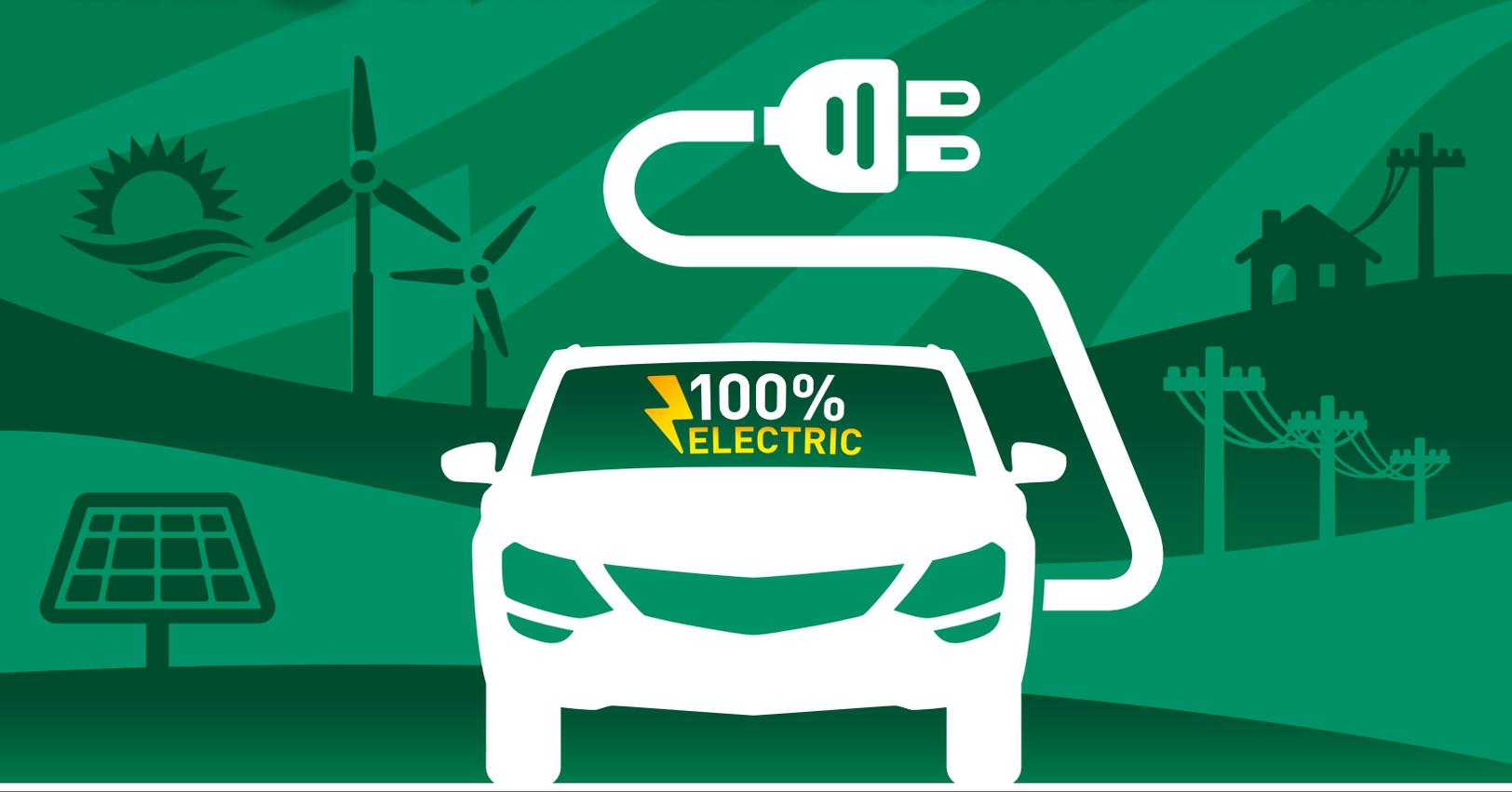


# highline

MARCH 2020 NEWS FROM YOUR PARTNERS AT PEOPLE'S ENERGY COOPERATIVE



**DRIVEN to DELIVER**



**People's Energy  
Cooperative**

Your Touchstone Energy® Cooperative 



THE 2019 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 

# 83<sup>RD</sup> Annual Meeting Notice

## !! Revised Two-Part Meeting Plan !!

**NOTICE:** *Due to health concerns surrounding COVID-19/Coronavirus, People's Energy Cooperative's Annual Meeting will be held in two parts this year.*

**PART ONE – March 24, 2020:** *Unless otherwise directed by federal, state, or local authorities, the first part will take place on **Tuesday, March 24, 2020**. The sole purpose of part one of the meeting will be to allow members to cast their ballots for the director elections through a drive-through process and to announce the election results. **There will be no meal, no presentation of financial results, no remarks, no question and answer session, and no informational tables at this first event.***

