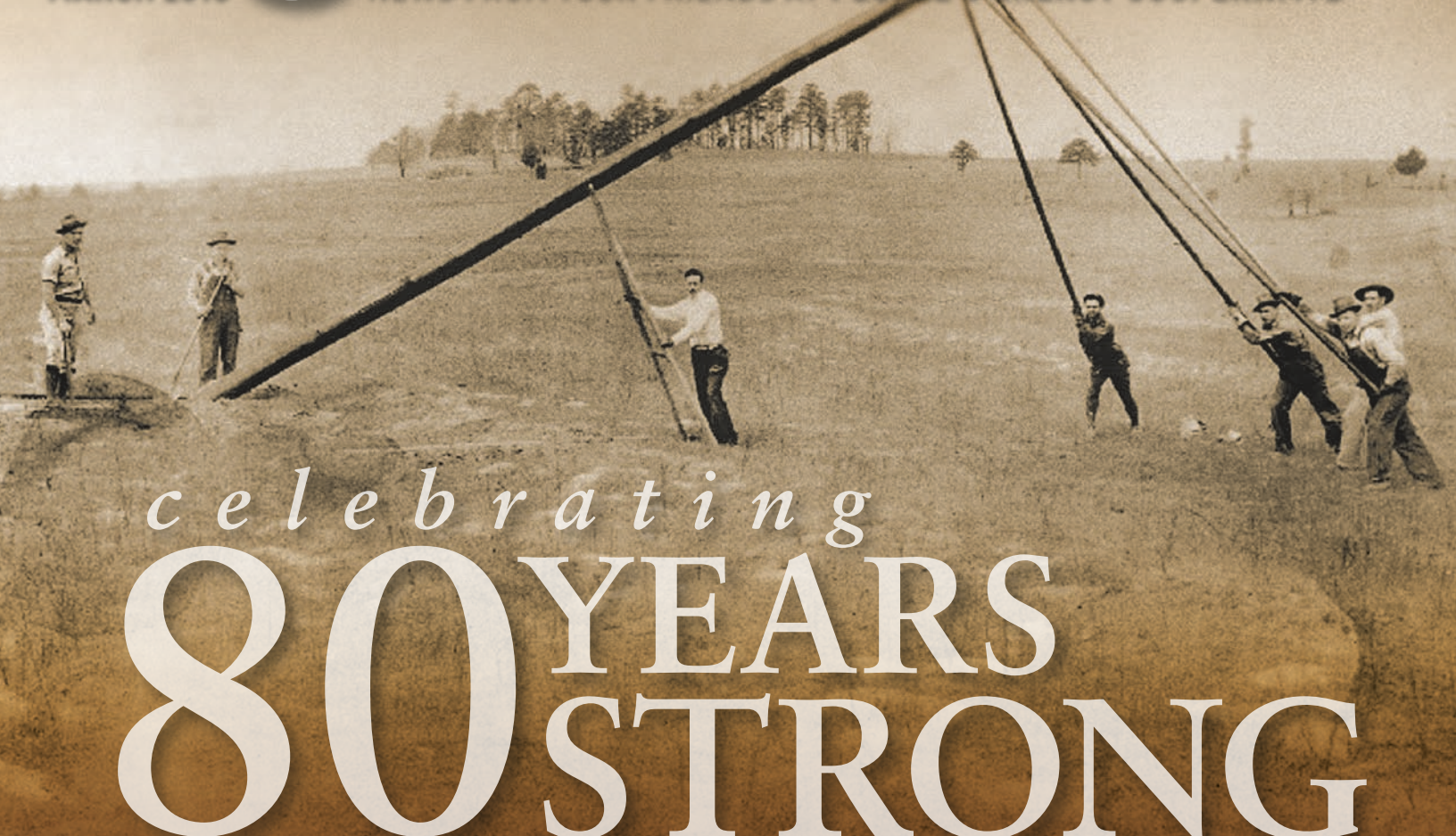


highline®

MARCH 2016

NEWS FROM YOUR FRIENDS AT PEOPLE'S ENERGY COOPERATIVE



PROUDLY SERVING COMMUNITIES FROM 1936 TO 2016



**People's Energy
Cooperative**

Your Touchstone Energy® Cooperative



- 2015 ANNUAL REPORT -

mission

Our mission is to provide reliable electricity to our members and communities with superior customer service and innovative energy solutions at fair and reasonable prices.

