

highline



MARCH 2018

NEWS FROM YOUR FRIENDS AT PEOPLE'S ENERGY COOPERATIVE



POWERING **COMMUNITIES**, POWERING LIVES



**People's Energy
Cooperative**

Your Touchstone Energy® Cooperative 

- 2017 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.

THE 2017 PEC EMPLOYEES & BOARD OF DIRECTORS **SERVING 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 

81st Annual Meeting Notice March 22, 2018 • Rochester International Event Center

– MARK YOUR CALENDARS & SAVE THE DATE –

People's Energy Cooperative's Annual Meeting will be held Thursday, March 22, 2018, at the Rochester International Event Center at 7333 Airport View Drive SW, Rochester, Minnesota. Registration begins at 6:00 p.m. The one-hour business meeting will begin at 7:00 p.m. with appetizers served prior to the meeting.

THE OFFICIAL ORDER OF BUSINESS AT THE ANNUAL MEETING:

Welcome, Announcements, & Introductions	Gwen Stevens, <i>Director of Member Relations</i>
Invocation	Kenneth Wohlers, <i>Secretary/Treasurer</i>
Pledge of Allegiance	Kenneth Wohlers, <i>Secretary/Treasurer</i>
Announcement of Quorum	Jerome Wooner, <i>Board Chair</i>
Call to Order and Meeting Rules	Jerome Wooner, <i>Board Chair</i>
Approval of 80th Annual Meeting Minutes	Kenneth Wohlers, <i>Secretary/Treasurer</i>
Financial Report	Kenneth Wohlers, <i>Secretary/Treasurer</i>
Remarks	<i>Board Chair & President/CEO</i>
Retirement Recognition	Jerome Wooner, <i>Board Chair</i>
Introduction of Director Candidates	Elaine J. Garry, <i>President/CEO</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.

COVER PHOTO: *Courtesy of the City of Stewartville.*



I am pleased to report that People’s Energy Cooperative (PEC) had another great year.

As you will read later in this report, we continue to be a **FINANCIALLY SOUND** cooperative and our **SERVICE QUALITY** continues to improve which are two of our **STRATEGIC GOALS**.

Your Board of Directors continued to work hard on your behalf in 2017. As we do every year, all Board Guidelines and Policies were reviewed and revised as needed to ensure we remain current and clear in the expectations we set for Elaine and our employees.

For the past couple of years, cooperatives across Minnesota worked with our state legislators to successfully pass legislation in 2017 that allowed cooperative boards to be responsible for oversight of distributed generation (i.e. solar and wind generation). This responsibility was formerly with the Public Utilities Commission (PUC). Now, the Board you elected to represent you has the authority to set policy and resolve issues as it relates to distributed generation. What does this mean? It means that members must follow the Cooperative’s rules which are basically the same as the PUC’s. The exception is that now if a member has a dispute regarding distributed generation policies or fees, they must follow the Cooperative Dispute Resolution Process.

When we talk about “powering communities” we mean more than providing electrical power – we mean utilizing resources available to us to help our communities thrive. As such, the Board approved \$300,000 in economic development revolving loans to help three area businesses; two new businesses and one expanding business. This loan fund originated from a grant from the USDA’s Rural Economic Development Loan and Grant program (REDLG). As loans are paid back, we continue to provide gap financing to businesses in our service territory.

We continue to work with both of our power suppliers, Dairyland Power Cooperative (DPC) and Interstate Power and Light (IPL - aka Alliant Energy)

to keep rates affordable. Our power costs from IPL are set based on the contract we signed with them in 2015; a Federal Energy Regulatory Commission (FERC) approved rate. DPC, however, is a cooperative like we are. That means we have the opportunity to weigh in on decisions made every month at DPC when our representative, Gene Miller, attends the Board meetings.

Speaking of Gene, please join me in thanking him for his 34 years of service to PEC and also for serving 19 years on the DPC Board of Directors. Gene has demonstrated the Cooperative Principles for as long as I have known him and has served our members well. As he retires this year, I wish him well.

Last, but certainly not least, I also thank our employees for all they have achieved this year – all to power your community and your life.

