

# ANNUAL REPORT SUMMARY

## NOTICE OF ANNUAL MEETING

**DUNN ENERGY COOPERATIVE  
MENOMONIE, WISCONSIN**

**T**he Annual Meeting of the members of Dunn Energy Cooperative will be held at the Off Broadway Banquet Center in the City of Menomonie, Dunn County, Wisconsin. Registration will begin at 11:30 a.m. with dinner after registration. The meeting will begin at 1 p.m. on Saturday, March 16, 2019 to take action on the following matters.

1. The reports of officers, directors, and committees
2. The election of three directors to the Cooperative
3. Any other business

**NOTE:** Ballots are enclosed for the election of three directors to the Cooperative.

**IF YOU ATTEND THE ANNUAL MEETING**  
please bring your ballots with you.

**TO VOTE BY MAIL** your ballots in the enclosed self-addressed, stamped envelope. **Please remember to sign the voter certification on the back of the ballot envelope.** To be counted, your mail vote must be received at our office no later than 4:30 p.m. on March 15, 2019.

**A complete Annual Meeting Report will be available at the meeting, upon request, or at our website at [www.dunnenergy.com](http://www.dunnenergy.com) a week after the meeting.**

## MISSION STATEMENT

*Dunn Energy Cooperative is dedicated to efficiently providing safe, reliable energy and superior service to benefit our members and the community.*

## PRESIDENT'S MESSAGE

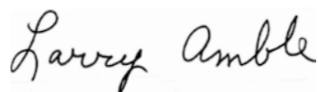
**L**ooking back at 2018 it was busy, inside and out, for Dunn Energy. We had record sales several months. Installation of the new meters continued, but was slowed somewhat by the conversion to a new software system in the office. The office software was necessary as our former provider was going out of business. Completion of the new meter installation should be finished in the first half of 2019. A major project was also completed in the Connorsville area with new, upgraded underground wires as well as overhead wires and poles.

For several years, Dunn Energy has been aggressively brushing and clearing our rights-of-way to cut down on outages caused by trees. I am happy to report that this year we achieved our strategic goal of a 5-year rotation on right-of-way clearing. Clear rights-of-way not only reduce power outages, but are much safer for our crews.

Safety is a top priority at Dunn Energy. Monthly safety meetings are held to keep the line crews up-to-date on the latest safety issues. The crew at Dunn Energy has worked over 145,000 hours since our last lost-time accident and driven over 499,000 miles since our last vehicle accident. This past November, at the Wisconsin Electric Co-op Association (WECA) annual meeting, Dunn Energy was awarded a RESAP safety award. RESAP stands for Rural Electrification Safety Achievement Program and involves a team of people from other cooperatives making an unannounced inspection at Dunn Energy to review our facility and safety practices. Our employees are to be congratulated for receiving this award.

There was another award given at that same meeting in November that involved Dunn Energy. Our CEO/General Manager, Jim Hathaway, was honored with the Ally of Cooperative Electrification award. The ACE award is the highest honor given by the WECA annually. This award is given to a person who goes above and beyond their regular duties to further the cause of rural electric co-ops. Congratulations Jim on a well-deserved award.

Thank you to our employees and you, the members, for a successful 2018. We look forward to safely providing electricity to the members of this cooperative as efficiently as possible in 2019.



Board President  
Larry Amble

# BALANCE SHEET

## DUNN ENERGY COOPERATIVE DECEMBER 31, 2018 AND 2017

	2018 (Unaudited)	2017 Audited
<b>ASSETS</b>		
<b>PLANT</b>		
Utility Plant	60,199,618	57,595,236
Less: Reserve for Depreciation	(13,039,484)	(12,319,165)
Net Utility Plant	47,160,134	45,276,071
<b>INVESTMENTS</b>		
Investments in Associated Organizations	10,362,894	10,209,156
Total Investments	10,362,894	10,209,156
<b>RESTRICTED CASH</b>	100,000	350,000
<b>CURRENT ASSETS</b>		
Cash and Temporary Investments	265,596	100,335
Accounts Receivable - Less Reserve	2,326,293	2,465,522
Materials and Supplies	787,492	1,026,337
Interest Receivable	2,942	2,993
Prepayments	98,151	92,108
Total Current Assets	3,480,474	3,687,295
<b>DEFERRED DEBITS</b>	467,258	582,650
<b>TOTAL ASSETS</b>	<b>61,570,760</b>	<b>60,105,172</b>
<b>EQUITIES &amp; LIABILITIES</b>		
<b>EQUITIES</b>		
Patronage Capital Credits Assigned	21,888,268	20,837,800
Other Equities	6,844,022	6,781,947
Current Year Patronage	1,706,640	1,858,042
Total Equities	30,438,930	29,477,789
<b>LONG TERM LIABILITIES</b>	25,792,741	25,975,773
<b>CURRENT LIABILITIES</b>		
Notes Payable	2,300,000	1,300,000
Accounts Payable	1,729,346	1,842,033
Consumer Deposits	108,845	106,523
Other Current and Accrued Liabilities	628,703	557,729
Total Current Liabilities	4,766,894	3,806,285
<b>DEFERRED CREDITS</b>	572,195	845,325
<b>TOTAL EQUITIES AND LIABILITIES</b>	<b>61,570,760</b>	<b>60,105,172</b>

