

# highline



MARCH 2019

NEWS FROM YOUR PARTNERS AT PEOPLE'S ENERGY COOPERATIVE



today's energy:  
**reliable**



**renewable**



**beneficial**



**efficient**



**People's Energy  
Cooperative**

Your Touchstone Energy® Cooperative

- 2018 ANNUAL REPORT -



THE 2018 PEC EMPLOYEES & BOARD OF DIRECTORS **SERVING YOU**



**Jerome Wooner**  
 Eyota  
 DISTRICT 5  
 Board Chair

**Robert Hoefs**  
 Mazeppa  
 DISTRICT 3  
 Vice Chair

**Kenneth Wohlers**  
 Hayfield  
 DISTRICT 2  
 Secretary & Treasurer

**Jeffery Orth**  
 Rochester  
 DISTRICT 7

**Arthur Friedrich**  
 Rochester  
 DISTRICT 6

**Tracy Lauritzen**  
 Altura  
 DISTRICT 4

**Joseph Book**  
 Rochester  
 DISTRICT 1



**People's Energy Cooperative**

Your Touchstone Energy® Cooperative 

# 82<sup>nd</sup> Annual Meeting Notice

March 21, 2019 • Rochester International Event Center

**– MARK YOUR CALENDARS & SAVE THE DATE –**

*People's Energy Cooperative's Annual Meeting will be held Thursday, March 21, 2019, at the Rochester International Event Center at 7333 Airport View Drive SW, Rochester, Minnesota. Registration begins at 5:30 p.m. The one-hour business meeting will begin at 6:30 p.m. with appetizers served prior to the meeting.*

## THE OFFICIAL ORDER OF BUSINESS AT THE ANNUAL MEETING:

Welcome, Announcements, & Introductions .....	Gwen Stevens, <i>Director of Cooperative Relations</i>
Invocation .....	Kenneth Wohlers, <i>Secretary/Treasurer</i>
Pledge of Allegiance .....	Kenneth Wohlers, <i>Secretary/Treasurer</i>
Announcement of Quorum .....	Jerome Wooner, <i>Board Chair</i>
Call to Order and Meeting Rules .....	Jerome Wooner, <i>Board Chair</i>
Approval of 81st Annual Meeting Minutes .....	Kenneth Wohlers, <i>Secretary/Treasurer</i>
Financial Report .....	Kenneth Wohlers, <i>Secretary/Treasurer</i>
Remarks .....	<i>Board Chair &amp; President/CEO</i>
Introduction of Director Candidates .....	Elaine J. Garry, <i>President/CEO</i>
Announcement of Director Election Results .....	Daniel E. Berndt, <i>Attorney</i>
Director Oath of Office .....	Daniel E. Berndt, <i>Attorney</i>
Unfinished Business .....	Jerome Wooner, <i>Board Chair</i>
New Business .....	Jerome Wooner, <i>Board Chair</i>
Adjourn .....	Jerome Wooner, <i>Board Chair</i>

*Are you in need of a special accommodation? See back cover for details.*



*ONE OF THE FUNCTIONS of the Board of Directors is to set strategic goals for the Cooperative to provide a sense of direction and outline measurable goals. They help guide the staff's day-to-day decisions, assess progress, and provide a means to evaluate opportunities.*

*In partnership with the Cooperative's executive staff, we set the following goals in February of 2018 and have been making progress to achieve them.*

**PRESERVE A STRONG FINANCIAL POSITION**

by maintaining competitive rates and prices through aggressive equity and cash management, operational efficiency, and sound business practices that provide exceptional value to our member-owners.

*Progress:* We completed a class cost of service study and have established a five-year rate plan to establish appropriate rate structures that meet the Cooperative's financial requirements while being fair and equitable for members.

**ENHANCE MEMBER-OWNER SATISFACTION**

by providing exceptional service and value while leveraging the cooperative business model.

*Progress:* Our 2018 American Customer Satisfaction Index Score increased to 84 from 81 in 2016. We have set a new goal of 86 and will survey members in 2020. We have added new value-added programs such as our Standby Generator Program and provided members with the opportunity to enroll in service plans with HomeServe.

**EXPLORE, EVALUATE, AND PURSUE** renewables and energy storage opportunities that provide member value and are economically feasible.

*Progress:* We are developing a request for proposals for additional solar. This is in response to Dairyland Power Cooperative allowing us to own or have power purchase agreements for a portion of our electric load.

**ATTRACT AND MAINTAIN** a highly motivated, dedicated, and healthy work force by promoting an environment for achieving excellence, growth, a safe work environment, and a sense of ownership.

*Progress:* One of our safety goals is to have an experience modifier of .95 or less; ours is at .78. When this number is below one we save on our workers' compensation insurance, when it is above we pay more. More importantly, it means our employees are working safe.