Sincerely,

Jerome H. Wooner

Jerome Wooner, Board Chair
jwooner@peoplesrec.com





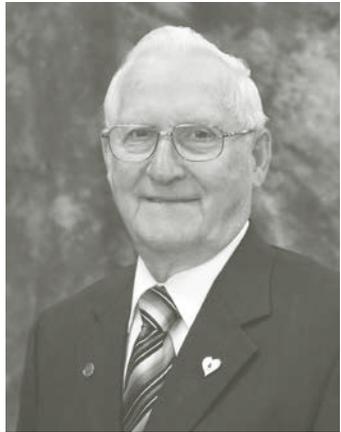
Each year I work at the Cooperative I become more attached to it and *PROUDER* of the people I work with. Over the years, the Board and staff have *WORKED HARD* and made tough, *STRATEGIC* decisions. It's *REWARDING* to see the fruits of that labor.

In 2013, the Board set bold goals for us that relate to controlling costs, maintaining rates, improving reliability, increasing member satisfaction and ensuring employee safety. Goals that were/are achievable, but a stretch to accomplish by the end of 2018. The following highlights some of the accomplishments in 2017; many of which will help us reach those goals.

- **WITH ONE EXCEPTION**, our system maintenance programs are on-target. This is important as proper maintenance ensures the longevity and reliability of the system. This on-going work has helped us surpass our reliability goal by achieving 99.988 percent. That means on average, members were without power for a total of only one hour in 2017.
- **WE BUILT OR REBUILT 26.91 MILES** of electric line and replaced 705 poles that were determined to be failing.
- **WE FINISHED INSTALLING** the new automated meters throughout our service area which enables us to better manage the system and provides members with more detailed information about their energy use. The new meters allow us to utilize Meter Data Management System (MDMS) technology that enables us to ensure meter data is accurate and utilize the data to proactively identify issues before problems occur.
- **iVUE CONNECT WAS IMPLEMENTED** which integrates various data points from our system so member service representatives can serve members more thoroughly and efficiently.
- **PEOPLE'S COMMUNITY SOLAR** went live on January 1, 2017, and members have purchased the output from over 60 percent of the panels.

- **MEMBERS RECEIVED \$282,500** in the form of rebates for purchasing energy efficient products. These efforts helped us meet the Minnesota Conservation Improvement Program (CIP) requirement of 1.5 percent energy savings over the previous year.
- **OPERATION ROUND UP GRANTS** passed \$100,000 for the first time this year thanks to the members who participate in the program. Since May 2003, participating members have donated \$816,935 to local charities and communities. Thank you!
- **EMPLOYEES CONTRIBUTED \$3,025** to local charities through a "blue jean Friday" project.
- **MEMBER BOB BARDWELL** of rural Stewartville won the national #WhoPowersYou contest sponsored by Touchstone Energy for his on-going commitment to serving others.
- **WE SOLD 22 ACRES OF LAND** in Oronoco Crossings, the development our headquarters is located in, and will gain three new neighbors in 2018. We also sold another lot in the Elgin Business Park.
- **WE BECAME PART OWNERS** in Carr's Tree Service, a company that has been providing us with right-of-way clearing services for many years. Now, a percentage of profits from Carr's will come back to PEC as revenue.
- **IN MARCH**, Southern Minnesota Energy Cooperative (SMEC) was awarded the Cooperative Purpose Award for the Alliant service territory acquisition.

I recently listened to an update about amazing work happening in developing countries to electrify small communities and rural areas. This caused me to consider the definition of community. Is it the small town or rural area we live in? Is it southeast Minnesota? Is it the United States? Or, is it our world? I believe it's all of the above! *(continued on page 7)*



DAIRYLAND POWER

COOPERATIVE

SAFE, SUSTAINABLE, RELIABLE & AFFORDABLE

The homes and businesses of People's Energy Cooperative members are powered with more wind and solar renewable energy in 2018 than ever before. And we're not done yet. Dairyland Power Cooperative, one of our wholesale power providers, is implementing a long-term plan that includes more sustainable energy.

DIVERSIFYING RESOURCES: Solar energy was a highlight in 2017, as 15 solar projects came online throughout the Dairyland system. Together, these facilities total 20 megawatts (MW) and can produce enough renewable energy to power over 3,000 homes. Pollinator gardens also provide bee and butterfly habitat.

Wind generation is growing too. In early 2017, Dairyland agreed to purchase energy from the Barton Wind Farm in Kensett, Iowa. Energy from the 80 MW wind farm can power more than 19,000 households.

The 98 MW Quilt Block Wind Farm began operation last fall. Dairyland purchases the energy produced from Quilt Block, located in Lafayette County, near Platteville, Wisconsin. The project will power more than 25,000 households. Dairyland's involvement in Quilt Block earned regional recognition recently as RENEW Wisconsin's 2017 Renewable Energy Project of the Year.

