

## NOTICE OF ANNUAL MEETING

### DUNN ENERGY COOPERATIVE MENOMONIE, WISCONSIN

The 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 AM**

with dinner after registration. The meeting will begin at 1 p.m. on Saturday, March 21, 2020 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:** 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 20, 2020.

**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)**

## 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

The National Rural Electric Cooperative Association (NRECA) is the organization that encompasses all electric cooperatives nationwide, like Dunn Energy. They lobby for us in Washington, D.C., set policy, and more importantly, provide director education across a wide range of topics.

The first educational opportunity a director has available after being elected is the Credentialed Cooperative Director (CCD) program. This program consists of five courses that focus on basic governance and the essential skills required of Cooperative directors. The CCD prepares directors to fulfill their fiduciary duty as elected officials serving on behalf of their membership.

Upon the completion of all five CCD courses, directors are awarded the Credentialed Cooperative Director certificate by the NRECA. Currently, eight of our directors have their certificate, with our newest board member currently taking the courses.

The first course, "Director Duties and Liabilities", covers an overview of today's electric utility's business and the legal and regulatory issues that affect utilities. It also covers key legal documents, such as articles of incorporation and bylaws, as well as the role of management and effective relations with the CEO. The next course is "Understanding the Electric Business", which covers the function and cost of generation, transmission, and distribution of electricity. The course also examines current and emerging technologies, distributed generation, environmental issues, and national policies and the board's role to ensure a safe work environment.

"Board Operations and Process" is a course that focuses on the legal requirements for holding board meetings and also on the human factors and group processes that make meetings productive and effective.

The fourth course is "Strategic Planning" and teaches directors on how to participate effectively in strategic thinking and planning processes. The Board has the ultimate responsibility for ensuring and evaluating the long-term health of the cooperative.

The last course, "Financial Decision Making", helps the director identify key financial decisions boards must make and understand allocating and retiring capital credits. It also digs into rate-making basics, key financial documents, and key ratios used in cooperative finance.

All of these courses are taught by instructors that have many years of experience in their field of expertise and are very familiar with the cooperative business model. Each course takes one day of the director's time. These courses, and many others that NRECA offers, help your directors to better serve the members of Dunn Energy. Trends in the electric industry are always changing and it is good to have the education to keep us informed and prepared to make the right decisions.

Thank you and if any of you have questions, please ask us.

*Larry Amble*

# Balance Sheet

## DUNN ENERGY COOPERATIVE DECEMBER 31, 2019 AND 2018

	<b>2019</b> <b>(Unaudited)</b>	<b>2018</b> <b>(Audited)</b>
<b>ASSETS</b>		
<b>PLANT</b>		
Utility Plant	\$ 61,862,624	\$ 60,199,617
Less: Reserve for Depreciation	(13,949,293)	(13,039,484)
Net Utility Plant	47,913,331	47,160,133
<b>INVESTMENTS</b>		
Investments in Associated Organizations	10,824,835	10,362,893
Other Investments	70,078	-
Total Investments	10,894,913	10,362,893
<b>RESTRICTED CASH</b>		
	-	100,000
<b>CURRENT ASSETS</b>		
Cash and Temporary Investments	192,786	265,596
Accounts Receivable - Less Reserve	2,549,661	2,326,293
Materials and Supplies	531,034	787,493
Interest Receivable	2,926	2,942
Prepayments	83,311	98,151
Total Current Assets	3,359,718	3,480,475
<b>DEFERRED DEBITS</b>		
	437,681	467,259
<b>TOTAL ASSETS</b>	<b>\$ 62,605,643</b>	<b>\$ 61,570,760</b>
<b>EQUITIES &amp; LIABILITIES</b>		
<b>EQUITIES</b>		
Patronage Capital Credits Assigned	\$ 22,830,741	\$ 21,888,269
Other Equities	6,905,648	6,844,021
Current Year Patronage	1,317,842	1,706,638
Total Equities	31,054,231	30,438,928
<b>LONG TERM LIABILITIES</b>		
	25,205,332	25,792,742
<b>CURRENT LIABILITIES</b>		
Notes Payable	3,340,000	2,300,000
Accounts Payable	1,675,500	1,729,346
Consumer Deposits	114,095	108,845
Other Current and Accrued Liabilities	656,881	628,704
Total Current Liabilities	5,786,476	4,766,895
<b>DEFERRED CREDITS</b>		
	559,604	572,195
<b>TOTAL EQUITIES AND LIABILITIES</b>	<b>\$ 62,605,643</b>	<b>\$ 61,570,760</b>