**ENHANCE CUSTOMER SERVICE, SYSTEM PLANNING AND ANALYSIS, AND OPERATING EFFICIENCIES**

through the optimal use of technologies and implementation of leading business practices.

*Progress:* System reliability is one of the key factors of our mission, therefore, we continue to work on our preventive and predictive maintenance programs which are resulting in a lower frequency of outages. Our new automated meter infrastructure is also providing us with data to help develop future programs that will allow members to better manage their energy use.

**CONTINUOUSLY ASSESS AND ENHANCE** the Board's performance and demonstrate a commitment to effective governance.

*Progress:* Each year directors perform a self-assessment and Board evaluation and issues of concern are addressed. We are also evaluating and applying good governance practices as outlined in the NRECA/CFC Good Governance Report.

Another key function of the Board is to hire and delegate the management of the Cooperative to a CEO. As Elaine Garry retires in 2019 this will be one of our most significant tasks. We are grateful for her leadership and dedication since 2007. She was instrumental in the adoption of new technology, standardizing maintenance programs, building of our headquarters in Oronoco, the Alliant acquisition, our two solar projects, and countless other projects that have set us on a path to continued growth and success well into the future.

*Best wishes to Elaine in her much-deserved retirement!*

*Sincerely,*

  
**Jerome Wooner, Board Chair**  
jwooner@peoplesrec.com



*MY RESPONSIBILITY as President and CEO is to lead our cooperative in such a way that we meet or exceed the strategic goals established by the Board of Directors. However, we all know the real success is realized because of the hard work and dedication of the people we employ.*

*This year, the employees of PEC, the people who work for you, the owners, were very successful in developing programs and completing projects that hopefully brought you value this year and will continue to in the future. The following is a snapshot of the accomplishments in 2018.*

### MEMBER SERVICES:

- *Our standby generator program, ElectricSense, HomeServe, and the My Choice Prepay Program* are all value-added programs we rolled out in 2018 and are highlighted on page eight of this report.
- *Members who purchase natural gas* from Minnesota Energy can now participate in a joint energy audit at a lower cost.
- *The Evergreen program*, now offers more ways for members to participate and support the use of renewable energy, but can't or don't want to own a system of their own.
- *To protect the Cooperative* from financial losses, our disconnect policy was changed to reduce the number of days that a member can continue to receive electric service while not paying their bill.
- *A Rural Energy for America Program (REAP)* matching grant helped us replace 403 mercury vapor street/security lights with LED lights to conserve energy.

### RELIABILITY:

- *We are capitalizing* on our new automated metering infrastructure (AMI) to collect data which is used to balance phases, plan system improvements, identify equipment malfunctions, identify problems on the member's side of the meter, and allow us to offer incentive and optional rates.
- *Our engineering and operations departments* successfully converted the Eyota substation from 2400 kV to 7200 kV. Conversion projects are rare and this was done to integrate the system acquired from Alliant

with our legacy system for reliability. The Chatfield substation and related system will be converted in 2019.

- *Data continues to show* that outage response times and the length of time members are out of power have been reduced since we assigned lineworkers to specific service areas.

### FINANCIAL INTEGRITY:

- *Three new businesses joined us* in the Oronoco Crossings Development in 2018. Hilltop Camper and RV, Noble RV, and Illusion Hunting Systems purchased land from the Cooperative and constructed new buildings.
- *Our cooperative invested excess cash* in the Rural Utility Service (RUS) Cushion of Credit which earned us \$741,000 in additional income in 2018 and \$2.4 million over the past seven years.
- *Clearing trees and brush* from underneath the Cooperative's electric plant is an on-going challenge for us. In January 2017, we invested in Carr's Tree Service to become an owner along with nine other Cooperatives. We benefit from the services provided by Carr's as well as earning a return on the work this company does for others.
- *We continue to meet or exceed* the financial ratios established by the Board of Directors.

### MEMBER RELATIONS:

- *Members of the Cooperative* who participate in Operation Round Up® donated \$102,325 to 80 non-profit entities in 2018.
- *The Member Advisory Committee* met twice in 2018 to learn about electric vehicles, member programs, legislative issues, and rate design. They provided input and advice on future rates.
- *Youth Tour winner William Dunn* was selected by his Minnesota peers to represent them on the NRECA Youth Leadership Council. William recently spoke at the Minnesota Rural Electric Association Annual Meeting. *(continued on page 6)*



# DAIRYLAND POWER

C O O P E R A T I V E

FOCUSED ON SAFE, RELIABLE, & SUSTAINABLE POWER

*The 24 members of Dairyland Power Cooperative, including People's Energy Cooperative, renewed their commitment to each other in 2018 through an extension of their wholesale power contract with Dairyland. This agreement among Dairyland's distribution cooperative members created Dairyland in 1941. Today, it ensures Dairyland will continue to provide the energy and flexibility needed by People's.*

As your Dairyland director, I assure you that staff works to ensure Dairyland's 24 members have safe, reliable, and sustainable electricity that remains affordable.