Last June, Dairyland and Minnesota Power/ALLETE (Duluth, Minnesota) announced plans for a 525-550 MW combined cycle natural gas facility near Superior, Wisconsin. We consider the Nemadji Trail Energy Center to be renewable-enabling by providing power when the sun doesn't shine or the wind doesn't blow. It will be an economic and efficient long-term resource.

STRONGER TOGETHER: Dairyland member cooperative directors, management and staff gathered together in early 2018 to discuss the extension of the Wholesale

Power Contract (WPC). The contract began with the formation of Dairyland in 1941, and runs through 2055. It is a long-term commitment among Dairyland's 24 member cooperatives to meet mutual energy needs.

In a proactive initiative to ensure safe, reliable and affordable electricity for future generations, a WPC Task Force was formed. Comprised of board members and cooperative managers (including Elaine Garry), with staff support, the Task Force recommended a five-year extension of the WPC, with two-year automatic extensions unless notice is provided.

COMPETITIVE AND FINANCIALLY STRONG:

Ensuring rates and services are competitive is critical to the economic well-being of the region. The Board approved an increase of 1.58 percent on the average wholesale rate in Dairyland's 2018 budget, effective May 1 – well below the rate of inflation. (*Special Note: People's Energy Cooperative did not pass this increase through to members.*) Efficiency improvements and wise management of controllable costs and risks are priorities. Dairyland is also investing in prudent transmission opportunities that improve reliability and add value for members.

Maintaining financial strength and competitive access to capital are critical. Dairyland is working with members to support economic development opportunities that will help communities grow by adding businesses and jobs that benefit the entire system.

SAFE AND RELIABLE: The safety of employees, members and the public is a foundational value in all operations. Dairyland continues to educate, promote and maintain a safety focus as they strive for a goal of "zero incidents." These efforts are resulting in improved safety metrics.

Dairyland experienced some operational challenges in 2017. Despite these challenges, both G-3 and JPM achieved "World Class Status" for their minimal forced outage rates due to boiler tube failures in 2017.

As Dairyland tracks operational performance at its plants, lowering forced outage rates is a key objective. Safety is also enhanced, as a reduction in forced outage rates minimizes potential hazards.

Each year, Dairyland constructs, upgrades or rebuilds approximately 50 miles of 69-kilovolt (kV) transmission lines to improve service and reliability. Dairyland works closely with the local member cooperative, landowners, local officials and state departments of natural resources to meet their expectations during the construction of these projects.

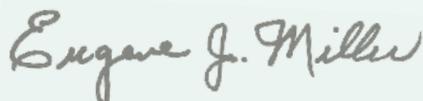
In April 2017, Dairyland completed rebuilding the final segment of a transmission line that extends 71 miles from Genoa, through La Crosse, to Alma, Wisconsin. Wood structures built in the 1950s were replaced by steel poles that carry a life expectancy of 100 years.

Working jointly with other utilities in regional transmission projects supports Dairyland's business strategies for operational excellence, as well as growth. Dairyland is an 11 percent owner of the CapX2020 Hampton-Rochester-La Crosse 345 kV line, which was completed in 2016. Dairyland is participating in two additional regional 345 kV transmission projects. One is 5 percent ownership in a portion of the Badger-Coulee Project (*La Crosse to Madison*), scheduled to be in service in 2018. The other is 9 percent ownership in the Cardinal-Hickory Creek project (*Madison, Wisconsin to Dubuque, Iowa*), which is going through the permitting process, with anticipated decisions from regulators in 2019-2020.

EXCEEDING MEMBERS' EXPECTATIONS is Dairyland's vision. As your director, I am pleased to share that Dairyland is financially and operationally sound. Their goal is to provide People's Energy with safe, reliable, sustainable and affordable electricity today and in the future.

I am proud to have served on the Dairyland Board for the past 19 years and will always treasure the friendships I've made with others in the Dairyland system.

Sincerely



Eugene Miller, Dairyland
Board Representative
gmiller@peoplesrec.com

GENE MILLER WILL BE RETIRING
from his seat on the People's Energy Cooperative Board of Director's at the Annual Meeting on March 22; a seat he has held since 1984. In June, his term on the Dairyland Board will come to an end as well.

Gene is a retired dairy farmer, dedicated family man and civic servant. He and his wife, Darlene, have been married for over 60 years and are blessed with eight children (*five daughters and three sons*), 24 grandchildren and 18 great-grandchildren. If you want to see Gene's eyes twinkle, just ask him about his family. They are the love of his life!