*Members who intend to cast their ballot in person will be able to do so by driving through and dropping them off from 5:30 p.m. to 6:15 p.m. on March 24 under the covered entrance outside at the Rochester International Event Center located at 7333 Airport View Drive SW, Rochester, Minnesota. Reminder, members may also cast their vote on-line until 10:30 a.m. on Monday, March 23, 2020.*

*The Board Chair will call the meeting to order at 6:30 p.m. for the sole purpose of announcing the results of the director elections which is estimated to take less than five minutes. The meeting will then be adjourned and part two will be held at a later date. Results of the election will be posted outside of the Event Center immediately following adjournment of the meeting and on the Cooperative's website, Facebook page, and Twitter feed.*

---

**PART TWO – Date and Time To Be Determined:** *The second part will be held at a later date yet to be determined to conduct the remaining business items required by cooperative bylaws.*



2019 was an *active* year at the Cooperative and, personally, it has been a privilege to serve on the Board of Directors.

*Ultimately, the responsibility of the Board is to represent the members that elected us in all matters of governance; defining expectations for leadership, meeting financial requirements, and establishing policies and strategic goals. Two key initiatives we accomplished in 2019 were establishing a five-year rate plan and hiring a new CEO.*

There is a lot of complexity involved when setting rates and a great deal of effort and thought goes into it. We enlist an independent, experienced firm that conducts a class cost of service study and provides fact-based recommendations for rates for us to consider. It's a balancing act between meeting the Cooperative's revenue requirements to provide service while minimizing the overall financial impact to our members.

As I mentioned, there is a lot of complexity involved, especially as we work towards collecting fixed costs in the basic service charge and merging the rates of our legacy accounts and those acquired from Alliant Energy nearly five years ago. The Board and staff have worked diligently on behalf of the entire member body to design a rate structure that will continue to support the financial health of the Cooperative while continuing to provide reliable electricity at fair and reasonable prices. Please know, the rate restructure affects all members, including myself and each board member that is committed to representing you.

Another key function of the Board is hiring the Chief Executive Officer (CEO). This is an important decision as the CEO manages the day-to-day operations of the Cooperative. In October 2019, we announced the appointment of Mike Henke in this role.

Mike was no stranger to the Cooperative, serving as the Chief Financial Officer (CFO) and financial steward for cooperative members for eight years. His role as

CFO went beyond ensuring the financial stability of the Cooperative as he found ways to both increase revenue, save money for the Cooperative, and protect the Cooperative's assets. He actively researched viable investment opportunities that have generated revenue for the Cooperative such as investments in Carr's Tree Service and the Minnesota Three Solar project.

Mike's knowledge and expertise led him to leverage a special provision in the 2018 Farm Bill that would save the Cooperative money by prepaying a portion of our government-funded debt. This move will save the Cooperative \$5.6 million in interest over the remaining life of the loans. This equates to a \$233,000 average annual savings to the membership; over \$12 per member per year for 24 years.

Mike has also worked hard with staff to reduce costs at the Cooperative. Over the last three years, our controllable expense budget, excluding staffing and power costs, has decreased by 7.7%. This was achieved without sacrificing our superior member service.

Moving forward, we will continue to work with cooperative leadership and staff to bring you reliable electricity at fair and reasonable prices along with the superior customer service you have come to expect.

*On behalf of your member-elected Board, I want to thank each of you for your support and I hope to continue to serve you in the future.*

Sincerely,

  
Jerome Wooner, Board Chair  
jwooner@peoplesrec.com



*There is a lot of work that goes into ensuring the financial health, stable growth, and resiliency of your cooperative.*

*Just like our name suggests, it couldn't be done without the cooperative energy of people. Therefore, I want to take a moment to appreciate and highlight the many individuals that work together to ensure we are providing reliable electricity, superior customer service, and innovative energy solutions at fair and reasonable prices.*

Because People's Energy Cooperative (PEC) is a not-for-profit organization, we have a Board of Directors. They are the member-elected governing body of the Cooperative and represent our members in policy and rate making. The seven-member board takes their fiduciary responsibility seriously and works closely with leadership staff to ensure we best serve the members of the Cooperative. As Jerry points out in his message, your Board fulfilled two key responsibilities in 2019 by hiring a CEO (*which I am grateful to have been selected*) and approving the five-year rate restructure plan.

Along with the Board of Directors, PEC also has a Member Advisory Committee (MAC). The MAC includes five members from each board district that meet regularly to discuss and share insight and feedback. They are an additional voice that "advises" the Board and cooperative leadership. This group played a role in the five-year rate plan by providing feedback on plan options and how to best communicate the plan with the rest of the membership.

In addition to our member-elected board of directors and MAC committee, we have our Operation Round Up (ORU) Trust Board. This group of board-appointed cooperative members oversee the distribution of funds donated by members who voluntarily have their monthly electric bill rounded up to the next dollar. ORU supports non-profit organizations in and around our communities. As a matter of fact, in 2019, ORU hit the \$1 million mark

in giving since its inception in 2003. This wonderful milestone is a testament to the generosity of our members and our commitment to living out the Cooperative Principle of 'Concern for Community'.