# STATEMENT OF OPERATIONS

## DUNN ENERGY COOPERATIVE FOR THE PERIODS ENDING DECEMBER 31, 2018 AND 2017

	2018 (Unaudited)	2017 (Audited)
OPERATING REVENUES	25,148,412	23,843,880
OPERATING EXPENSES		
Cost of Purchased Energy	16,603,885	16,020,409
Distribution Expense - Operation & Maintenance	2,480,700	2,348,389
Consumer Accounting and Collection	322,796	297,195
Consumer Informational & Advertising	166,064	157,164
Sales Expense	65,551	71,650
Administrative and General Expenses	1,278,512	1,156,728
Total Operating Expenses	20,917,508	20,051,535
OPERATING MARGINS BEFORE FIXED EXPENSES	4,230,904	3,792,345
FIXED EXPENSES		
Depreciation Expenses	1,747,729	1,621,756
Tax Expense - Property	272,570	249,578
Other Operating Deductions	11,513	27,442
Interest Expense - Other	36,836	12,598
Interest on Long Term Debt	1,096,976	1,030,132
Total Fixed Expenses	3,165,624	2,941,506
OPERATING MARGINS AFTER FIXED CHARGES	1,065,280	850,839
Other Patronage Capital or Margins	415,059	873,674
NET OPERATING MARGINS	1,480,339	1,724,513
Non-Operating Margins	226,301	133,529
<b>TOTAL PATRONAGE CAPITAL &amp; OPERATING MARGINS</b>	<b>\$1,706,640</b>	<b>\$1,858,042</b>

Dunn Energy Operating Margins	1,179,380	\$962,427
Dairyland Power Margins	300,959	762,086
Dunn Energy Non-Operating Margins	226,301	133,529
<b>TOTAL PATRONAGE CAPITAL &amp; OPERATING MARGINS</b>	<b>1,706,640</b>	<b>\$1,858,042</b>

### AUDIT REPORTS

Each year the Rural Development Utilities Program (R.D.U.P) and the National Rural Utilities Cooperative Finance Corporation (C.F.C.) require an independent audit be made of the Cooperative's records. Our most recent audit was completed for the period ending December 31, 2017.

Each year, an independent auditing firm does a complete audit of the past year's operation. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the

financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The auditing firm appears before the Board of Directors at a regularly scheduled board meeting to make recommendations, changes, auditing entries and methods to further enhance the Cooperative. Copies of the completed audit are sent to R.D.U.P and C.F.C. and are available at the office of the Cooperative.

# GENERAL MANAGER'S REPORT

The Annual Meeting of your energy cooperative is a very important event in the cooperative's year. As a cooperative, control of the organization is placed in the hands of the membership who actively participate in setting the cooperative's policies and decision making. Registration begins at 11:30 a.m. and the business meeting will start at 1:00 p.m. We are trying something different with lunch this year. Lunch will be served buffet style this year and members will be able to eat after they register for the meeting. Director elections will be held and there will be reports from the board president, the treasurer, and myself.

Your cooperative had another successful year in 2018. Wholesale electric costs from our power supplier, Dairyland Power, went up slightly in 2018. Revenues came in above budget due to strong electric sales and, as a result, electric rates did not change in 2018. That is the fifth year out of the past six years that electric rates have not gone up. For 2019, wholesale power costs from Dairyland will be going up about one percent. Wholesale power costs represent about 70% of our total costs so they have a big influence on our electric rates. Other costs are going up as well, but the amount of additional revenue needed to cover these costs is not significant. So, we have decided on a "wait and see" approach to changing electric rates in 2019.

Keeping electric rates stable is a good thing. We also know how important it is to provide reliable electric service. That means keeping the lights on. In 2018, average outage hours per member were just over 2 hours. That means the electricity was on 99.97% of the time. Mother Nature had something to do with this. Tornados, severe thunderstorms, and ice storms can do a lot of damage to an electric system. We were lucky not to have much in the way of severe weather in 2018.