2015 BOARD OF DIRECTORS: COOPERATIVE MEMBERS REPRESENTING YOU



Jerome Wooner
.....
Eyota
DISTRICT 5
Board Chair

Eugene Miller
.....
Theilman
DISTRICT 4

Arthur Friedrich
.....
Rochester
DISTRICT 6

Jeffery Orth
.....
Rochester
DISTRICT 7

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

Robert Hoefs
.....
Mazeppa
DISTRICT 3
Vice Chair

Joseph Book
.....
Rochester
DISTRICT 1



People's Energy Cooperative

Your Touchstone Energy® Cooperative 

79th Annual Meeting Notice

April 16, 2016 • Rochester International Event Center

– MARK YOUR CALENDARS & SAVE THE DATE –

People's Energy Cooperative's Annual Meeting will be held Saturday, April 16, 2016, at the Rochester International Event Center at 7333 Airport View Drive SW, Rochester, MN. Registration begins at 9:00 a.m. The one-hour business meeting will begin promptly at 10:00 a.m. with coffee and pastries served before the meeting.

THE OFFICIAL ORDER OF BUSINESS AT THE ANNUAL MEETING:

Welcome, Announcements & Introductions.....	Gwen Stevens, <i>Director of Member Relations</i>
Invocation.....	Kenneth Wohlers, <i>Secretary/Treasurer</i>
Pledge of Allegiance.....	Kenneth Wohlers, <i>Secretary/Treasurer</i>
National Anthem.....	Honors Choirs of SE Minnesota
Announcement of Quorum.....	Jerome Wooner, <i>Board Chair</i>
Call to Order and Meeting Rules.....	Jerome Wooner, <i>Board Chair</i>
Approval of Annual Meeting Minutes.....	Kenneth Wohlers, <i>Secretary/Treasurer</i>
Financial Report.....	Kenneth Wohlers, <i>Secretary/Treasurer</i>
Board Chair Report.....	Jerome Wooner, <i>Board Chair</i>
President and CEO Report.....	Elaine J. Garry, <i>President/CEO</i>
Introduction of Director Candidates.....	Elaine J. Garry, <i>President/CEO</i>
Questions and Answers.....	<i>President/CEO and Board Chair</i>
Announcement of Director Election Results.....	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.

hi-lites: 02.

Board Chair/
President &
CEO Report

04.

Dairyland
Director
Report

07.

Proposed
Bylaw
Amendments

09.

Districts 1
and 6 Director
Candidates

10.

2015
Financial
Results



*As I write this report, I can't help but think about the people living in southeast Minnesota 80 years ago who banded together to improve rural life by figuring out how to provide **THE CONVENIENCE OF ELECTRICITY.***

People's Cooperative Power Association of Olmsted County (as we were known in the beginning) came into being because rural citizens invested in the idea to extend electrical lines beyond the larger cities. The investor-owned and public utilities had refused to do so due to high costs. I wonder if those innovative founders had not formed the Cooperative, would rural America still have electricity?

.....

I believe even today; a good portion of rural America would still be in the dark if not for electric cooperatives. Investor-owned and public utilities would still have no interest due to high costs and lower profits. This is a great testament to our Cooperative and its employees. I applaud the people who run our Cooperative for managing your resources and delivering its members a high quality product at a reasonable price.

I'd like to take a moment to look back at last year and look ahead at what's in store. Last year, we experienced one of the largest achievements of the Cooperative since its inception 80 years ago – our expansion by acquiring Alliant Energy's service territory scattered within PEC's service territory. With that acquisition, the Cooperative grew its member base by approximately 50 percent. In the long run, it helps PEC keep the electricity it provides at a reasonable and affordable rate along with the high quality standards.

• **WELCOME TO OUR NEW MEMBERS** from the communities of Chatfield, Dover, Elgin, Eyota, Plainview, and Stewartville, along with the rural members which interconnect them. I encourage everyone to check out the Cooperative, discover the benefits we offer, and get involved. After all, you own the Cooperative and have an invested interest in its future.

- **AMI METERING** is nothing new to the Cooperative, however, we will see some upgrades in the coming year. The current AMI system is outdated and growing more difficult to maintain which compromises the Cooperative's ability to provide reliable and affordable electricity. AMI metering will provide real time data which can be used to better serve our members. The new AMI system is currently being phased in on a three-year cycle with the former Alliant customers getting the meters first.
- **PEOPLE'S COMMUNITY SOLAR**, a 250 kW community solar array, will be located outside of Elgin along Highway 42. This project offers members the ability to benefit from solar panels without the inconvenience of maintaining such an installment on their house or property. It will give our members the opportunity to enjoy "green energy" at a reasonable price without relying on other members to subsidize the project. Members also hedge future electricity costs by locking in energy costs now. The installation will be live soon, but it's not too late to get involved!

Please know that your cooperative is in good hands, operated by well-equipped professionals who are dedicated to serving you. PEC is overseen by a Board of Directors elected by its members who are well-trained in the electrical industry and stay current on industry issues. The Board is dedicated to our cooperative and the best interest of its members.

In closing, I'd like to thank each member of People's Energy Cooperative for allowing me to serve on the Board of Directors. It has been my pleasure and honor to represent you. I look forward to seeing everyone at the Annual Meeting.

.....