As I mention the many members that serve PEC, I would be remiss if I didn't mention the phenomenal people that are employed at PEC. Many of them are your friends, family, neighbors, and fellow members who work hard every day to ensure you have reliable power for a reasonable price. Working at an electric utility isn't for the faint of heart and requires a spirit of service that can push through some long hours. For our lineworkers that can mean getting up in the middle of a stormy night to restore power in driving winds and pouring rain. For other employees it can mean long days and working on weekends to ensure we are best serving our members' needs and providing the high-level of customer service they have come to expect.

I was very proud of our team during Winter Storm Wesley, an ice and wind storm that hit hard in April of 2019. We pulled together, worked long days, and over the course of a long weekend were able to restore power with the help of eight other cooperatives and Rochester Public Utilities. At one point, we had about 170 broken poles and approximately 8,000 members out of power in the southern portion of our territory. We still need to mitigate and make final repairs to the affected area, replacing about 55 miles of damaged power line this summer. Our employees have really stepped up to ensure we get this work done well and, in the time allotted by FEMA in addition to our regular work plans. The total cost of this storm will approach \$4 million.

Speaking of FEMA, we experienced some legislative success that shows how important working with elected officials locally and at the state and federal level is. By cultivating these relationships, it allows the Cooperative to work quickly with our communities on emergency response. (*continued on page 6...*)



# DAIRYLAND POWER

C O O P E R A T I V E

DAIRYLAND FOCUSED ON BEING #FUTUREREADY

*The energy industry continues to transform in many ways. Dairyland Power Cooperative, our wholesale power cooperative, continues to focus on strengthening its safety programs, further diversifying energy resources, modernizing systems and ensuring competitive rates.*

Some of the changes Dairyland is preparing for are these “Four Ds”: Decarbonization, Deregulation, Digitalization and Decentralization.

Several business initiatives will be implemented in 2020 to achieve the Strategic Imperatives established by the Board. The three top 2020 #FutureReady priorities focus on enhancing efficiency today and positioning Dairyland for future success.

- **Sustainable Generation Plan:** The Sustainable Generation Plan is a broad strategic effort to ensure Dairyland is best positioned to serve members for generations to come. Dairyland is preparing for the transformation of energy resources by strategically developing power supply plans, determining future energy mix, and anticipating members’ long-term needs.
- **Dairyland Systems Modernization:** Dairyland is enhancing efficiency with a multi-year implementation of a comprehensive Enterprise Resource Planning program. A series of projects will ensure financial, business and technical environments are optimal for long-term success.
- **Strategic Workforce Planning:** This cooperative-wide initiative includes analyzing, forecasting and planning workforce supply and demand, assessing gaps and determining talent management activities. The goal is to ensure Dairyland has the right people with the right skills, in the right places to achieve the cooperative mission.

In addition to these top priorities, business plans continue in all areas of operations to fulfill Dairyland’s Strategic Imperatives:

**COOPERATIVE PURPOSE:** Dairyland reorganized in late 2019, focused on exceeding member expectations and reducing overall cost. The new structure supports Dairyland’s Mission to be responsive to members and to efficiently achieve sustainability goals.

**EMPLOYEE DEVELOPMENT:** Dairyland is concentrating on attracting, developing, and retaining talented leaders who are focused on serving cooperative members. The new organizational structure enhances opportunities for employee development and skill growth.

**RESOURCE DIVERSIFICATION:** The Board has set goals to continue to diversify Dairyland’s energy portfolio, reduce its carbon footprint and be even more sustainable. As resource decisions are made, four criteria for sustainability are balanced: Economics, Environment, Social, and Technical considerations.

A major component of the Sustainable Generation Plan has been evaluating how long Dairyland should continue to operate existing assets. In January, the difficult decision was made to retire the 345 MW coal-fired Genoa Station #3 when the contracted fuel supply is depleted. The estimated retirement is June-December 2021.

Now that the decision has been made, the Dairyland team is focused on the continued safe operation of the plant, the impacts on employees and the communities. Human Resources programs will help ensure a smooth, safe, and economical transition to plant retirement.

Dairyland announced two major renewable energy investments in 2019: a power purchase agreement (PPA) with Ranger Power for the 149 MW Badger State Solar facility (Wisconsin) and a PPA with Avangrid Renewables for the proposed 52 MW Tatanka Ridge Wind energy facility (South Dakota). The Badger State Solar facility received approval from the Public Service Commission of Wisconsin in January.

As Dairyland transitions to a low-carbon future, safety, reliability, and competitiveness will remain at the forefront. The proposed Nemadji Trail Energy Center is integral to the Sustainable Generation Plan. It will serve as the “power behind the power” supporting our renewable energy investments. It will provide reliable and competitively priced power when the wind isn’t blowing, and the sun isn’t shining.

