

ANNUAL

REPORT

Current Connection Special Edition May 2022



Your Touchstone Energy® Cooperative
The power of human connections®



2021

Volume 74, Number 5

We are
Proud
to power your life.



"It's not often we have a year where our year-end operating margins greatly exceed our projections. It's my pleasure to report, the Board of Directors, acting in the best interest of members, voted to return a portion of those margins to members that received service from Crow Wing Power during the year."

Bob Kangas, Board President

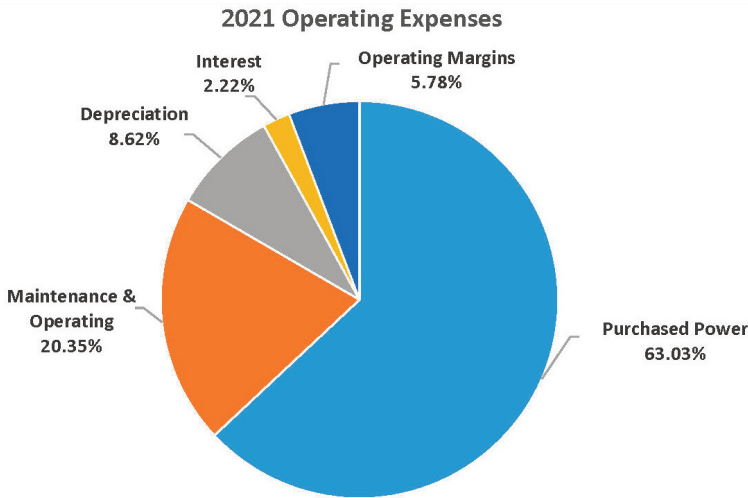


"Fortunately, storms were minimal last year, which gave our line crews and right-of-way employees the opportunity to perform preventative maintenance of overhead and underground lines. The crews and all employees were also extremely busy with new service requests. All things considered, it was a very productive year for the Cooperative."

Bruce Kraemer, CEO

WHOLESALE POWER COST REFUND + GOOD FINANCIAL YEAR = \$4.9 MILLION TO MEMBERS

This annual report for 2021 is a positive reflection of the Cooperative's financial well-being and the results of notable membership growth. The year-end financial review paved the way for a \$4.9 million distribution of capital credits to members in two different ways.



SPECIAL BILL CREDIT TO 2021 MEMBERS

A special capital credit of \$2.5 million is being returned to members in May in the form of a bill credit as the result of 2021 year-end financial margins being more favorable than predicted in our budget. Most Crow Wing Power members who purchased electricity from January through December will receive a portion of this special retirement as a bill credit, based on the amount of electricity they purchased in 2021.

GENERAL RETIREMENT CHECKS

That special bill credit is in addition to the \$2.4 million general capital credit retirement distributed this year for members who

had service in 2003 and 2004. Those capital credit checks were mailed in early May to 24,095 members, bringing the total amount of money returned to current and former members this year to \$4.9 million.

Several factors combined to produce favorable financial margins. We experienced record sales in 2021. Our wholesale power suppliers had good financial years and returned a portion of our last year's power payments. This resulted in year-end margins we didn't expect. As a result, the Board of Directors voted to distribute a portion of the 2021 margins to members right away, instead of following the normal capital credit retirement schedule.

Historically, we prepare tight operating budgets that project minimal financial margins. Some years can throw us a curve. Unpredictable events, like major storms, can throw off budget projections. The past couple of years, however, have been favorable.

We're an electric cooperative, owned by the members we provide service to. The Cooperative business model drives us to cover operational expenses, be proactive about maintaining the integrity of Crow Wing Power's infrastructure, and meet or exceed our lenders' mortgage requirements.

This financial return is good news and consistent with cooperative values.

Crow Wing Power members share in the success of the Cooperative.