With a heart for service, Gene has lived the Cooperative Principle of "Concern for Community" throughout his tenure on the Board and by serving on other boards. He has served on the boards of his church (*Immaculate Conception Catholic Church*), Highland Township and Plainview Milk Products Cooperative. Whenever Gene has a jacket on, you'll see him wear a heart-shaped pin with the number of gallons of blood he's donated over the years. He's close to 19 gallons!

When asked what his most memorable moments are, he stated the Cooperative's acquisition of Alliant's service territory in 2015 and when Dairyland won a lawsuit against the US Government over the spent nuclear fuel storage agreement for the Lacrosse Boiling Water Reactor.

As Gene retires from his duties as a Board member, we hope he'll have more free time to read books (*he loves a good Western*) and make more beautiful creations out of wood for family and friends.

Best wishes Gene, and thank you for your dedicated service!

Minutes from the 80th Annual Meeting

ROCHESTER INTERNATIONAL EVENT CENTER, MARCH 22, 2017

The 80th Annual Meeting of the stockholders (hereinafter referred to as “members”) of People’s Energy Cooperative was held at the International Events Center in Rochester, Minnesota, on March 22, 2017, pursuant to the notice mailed to each member of the Cooperative at least fifteen (15) days prior to 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.
- Board Chair Jerome Wooner announced that there were sufficient members present (453 registered members) to constitute a quorum. Therefore, the meeting was officially called to order at 10:00 a.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. The minutes of the Annual Meeting of April 16, 2016, 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 Cooperative Principle 6, Cooperation Among Cooperatives. He shared examples of how the Cooperative has lived out this principle including the formation of Minnesota Three LLC and Southern Minnesota Energy Cooperative (SMEC). He also talked about the Cooperative’s economic development efforts and charitable giving through Operation Round Up.
- Elaine Garry, president and CEO, spoke to the membership about the impact of the Alliant acquisition and how the efforts made by employees and Directors made the acquisition happen. She also spoke about the ‘local democracy’ legislation and asked members to contact the Governor and ask him to reconsider his veto of the bill. The CEO’s report closed with a reminder for members to consider participating in People’s Community Solar and by thanking members for their patronage and support.
- The Nominating/Credentials Committee and candidates running for election to the Board of Directors were introduced.
- Dan Berndt, attorney with the Dunlap & Seeger Law Firm, was called upon to announce the results of the director election. Elected to the Board of Directors for three-year terms were Robert Hoefs from District 3, Jerome Wooner from District 5, and Jeff Orth from District 7.
- As the business meeting concluded, Mr. Wooner asked for any old, unfinished, or new business. There was none.
- The 80th Annual Meeting of People’s Energy Cooperative was adjourned at 11:02 a.m.
- Mr. Wooner opened the meeting to questions.



Board Elections

AND BYLAW AMENDMENTS

In addition to voting for board members, the Board is asking you to approve new language added to Section 4.2 which addresses the qualifications and tenure of board members.

The language added to item (b) makes it clear that members with small distributed generation facilities are eligible to serve on the Board even though they may sell electric energy to the Cooperative. Items (e) and (f) were added to protect the Cooperative and ensure directors have the best interest of the whole Cooperative as their motive for serving on the Board. The proposed additions follow in green.

Section 4.2: Qualifications and Tenure. Each director shall be a member of the Cooperative and shall be elected by the members at their annual meeting for a three (3) year term. Two or more directors shall be elected at each annual meeting. There shall be a director from each geographical area of the Cooperative, as determined from time to time by the Board of Directors. The nominees receiving the highest number of votes cast in each geographical area shall be elected. In the case of a tie vote, the winner shall be determined by a flip of a coin. A director elected for a fixed term of office may continue to serve until the expiration of such fixed term.

(a) A director shall maintain a homestead for tax purposes located within the geographical area which the director represents, and shall receive electrical service from the Cooperative at his/her homestead.

(b) No director shall be employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to the Cooperative, **except a member shall not be disqualified because he or she has an interest in a small distributed generation installation (as defined from time to time by the**

Board of Directors) which energy may qualify for reimbursement in part by this cooperative under applicable rate schedules.

(c) No director shall have been an employee of the Cooperative during the five (5) years preceding his/her election to the Board.