The approval for the Nemadji Trail Energy Center in January by the Public Service Commission of Wisconsin is a positive step in the project timeline. Additional regulatory approvals and permits for the project are required from the City of Superior, the Wisconsin Department of Natural Resources (WDNR) and the U.S. Army Corps of Engineers.

**COMPETITIVE SERVICE:** Ensuring rates and services are competitive is critical to the economic well-being of the region. A task force comprised of Dairyland Board members and managers from Dairyland member cooperatives – supported by Dairyland staff and a rate consultant – spent most of 2019 reviewing the current wholesale rate, which is nearly 10 years old. The wholesale rate is what Dairyland charges cooperatives to generate and deliver power to our local substations. In December, the Board approved a new wholesale rate design, which will go into effect in May 2021. The Task Force was assigned to develop a Future Ready rate that would allow People’s Energy Cooperative and the rest of Dairyland’s members to reliably and innovatively serve our consumer-members.

The Board approved Dairyland’s 2020 budget that will result in an average estimated rate year decrease of 1.8 percent on May 1. The 2020 budget supports the initiatives outlined in Dairyland’s strategic business plan to serve People’s Energy.

By working with other utilities, regional transmission infrastructure has been strengthened to absorb changing generation sources and strengthen reliability.

**FINANCIAL STRENGTH:** Maintaining financial strength and competitive access to capital are critical to delivering Dairyland’s strategic plans. Dairyland has credit ratings of “A3” with a stable outlook from Moody’s and “A+” also with a stable outlook from Standard and Poor’s. Dairyland’s Board and management work to balance building financial strength with competitive rates and sound operations.

**GROWTH:** Dairyland staff are working with its members to support economic development opportunities that will help communities grow by adding businesses and jobs. Innovative beneficial electrification strategies, including electric vehicle charging stations, are also a focus.

**SAFETY CULTURE:** Safety of employees, members and the public is the highest priority at Dairyland. Employees continue to educate, promote and maintain a culture of safety as they strive for an operational goal of “zero incidents.”

**OPERATIONAL EXCELLENCE:** The reliable performance of Dairyland’s power plants and transmission system is a 24/7 priority. The men and women 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.

In 2020, Dairyland will begin a programmatic approach for adding middle-mile fiber optic communications to its existing transmission infrastructure primarily for electric operation communication purposes. As the program progresses, excess fiber optic communication capacity may then be available to enable rural broadband service providers for access to the communities Dairyland serves.

The Dairyland Board of Directors has a goal to be more flexible, agile and Future Ready for Dairyland’s 24 member cooperatives, including People’s Energy Cooperative.

Dairyland will have a significant transition in mid-2020 with the retirement of Barb Nick, President and CEO. Over the past five years, Barb has developed a strong management team and continues to work closely with the Board to ensure Dairyland is in a solid financial position to maintain future success.

*As the Board seeks Dairyland’s next leader, thoughtful strategic planning will guide Dairyland to be Future Ready and provide safe, reliable and sustainable electricity that remains affordable for members of People’s Energy Cooperative.*

Sincerely



**Kenneth Wohlers, Dairyland Board Representative**

[kwohlers@peoplesrec.com](mailto:kwohlers@peoplesrec.com)



Southern Minnesota Energy Cooperative (SMEC) was formed in 2012 by 12 electric distribution cooperatives serving southern Minnesota as a single point of contact for the purchase of electric service territory from Alliant Energy. Dairyland Power Cooperative is the power provider for legacy members and Alliant Energy is the power provider for SMEC members.

*It is my pleasure to report that Southern Minnesota Energy Cooperative (SMEC) successfully completed its fourth year of operation. SMEC was formed to provide an entity to purchase the Alliant system in Minnesota and provide power supply for its members through 2025.*

In 2019, we completed all the required compliance requirements of the Minnesota Public Utilities Commission (MNPUC). They included compliance with the state standards for renewable energy as a portion of our power supply as well as document and submit by cooperative the outage report. We again met all these requirements and will in 2020 meet and exceed the renewable energy standard for the State. In 2020, SMEC cooperatives will have completed the 5-year transition plan approved by MNPUC.

One area of your supply is transmission costs to deliver the energy to your cooperatively owned substations. 2019 marked a significant change in a ruling by a federal entity, the Federal Energy Regulatory Commission. They approved a reduction in the return on equity for ITC, our major transmission supplier. With this order, transmission costs to SMEC and its members will be lower throughout their contract with SMEC.

Rates are always a key element to our members which

in turn effect their members' retail rates. If projections are correct, it appears that wholesale rates to People's Energy and other SMEC members will be stable in the next few years. Of course, these are projections and the Board of SMEC ultimately sets the SMEC wholesale rates. Retail rates will be under the governance of the member boards as of August 2020.

SMEC has met all its financial polices as outlined by the board of directors of our cooperative. I thank Elaine Garry for serving as Secretary of our Board and with her retirement, we welcome Mike Henke to our board of directors. We know he'll do a great job and serve your cooperative well. In meeting these financial policies, the Board was able to approve the repayment of the 2017 SMEC capital credits to our members in the first quarter of 2020.