Bob Kangas *Bruce L. Kraemer*

POWERING MEMBERS' LIVES



18,722 members enrolled in automatic electronic bill payment;



4,715 homes and businesses protected by People's Security;



11,542 members utilize load management programs;



10,447 accounts have paperless billing and save the Cooperative \$113,000 annually;



22,255 accounts registered SmartHub users that can access energy use and bills online.

Proud TO POWER 2021

PAPERLESS PROMO PUSHES POSTAL SAVINGS 113%

A successful three-month paperless billing promotion early in 2021 decreased the number of bills we were mailing each month by 1,208 and saved the Cooperative an additional \$13,000 annually. Currently, we have 10,447 accounts that are paperless and receive electronic bill available notifications. Considering it costs approximately 90¢ to mail each bill, we are currently saving about \$113,000 a year. Over the years more and more members are choosing paperless billing and utilizing digital access to their account information. As a not-for-profit cooperative, when we save money so do members.



METER PROJECT COMPLETE/EXCEEDS EXPECTATION

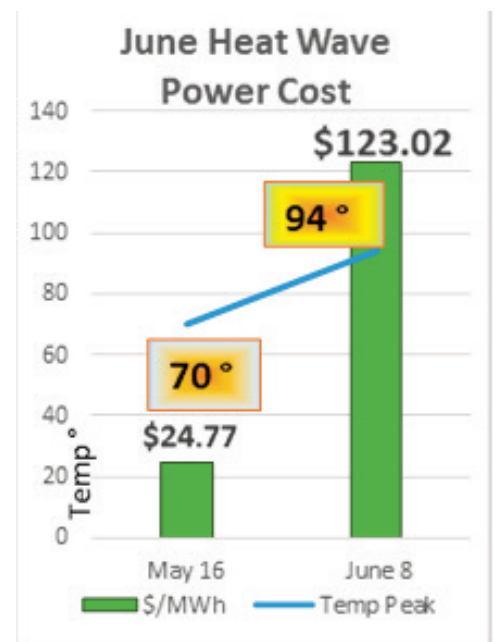
Last year we put the final touches on our incredible three-year meter replacement project. The Advanced Metering Infrastructure undertaking upgraded 59,736 meters, giving the Cooperative increased efficiency, reliability, and meter readings in near real time. For members, the new meters give detailed and accurate energy use information through the SmartHub account management tool. For the Cooperative, it eliminates extensive labor in the field, and greatly improves efficiencies in outage management, helps the Cooperative regulate voltage and so much more.

MAJOR HEAT WAVE CAUSES HAVOC JUNE 2021

A record breaking June heat wave caused a potential warning for a regional power shortage and caused wholesale power prices to soar during the event. The prolonged heat triggered a potential warning where Midwest power reserves were below the normal threshold required and any and all load control measures were implemented. A warning like that is rare in our region, but can be necessary to avoid rolling blackouts, like we've seen in other parts of the country.



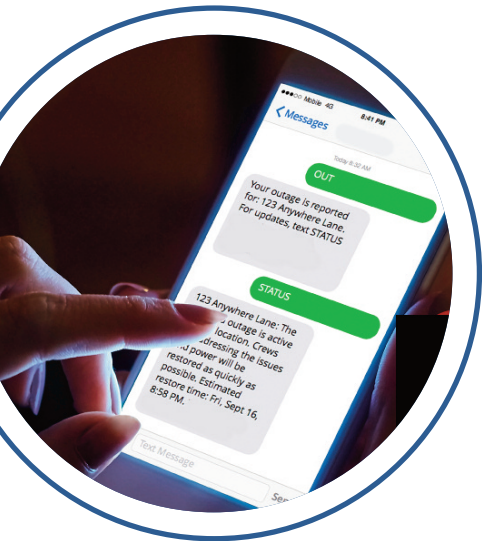
This chart represents the real time cost per Megawatt hour of wholesale electricity from one of our power suppliers during the June heat wave, which lasted from June 3 through the 11th.