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.

**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.

**SUSTAINABLE GENERATION PLAN:** This plan will provide a framework for resource planning for the next seven to 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.

**PLANNING FOR LONG-TERM SUCCESS:** In addition to these three 2019 initiatives, business plans continue in all areas of operations to fulfill the Cooperative's Strategic Imperatives:

- **Cooperative Purpose:** Exceeding members' expectations is Dairyland's Vision. Dairyland staff are committed to living the seven Cooperative Principles and leveraging the cooperative advantage. They are focused on improving communities and the quality of life in Dairyland's four-state region.
- **Employee Development:** Dairyland is focusing on attracting, developing, and retaining talented leaders who are focused on serving cooperative members. As employees retire, every open position is evaluated and often reshaped or redirected to ensure the future needs of members are met.
- **Resource Diversification:** Dairyland 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 Barton Wind Project in Iowa, 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. Many of these sites also include community solar projects, including People's Community Solar.

The regulatory process for the Nemadji Trail Energy Center (*Superior, WI*) is moving forward. Dairyland and ALLETE's Minnesota Power (*Duluth, MN*) announced the proposed natural gas facility in June 2017. The plant is a 625 MW combined-cycle natural gas facility scheduled to be in service by 2025, contingent on regulatory approvals.

This facility will help Dairyland add more renewable energy and reduce carbon intensity. It will also ensure reliability for our growing system.

**COMPETITIVE SERVICE:** Ensuring rates and services are competitive is critical to the economic well-being of the region. Dairyland's Board approved a one percent increase on the average wholesale rate in Dairyland's 2019 budget, effective May 1.

Efficiency improvements and management of costs and risks are priorities. Dairyland is also investing in transmission opportunities that improve reliability and add value for members.

**FINANCIAL STRENGTH:** 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.

**GROWTH:** 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. Additional energy resources, including renewables and the Nemadji Trail Energy Center, are needed to serve that growth.

Dairyland staff are working with members to support economic development opportunities that will help communities grow by adding businesses and jobs.

**SAFETY CULTURE:** 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."

**OPERATIONAL EXCELLENCE:** Reliable performance of Dairyland's power plants and transmission system

are a high priority. The professionals who operate and maintain Dairyland's facilities are focused on safety, while holding high standards for reliable operations.

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.

Dairyland's transmission investments demonstrate a commitment to growth and reliability. By working with other utilities, infrastructure in the region is strengthened to absorb changing generation sources.

**PLANT DECOMMISSIONING:** 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 also popular in the media in October.

*Strategic planning has provided direction for Dairyland's business decisions. I assure you that Dairyland continues to plan to reliably and sustainably meet our cooperative's future energy needs.*

Sincerely



**Kenneth Wohlers, Dairyland Board Representative**  
kwohlers@peoplesrec.com



2018 In Review

**GENERAL MANAGER:  
RICHARD BURUD**

*It is our pleasure to report that SMEC successfully completed its third year of operation. As you may recall, SMEC is the entity that was formed by 12 electric cooperatives to purchase the Alliant system in southern Minnesota and supply power for its members through 2025.*

In 2018, we completed many of the Minnesota Public Utilities Commission (MNPUC) orders contained in its approval of this transaction. A key element of the order was for all 12 members of SMEC to complete cost of service studies and a rate plan for each cooperative for years four and five of the transition. This was completed with the help of our national finance cooperative, National Rural Utilities Cooperative Finance Corporation. The plan was approved for each of the 12 cooperatives and, when executed, will complete the rate overview of the MNPUC. *(continued on next page)*



# CEO Report

CONTINUED FROM PAGE 3

Two other MNPUC requirements were to comply with the State’s standards for renewable energy as a portion of our power supply as well as document and submit, by cooperative, the outage report annually to them. We again met all these requirements. Our generation by renewables exceeded the renewable energy standard for the State and will again in 2019.

Transmission costs are part of your energy charge and incurred to deliver energy to cooperative-owned substations. We have little control over these costs as they are governed by the Federal Energy Regulatory Commission. Due to changes in the Internal Revenue Code (*corporate taxes*) these changes served to reduce these costs in 2018 and will again in 2019.

SMEC met all its financial polices as outlined by the Board of Directors of our cooperative. In meeting these financial policies, the Board was able to approve the repayment of the 2016 SMEC capital credits to our members in the first quarter of 2019.