Mother Nature doesn't get all of the credit, however. We have been working hard for a number of years to reduce outages. Trees have always been the number one cause of power outages. We spend hundreds of thousands of dollars every year cutting trees. Every year we bury more and more line. The new underground cable is more reliable and less likely to be damaged by severe weather.

We have other programs to keep our electric service more reliable too. Poles are tested on an eight-year rotation to make sure they are still in good condition. Sectionalizing equipment is tested every four years. Line inspections are performed every three to four years. Our goal as always is to reduce outages and improve power quality.

Another measure of a successful year is meeting the goals of our strategic plan. A few years ago, our meter supplier stopped providing support for our old Turtle metering system. Our strategic plan called for installing a new 21st century metering system. Over the past couple years, we have been installing the new system and we are now over 90% complete.

The new metering system provides us with more data, more quickly. The data is provided electronically. This helps save us hundreds of hours of time every year. The new meter system provides us with faster outage information too. That will help us reduce the time that members are out of power when an outage occurs. With the new metering system and SmartHub, our online account management system, members are able to monitor their electric usage in their own homes.

Another significant project that was addressed in 2018 was the conversion to a new software program. We use computers to maintain member billing records, accounting data, mapping information, and much more. Our linemen carry iPads when working out in the field to better track and record work data. The new software does a better job of tying everything together, allowing us to provide more timely information to our members.

Cooperative principle number three is member economic participation. That means member dollars are invested in the cooperative to provide electric service to members. Dollars left over after expenses are paid are returned back to those members. In 2018 Dunn Energy returned over \$600,000 in capital credit refunds to our members.

From our beginnings over 80 years ago, your energy cooperative has faced a lot of challenges in the effort to bring reliable, affordable electric energy to our members. Time and time again we have met those challenges with advanced technical equipment, innovative solutions, and hard work from a team of devoted employees. My pledge to you is that Dunn Energy Cooperative will continue, in the coming years, to make every effort towards our meeting our mission of providing safe, reliable energy and superior service to benefit our members and the community.

*James R. Hathaway*

# DAIRYLAND POWER REPORT

## Dairyland focused on safe, reliable, and sustainable power

Planning for the future is important for any successful business. As your Dairyland director, I assure you that the Dairyland staff continues to plan to ensure its 24-member cooperatives, including Dunn Energy Cooperative, have safe, reliable, and sustainable electricity that stays affordable for our members. In 2019, several business initiatives will be put in place to achieve the strategic goals set by Dairyland's Board of Directors. The electric industry is changing and Dairyland plans on being a leader into the future.

## Electric Rates

The Board of Directors and managers of Dairyland's member cooperatives are working together to review Dairyland's current wholesale rates. Dairyland knows that offering different rate options, like time-of-day rates, is desirable. A committee is working on reviewing costs and rates. One of their goals is to develop rate designs that are competitive.

Along with reviewing rates Dairyland is examining its decision-making processes. This includes evaluating processes and systems used to make major capital, operational, and strategic business decisions. The goal is to make sure decisions are cost effective and fit with Dairyland's long-term Strategic Plan.

## Sustainable Generation Plan

Electric generating facilities are designed to last for many years. Whether it is a natural gas plant, a wind turbine farm, or a large solar array, they are designed to generate electricity for many years. That makes planning very important. In recent years Dairyland has signed power purchase agreements with the Barton Wind Project in Iowa, the Quilt Block Wind Farm in southwest Wisconsin and the Dodge Center Wind Farm in Minnesota. These wind farms can produce enough electricity to power over 45,000 households. Since 2017, 18 large-scale cooperative solar energy projects have been built. Many of these sites also include community solar projects, including our SunDEC solar array located a few miles south of Menomonie.

The wind does not always blow and the sun does not always shine however. So, it is important to have reliable baseload generation too. The regulatory process for the Nemadji Trail Energy Center, a 550-megawatt natural gas generating plant is moving forward. Construction of the plant is expected to begin in 2022 with the first electricity generated in 2024 or 2025.

## Transmission

Maintaining a strong transmission system is vital for the reliable delivery of electricity.

Dairyland's 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.

Dairyland is also partnering with other utilities to strengthen the transmission grid in our region. Projects, such as the CapX2020 line running from the Twin Cities to Rochester to La Crosse and the Badger-Coulee line from La Crosse to Madison improve reliability and add value for members.

Strategic planning provides direction for Dairyland. Resources are being directed to new initiatives to provide more value to Dairyland's members. I am pleased to report that Dairyland is financially and operationally strong. And I assure you that Dairyland continues to plan to reliably and sustainably meet Dunn Energy's future electricity needs.

*Tom Zimel*

**Dunn Energy Cooperative**