PROUD TO POWER MORE HOMES

We've experienced a remarkable increase in the number of new electric services being built in the past two years. The 2020 trend just kept climbing in 2021, as people moved in greater numbers to the beautiful Brainerd Lakes area during the new remote work/school era. From 2019 through 2021, the rate of new service connects grew by 60%. In the first three months of the current year, we're seeing back to normal levels of new services.

Although the weather was hot and unrelenting last summer, the lack of damaging storms provided our crews the opportunity to do preventative maintenance work in addition to the new service installations.



THE POWER TO TEXT OUTAGES COMING SOON

Soon members will be able to text and receive messages concerning power outages. While several of our employees continue to test the program that ties member account information to our outage management system, we're asking members to prepare for text power by verifying the mobile phone numbers we have in our system.

Verify Mobile Phone Number in SmartHub

- Go to My Profile
- Click on My Information
- Update My Contact Information

DIGITAL COMMUNICATION REPLACES MAIL

We're making strides to utilize digital means of communication wherever we can – saving the Cooperative time and money. Historically, we send 400 to 800 packets of information annually to members who are building new homes. Last year, we converted some of those communication materials to digital pieces. When members join the Cooperative, we now send a series of brief informational e-mails.



CONNECT WITH THE BILLING DEPARTMENT YOUR WAY

Members have been able to connect with Cooperative employees by phone, email, and mail. Last year we added a feature to enable Chat with the Billing Department representatives about account information.

PROUD TO POWER YOUR PEACE OF MIND—HOME SECURITY

People’s Security Company has been a solid subsidiary and a good fit for Crow Wing Power. When People’s started offering security services for our Cooperative members and the community 34 years ago, home security consisted mostly of simple door and window sensors. Today’s technology offers much more than the comfort of knowing your home is protected.

Security systems now offer remote access of smart devices to control heat, lights and locks from anywhere. There is also an increased desire for camera systems, some of which are capable of letting owners see, hear and in some cases speak from anywhere using a mobile device. As a member of Crow Wing Power, you are eligible for three free months of monitoring with a qualified purchase. Check out People’s Security at www.PeoplesSecurity.com.



PROUD TO HELP POWER YOUR FINANCIAL LIFE

Crow Wing Power Credit Union was formed in 1999 and has been going strong ever since. One question we often hear is ‘who can become a member of the Credit Union?’ The simple answer is you! If you are a member of Crow Wing Power, or one of your immediate family members belong to the Cooperative, you can join a financial cooperative you already have a relationship with. To eliminate the hassle to switch financial institutions the Credit Union created a quick online ‘Switch Kit’ to make it easier for people to move their accounts from a for-profit BIG bank or other financial institution to our not-for-profit Credit Union.

We encourage you to join the Credit Union and take advantage of low loan rates, good savings returns and the best member service experience in the area. More information can be found at www.CWPCU.org or call the Credit Union at 877-563-3072.



BOARD OF DIRECTORS

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

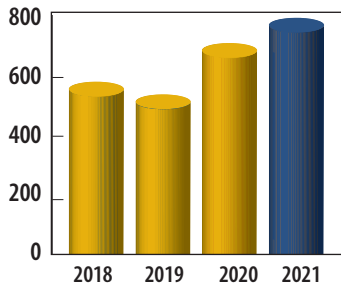


BALANCE SHEET

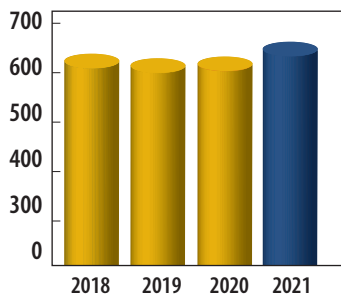
ASSETS

What we own

Services Added



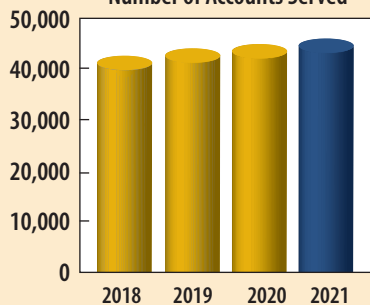
Electricity Sold
(In Millions of kWhs)