Sincerely,


Jerome Wooner, Board Chair
jwooner@peoplesrec.com



I am pleased to provide you with the Annual Report for 2015. Although I typically summarize the many accomplishments of our Cooperative from the previous year, this year I am going to focus on just one thing – **THE PEOPLE WHO SERVE YOU.**

2015 will forever be one of the most significant years in the history of People's Energy Cooperative (PEC). After three years of hard work, your cooperative, along with 11 others, successfully completed the purchase of Alliant Energy's service territory in southern Minnesota.

As a result, we welcomed 7,000 former Alliant customers located within our service territory as new member-owners. This acquisition is already having a positive impact on the Cooperative.

This epic transaction took determined patience, a great deal of time, and, most of all, collaborative teamwork! Without the cooperation of 12 cooperative boards of directors, hundreds of dedicated employees, two state utility boards, and a number of consultants, this could not have occurred.

I want to take this opportunity to thank the People's Energy Cooperative Board of Directors and employees for the phenomenal effort put forth during the past three years.

Your Board of Directors took a huge risk in dedicating a significant amount of resources (*both human and financial*) to the diligent study, intense negotiations, and careful preparation for this once-in-a-lifetime acquisition. That commitment was made without a guarantee of success. Besides needing to reach agreement with Alliant Energy and 11 other distribution cooperatives, we also needed the approval of the Minnesota and Iowa public utility boards.

Many employees of this Cooperative worked harder than they ever have before. In addition to their normal job responsibilities, they were tasked with numerous additional responsibilities to ensure that we had done our due diligence regarding this acquisition. I didn't hear complaints, but rather observed employees committing extra hours to their job, assuming more responsibilities and missing family activities for over two years. These employees understood the value of this acquisition for this Cooperative and they were willing to dedicate their efforts to ensure its success.

And, we were successful. The transition of 7,000 new members into our cooperative family occurred with only a few minor issues. I am very proud to work for People's Energy Cooperative and grateful to have the opportunity to work with the employees of this Cooperative!

What are the benefits to you – the members of People's Energy Cooperative? We are more efficient, productivity has improved, and costs are spread over more members. I hope you agree with me that customer service has remained excellent.

Another area that I want to commend our employees on is the improvement in system reliability (*fewer and shorter outages*). The chart below shows the significant improvement we experienced in 2015 in system reliability. This can be attributed to our work in maintaining and improving our electric system as well as more aggressive and strategic vegetation management practices.

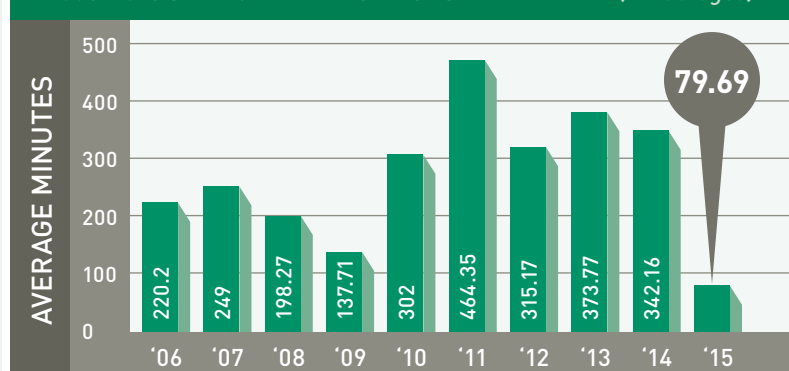
It is an honor and a privilege to serve you and to have been a part of such a significant event in the Cooperative's history.

Sincerely,

Elaine J. Garry, President & CEO

egarry@peoplesrec.com

2006-2015 SERVICE INTERRUPTIONS PER MEMBER (All Outages)





CELEBRATING 75 YEARS OF LEGACY & FOUNDATION

While celebrating 75 years of serving cooperatives in the region, Dairyland Power Cooperative is focused on “Living the Cooperative Advantage.” Throughout 2016, Dairyland is honoring the legacy and strong foundation built by past cooperative leaders, while planning to meet members’ long-term needs.

Beginning last summer, the Board of Directors and member cooperative CEOs worked together with management to identify key issues, challenges and priorities. These top areas of strategic focus are core to Dairyland’s integrated strategic and business plan which was approved by the Board in December 2015.