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

**Richard Burud,**  
SMEC General Manager

**CEO REPORT: MICHAEL J. HENKE** *(continued from page 3)*

At the federal level, we were thankful for the passing of the RURAL Act led by Senator Tina Smith that protected cooperatives from potentially losing their tax-exempt status by accepting FEMA funds. Funds that we are relying on to help us with the repairs to last year's April storm.

What do all of these things have in common? People. Many passionate people that serve the members in a variety of capacities and create and maintain the relationships that are the building blocks that make our cooperative successful. My point in all of this is that we aren't some for profit entity who is distant from the communities we serve.

We are an institution governed by the people and for the people we serve with the sole purpose of providing a necessary service that brings value beyond just supplying reliable electricity. I am grateful and humbled to be part of the Cooperative.

*Sincerely,*

**Michael J. Henke, President & CEO**  
mhenke@peoplesrec.com

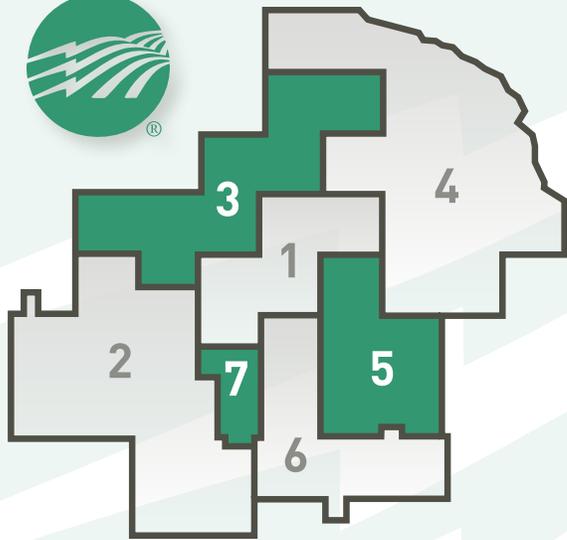
# Minutes from the 82<sup>nd</sup> Annual Meeting

ROCHESTER INTERNATIONAL EVENT CENTER, MARCH 21, 2019

*The 82nd Annual Meeting of the members of People's Energy Cooperative was held at the International Event Center in Rochester, Minnesota, on Thursday, March 21, 2019, pursuant to the notice mailed to each 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 would automatically be applied to their 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 (317 registered members) to constitute a quorum and the meeting was officially called to order at 6:30 p.m. A motion to accept the agenda was received along with a second. The motion carried.
- The minutes of the March 22, 2018, 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. 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 talked about the six strategic goals established by the Board that relate to: financial position, member-owner satisfaction, system planning, renewable energy, work force, and effective governance.
- Chair Wooner also discussed the need to replace Elaine Garry as President and CEO when she retires in 2019.
- Garry addressed four key aspects of today's energy environment: reliable service, renewable energy, beneficial electrification, and the efficient use of energy. She discussed several legislative concerns and work projects that were completed in 2018. She expressed appreciation for the support of the Board of Directors and for the dedication, hard work and compassion demonstrated by the employees of the Cooperative.
- Rick Wellick was recognized for 45 years of service and Keith Dickman, who retired in 2018, for 42 years of service. Also recognized were the Nominating Committee and candidates running for the Board of Directors.
- 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 Joseph Book from District 1 with 927 votes (Steve Schmidt, 891 votes) and Art Friedrich from District 6 with 1,747 votes.
- Berndt administered the oath of office to the newly elected Board members.
- Chair Wooner asked for any old, unfinished, or new business. There was none.
- The 82nd Annual Meeting of People's Energy Cooperative was adjourned at 7:11 p.m.
- Mr. Wooner opened the meeting to questions.





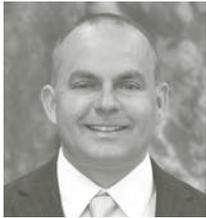
## 2020 Districts Up For Election

**DISTRICT 3:** *Gilford, Hyde Park, Milton, Mazeppa, New Haven, Oronoco, West Albany and sections one through 18 of Kalmar*

**DISTRICT 5:** *Dover, Elmira, Eyota, Orion, and Viola.*

**DISTRICT 7:** *Stewartville, Sections one through four, nine through 16, 21 through 28, and 33 through 36 of High Forest, sections 19 through 36 of Rochester and sections one through three of Racine.*

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



# 5

### District 5 Nominee

**Jerome Wooner, Incumbent • By Nomination**  
*Eyota, MN • Cooperative Member for 26 years*

*I've lived in the Dover-Eyota area for 37 years and enjoy living and doing volunteer work in my community.* I served five years in the United States Marine Corps, where I graduated as an electronic technician and worked on the FA-18 fighter jet. While in the service, I cross-trained as an electrician earning the Navy Achievement Medal. After leaving the Marine Corps, I worked as an electrician and held several other electronic positions for another nine years. I have been employed by the Olmsted County Sheriff's Office for 17 years.

