing Power and the region. We saw an exceptional amount of new members and members moving to new locations within our service area.

We welcomed people as they moved to the Brainerd Lakes Area or relocated to their cabins year round. With families working and distance learning from home, there was a lot of electricity used. We needed to provide energy where it mattered to meet those needs.

In addition, there were 712 new services installed in 2020 compared to 498 in 2019, so people were building. So far, we've seen an even larger increase (33%) in new service applications this year, so the trend of building and moving to the area seems to be continuing.

Bob Kangas, President & Bruce Kraemer, CEO

MEMBER ACTIVITIES SNAPSHOT



17,337 members enrolled in automatic electronic bill payment;



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



11,639 members enrolled in load management programs;



5,424 people are Crow Wing Power Credit Union members; and



18,643 members access energy use and bills online;



9,443 members have selected paperless billing online, and save the Cooperative \$106,000 annually.

STRENGTHENING COMMUNITIES SNAPSHOT

SCHOLARSHIPS
 \$76,849 to 56 high school seniors

OPERATION ROUND-UP®
 \$281,600 in 2020 to 102 organizations

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

**WHEN IT MATTERED MOST....
WE SUPPORTED OUR COMMUNITIES.**



OPERATION ROUND-UP®

Operation Round-Up® donated \$281,600 to 102 charitable organizations in 2020. 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 \$4 million locally.

Its vital importance was tested this past year, when Covid-19 began affecting the ability of Food Shelves and other social well-being organizations to keep up with high demand. It was rewarding that Operation Round-Up® collaborated with other local foundations to keep our communities strong.



CO-OP CONNECTIONS

In a year where we were asked to be socially distanced, we looked at finding ways to connect and support each other. The Co-op Connections program is one way to give back to our members through business discounts and support the efforts to shop local. This program, backed nationally by Touchstone Energy, got a revamp with a new website and mobile app to help our members use the discount card at 115 local businesses.

SCHOLARSHIPS TO STUDENTS

Crow Wing Power was able to award \$76,849 to 56 area high school seniors in the three-county area we serve. Crow Wing Power members' children from eleven high schools were 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.



◀◀ **LEFT TO RIGHT:** Deb Prazac, Todd Malecha, Becky Olson, Terry Sandstrom, Jackson Purfeerst, Kathleen Stephan, Matt Kilian and Betty Doss

SECURITY SERVICES



People's Security Company, a subsidiary of Crow Wing Power, has been in business for 32 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.

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/cwp.



FINANCIAL SERVICES



HISTORICALLY LOW RATES ON LOANS

Crow Wing Power Credit Union was founded 22 years ago and is now more than 5,463 members strong with over \$105 million in assets. The credit union is a solid financial institution federally insured through the National Credit Union Administration.

The credit union is a not-for-profit business, as is Crow Wing Power. For credit union members, surplus funds are returned to the members in higher deposit rates, reduced loan rates and future service enhancements.

As a member of Crow Wing Power you are eligible to join the credit union and take advantage of very competitive loan rates. The credit union offers a wide variety of consumer loans and mortgage options.

A Credit Union Member Service Representative can provide you with the guidance you need in selecting the right loan products for your needs.

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.

Join the credit union today and experience a financial cooperative along with your membership to Crow Wing Power.



IN THE FIELD

INVESTING IN TECHNOLOGY

Last year marked the completion of an enormous technological advancement for Crow Wing Power. Over a three-year period, we replaced 59,736 meters with a new advanced meter system. In 2018 it was determined our meter system had reached its end of life and the Board recognized we would need to upgrade our metering system. This substantial investment was a tremendous project, but one that's certainly improving our service to members. The advanced meter system is greatly improving our efficiencies. It helps members see their electric use in near-real time online, using the SmartHub portal.

The new advanced meters have automated power outage reporting, improved restorations and member communications. They also enhance reliability and power quality. They have the ability to support increased integrations of renewable energy. This new system allows the cooperative to provide a more effective load management system and improved employee safety. In a short amount of time we have

reaped some of the major benefits of this new advanced metering system.

INCREASED EFFICIENCIES AND OUTAGE REPORTING

- We can pinpoint areas affected by outages so we can respond more quickly, and even automatically confirm when power is restored;
- More data enables us to provide improved accurate information about outages and restoration times; and
- Information coming from the new meters allows us to monitor the system in near real-time and correct problems and inefficiencies.

The new meters allowed us to begin offering PrePay, where members can opt to pay for electricity upfront, like filling up a gas tank in their vehicles, another advanced benefit.

SERVICE ADVANCEMENT SNAPSHOT



New meters deployed **59,736**
for **38,200** members



ELECTRIC VEHICLE CHARGING RATES ESTABLISHED

The electric vehicle (EV) pilot program has concluded. Based upon the pilot program results, participant feedback, along with the capabilities of our new AMI metering system, we are excited to offer two electric vehicle charging rates. Members may choose which rate best fits their needs, an Off-Peak rate or a Time-of-Use rate.