- **COOPERATIVE PURPOSE:** Dairyland must leverage our strategic advantage as a cooperative to successfully navigate through this period of transition in the energy industry. Dairyland is committed to living the Seven Cooperative Principles.
- **EMPLOYEE DEVELOPMENT:** Maintaining and improving organizational performance depends on a high performing work force. Dairyland is focusing on attracting, retaining, and developing talented leaders who are focused on serving cooperative members.
- **RESOURCE DIVERSIFICATION:** Dairyland is striving to meet regulatory requirements and serve its members by developing a cost-effective response to the Clean Power Plan. Diversifying the energy resource mix and expanding the use of renewable energy are strategic priorities.
- **COMPETITIVE SERVICE:** Ensuring rates and services are competitive is critical to the economic well-being of the region as well as the long-term viability of Dairyland and our cooperative members. Dairyland is focusing on efficiency improvements, and wise management of controllable costs and risk. Dairyland is also investing in prudent transmission opportunities that will improve reliability and add value for members.
- **FINANCIAL STRENGTH:** Maintaining financial strength and competitive access to capital are critical to delivering on Dairyland’s Strategic Plans. However, the Board and management recognize that building Dairyland’s financial strength must be balanced with maintaining competitive rates and service for members.
- **GROWTH:** Opportunities to improve efficiencies and provide competitive costs and service can be created through growth of the system. Dairyland is pursuing a “smart growth” strategy to benefit the entire system.
- **SAFETY CULTURE:** The safety of employees, members and the general public remains a foundational value. Dairyland will continue to educate, promote, and maintain the safety focus as they strive for an operational goal of “zero incidents.” These efforts are already showing improvements in safety metrics.
- **OPERATIONAL EXCELLENCE:** Dairyland strives for high availability and reliable performance of its power plants and transmission system, as well as the overall performance of the organization. The expectation is that Dairyland’s operational performance will be 100 percent compliant and in the top tier for the industry.
- **PLANT DECOMMISSIONING:** Dairyland must successfully complete decommissioning of the La Crosse Boiling Water Reactor (LACBWR) and the Alma Station in a manner that ensures public safety and compliance with all regulatory requirements while minimizing the cost impact on Dairyland’s members.

Dairyland’s Vision, Mission, and Values statement was also updated to reflect the plan developed to meet the evolving needs of Dairyland’s members including People’s Energy Cooperative.

EVOLVING GENERATION PORTFOLIO: Those who attended Dairyland's 2015 Annual Meeting may recall the theme was "Evolving Cooperatively," and a large focus was on the diversification of energy resources, including more renewable energy. At that time, Dairyland issued a request for proposals for up to 25 MW of solar energy resource which resulted in numerous competitively priced proposals. Beginning this spring, several solar installations will be built throughout Dairyland's service area.

Staff members are working to further diversify resources without stranding the assets and investments of members and a number of other options are being evaluated, including natural gas generation, additional wind, and other renewable resources.

POWER DELIVERY PROJECTS: Dairyland continues to rebuild its backbone transmission network. Originally constructed circa 1950, the line's wood structures needed replacement to maintain continued safe and reliable electric service. Wood poles are replaced by steel poles, which are much less prone to deterioration.

The CapX2020 Hampton-Rochester-La Crosse 345 kV line, which Dairyland is an 11 percent owner of, is to be complete in 2016. A segment of the 345 kV line from North Rochester to Briggs Road (*La Crosse area*) was completed and put into service in the fall of 2015. The line was built to serve local load in the area and is delivering expected results by reducing congestion, enhancing reliability, and providing access to economic energy, including renewable resources. As part of the project, CapX2020 rebuilt approximately 24 miles of Dairyland's existing line as a double circuit 345/161 kV transmission line, saving Dairyland's members millions of dollars.

PLANT DECOMMISSIONING: Dairyland is taking steps to complete decommissioning of both the La Crosse Boiling Water Reactor (LACBWR) and Alma Station in a manner that ensures public safety and compliance with all regulatory requirements, while minimizing costs for Dairyland's members.

Dairyland and EnergySolutions, a national radioactive waste services contractor, executed a "licensed stewardship" agreement in October 2015 for the final decommissioning of LACBWR.

MAINTAINING FINANCIAL STRENGTH: Efficiency measures have been effective in helping hold rates steady in recent years with no rate increases for the past two years. Balancing the importance of long-term financial stability and keeping rates as low as practical, Dairyland's Board of Directors approved a 2016 budget with a 2.3 percent increase to our wholesale rates over 2015. The largest contributing costs are associated with planned environmental

improvements, local and regional transmission improvements/projects, the cost of fuel and transportation, purchased power, and transmission costs from others.

Overall, Dairyland's year-end results were positive with an increase in margins, strengthening Dairyland's overall financial position. For 2015, net margins increased to \$26.7 million, up from 2014 margins \$22.9 million.

Fuel to operate its generating facilities continues to be Dairyland's largest annual expense, with barge and rail transportation of coal constituting a significant portion of that cost. Dairyland's plants used about 2.2 million tons of coal in 2015 including its 30 percent share of the Weston 4 power plant.

LOOKING FORWARD: As we reflect on Dairyland's strong 75-year history in 2016, we continue to plan for the future, and I am pleased that Dairyland is positioned financially and operationally sound. I assure you that the dedication of our cooperative founders endures today as Dairyland continues to help us all "live the cooperative advantage" by planning to meet our needs with reliable, safe, sustainable, and competitively-priced electricity.

Sincerely,



**Eugene Miller, Dairyland
Board Representative**

[gmiller@peoplesrec.com](mailto:gmillers@peoplesrec.com)

DPC 75th Annual Meeting WOULD YOU LIKE TO ATTEND IN 2016?