I'm currently the Board Chair and am a Credentialed Cooperative Director (CCD) through the National Rural Electric Cooperative Association (NRECA) and have achieved their Board Leadership Certificate (BLC). I continue to take courses to expand my knowledge and to stay on top of current issues in the industry. I have the knowledge, skill, and leadership skills obtained through the Marine Corps and Sheriff's Office to understand what is needed to be a productive member of the Board of Directors.



# 5

### District 5 Nominee

**Tamara J. DeMuth • By Nomination**  
*Eyota, MN • Cooperative Member for 4 years*

*My husband Scott and I, along with our two boys, live in the City of Eyota.* We moved to Eyota in 2006 from the Metro Detroit area to be closer to our family and raise our children. While studying Elementary Education in college I worked part-time for a bank. I grew to love what I was doing at the bank and switched my studies to Business Management. I have been working in the financial industry ever since. I am currently the Branch Manager at Home Federal Savings Bank in Rochester. I have a strong desire to continue to learn and grow as

well as help my community continue to flourish around me. I feel with my leadership background and my ability to work with and relate to our members I would bring a genuinely positive outlook for our future as a cooperative. I have strong organizational skills and enjoy serving others.

I would enjoy the opportunity to represent the members in my community. I like looking to our future with renewable resources and would love to share that vision with our members by helping them see and understand the changes to come.



3

District 3 Nominee

**Robert Hoefs, Incumbent** • By Nomination  
Mazeppa, MN • Cooperative Member for 53 years

*I live near Mazeppa and am an active member at St. John's Lutheran Church.* I served in the Army National Guard for four years and was honorably discharged. I'm retired after a 30-year career as a John Deere dealer.

During my 18 years on the Board, I have been actively involved in making strategic business decisions that benefit the Cooperative including: cost-effectively building the headquarters in Oronoco when costs were low; the acquisition of the Alliant service territory that added 7,000 new members; a new automated metering infrastructure;

installing two solar arrays; finalizing a new contract with RPU for annexed service territory; and prepaying a portion of our government-funded debt through a special provision offered in the 2018 Farm Bill that will save the Cooperative \$5.6 million in interest over the remaining life of the loans. This equates to a \$432,000 annual savings to members.

I am committed to the People's Energy Cooperative community and can continue to make a difference on behalf of its members.



7

District 7 Nominee

**Jeffery Orth, Incumbent** • By Nomination  
Rochester, MN • Cooperative Member for 34 years

*I am a native of Austin, Minnesota, and currently live on the southwest side of Rochester.* I graduated from St. Olaf College in 1976. After several years in public and private accounting, I became a Deputy Registrar for the State of Minnesota in 1981 and now operate six license bureaus that employ over 100 employees in Minnesota. In 1985, our family moved from Byron, Minnesota, to Rochester Township and I have actively farmed in the southwest Rochester area to the current date.

Working for years as a small businessman, farmer,

township officer, and association board member, I have developed strengths and the reputation for being a "numbers person" who is not afraid to get involved and do the "heavy lifting" needed to meet organizational goals and get the job done.

People want to have their opinions and position on issues to be heard by individuals with the ability to act on the issue. In some cases, individuals may want to express their opinions in strong terms, but it is important that we listen to their concerns.



7

District 7 Nominee

**Theresa Hornberg** • By Nomination  
Stewartville, MN • Cooperative Member for 4 years

*My husband, Brian, and I moved to Stewartville in 2009 where we currently reside with our four children: Graysen (8), Alaura (6), Rayden (3) and Thorin (18m).* I am a full-time parent as well as a volunteer with First Alliance Credit Union, where I serve on the Board of Directors. Previously, I worked for over four years as the office manager at Goodwill South in Rochester. I have two Bachelors of Science degrees from the UW-La Crosse College of Business Administration (*Marketing in 2003; Management in 2006*).

I am hardworking, eager to learn and not afraid to express my opinion. I am familiar with the roles and responsibilities of a board member and am able to balance the wants and desires of customers with the needs of the business.

I enjoy supporting member-owned organizations, whether they be power companies, grocery stores, or credit unions. I hope to continue this support within People's Energy Cooperative where I can add my unique viewpoint to the Board.

# 2019

*From The Treasurer:*

I am pleased to present the 2019 financial results for People's Energy Cooperative.