# Statement of Operations

## DUNN ENERGY COOPERATIVE FOR THE PERIODS ENDING DECEMBER 31, 2019 AND 2018

	2019 (Unaudited)	2018 (Audited)
<b>OPERATING REVENUES</b>	<u>\$25,129,986</u>	<u>\$25,148,413</u>
<b>OPERATING EXPENSES</b>		
Cost of Purchased Energy	17,028,603	16,603,886
Distribution Expense - Operation & Maintenance	2,549,735	2,480,700
Consumer Accounting and Collection	322,741	322,797
Consumer Informational & Advertising	168,919	166,064
Sales Expense	82,542	65,552
Administrative and General Expenses	1,310,192	1,278,514
Total Operating Expenses	<u>21,462,732</u>	<u>20,917,513</u>
<b>OPERATING MARGINS BEFORE FIXED EXPENSES</b>	<u>3,667,254</u>	<u>4,230,900</u>
<b>FIXED EXPENSES</b>		
Depreciation Expenses	1,840,907	1,747,729
Tax Expense	258,434	272,570
Other Operating Deductions	14,237	11,511
Interest Expense - Other	70,007	36,835
Interest on Long Term Debt	1,035,491	1,096,976
Total Fixed Expenses	<u>3,219,076</u>	<u>3,165,621</u>
<b>OPERATING MARGINS AFTER FIXED CHARGES</b>	448,178	1,065,279
Other Patronage Capital or Margins	709,896	415,059
<b>NET OPERATING MARGINS</b>	<u>1,158,074</u>	<u>1,480,338</u>
Non-Operating Margins	159,768	226,300
<b>TOTAL PATRONAGE CAPITAL &amp; OPERATING MARGINS</b>	<u>\$ 1,317,842</u>	<u>\$ 1,706,638</u>

Dunn Energy Operating Margins	560,758	1,179,379
Dairyland Power Margins	597,316	300,959
Dunn Energy Non-Operating Margins	<u>159,768</u>	<u>226,300</u>
<b>TOTAL PATRONAGE CAPITAL &amp; OPERATING MARGINS</b>	<u>\$ 1,317,842</u>	<u>\$ 1,706,638</u>

### AUDIT REPORTS

Each year the Rural Development Utilities Program (R.D.U.P.), the National Rural Utilities Cooperative Finance Corporation (CFC), and CoBank require an independent audit be made of the Cooperative's records. Our most recent audit was completed for the period ending December 31, 2018.

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 RDUP, CFC, and CoBank and are available at the office of the Cooperative.



# General Manager's Report

It was a year of change for the cooperative in 2019. We said goodbye to our long-term General Manager, James Hathaway, who retired in early 2020 after nearly 30 years with the Cooperative. We thank Jim for his service and wish him a well-deserved retirement. I was honored to be chosen to lead this Cooperative going forward, and I'm excited about working with our members, employees, and the board of directors on the future of Dunn Energy.

Dunn Energy had an interesting year, due mainly to the fact that the weather plays such a critical role in our business. Interesting, not only from an outage standpoint, but also in terms of sales and corresponding revenue.

We started 2019 strong with sales above budget from the cold winter we experienced. Summer, however, was a different story. For the most part we had a cool wet summer which resulted in lower air conditioning and irrigation sales. With lower-than-budgeted summer sales and a larger-than-budgeted power cost increase from our power supplier, we had to implement a slight rate adjustment in September to keep our rates in line with our costs. Total annual sales and revenue were slightly below budget. Fortunately, several other expenses were under budget which offset some of that impact.

All in all, the Cooperative completed our normal maintenance projects, returned capital credits back to our members, and still netted very adequate margins in 2019. For 2020 we are not forecasting a rate adjustment but, as I mentioned above, the weather will play an important role in that decision.

Operationally I am happy to report that, on average, accounts had power 99.95% of the time in 2019. The weather caused some storm related outages with the Wheaton area tornado in the fall. Our thoughts are still with those affected by this storm. Our office staff and line crews worked many hours to talk with members and get power restored around our service territory after that storm. Our staff of 26 dedicated employees are passionate about restoring power after an emergency.

We continued our line maintenance, brushing, and service upgrade programs. We also completed our meter upgrade project in 2019, changing out over 10,000 meters in the last few years. These investments all have the same objective, to deliver you more reliable service and better information about your energy bill.

Looking ahead, 2020 will again be a year of change at Dunn Energy Cooperative. With me taking over as General Manager/CEO that meant some additional staff changes/realignment at the Cooperative. I am proud of the staff I work with. They are dedicated to serving you, our members. I am excited to watch them take on new leadership opportunities and continue to provide you the service you deserve. We will look to strategically plan for the future, using technology, partnerships, and hard work to continue the success of your Cooperative.

As I wrote in one of my first articles, our commitment to you and the communities that we serve is one of our founding principles. That commitment hasn't changed for over 80 years and you have my promise that it never will. Thank you for the chance to serve your energy needs in 2019 and I look forward to seeing you at the annual meeting on March 21st.



# Dairyland Power Report

## 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.

*Future Ready* priorities that focus on enhancing efficiency today and positioning Dairyland for future success include:

**Sustainable Generation Plan** – A strategic effort to ensure Dairyland is best positioned to serve our members for generations to come. Dairyland is preparing for the transformation of energy resources by developing power supply plans, determining future energy mix and anticipating members' long-term needs.

**Systems Modernization** – 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 for our future workforce. The goal is to ensure Dairyland has the right people with the right skills, in the right places to achieve success.

Along those lines, several decisions in 2019 and early 2020 will impact Dairyland for years to come. In early 2020 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.

Dairyland also 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 sun doesn't shine and the wind doesn't blow. 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.

Strategic planning will guide Dairyland to be *Future Ready* and provide *safe, reliable* and *sustainable* electricity that remains *affordable* for members of Dunn Energy Cooperative.