People's Energy Cooperative will be traveling to La Crosse, Wisconsin, on Wednesday, June 8, to participate in Dairyland Power Cooperative's 75th Annual Meeting. A chartered bus will leave People's Oronoco headquarters at 7:30 a.m. and return around 5:00 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 gstevens@peoplesrec.com.*

Minutes from the 78th Annual Meeting

PEOPLE'S ENERGY COOPERATIVE HEADQUARTERS, APRIL 21, 2015

The 78th Annual Meeting of the stockholders (hereinafter referred to as "members") of People's Energy Cooperative was held at the People's Energy Cooperative headquarters building in Oronoco, Minnesota, on April 21, 2015, pursuant to 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 May 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 and the National Anthem was sung by members of the Honors Choirs of Southeast MN.
- According to Article II, Section 5 of the Bylaws of the Cooperative, it was announced that there was a sufficient number of members present (429 registered members) to constitute a quorum and to transact any pertinent business that may come before the membership. Therefore, the meeting was officially called to order by Jerome Wooner, chair of the Board of Directors, at 7:10 p.m. A motion to accept the agenda was received along with a second. The motion carried.
- Kenneth Wohlers, secretary/treasurer of the Board of Directors, read the Notice of Annual Meeting together with proof of the mailing to all members. The minutes of the Annual Meeting of April 10, 2014, 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 these 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 read. The motion passed.
- Chair of the Board, Jerome Wooner addressed the membership and talked about the aging North American power network and how many utilities across the country have not made the necessary investments to properly maintain their system. He contrasted that with highlighting the investments People's Energy Cooperative has made in new electric plant, maintenance to the system and vegetation management.
- Elaine Garry, president and CEO, spoke to the membership about the theme of 'investing today for a brighter tomorrow'. She talked about the once-in-a-lifetime opportunity of working with 11 other SMEC cooperatives to acquire Alliant Energy's service territory in southern Minnesota and the impact the acquisition will have on the Cooperative. For starters, it will require district boundaries to be redrawn to ensure equitable representation and cause the Member Advisory Committee to expand to include more members. An updated 10-year financial forecast that includes the Alliant acquisition shows that with higher density and more commercial and industrial businesses, the Cooperative has the opportunity to maintain stable rates.
- Garry went on to talk about regulatory issues including the Environmental Protection Agency's Clean Power Plan and how we advocate for balance in regulations to help reduce carbon in our environment. With regard to state legislation she talked about FEMA funds and net metering.
- She shared that the MN Three Solar Array was producing enough energy to power 62 homes and that we are working on a community solar array in Stewartville.

Minutes

CONTINUED...

- The CEO's report closed with recognizing Lineworker, Scott Hubbard for 30 years of service and letting members know that Bill Berg was retiring and that Barb Nick would be the new CEO of Dairyland Power Cooperative.
- The Nominating/Credentials Committee and candidates running for election to the Board of Directors were introduced.
- Guest speaker, Gary Smith spoke about the Journey to Growth initiative. He talked about the vision of eight southeastern Minnesota counties working as a cohesive region to help diversify the economy. He stated that it is up to us to leave a legacy for the ones that follow us.
- Dan Berndt, attorney with the Dunlap & Seeger Law Firm, who oversaw the counting of the ballots, was called upon to announce the results of the director election. Elected to the Board of Directors for three-year terms were Kenneth Wohlers from District 2 and Eugene Miller from District 4.
- As the business meeting concluded, Mr. Wooner asked for any old, unfinished, or new business. There was none.
- The 78th Annual Meeting of People's Energy Cooperative was adjourned at 8:00 p.m.
- Mr. Wooner opened the meeting to questions.

AN EXPLANATION OF PROPOSED BYLAW AMENDMENTS

At its January 2016 meeting, the People's Energy Cooperative Board of Directors unanimously resolved to submit the following amendments to the Cooperative's Bylaws for a vote by the Cooperative's members. Complete bylaws are available on peoplesenergy.coop or at the office.

ARTICLE 2 – Section 2.8: Arbitration

In the first paragraph of Section 2.8 – Arbitration, text was struck relating to the Frye and Daubert standards with respect to expert testimony at the recommendation of the Cooperative attorney.

- The determination of any dispute in arbitration shall be governed by the laws of the State of Minnesota., ~~including, but not limited to, the Frye standard, and not the Daubert standard, with respect to expert testimony.~~

ARTICLE 4 – Section 4.3: Nominations

In the eighth sentence of the first paragraph of Section 4.3 – Nominations, the Board switched the number of days prior to the Annual Meeting to forty-five (45) for committee nominations and thirty-five (35) for nominations by petition. This gives a member the opportunity to seek out signatures for a petition by nomination should the member not be nominated by the Nominating Committee. The Board also changed the number of signatures required on a Nomination by Petition Form to one-half of one percent (0.5%). Requiring only fifteen (15) signatures dates back to when there were only one or two members per mile of line. We now have nearly seven members per mile of line.