The 2019 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 2019 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, 2019 & 2018

OPERATING REVENUES	2019	2018
	\$49,527,747	\$49,149,783
OPERATING EXPENSES		
- Cost of Power	\$28,341,860	\$27,789,313
- Distribution Expense - Operations	\$3,318,286	\$2,980,659
- Distribution Expense - Maintenance	\$3,630,807	\$3,720,155
- Consumer Accounts Expense	\$1,695,510	\$1,744,166
- Sales Expense	\$59,102	\$65,614
- Administrative and General Expense	\$2,574,467	\$2,476,597
- Depreciation Expense	\$4,975,186	\$4,825,747
- Other Deductions	\$33,084	\$30,521
<b>Total Operating Expenses</b>	<b>\$44,628,302</b>	<b>\$43,632,772</b>
OPERATING MARGINS <i>(before fixed charges)</i>		
	\$4,899,445	\$5,517,011
INTEREST ON LONG-TERM DEBT		
	\$3,437,211	\$3,473,313
OPERATING MARGINS <i>(after fixed charges)</i>		
	\$1,462,234	\$2,043,698
GENERATION, TRANSMISSION AND OTHER CAPITAL CREDITS		
	\$1,180,472	\$774,827
NET OPERATING MARGINS		
	\$2,642,706	\$2,818,525
NON-OPERATING MARGINS		
- Interest Income	\$631,705	\$847,099
- Other Non-Operating Margins	\$29,304	\$214,294
- Extraordinary Items	\$0	\$0
<b>Total Non-Operating Margins</b>	<b>\$661,009</b>	<b>\$1,061,393</b>
NET MARGINS		
	\$3,303,715	\$3,879,918

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

# Balance Sheet

ENDED DEC. 31, 2019 & 2018

**assets:**  
what we own

**equities:**  
our net worth

**liabilities:**  
what we owe

## CORPORATE PROFILE

Incorporated on January 1, 1936, People's Energy Cooperative serves 19,295 members in over 22,931 homes and businesses through 2,985 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	2019	2018
<b>UTILITY PLANT</b>		
- Electric Plant in Service	164,214,448	158,383,702
- Construction Work in Progress	3,747,626	1,117,741
<b>Total</b>	<b>167,962,074</b>	<b>\$159,501,443</b>
- Less Accumulated Provision for Depreciation	(-)\$37,422,607	(-)\$35,281,471
<b>Net Utility Plant</b>	<b>\$130,539,467</b>	<b>\$124,219,972</b>
<b>OTHER PROPERTY AND INVESTMENTS</b>		
- Investment in Associated Organizations	\$18,151,665	\$17,522,836
- Other Investments	\$1,556,325	\$1,514,804
<b>Total Other Property and Investments</b>	<b>\$19,707,990</b>	<b>\$19,037,640</b>
<b>CURRENT ASSETS</b>		
- Cash and Cash Equivalents	\$10,625,217	\$7,710,556
- Accounts Receivable, Net	\$4,635,474	\$4,553,925
- Other Accounts Receivable, Net	\$580,882	\$123,681
- Materials and Supplies Inventory	\$973,391	\$757,953
- Other Current and Accrued Assets	\$25,219	\$28,561
<b>Total Current Assets</b>	<b>\$16,840,183</b>	<b>\$13,174,676</b>
<b>DEFERRED DEBITS</b>		
	\$792,349	\$997,429
<b>TOTAL ASSETS</b>	<b>\$167,879,989</b>	<b>\$157,429,717</b>
<b>EQUITIES &amp; LIABILITIES</b>		
<b>EQUITIES</b>		
- Patronage Capital	\$30,659,404	\$29,744,504
- Other Equities	\$26,382,553	\$25,027,117
- Accumulated Other Comprehensive Margins	\$113,800	\$182,040
<b>Total Equities</b>	<b>\$57,155,757</b>	<b>\$54,953,661</b>
<b>LONG-TERM DEBT (less current maturities)</b>		
	\$99,509,405	\$89,945,566
<b>OTHER NON CURRENT LIABILITIES</b>		
- Accrued Post Retirement Benefits	\$467,477	\$383,760
<b>CURRENT LIABILITIES</b>		
- Current Maturities of Long-Term Debt	\$3,616,580	\$3,769,471
- Notes Payable	\$0	\$0
- Accounts Payable	\$2,906,390	\$3,370,670
- Consumer Deposits	\$517,809	\$473,645
- Other Current and Accrued Liabilities	\$1,836,709	\$2,022,489
<b>Total Current Liabilities</b>	<b>\$8,877,488</b>	<b>\$9,636,275</b>
<b>DEFERRED CREDITS</b>		
	\$1,869,862	\$2,510,455
<b>TOTAL EQUITIES AND LIABILITIES</b>	<b>\$167,879,989</b>	<b>\$157,429,717</b>