(d) A director shall not be a close relative of an incumbent director or of an employee of the Cooperative at the time of his/her election to the Board. A close relative of a Board member shall not be hired as an employee of the Cooperative. A close relative is defined as the person related to a Board member as a spouse, child, parent, brother, sister, aunt, uncle, nephew, or niece, whether by blood or through the director's spouse.

(e) No director shall have been convicted of a felony or of any other offence involving a breach of trust while serving as director or at any time within the five-year period preceding an election for which a person is seeking a position on the Board.

(f) No director shall have been a party to litigation against the Cooperative or any of its directors or employees in their official capacity while serving as directors or employees at any time preceding the director election or appointment.

Nothing in this section shall be construed to affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

CEO REPORT: ELAINE J. GARRY *(continued from page 3...)*

Our communities were powered over 80 years ago by people who recognized the benefit of cooperating together to build a needed service. Today, those efforts are happening in other countries based on the cooperative model and with the support of Cooperatives like PEC. Yet another reason why I'm so excited to be part of the rural electric cooperative family. I am so blessed to work with great cooperative partners, a fantastic Board of Directors and employees who are great at what they do and dedicated to powering the communities we serve and our members' lives!

Sincerely,



Elaine J. Garry,
President & CEO

egarry@peoplesrec.com

2017 BOARD CANDIDATES, DISTRICTS 2 & 4



District Two

Kenneth Wohlers, Incumbent
By Nomination • Hayfield, MN
Cooperative Member for 41 years

Personal: I was born and raised in Lake City, MN. I served in the U.S. Navy in the finance department and worked in the accounting field for many years. In 1997, I began farming the family farm near Hayfield. I'm a member of the Hayfield American Legion and a past Commander. I'm also a past member of the National Association of Accountants, Hayfield School Board and Vernon Township supervisor. I've served on the People's Energy Cooperative (PEC) Board for 15 years; serving as secretary and treasurer for the past 11 years.

Occupation/Career/Education: I graduated from Winona State University with majors in Accounting and Business Administration. My many years as an accountant and farmer have served me well as the Cooperative's finances have become more complex over the years. I attend as many cooperative-related meetings as I can to stay informed of the ever-changing energy environment. I have completed the requirements necessary to become a Credentialed Cooperative Director and receive a Board Leadership Certificate and Gold Leadership Certificate. Recently, the PEC Board voted for me to represent PEC on the Dairyland Power Cooperative (DPC) Board of Directors and I have been attending DPC Board meetings to gain knowledge and experience.

Leadership Positions: In addition to my role on the PEC Board, I have also served as the Commander of the Hayfield American Legion, Vice-chair for the Hayfield School Board, Vernon Township Supervisor, and endowment committee member and many other positions on our church council.

What issues do you see the Board dealing with in the future? We need to continue: 1) working with our legislators to ensure fair net metering and stray voltage legislation is adopted; 2) to provide the best possible service at a fair and reasonable cost; 3) a smooth and welcoming transition for the former Alliant customers; and 4) to recognize PEC employees for their dedication, hard-work and contributions as well as provide opportunities for them to grow and excel.

What talents/attributes/qualities would you bring to the Board? I attend all Board meetings fully prepared and especially like spending time reviewing the financial information. I listen to all discussions and make my decisions on what is best for the members and Cooperative. I listen to and respect all Board members' opinions and the Board's decisions.

Why would you like to be elected to the Board? I would like to be re-elected to the Board to continue serving the members and Cooperative as I have the past 15 years.



District Two

Tony Bauer
By Nomination • Hayfield, MN
Cooperative Member for 18 years

Personal: My wife and I have lived in the Hayfield area for the past 19 years along with our four teenage children. Most of our free time is spent exhibiting cattle at local, regional and national dairy cattle shows. I enjoy volunteering with 4H programs and the MN Junior Brown Swiss club.

Occupation/Career/Education: I graduated from the University of Minnesota with a degree in Ag Industries and Marketing with an emphasis in Dairy Science. Post graduation, I worked in agri-business for numerous years. Thirteen years ago, I retired to embark on the best profession: raising kids, cows and corn. I'm proud to have raised an FFA MN State Star in Agriplacement award winner and to have helped my daughter breed and raise a World Dairy Expo winner and All-American cow.

Leadership Positions: Most recently, I was elected to the Vernon Township Board. I am in my fourth year on the Board and third term as Chair. During my tenure, we have completed significant projects including the construction of a new equipment shed.