*Lastly, we would like to thank the Board and members for your leadership and vision on the purchase of the Alliant territory and support of SMEC.*

Richard Burud,  
SMEC General Manager

Elaine J. Garry, SMEC Director

- *We awarded 17 scholarships* to graduating high school seniors.
- *Staff visited four classrooms* to teach students about energy conservation and efficiency, renewable energy, and electrical safety.
- *In exchange for wearing jeans on Fridays*, employees raised \$1,600 in donations for local charities.
- *Our American Customer Satisfaction Index score improved* by three points, from 81 in 2016 to 84 in 2018. Our new goal is set at 86.

**RECOGNITION OF PEOPLE WHO CONTRIBUTED TO THE COOPERATIVE:**

- *Bob Bardwell* of Ironwood Springs Christian Ranch was selected as the Touchstone Energy “Who Powers You” winner because of his extraordinary work with people in wheelchairs as well as his efforts to recognize and aid military families through Operation Welcome Home at Ironwood.
- *Gene Miller* retired from the Board of Directors after 34 years of dedicated service. He also served for 19 years as our representative on the Dairyland Power Cooperative (DPC) Board of Directors.
- *Tracy Lauritzen* was elected to fill Gene’s position in District 4. She is the second woman to serve on the PEC Board following in the footsteps of Sharon Hart.
- *Ken Wohlers* was reelected to his Board position in 2018 and also elected to serve as PEC’s representative on the DPC Board.
- *Purchasing agent Keith Dickman* retired after 42 years of service.

I have been working in the electric cooperative world for 32 years and will be retiring as the President and CEO of People’s Energy later this year. It has been my privilege to work for you. I am so thankful to have spent most of my career working in the cooperative environment and for being able to work in an industry that provides a valuable, needed service. It has been a rewarding career.

*Thank you for the support, input, and guidance that so many of you have provided to me over the years – it is much appreciated!*

Sincerely,

Elaine J. Garry, President & CEO  
egarry@peoplesrec.com

# Minutes from the 81<sup>st</sup> Annual Meeting

ROCHESTER INTERNATIONAL EVENT CENTER, MARCH 22, 2018

*The 81st Annual Meeting of the stockholders (hereinafter referred to as "members") of People's Energy Cooperative was held at the International Events Center in Rochester, Minnesota, on March 22, 2018, pursuant to the notice mailed to each and every member of the Cooperative at least fifteen (15) days prior to the holding of the meeting.*

- Gwen Stevens, director of member and community relations, facilitated the meeting. She welcomed the group and reminded members that the registration gift of a \$10 credit on their electric bill would automatically be applied to the April bill. The Cooperative's Board of Directors and special guests in attendance were introduced.
- Secretary Kenneth Wohlers gave the invocation and led the membership in reciting the Pledge of Allegiance.
- Chair of the Board Jerome Wooner announced there were sufficient members present (*299 registered members*) to constitute a quorum. Therefore, the meeting was officially called to order at 7:00 p.m. A motion to accept the agenda was received along with a second. The motion carried.
- The minutes of the March 22, 2017, Annual Meeting appeared in the Annual Report issue of the Cooperative's newsletter, Highline Hi-Lites. A motion was made and seconded to dispense with the reading of the minutes and to approve the minutes as they appeared in the Annual Report. The motion passed.
- Kenneth Wohlers, secretary/treasurer of the Board of Directors, gave the financial report of the Cooperative. The Highline Hi-Lites Annual Report contained the results of the Cooperative's annual audit. A motion was made and seconded to approve the financial report as presented. The motion passed.
- Board Chair Jerome Wooner addressed the membership and introduced President and CEO Elaine Garry. The two then responded to member questions which were submitted prior to the meeting and spanned several topics.
- Chair Wooner talked about significant projects the Board completed in 2017; reasons for Bylaw changes; rates; member responsibility for secondary lines; the Board's support of renewable energy; and how the Board stays current on industry trends and information.
- Garry addressed the success of the Alliant acquisition; Federal tax cuts; the basic service charge; account deposits; vegetation management guidelines; what a member should do if they think their bill is incorrect; and Oronoco Crossings and the Elgin Business Park.
- Chair Wooner called Gene Miller to the stage to recognize Gene for his many years of service to the Cooperative and the Board.
- Garry recognized employees Todd Haffner, Brian Ideker, and Randy Pankonin for 25 years of service.
- The Nominating/Credentials Committee and candidates running for election to the Board of Directors were introduced.
- Dan Berndt, attorney with the Dunlap & Seeger Law Firm, who oversaw the election process, announced the results of the director elections. Elected to the Board of Directors for three-year terms were Ken Wohlers from District 2, and Tracy Lauritzen from District 4.
- Chair Wooner asked for any old, unfinished, or new business. There was none.
- The 81st Annual Meeting of People's Energy Cooperative was adjourned at 7:52 p.m.
- Mr. Wooner opened the meeting to questions.