# 2019

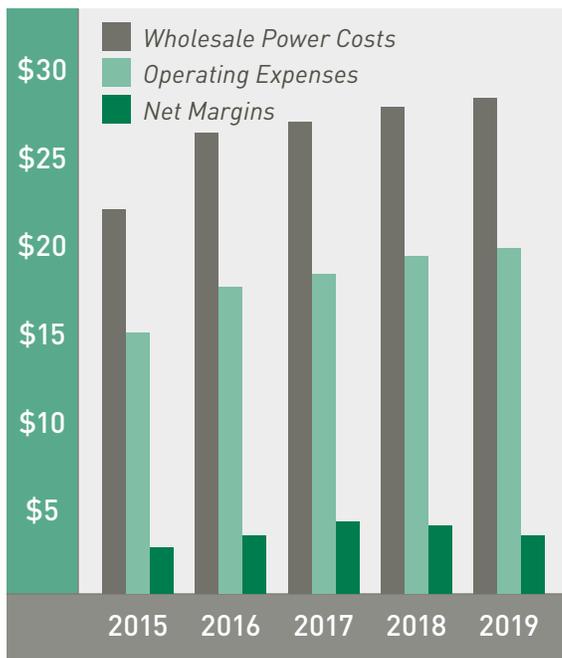
## Financial Results (continued)

### FINANCIAL DATA & FIVE-YEAR GROWTH COMPARISON

FISCAL YEARS 2019-2015	2019	2018	2017	2016	2015
TOTAL UTILITY PLANT	\$167,962,074	\$159,501,443	\$154,704,793	\$147,704,087	\$135,630,287
TOTAL REVENUE	\$49,527,747	\$49,149,783	\$46,151,987	\$45,264,686	\$37,564,272
COST OF PURCHASED POWER	\$28,341,860	\$27,789,313	\$26,962,562	\$26,308,191	\$21,987,184
TOTAL MARGINS	\$3,303,715	\$3,879,918	\$4,139,900	\$3,322,654	\$2,669,881
EQUITY RATIO (Equity/Total Assets)	34.1%	34.9%	34.5%	32.9%	33.1%
TOTAL INTEREST EXPENSE	\$3,445,349	\$3,482,219	\$3,304,667	\$2,806,061	\$2,646,650
INTEREST COVERAGE (TIER)	1.96	2.12	2.25	2.19	2.01
SERVICE INTERRUPTIONS (avg hours)	3.64	2.79	1.60	2.35	1.33
FULL-TIME EMPLOYEES	60	60	60	58	51
SERVICES IN PLACE	23,372	23,216	23,433	23,193	22,943
TOTAL MILES OF LINE (incl transmission)	2,985	2,984	2,980	2,970	2,978
KWH SOLD	357,062,733	362,668,397	345,269,130	346,442,407	279,447,683
CAPITAL CREDITS RETIRED	\$1,099,282	\$980,487	\$663,457	\$868,905	\$902,291

### Financial Operating Trends

DOLLAR AMOUNT IN MILLIONS



### Financial Report People's Energy Cooperative Trust FOR THE YEAR ENDED DECEMBER 31, 2019

STATEMENT OF FINANCIAL POSITION: NET ASSETS	
- Cash	\$79,403
- Accounts Receivable	\$8,360
- Accounts Payable	\$0
<b>Net Assets</b>	<b>\$87,763</b>
STATEMENT OF ACTIVITIES	
REVENUE	
- Contributions	\$99,632
EXPENSES	
- Charitable Giving	\$96,181
- Bank Fees	\$144
- Total Expenses	\$96,325
<b>Change In Assets</b>	<b>\$3,307</b>
<b>NET ASSETS, BEGINNING</b>	<b>\$84,456</b>
<b>NET ASSETS, ENDING</b>	<b>\$87,763</b>



# People's Energy Cooperative

Your Touchstone Energy® Cooperative 

## Nondiscrimination Statement

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (*not all bases apply to all programs*). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at 202-720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at 800-877-8339.

Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html) and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call 866-632-9992. Submit your completed form or letter to USDA by:

- (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 2020 • Vol. 84 • 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*

## MANAGEMENT STAFF

Michael J. Henke ..... *President & CEO*  
Gary Fitterer ..... *Director of Engineering*  
Anthony Stern ..... *Chief Financial Officer*  
Michelle Olson ..... *Director of Member Services*  
Troy Swancutt ..... *Director of Operations*  
Gwen Stevens ..... *Director of Cooperative Relations*

## GENERAL INFORMATION

Office Hours ..... *7:30 am – 4:00 pm, Mon – Fri*  
Telephone ..... *507-367-7000*  
Toll-Free ..... *800-214-2694*  
Web Address ..... *www.peoplesenergy.coop*  
Gopher State One Call ..... *1-800-252-1166*  
*(for digging & line location)*

## FEELING SOCIAL?



*Be sure to visit PEC on Facebook and Twitter for up-to-date news, events, and cost-saving tips and tricks!*



**GOPHER STATE ONE CALL**  
This one and every time

**1.800.252.1166**



# DAIRYLAND POWER COOPERATIVE

## ATTEND THE 79TH ANNUAL MEETING IN 2020!

People's Energy Cooperative will be traveling to La Crosse, Wisconsin, on **Wednesday, June 3**, to participate in Dairyland Power Cooperative's 79th 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 24, 2020

# 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).*

**ROCHESTER INTERNATIONAL  
EVENT CENTER  
7333 Airport View Drive SW  
Rochester, Minnesota**