What issues do you see the Board dealing with in the future? I think the biggest future concern of PEC is the same as other businesses face: quality workforce. Our region enjoys a very low unemployment rate. We have significant large businesses that are somewhat sheltered from economic highs and lows. Our challenge will be recruiting, training and retaining the type of quality workforce we have grown accustomed to at PEC. Fortunately, we also have the benefit of quality post-secondary education in our region. I can see opportunities for PEC to work with our local learning institutions to recruit and develop our future skilled team members.

What talents/attributes/qualities would you bring to the Board? The easily quantified attributes are my contacts and accomplishments from Township Board. However, the most important qualities I bring are being a good listener and creative problem solver. These qualities are not easily measured on paper, but are crucial when representing others and facilitating decision making within a large entity.

Why would you like to be elected to the Board? I have a strong appreciation for the accomplishments of the past and wish to assist in precipitating positive changes as necessary in our future. I believe there is a continued importance to rural representation and openness to exploring alternative sources for our energy needs.



District Four

Tracy Lauritzen

By Nomination • Altura, MN
Cooperative Member for 13 years

Personal: My husband of 17 years, Damian, our 12-year-old son, Otto and I have lived near Whitewater State Park for 13 years. We enjoy staying active and being outdoors.

Occupation/Career/Educational: For the past 15 years I have been in management, marketing and business development. I have worked with a variety of organizations from HVAC to Engineering. I am committed to and passionate about bringing a higher level of ROI to the businesses I represent by utilizing my unique mix of salesmanship, business sense, marketing, and understanding of data and analytics. I recently launched, Krakerjak – a strategic marketing, sales, and analytics firm.

Leadership Positions: Professionally, I have served in many leadership positions, including General Manager of a retail and HVAC company, overseeing 65 employees across four locations in SE MN, and as a Senior Business & Marketing Strategist for a business analytics company. As a volunteer, I have served the March of Dimes as a director on their Board, Chair of their Signature Chef's Auction Committee, and as an honorary family at several events. I have been an active member on Journey to Growth's Regional Committee and the Rochester Area Builders Programming Committee.

What issues do you see the Board dealing with in the future? Sustaining excellent service, reasonable rates, and reliability are the critical issues the Board faces. A strategic plan and a proactive approach are necessary in key areas such as minimizing downtime and outages, timely maintenance, aging power infrastructure, identifying necessary upgrades for equipment, changing governmental regulations, growing the membership, and staying abreast to evolving technologies.

What talents/attributes/qualities would you bring to the Board? Throughout my career, I have worked with businesses to overcome unique challenges. I have been successful at: integrating business, marketing, and sales plans while keeping the needs of the members in focus; identifying and eliminating waste, based on measurable analytics; and recognizing and adapting to change.

Why would you like to be elected to the Board? I feel that it is important for the longevity of PEC that we expand relationships with other organizations and explore unique business opportunities. I would work to ensure the voice of the members is heard and that the Board is productive with its efforts. Although it may not be easy, the Board and staff can be creative to ensure member communication is expanded and that the relationships are positive. It would be a great honor to be a member of the PEC Board.



District Four

Richard "Rick" Hodny

By Nomination • Plainview, MN
Cooperative Member for 3 years

Personal: I was raised on a grain and beef cattle farm in North Dakota with four brothers and two sisters and attended the University of North Dakota in Grand Forks. Currently, I am the CEO/General Manager of High Plains Cooperative, a local consumer cooperative in Plainview and have held this position for the past 15 years. My wife Nancy and I have been married for over 40 years and we have two adult children and three grandchildren.

Occupation/Career/Education: I received a degree in Business Management from the University of North Dakota – Grand Forks. During college, I worked part-time in the shop of Farmers Union Oil Co. in Adams, North Dakota, a local farm supply cooperative. After college, I was asked to continue there as a full-time Agronomy Manager in 1976. I have also been a general manager of local farm supply cooperatives in Hampden and Park River, North Dakota.

Leadership Positions: I am currently a member of the Plainview Area Development Corporation, St. Joachim's Catholic Church (*serving as an usher and gift bearer*), and the Minnesota Cenex Manager's Statewide Association. I have always been involved in the communities that I have resided in. For example, I have served as a volunteer for local fire departments, churches, and development corporations. I have led as an LLC's board member, and various managers association officer positions. I currently serve on the PEC Member Advisory Committee as a representative from District Four.