# Are you taking full advantage?

WAYS YOUR COOPERATIVE MEMBERSHIP CAN HELP YOU SAVE MONEY

*We capitalize on our network and resources to offer programs and services for our members that help save energy and money; encourage renewable energy; enhance quality of life; and provide peace of mind. Check out the following listing and make sure you aren't missing out!*

## ENERGY EFFICIENCY & MANAGEMENT:

**ELECTRIC\$ENSE** is an online store that delivers energy-efficient light bulbs and water-saving products right to your door at rebated prices without the hassle of filling out and submitting rebate forms.

**ENERGY AUDITS** are available to both residential and business members and performed by trained professionals who help identify where a building or facility uses energy and how that energy may be used more efficiently.

**ENERGY MANAGEMENT PROGRAMS** manage a consumer's use of electricity (*loads*) to reduce an electric system's total demand at the time of maximum (*peak*) usage. These programs are designed to save members money on home heating and cooling, water heating, and electric vehicle charging, as well as commercial, industrial, and agricultural functions.

**OUR OUTDOOR LED LIGHTING PROGRAM** offers standard outdoor LED lighting options that are affordable, durable, and energy efficient...and we maintain the light for you!

**WE OFFER STANDARD REBATES** on a variety of energy efficient lights, appliances, water heaters, HVAC systems and vehicle chargers for the home. We also have rebates for commercial, industrial, and agricultural members who install energy efficient equipment such as lighting, refrigeration, fans, compressors, and variable frequency drives. In addition, we provide custom rebates for qualifying energy efficient measures.

## RENEWABLES:

**PEOPLE'S COMMUNITY SOLAR** is ideal for members who want to harness the power of the sun's energy but lack a suitable site or funds for a solar array of their own.

**THE EVERGREEN RENEWABLE ENERGY PROGRAM** provides members the opportunity to voluntarily contribute to increasing utility-scale generation of electricity from renewable energy sources.

## VALUE-ADDED PROGRAMS:

**OUR STANDBY GENERATOR PROGRAM** is ideal for members with a home business, sump pump, medical needs, or simply the desire to always have the comfort and conveniences that electricity provides.

**HOMESERVE** is a leading provider of home repair service plans that protect homeowners against the expense and inconvenience of unexpected repairs by providing affordable coverage and quality service. They work with reputable, local technicians to ensure a prompt response time to service calls.

**A CO-OP CONNECTIONS CARD** gives you access to discounts in the Rochester area and beyond; including over 100 national business discounts all over the country.

**HEARTLAND SECURITY** enriches lives by protecting families, homes, and businesses with innovative technologies, quality equipment, skilled installation, caring service, and trusted monitoring. PEC is part owner of Heartland and our members receive discounted rates.

**VIASAT INTERNET** offers high-speed satellite internet service for people who live where internet options may be too slow or non-existent.



For more information on these programs, visit us online at: [www.peoplesenergy.coop](http://www.peoplesenergy.coop)

# 2019 Cities & Townships



1

District One  
**Joseph F. Book, Incumbent**  
By Nomination • Rochester, MN  
Cooperative Member for 35 years

*I am a lifelong resident of Olmsted County* currently residing in Haverhill Township with my wife Betty. We have three daughters and eleven grandchildren. I was employed for 28 years as a Rochester firefighter and am now retired. I am a graduate of Rochester Community College as an electronic technician and was employed at IBM in new product design prior to being a firefighter. I also am an alternative energy designer with over 25 years of experience.

I enjoy representing the members of our cooperative. By working with our members, other directors, and management staff, we will continue to deliver reliable power at a competitive rate. My vision is to have back-up batteries tied to the grid, making power outages almost non-existent.



1

District One  
**Steve Schmidt**  
By Nomination • Elgin, MN  
Cooperative Member for 31 years

*The farm I live on west of Elgin is where I have lived all my life.* My wife and I have two sons and a daughter. I am a Pollution Control Specialist Principal for the Minnesota Pollution Control Agency and supervise the East Feedlot Unit. In 1986, I started my career as a dairy farmer. In 2001, I began work at Goodhue County Soil and Water Conservation District which led to the MPCA in 2007.

We must continually search out new ways of providing low-cost, green energy as mandated by the EPA and the State, but we must also look at the cost to our members and the need for affordable power to maintain a sustainable, strategic, and forward-thinking cooperative for future generations.

Economic growth in our local small-town businesses and farms encourages greater use of energy, which helps offset the cost of our distribution system.