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:

	2021	2020
	\$ 236,285,384	\$ 229,060,003
	<u>(78,885,919)</u>	<u>(74,478,550)</u>
	\$ 157,399,465	\$ 154,581,453

WE HAVE OTHER PROPERTY AND INVESTMENTS

Great River Energy & Basin Electric capital credits	\$ 38,159,980	\$ 37,904,736
Memberships in and capital credits from other associated organizations	984,080	925,895
National Rural Utilities Cooperative Finance Corp. (Investments required for long-term financing)		
Capital term certificates	2,452,141	2,453,975
Patronage capital credits	916,881	898,868
Other investments	<u>11,379,625</u>	<u>11,554,471</u>
Total other property and investments	\$ 53,892,707	\$ 53,737,945

WE HAVE THESE CURRENT ASSETS

Cash and cash equivalents	\$ 12,274,335	\$ 9,732,019
Members and others owe us for electrical energy, services, etc.	9,699,892	8,618,936
Materials and supplies for line construction and maintenance	3,417,678	2,722,141
Prepaid expenses	1,267,018	45,203
Interest receivable on investments	<u>26,488</u>	<u>26,538</u>
Total Current Assets	\$ 26,685,411	\$ 21,144,837

We have deferred debits	\$ 49,810	\$ 62,733
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TOTAL ASSETS WE OWN

\$238,027,393 **\$229,526,968**

LONG-TERM DEBT

We owe Rural Utilities Service	\$ 105,371,569	\$ 103,840,158
We owe CoBank	4,181,594	4,548,082
We owe National Rural Utilities Cooperative Finance Corporation	<u>14,242,390</u>	<u>15,141,824</u>
Total Long-term Debt	\$ 123,795,553	\$ 123,530,064

WE OWE CURRENT LIABILITIES

Power, materials, etc.	\$ 9,419,056	\$ 8,061,304
Taxes, interest, etc.	3,097,460	2,986,786
Security deposits	<u>427,554</u>	<u>485,817</u>
Total Current Liabilities	\$ 12,944,070	\$ 11,533,907

We have deferred credits	\$ 9,386,191	\$ 6,092,627
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TOTAL WE OWE

\$146,125,814 **\$141,156,598**

MEMBERS' EQUITY IN THE COOPERATIVE

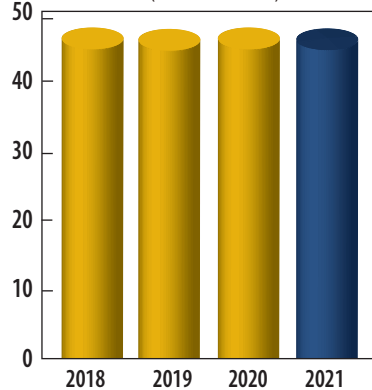
2021	2020
\$ 91,901,579	\$88,370,370

STATEMENT OF REVENUE

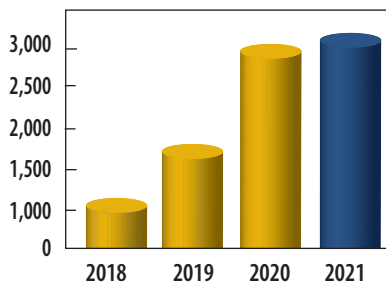
REVENUE

EXPENSES

Wholesale Power Costs
(In Millions of Dollars)



Capital Credit Retirements
(Thousands of Dollars)