What issues do you see the Board dealing with in the future? The cost of electricity, assets, and maintaining quality employees that have a good work ethic. Rural farms are increasing in size and usage, yet there continues to be less of them. Communication with this sector and identifying their needs is important. The younger generation is very tech savvy and looking for new types of technology to assist them.

What talents/attributes/qualities would you bring to the Board? I am, and have been, a member and employee of local cooperatives for over 40 years. As a general manager of a cooperative, I have a good understanding of the cooperative structure and business model.

Why would you like to be elected to the Board? As a patron, employee, and general manager of various cooperatives in North Dakota and Minnesota, I have the knowledge and understanding of the cooperative system. I have worked with boards of directors for over 40 years and feel my experience would bring value to the PEC Board.

2017

From The Treasurer:

I am pleased to present the 2017 financial results for People's Energy Cooperative.

The 2017 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 2017 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, 2017 & 2016

OPERATING REVENUES	2017	2016
	\$46,151,987	\$45,264,686
OPERATING EXPENSES		
- Cost of Power	\$26,962,562	\$26,308,191
- Distribution Expense - Operations	\$2,748,310	\$2,652,648
- Distribution Expense - Maintenance	\$3,520,426	\$3,459,767
- Consumer Accounts Expense	\$1,762,979	\$1,867,015
- Sales Expense	\$78,643	\$76,669
- Administrative and General Expense	\$2,250,240	\$2,215,137
- Depreciation Expense	\$4,588,800	\$4,419,906
- Other Deductions	\$20,076	\$17,929
Total Operating Expenses	\$41,932,036	\$41,017,263
OPERATING MARGINS <i>(before fixed charges)</i>		
	\$4,219,951	\$4,247,423
INTEREST ON LONG-TERM DEBT		
	\$3,301,985	\$2,803,501
OPERATING MARGINS <i>(after fixed charges)</i>		
	\$917,966	\$1,443,922
GENERATION, TRANSMISSION AND OTHER CAPITAL CREDITS		
	\$1,265,931	\$1,008,783
NET OPERATING MARGINS		
	\$2,183,897	\$2,452,705
NON-OPERATING MARGINS		
- Interest Income	\$624,076	\$317,665
- Other Non-Operating Margins	\$1,331,927	\$552,284
- Extraordinary Items	\$0	\$0
Total Non-Operating Margins	\$1,956,003	\$869,949
NET MARGINS		
	\$4,139,900	\$3,322,654

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

Balance Sheet

ENDED DEC. 31, 2017 & 2016

assets:
what we own

equities:
our net worth

liabilities:
what we owe

CORPORATE PROFILE

Incorporated on January 1, 1936, People's Energy Cooperative serves 18,853 members in over 22,459 homes and businesses through 2,980 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	2017	2016
UTILITY PLANT		
- Electric Plant in Service	\$151,782,526	\$145,628,173
- Construction Work in Progress	\$2,922,267	\$2,075,915
Total	\$154,704,793	\$147,704,087
- Less Accumulated Provision for Depreciation	(-)\$34,812,231	(-)\$33,442,296
Net Utility Plant	\$119,892,562	\$114,261,791
OTHER PROPERTY AND INVESTMENTS		
- Investment in Associated Organizations	\$17,272,921	\$16,406,423
- Other Investments	\$2,456,179	\$3,392,829
Total Other Property and Investments	\$19,729,100	\$19,799,252
CURRENT ASSETS		
- Cash and Cash Equivalents	\$3,949,341	\$4,443,289
- Accounts Receivable, Net	\$4,826,831	\$4,716,199
- Other Accounts Receivable, Net	\$131,050	\$157,695
- Materials and Supplies Inventory	\$720,022	\$616,376
- Other Current and Accrued Assets	\$243,551	\$1,088,028
Total Current Assets	\$9,870,795	\$11,021,587
DEFERRED DEBITS		
	1,169,198	\$1,319,886
TOTAL ASSETS	\$150,661,655	\$146,402,516
EQUITIES & LIABILITIES		
EQUITIES		
- Patronage Capital	\$28,999,874	\$26,623,403
- Other Equities	\$22,829,844	\$21,691,217
- Accumulated Other Comprehensive Margins	\$136,200	(-)\$100,300
Total Equities	\$51,965,918	\$48,214,320
LONG-TERM DEBT (less current maturities)		
	\$85,522,101	\$87,621,459
OTHER NON CURRENT LIABILITIES		
- Accrued Post Retirement Benefits	\$409,600	\$617,600
CURRENT LIABILITIES		
- Current Maturities of Long-Term Debt	\$3,435,493	\$3,115,771
- Notes Payable	\$0	\$0
- Accounts Payable	\$3,757,442	\$3,698,598
- Consumer Deposits	\$402,875	\$345,932
- Other Current and Accrued Liabilities	\$1,925,345	\$1,869,977
Total Current Liabilities	\$9,521,155	\$9,030,278
DEFERRED CREDITS		
	\$3,242,881	\$918,859
TOTAL EQUITIES AND LIABILITIES	\$150,661,655	\$146,402,516