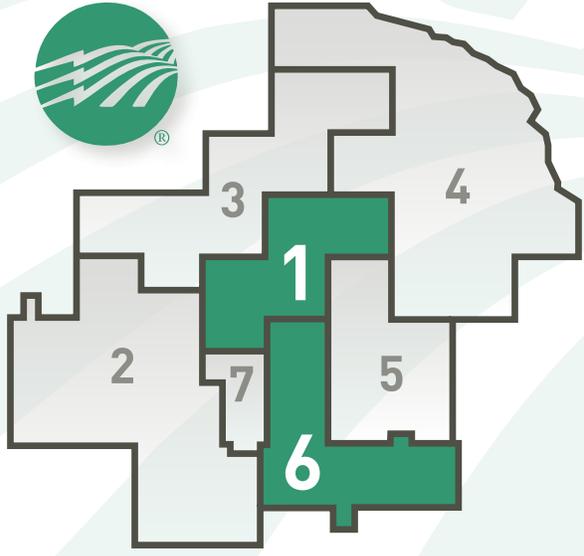


6

District Six  
**Art Friedrich, Incumbent**  
By Nomination • Chatfield, MN  
Cooperative Member for 36 years

*I grew up on a farm in rural Chatfield* and graduated from Chatfield High School in 1967. My wife of 45 years, Faye, and I reside in Marion Township on my grandfather's farm. My family has been a cooperative member since its beginning in 1936.

I would like to continue serving as a director at PEC to apply the six years of training and knowledge I have acquired. The future of the electric industry is changing with more wind and solar energy and electric vehicles. I would like to help lead PEC and our members into a solid economic future.



**DISTRICT ONE:** *the city of Elgin, the communities of Ringe and Potsdam, as well as the townships of Cascade, Elgin, Farmington, Haverhill, and sections one through eighteen of Rochester (north half).*

**DISTRICT SIX:** *the northern portion of Chatfield, the communities of Marion, Predmore, Simpson and Pleasant Grove, as well as the townships of Chatfield, Filmore, Jordan, Marion, Pleasant Grove, and Sumner.*

*While candidates represent geographic regions, they are elected by the membership at large. ALL Members should vote for ONE candidate from EACH director district.*

2018

From The Treasurer:

I am pleased to present the 2018 financial results for People's Energy Cooperative.

The 2018 financial statements were audited by the accounting firm Brady Martz & Associates, P.C., who also audited the *Operation Round Up*® financial records reported on page 12 of this annual report.

In their opinion, the 2018 financial statements present fairly, in all material respects, the financial position and results of operation for People's Energy Cooperative in conformity with generally accepted accounting principles.

Sincerely,



Kenneth Wohlers,  
Secretary & Treasurer

## Statement of Operations

FISCAL YEARS ENDED DEC. 31, 2018 & 2017

OPERATING REVENUES	2018	2017
	\$49,149,783	\$46,151,987
OPERATING EXPENSES		
- Cost of Power	\$27,789,313	\$26,962,562
- Distribution Expense - Operations	\$2,980,659	\$2,748,310
- Distribution Expense - Maintenance	\$3,720,155	\$3,520,426
- Consumer Accounts Expense	\$1,744,166	\$1,762,979
- Sales Expense	\$65,614	\$78,643
- Administrative and General Expense	\$2,476,597	\$2,250,240
- Depreciation Expense	\$4,825,747	\$4,588,800
- Other Deductions	\$30,521	\$20,076
<b>Total Operating Expenses</b>	<b>\$43,632,772</b>	<b>\$41,932,036</b>
OPERATING MARGINS <i>(before fixed charges)</i>		
	\$5,517,011	\$4,219,951
INTEREST ON LONG-TERM DEBT		
	\$3,473,313	\$3,301,985
OPERATING MARGINS <i>(after fixed charges)</i>		
	\$2,043,698	\$917,966
GENERATION, TRANSMISSION AND OTHER CAPITAL CREDITS		
	\$774,827	\$1,265,931
NET OPERATING MARGINS		
	\$2,818,525	\$2,183,897
NON-OPERATING MARGINS		
- Interest Income	\$847,099	\$624,076
- Other Non-Operating Margins	\$214,294	\$1,331,927
- Extraordinary Items	\$0	\$0
<b>Total Non-Operating Margins</b>	<b>\$1,061,393</b>	<b>\$1,956,003</b>
NET MARGINS		
	\$3,879,918	\$4,139,900

We employ 60 dedicated professionals who work hard to provide safe, reliable, and affordable electricity to our members.

# Balance Sheet

ENDED DEC. 31, 2018 & 2017

**assets:**  
what we own

**equities:**  
our net worth

**liabilities:**  
what we owe

## CORPORATE PROFILE

Incorporated on January 1, 1936, People's Energy Cooperative serves 19,084 members in over 22,705 homes and businesses through 2,984 miles of line covering a service territory of 1,090 square miles in Olmsted, Dodge, Fillmore, Mower, Wabasha, and Winona counties. The Cooperative has 29 substations.