Please contact CWP for details and requirements.



OFF-PEAK/INTERRUPTIBLE RATE

Off-Peak Charging: \$.0445 per kWh
Off-Peak Hours: June - September 10:00 p.m. – 11:00 a.m.
Off-Peak Hours: October - May 10:00 p.m. – 6:00 a.m.
On-Peak Charging: Not Available

TIME-OF-USE RATE

Off-Peak Charging: \$.056 per kWh
Off-Peak Hours: June - September 10:00 p.m. – 11:00 a.m.
Off-Peak Hours: October - May 10:00 p.m. – 6:00 a.m.
On-Peak Charging: All others hours outside of Off-Peak Hours \$.22 per kWh

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



\$27,915 in appliance rebates;



\$737 energy-efficient lighting; and



\$1,850 air conditioning tune-ups;



\$31,512 for commercial/industrial upgrades.



\$39,300 for A/C and Air Source Heat Pumps

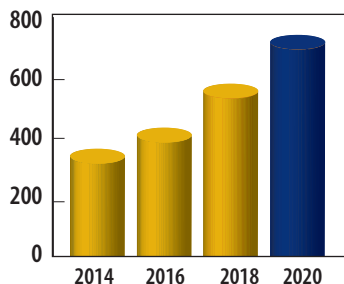
When members use energy more efficiently, it helps reduce the high demand for electricity during certain periods when wholesale power costs are high and assists in maintaining rates.

BALANCE SHEET

ASSETS

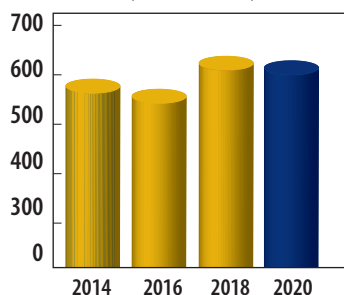
What we own

Services Added



Electricity Sold

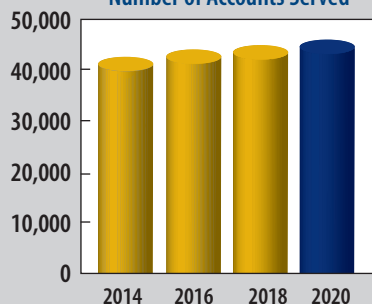
(In Millions of kWhs)



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
This gives our system a book value of:

	2020	2019
	\$ 229,060,003	\$ 226,764,990
	<u>(74,478,550)</u>	<u>(73,078,552)</u>
	\$ 154,581,453	\$ 153,686,438

WE HAVE OTHER PROPERTY AND INVESTMENTS

Great River Energy & Basin Electric capital credits	\$ 37,904,736	\$ 36,695,065
Memberships in and capital credits from other associated organizations	925,895	880,851
National Rural Utilities Cooperative Finance Corp. (Investments required for long-term financing)		
Capital term certificates	2,453,975	2,479,274
Patronage capital credits	898,868	876,256
Other investments	<u>11,554,471</u>	<u>11,949,661</u>
Total other property and investments	\$ 53,737,945	\$ 52,881,107

WE HAVE THESE CURRENT ASSETS

Cash and cash equivalents	\$ 9,732,019	\$ 9,376,421
Members and others owe us for electrical energy, services, etc.	8,618,936	8,995,006
Materials and supplies for line construction and maintenance	2,722,141	2,751,952
Prepaid expenses	45,203	49,566
Interest receivable on investments	<u>26,538</u>	<u>31,035</u>
Total Current Assets	\$ 21,144,837	\$ 21,203,980

We have deferred debits

	<u>\$ 62,733</u>	<u>\$ 21,927</u>
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TOTAL ASSETS WE OWN

	\$229,526,968	\$227,793,452
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LONG-TERM DEBT

We owe Rural Utilities Service
We owe CoBank
We owe National Rural Utilities Cooperative
Finance Corporation
Total Long-term Debt

	2020	2019
	\$ 103,840,158	\$ 101,221,473
	4,548,082	4,902,644
	<u>15,141,824</u>	<u>15,998,733</u>
Total Long-term Debt	\$ 123,530,064	\$ 122,122,850

WE OWE CURRENT LIABILITIES

Power, materials, etc.
Taxes, interest, etc.
Security deposits
Total Current Liabilities

	\$ 8,061,304	\$ 9,074,389
	2,986,786	3,137,669
	<u>485,817</u>	<u>570,902</u>
Total Current Liabilities	\$ 11,533,907	\$ 12,782,960

We have deferred credits

	<u>\$ 6,092,627</u>	<u>\$ 6,028,830</u>
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TOTAL WE OWE