2021 ELECTRIC ENERGY SALES STATISTICS

Year Ending
December 31, 2021

COMPARATIVE OPERATING STATISTICS

Years Ending
December 31, 2021 and
December 31, 2020

	2021	2020
Sales of electric energy to members	\$ 76,333,183	\$ 72,744,258
Miscellaneous electric revenues and penalties	914,785	839,400
Non-operating and other income, net (interest income, miscellaneous items)	<u>422,723</u>	<u>642,948</u>
TOTAL REVENUE	\$77,670,691	\$ 74,226,606
Wholesale power (paid to power suppliers)	\$ 48,718,150	\$ 48,888,402
Other operating expenses (administration, sales, maintenance, taxes, etc.)	15,728,588	14,350,933
Depreciation of utility plant	6,662,380	6,536,839
Interest expenses on long-term debt	<u>1,718,855</u>	<u>1,904,103</u>
TOTAL EXPENSES	\$72,827,973	\$ 71,680,277
Patronage capital income before generation and transmission capital credits	\$ 4,842,718	\$ 2,546,329
Patronage capital from Great River Energy, Basin Electric and other associated cooperatives	<u>1,794,855</u>	<u>1,969,673</u>
NET PATRONAGE CAPITAL (INCOME)	\$ 6,637,573	\$ 4,516,002

PATRONAGE CAPITAL

	2021	2020
Accumulated patronage capital—beginning of year	\$ 88,370,370	\$ 86,858,812
Net patronage capital (Income)	6,637,573	4,516,002
Retirement of patronage capital	<u>(3,106,364)</u>	<u>(3,004,444)</u>
ACCUM. PATRONAGE CAPITAL END OF YEAR	\$91,901,579	\$ 88,370,370

FINANCIAL HIGHLIGHTS

TYPE OF SERVICE

Rural Residential	451,413,451	\$ 54,932,459
Commercial/Industrial	191,568,799	20,345,088
Irrigation	7,426,559	962,011
Public Street Light	<u>417,406</u>	<u>93,625</u>

TOTAL

KWHS SOLD

	<u>650,826,215</u>	<u>\$ 76,333,183</u>
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	2021	2020
Number of accounts served	46,510	45,718
New services added this year	798	726
Miles of line energized	5,573	5,551
Member accounts per mile	8.35	8.24
Total KWH purchased through GRE & Basin	696,908,396	664,604,056
Total KWH sold	650,826,215	627,122,966
Cost per KWH sold	\$ 0.0749	\$ 0.0780
Average cost per KWH to member	\$ 0.1193	\$ 0.1184
Average residential KWHs used per month	873	885
Average residential monthly bill	\$ 106	\$ 108
Plant investment per member	\$ 5,080	\$ 5,010.28
Percent of member equity—ownership	38.6%	38.5%

CROW WING POWER

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PROUD TO BE MEMBER OWNED

The 2022 Director election is currently underway. Voting gives members a voice in the leadership of the Cooperative and election results culminate with the June Annual Business Meeting.

The Annual Business Meeting was postponed until August 4 last year – a meeting that’s been held in June for decades. It was the first year we separated the member appreciation event that typically accompanied it.

This year the Annual Business Meeting returns to a June meeting on the 11th at 10:00 a.m. at Arrowwood Lodge in Baxter. Similar to last year, RSVP’s are required and accessible on our website, www.cwpower.com or by calling 218-829-2827.



VOTE YOUR WAY

The Crow Wing Power election process is guided by the Cooperative’s Bylaws. The last bylaw revision added language to allow electronic voting to the traditional mail-in ballot format.

Late last year, the Board of Directors voted to add the option of electronic voting to the normal mail-in system for the 2022 Director election. Therefore, the current election offers members the choice to vote by mail, or electronically through SmartHub or a website link. Ballots are mailed in mid-May and voting is open until the June 11 Annual Business Meeting.

PROUD TO POWER COMMUNITIES

 **SCHOLARSHIPS**
\$73,822
to 44 high school seniors

 **OPERATION ROUND-UP®**
\$224,956
in 2021 to 80 organizations

 **ECONOMIC DEVELOPMENT LOANS**
\$6,425,260
to 36 businesses to date