Members are served within the communities of Byron, Chatfield, Douglas, Dover, Elgin, Eyota, Genoa, Hayfield, High Forest, Marion, Oronoco, Plainview, Pleasant Grove, Potsdam, Predmore, Rochester, Rock Dell, St. Charles, Salem Corners, Simpson, Stewartville, Theilman, and Viola.

ASSETS	2018	2017
<b>UTILITY PLANT</b>		
- Electric Plant in Service	158,383,702	\$151,782,526
- Construction Work in Progress	1,117,741	\$2,922,267
<b>Total</b>	<b>\$159,501,443</b>	<b>\$154,704,793</b>
- Less Accumulated Provision for Depreciation	(-)\$35,281,471	(-)\$34,812,231
<b>Net Utility Plant</b>	<b>\$124,219,972</b>	<b>\$119,892,562</b>
<b>OTHER PROPERTY AND INVESTMENTS</b>		
- Investment in Associated Organizations	\$17,522,836	\$17,272,921
- Other Investments	\$1,514,804	\$2,456,179
<b>Total Other Property and Investments</b>	<b>\$19,037,640</b>	<b>\$19,729,100</b>
<b>CURRENT ASSETS</b>		
- Cash and Cash Equivalents	\$7,710,556	\$3,949,341
- Accounts Receivable, Net	\$4,553,925	\$4,826,831
- Other Accounts Receivable, Net	\$123,681	\$131,050
- Materials and Supplies Inventory	\$757,953	\$720,022
- Other Current and Accrued Assets	\$28,561	\$243,551
<b>Total Current Assets</b>	<b>\$13,174,676</b>	<b>\$9,870,795</b>
<b>DEFERRED DEBITS</b>		
	\$997,429	\$1,169,198
<b>TOTAL ASSETS</b>	<b>\$157,429,717</b>	<b>\$150,661,655</b>
<b>EQUITIES &amp; LIABILITIES</b>		
<b>EQUITIES</b>		
- Patronage Capital	\$29,744,504	\$28,999,874
- Other Equities	\$25,027,117	\$22,829,844
- Accumulated Other Comprehensive Margins	\$182,040	\$136,200
<b>Total Equities</b>	<b>\$54,953,661</b>	<b>\$51,965,918</b>
<b>LONG-TERM DEBT (less current maturities)</b>		
	\$89,945,566	\$85,522,101
<b>OTHER NON CURRENT LIABILITIES</b>		
- Accrued Post Retirement Benefits	\$383,760	\$409,600
<b>CURRENT LIABILITIES</b>		
- Current Maturities of Long-Term Debt	\$3,769,471	\$3,435,493
- Notes Payable	\$0	\$0
- Accounts Payable	\$3,370,670	\$3,757,442
- Consumer Deposits	\$473,645	\$402,875
- Other Current and Accrued Liabilities	\$2,022,489	\$1,925,345
<b>Total Current Liabilities</b>	<b>\$9,636,275</b>	<b>\$9,521,155</b>
<b>DEFERRED CREDITS</b>		
	\$2,510,455	\$3,242,881
<b>TOTAL EQUITIES AND LIABILITIES</b>	<b>\$157,429,717</b>	<b>\$150,661,655</b>

# 2018

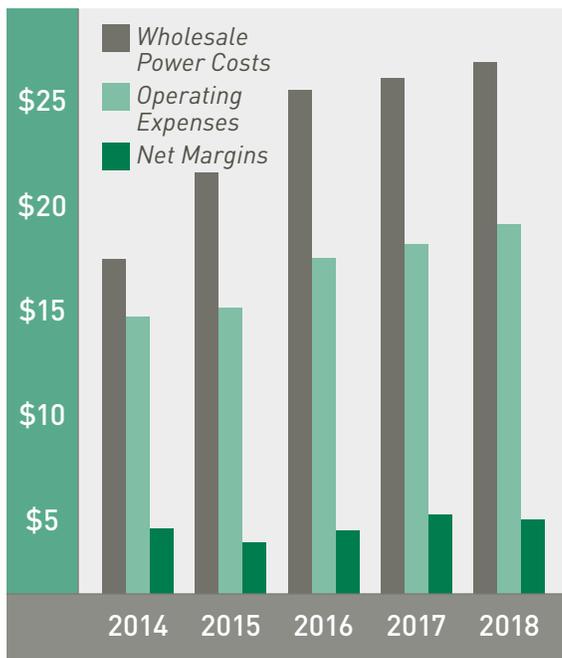
## Financial Results (continued)