- The committee shall prepare and post at the principal office of the Cooperative at least ~~thirty-five (35)~~ **forty-five (45)** days before the meeting a list of nominations for directors, but any ~~fifteen (15)~~ **one-half of one percent (0.5%)** or more **active** members may make other nominations in writing over their signatures not less than ~~forty-five (45)~~ **thirty-five (35)** days prior to the meeting and the secretary shall post the same at the same place where the list of nominations made by the committee is posted.

When voting please mark "YES" if you approve of the amendments or mark "NO" if you do not approve of the proposed amendments. Your Board of Directors recommends the Cooperative's membership approve these amendments.

EXPLANATION OF THE 2016 VOTING PROCEDURE

For the first time in the Cooperative's history, you have the option to vote online or by using a paper ballot to elect nominated members to the Board.

We have contracted with Survey and Ballot Systems (SBS) from Eden Prairie, Minnesota, to utilize their electronic voting system. SBS has worked with cooperatives in various business sectors from all across the country such as CHS, Inc., Land O'Lakes, MEDICA, Health Partners and a host of rural electric cooperatives.

Our purpose in doing this is to provide members an alternative voting method as more and more people prefer to conduct business online. Utilizing SBS also eliminates the counting of ballots by the Nominating Committee. With 50 percent more members, the increase in ballots could be a daunting number to count. Paper ballots will be read by a scanner much like government election ballots making it more secure and efficient.

BALLOT MATERIALS: Election materials should arrive in your mailbox around March 28. The materials include a:

- **BROCHURE** with candidate information and the proposed bylaw amendments;
- **BALLOT** with the Annual Meeting registration card attached at the top; and
- Postage-paid return **ENVELOPE**.

When using the paper ballot, make sure to use blue or black ink or a #2 pencil to completely fill in the circle next to your selections. If you are voting with your paper ballot by mail or at the Annual Meeting, please use the business reply envelope provided to submit your ballot. There is no yellow inner envelope this year.

ONLINE VOTING: When voting online, you must use your member number and election passcode located near your name and address on the ballot/registration card in order to login to the online voting system.

Please be assured that no cooperative employee, board member or cooperative attorney will know or have access to who you voted for. Your credentials are only used to login and to record that you voted, **NOT** who or what you voted for. The Cooperative attorney will only receive the final tallies from SBS.

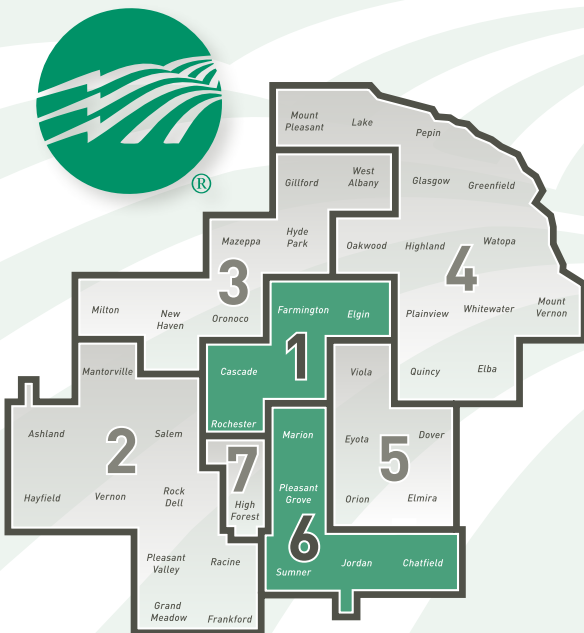
ONLINE VOTING WILL BE AVAILABLE UNTIL 11:00 A.M. ON FRIDAY, APRIL 15.

IMPORTANT ITEMS TO NOTE: Please note that **only the first vote received will be counted**. For example, if you vote online and later mail in the ballot or bring it to the Annual Meeting, only the online vote will count because it was received first.

*Whether you vote online or use the paper ballot, **be sure to retain the registration card at the top of the ballot to gain access to the Annual Meeting** and receive your \$10 credit for attending. If you have any questions about the election process, please feel free to contact the Cooperative office.*

DIRECTOR ELECTIONS

2016 DISTRICTS 1 & 6



DISTRICT ONE INCLUDES:
*Cascade, Elgin, Farmington,
Haverhill, and sections 1-18
of Rochester (north half).*

DISTRICT SIX INCLUDES:
*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.*

YOUR 2016 DISTRICT 1 NOMINEES



Joseph Book *Incumbent • By Nomination • Rochester*

Joe has been a cooperative member for more than 30 years and is a lifelong resident of Olmsted County. He is a retired Rochester Firefighter and currently resides in Haverhill Township with his wife Betty. They have three daughters and ten grandchildren.