	\$141,156,598	\$140,934,640
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MEMBERS EQUITY IN THE COOPERATIVE

	2020	2019
	\$88,370,370	\$86,858,812

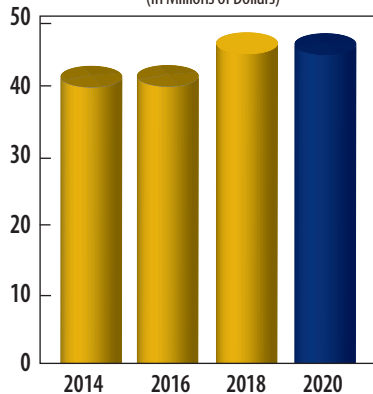
STATEMENT OF REVENUE

REVENUE

EXPENSES

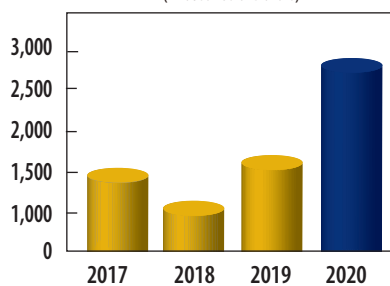
Wholesale Power Costs

(In Millions of Dollars)



Capital Credit Retirements

(Thousands of Dollars)



2020 ELECTRICAL ENERGY SALES STATISTICS

Year Ending
December 31, 2020

COMPARATIVE OPERATING STATISTICS

Years Ending
December 31, 2020 and
December 31, 2019

	2020	2019
Sales of electric energy to members	\$ 72,744,258	\$ 72,279,770
Miscellaneous electric revenues and penalties	839,400	1,041,621
Non-operating and other income (interest income, miscellaneous items)	<u>642,948</u>	<u>653,336</u>
TOTAL REVENUE	\$74,226,606	\$73,974,727

Wholesale power (paid to power suppliers)	\$ 48,888,402	\$ 48,688,445
Other operating expenses (administration, sales, maintenance, taxes, etc.)	14,350,933	14,682,298
Depreciation of utility plant	6,536,839	6,248,345
Interest expenses on long-term debt	<u>1,904,103</u>	<u>3,240,699</u>
TOTAL EXPENSES	\$71,680,277	\$72,859,787

Patronage capital income before generation and transmission capital credits	\$ 2,546,329	\$ 1,114,940
Patronage capital from Great River Energy, Basin Electric and other associated cooperatives	<u>1,969,673</u>	<u>1,654,095</u>
NET PATRONAGE CAPITAL (INCOME)	\$ 4,516,002	\$ 2,769,035

PATRONAGE CAPITAL

	2020	2019
Accumulated patronage capital—beginning of year	\$ 86,858,812	\$ 85,806,117
Net patronage capital (Income)	4,516,002	2,769,035
Retirement of patronage capital	<u>(3,004,444)</u>	<u>(1,716,340)</u>
ACCUM. PATRONAGE CAPITAL END OF YEAR	\$88,370,370	\$86,858,812

FINANCIAL HIGHLIGHTS

TYPE OF SERVICE

	2020	2019
Rural Residential	449,997,669	\$ 54,736,957
Commercial/Industrial	171,909,549	17,228,027
Irrigation	4,792,056	690,520
Public Street Light	<u>423,692</u>	<u>88,754</u>
TOTAL	627,122,966	\$ 72,744,258

	2020	2019
Number of accounts served	45,718	45,052
New services added this year	526	547
Miles of line energized	5,551	5,531
Member accounts per mile	8.24	8.15
Total KWH purchased through GRE & Basin	664,604,056	663,000,651
Total KWH sold	627,122,966	625,827,966
Cost per KWH sold	\$ 0.0780	\$ 0.0778
Average cost per KWH to member	\$ 0.1184	\$ 0.1182
Average residential KWHs used per month	885	883
Average residential monthly bill	\$ 108	\$ 106
Plant investment per member	\$ 5,010.28	\$ 5,033
Percent of member equity—ownership	38.5%	38.1%

CROW WING POWER

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\$7 MILLION RETURNED WHEN IT MATTERED MOST

The Board of Directors determined we were in a financial position to return capital credits last year. \$2.5 million in capital credit checks were mailed in May to 20,380 members. In October, the Board then authorized another \$2.0 million to be credited on members' November bills to support our residential and commercial members during the Coronavirus Pandemic.

The main reasons we were able to implement the second special bill credit was because we had higher than projected kWh sales and lower than budgeted interest expense due to favorable interest rates. The November credit was based on electricity purchased by members from January 1, 2020 through October 31, 2020.

This year, the Board once again authorized another \$2.5 million in checks to 22,346 members in May. The total amount of capital credits and dollars given to members during these two years was about \$7 million. Over the years approximately \$28 million has been returned to members.

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