### FINANCIAL DATA & FIVE-YEAR GROWTH COMPARISON

FISCAL YEARS 2018-2014	2018	2017	2016	2015	2014
TOTAL UTILITY PLANT	\$159,501,443	\$154,704,793	\$147,704,087	\$135,630,287	\$112,185,965
TOTAL REVENUE	\$49,149,783	\$46,151,987	\$45,264,686	\$37,564,272	\$33,337,015
COST OF PURCHASED POWER	\$27,789,313	\$26,962,562	\$26,308,191	\$21,987,184	\$17,463,369
TOTAL MARGINS	\$3,879,918	\$4,139,900	\$3,322,654	\$2,669,881	\$3,395,543
EQUITY RATIO (Equity/Total Assets)	34.9%	34.5%	32.9%	33.1%	37.3%
TOTAL INTEREST EXPENSE	\$3,482,219	\$3,304,667	\$2,806,061	\$2,646,650	\$2,669,428
INTEREST COVERAGE (TIER)	2.12	2.25	2.19	2.01	2.27
SERVICE INTERRUPTIONS (avg hours)	2.79	1.60	2.35	1.33	5.70
FULL-TIME EMPLOYEES	60	60	58	51	49
SERVICES IN PLACE	23,216	23,433	23,193	22,943	15,979
TOTAL MILES OF LINE (incl transmission)	2,984	2,980	2,970	2,978	2,682
KWH SOLD	362,668,397	345,269,130	346,442,407	279,447,683	239,738,922
CAPITAL CREDITS RETIRED	\$980,487	\$663,457	\$868,905	\$902,291	\$841,138

### Financial Operating Trends

DOLLAR AMOUNT IN MILLIONS



### Financial Report

#### People's Energy Cooperative Trust

FOR THE YEAR ENDED DECEMBER 31, 2018

STATEMENT OF FINANCIAL POSITION: NET ASSETS	
- Cash	\$78,259
- Accounts Receivable	\$8,481
- Accounts Payable	-\$2,284
<b>Net Assets</b>	<b>\$84,456</b>
STATEMENT OF ACTIVITIES	
REVENUE	
- Contributions	\$100,380
- Investment Income	\$0
<b>Total Revenue</b>	<b>\$100,380</b>
EXPENSES	
- Charitable Giving	\$81,892
- Change in Assets	\$18,488
<b>NET ASSETS, BEGINNING</b>	<b>\$65,968</b>
<b>NET ASSETS, ENDING</b>	<b>\$84,456</b>



# People's Energy Cooperative

Your Touchstone Energy® Cooperative 

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- (1) mail: U.S. Department of Agriculture Office of the Assistant Secretary for Civil Rights  
1400 Independence Avenue, SW  
Washington, D.C. 20250-9410;
- (2) fax: 202-690-7442; or
- (3) email: [program.intake@usda.gov](mailto:program.intake@usda.gov).

*This institution is an equal opportunity provider and employer.*

# mission

*Our cooperative's mission is to bring value to our member-owners and communities by providing reliable electricity, superior service, and innovative energy solutions at fair and reasonable prices.*



# People's Energy Cooperative

Your Touchstone Energy® Cooperative 

1775 Lake Shady Avenue South  
Oronoco, Minnesota 55960

## HIGHLINE HI-LITES • March 2019 • Vol. 83 • Issue 03

Highline Hi-Lites (USPS# 244-720) is published monthly. Special Edition issued in March.

Periodical Postage Paid in Rochester, Minnesota.

Postmaster: Please send address changes to:  
*Highline Hi-Lites, 1775 Lake Shady Ave. S.  
Oronoco, Minnesota 55960*

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Mike Henke ..... *Chief Financial Officer*  
Michelle Olson ..... *Director of Member Services*  
Troy Swancutt ..... *Director of Operations*  
Gwen Stevens ..... *Director of Cooperative Relations*

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Gopher State One Call ..... *1-800-252-1166*  
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# DAIRYLAND POWER COOPERATIVE

## ATTEND THE 78TH ANNUAL MEETING IN 2019!

People's Energy Cooperative will be traveling to La Crosse, Wisconsin, on **Wednesday, June 5**, to participate in Dairyland Power Cooperative's 78th Annual Meeting. A chartered bus will leave People's Oronoco headquarters at 7:00 a.m. and return around 3:00 p.m. Limited seating is available to members interested in serving as People's delegates at the meeting. If you have not attended before, we encourage you to consider this opportunity to learn more. Lunch will be provided.

*If you would like to attend, please contact the Cooperative office at 507-367-7000 or email [memberrelations@peoplesrec.com](mailto:memberrelations@peoplesrec.com).*

## ANNUAL MEETING: MARCH 21, 2019

# NEED A SPECIAL ACCOMMODATION?

*If you have special needs of accessibility, sign language, translation or other assistance, we will do our very best to accommodate you.*

*Please contact PEC at 507-367-7000 or [memberservices@peoplesrec.com](mailto:memberservices@peoplesrec.com).*

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