Floyd Riester *By Nomination • Rochester*

Born and raised in Wabasha, Floyd is a Vietnam veteran and a retired DNR Management Resources Supervisor. He lives in Haverhill Township and has been a cooperative member for 28 years. He and his wife of 45 years have three adult children.



Steve Schmidt *By Nomination • Elgin*

Steve has been a Cooperative member for 28 years and resides west of Elgin on his family's farm with his wife, two sons, and a daughter. He began his career as a dairy farmer, and is currently a Pollution Control Specialist Principal with the MN Pollution Control Agency.

YOUR 2016 DISTRICT 6 NOMINEES



Art Friedrich *Incumbent • By Nomination • Rochester*

Art grew up on a farm in rural Chatfield and graduated from Chatfield High School in 1967. He and his wife of 42 years, Faye, reside in Marion Township on his grandfather's farm. His family has been Cooperative members since 1936.



Karl Gorczynski *By Nomination • Chatfield*

As a resident of Chatfield since 2014, Karl became a member when the Cooperative acquired Alliant's service territory in July of 2015. He and his wife have two young sons. He is an editor of business journals, research papers, and financial reports.



Lanny Haukom *By Nomination • Chatfield*

Lanny resides in Chatfield and became a member of the Cooperative through the Alliant acquisition. He served in the U.S. Army where he was trained as mechanic and is currently a master mechanic for the City of Rochester at the Water Reclamation Plant.

2015

From The Treasurer:

I am pleased to present the 2015 financial results for People's Energy Cooperative.

The 2015 financial statements were audited by the accounting firm CliftonLarsonAllen LLP, who also audited the *Operation Round Up*® financial records reported on page 12 of this annual report.

In their opinion, the 2015 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

2015 FINANCIAL RESULTS

Statement of Operations

FISCAL YEARS ENDED DEC. 31, 2015 & 2014

OPERATING REVENUES	2015	2014
	\$37,564,272	\$33,337,015
OPERATING EXPENSES		
- Cost of Power	\$21,987,184	\$17,463,369
- Distribution Expense - Operations	\$2,190,967	\$1,953,153
- Distribution Expense - Maintenance	\$2,872,743	\$2,800,750
- Consumer Accounts Expense	\$1,489,911	\$1,276,251
- Sales Expense	\$59,886	\$54,174
- Administrative and General Expense	\$2,076,837	\$1,923,368
- Depreciation Expense	\$3,567,126	\$3,798,086
- Other Deductions	\$25,457	\$18,688
Total Operating Expenses	\$34,270,111	\$29,287,839
OPERATING MARGINS <i>(before fixed charges)</i>		
	\$3,294,161	\$4,049,176
INTEREST ON LONG-TERM DEBT		
	\$2,645,212	\$2,667,268
OPERATING MARGINS <i>(after fixed charges)</i>		
	\$648,949	\$1,381,908
GENERATION, TRANSMISSION AND OTHER CAPITAL CREDITS		
	\$1,063,561	\$1,020,355
NET OPERATING MARGINS		
	\$1,712,510	\$2,402,263
NON-OPERATING MARGINS		
- Interest Income	\$327,536	\$297,350
- Other Non-Operating Margins	\$629,835	\$695,930
- Extraordinary Items	\$0	\$0
Total Non-Operating Margins	\$957,371	\$993,280
NET MARGINS		
	\$2,669,881	\$3,395,543

18,495 members
in over 22,943 homes and businesses

Balance Sheet

ENDED DEC. 31, 2015 & 2014

assets:
what we own

equities:
our net worth

liabilities:
what we owe

CORPORATE PROFILE

Incorporated on January 1, 1936, People's Energy Cooperative serves 18,495 members in over 22,943 homes and businesses through 2,978 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	2015	2014
UTILITY PLANT		
– Electric Plant in Service	\$133,878,400	\$111,721,350
– Construction Work in Progress	\$1,751,887	\$464,615
– Total	\$135,630,287	\$112,185,965
– Less Accumulated Provision for Depreciation	(-)\$27,506,992	(-)\$25,576,097
Net Utility Plant	\$108,123,295	\$86,609,868
OTHER PROPERTY AND INVESTMENTS		
– Investment in Associated Organizations	\$14,808,382	\$13,733,328
– Other Investments	\$3,380,386	\$3,031,126
Total Other Property and Investments	\$18,188,768	\$16,764,454
CURRENT ASSETS		
– Cash and Cash Equivalents	\$2,702,161	\$8,300,382
– Accounts Receivable, Net	\$4,227,259	\$3,306,009
– Other Accounts Receivable, Net	\$1,912,840	\$95,350
– Materials and Supplies Inventory	\$719,570	\$548,327
– Other Current and Accrued Assets	\$880,421	\$147,889
Total Current Assets	\$10,442,251	\$12,397,957
DEFERRED DEBITS		
	\$1,528,860	\$1,706,527
TOTAL ASSETS	\$138,283,174	\$117,478,806
EQUITIES & LIABILITIES	2015	2014
EQUITIES		
– Patronage Capital	\$25,294,159	\$24,699,181
– Other Equities	\$20,530,174	\$19,297,042
– Accumulated Other Comprehensive Margins	(-)\$100,100	(-)\$161,300
Total Equities	\$45,724,233	\$43,834,923
LONG-TERM DEBT (less current maturities)		
	\$83,183,539	\$64,544,995
OTHER NON CURRENT LIABILITIES		
– Accrued Post Retirement Benefits	\$584,300	\$594,300
CURRENT LIABILITIES		
– Current Maturities of Long-Term Debt	\$2,253,000	\$3,642,000
– Notes Payable	\$0	\$0
– Accounts Payable	\$3,528,728	\$2,532,576
– Consumer Deposits	\$275,137	\$221,905
– Other Current and Accrued Liabilities	\$1,828,618	\$1,241,821
Total Current Liabilities	\$7,885,483	\$7,638,302
DEFERRED CREDITS		
	\$905,619	\$866,286
TOTAL EQUITIES AND LIABILITIES	\$138,283,174	\$117,478,806

2015

Financial Results (continued)

FINANCIAL DATA & FIVE-YEAR GROWTH COMPARISON

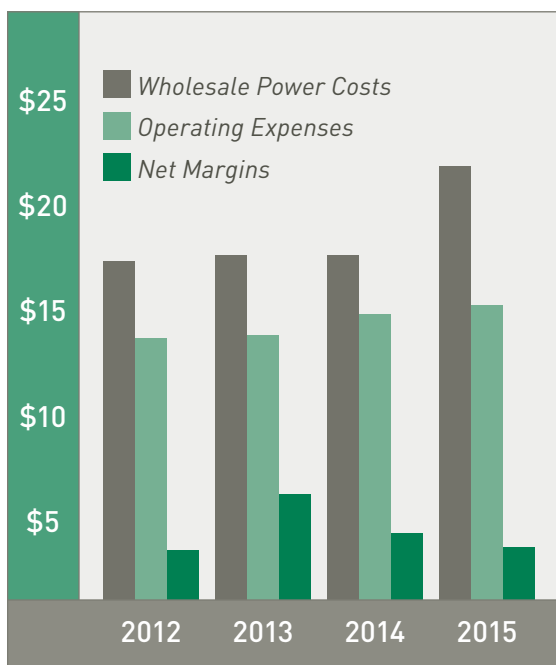
FISCAL YEARS 2015-2011	2015	2014	2013	2012	2011
TOTAL UTILITY PLANT	\$135,630,287	\$112,185,965	\$109,110,499	\$107,533,551	\$101,344,478
TOTAL REVENUE	\$37,564,272	\$33,337,015	\$32,329,108	\$31,020,413	\$30,178,521
COST OF PURCHASED POWER	\$21,987,184	\$17,463,369	\$17,466,514	\$17,156,659	\$16,460,403
TOTAL MARGINS	\$2,669,881	\$3,395,543	\$5,326,299	\$2,511,180	\$2,577,548
EQUITY RATIO (Equity/Total Assets)	33.1%	37.3%	35.9%	34.4%	35.5%
TOTAL INTEREST EXPENSE	\$2,646,650	\$2,669,428	\$2,695,076	\$2,562,593	\$2,282,624
INTEREST COVERAGE (TIER)	2.01	2.27	2.98	1.99	2.14
SERVICE INTERRUPTIONS (avg hours)	1.33	5.70	6.23	5.26	7.73
FULL-TIME EMPLOYEES	51	49	46	50	52
SERVICES IN PLACE	22,943	15,979	15,859	15,760	15,617
TOTAL MILES OF LINE (incl transmission)	2,978	2,682	2,681	2,689	2,679
KWH SOLD	279,447,683	239,738,922	232,004,338	219,802,448	223,953,048
CAPITAL CREDITS RETIRED	\$902,291	\$841,138	\$799,369	\$807,410	\$790,736

Financial
Operating Trends

DOLLAR AMOUNT IN MILLIONS

Financial Report
People's Energy Cooperative Trust

FOR THE YEAR ENDED DECEMBER 31, 2015



STATEMENT OF FINANCIAL POSITION: NET ASSETS

- Cash	\$62,923
- Accounts Receivable	\$8,157
- Accounts Payable	-\$8,425
Net Assets	\$62,655

STATEMENT OF ACTIVITIES

REVENUE

- Contributions	\$82,941
- Investment Income	\$2
Total Revenue	\$82,943

EXPENSES

- Charitable Giving	\$55,461
- Change in Assets	\$27,482

NET ASSETS, BEGINNING	\$35,173
NET ASSETS, ENDING	\$62,655



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1400 Independence Avenue, SW
Washington, D.C. 20250-9410;
- (2) fax: 202-690-7442; or
- (3) email: program.intake@usda.gov.

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ANNUAL MEETING: SATURDAY, APRIL 16, 2016

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