2017

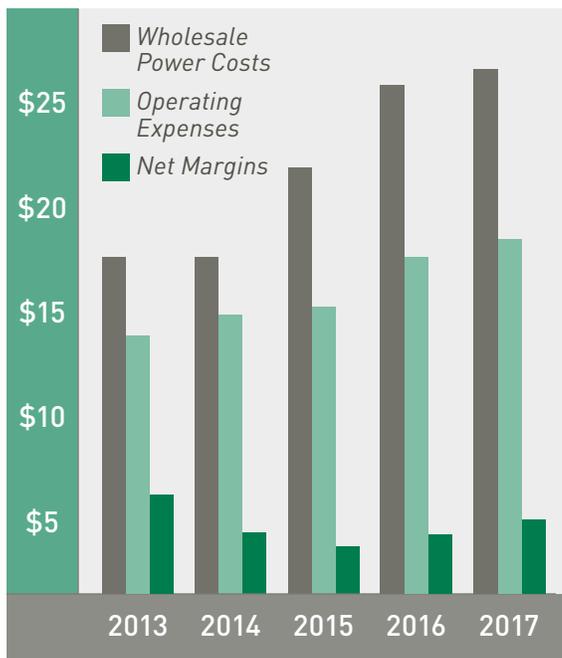
Financial Results (continued)

FINANCIAL DATA & FIVE-YEAR GROWTH COMPARISON

FISCAL YEARS 2017-2013	2017	2016	2015	2014	2013
TOTAL UTILITY PLANT	\$154,704,793	\$147,704,087	\$135,630,287	\$112,185,965	\$109,110,499
TOTAL REVENUE	\$46,151,987	\$45,264,686	\$37,564,272	\$33,337,015	\$32,329,108
COST OF PURCHASED POWER	\$26,962,562	\$26,308,191	\$21,987,184	\$17,463,369	\$17,466,514
TOTAL MARGINS	\$4,139,900	\$3,322,654	\$2,669,881	\$3,395,543	\$5,326,299
EQUITY RATIO (Equity/Total Assets)	34.5%	32.9%	33.1%	37.3%	35.9%
TOTAL INTEREST EXPENSE	\$3,304,667	\$2,806,061	\$2,646,650	\$2,669,428	\$2,695,076
INTEREST COVERAGE (TIER)	2.25	2.19	2.01	2.27	2.98
SERVICE INTERRUPTIONS (avg hours)	1.60	2.35	1.33	5.70	6.23
FULL-TIME EMPLOYEES	60	58	51	49	46
SERVICES IN PLACE	23,433	23,193	22,943	15,979	15,859
TOTAL MILES OF LINE (incl transmission)	2,980	2,970	2,978	2,682	2,681
KWH SOLD	345,269,130	346,442,407	279,447,683	239,738,922	232,004,338
CAPITAL CREDITS RETIRED	\$663,457	\$868,905	\$902,291	\$841,138	\$799,369

Financial Operating Trends

DOLLAR AMOUNT IN MILLIONS



Financial Report

People's Energy Cooperative Trust

FOR THE YEAR ENDED DECEMBER 31, 2017

STATEMENT OF FINANCIAL POSITION: NET ASSETS	
- Cash	\$57,664
- Accounts Receivable	\$8,304
- Accounts Payable	-\$0
Net Assets	\$65,968
STATEMENT OF ACTIVITIES	
REVENUE	
- Contributions	\$100,064
- Investment Income	\$0
Total Revenue	\$100,064
EXPENSES	
- Charitable Giving	\$103,446
- Change in Assets	\$3,382
NET ASSETS, BEGINNING	\$69,350
NET ASSETS, ENDING	\$65,968



People's Energy Cooperative

Your Touchstone Energy® Cooperative 

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

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People's Energy Cooperative

Your Touchstone Energy® Cooperative 

1775 Lake Shady Avenue South
Oronoco, Minnesota 55960

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DAIRYLAND POWER COOPERATIVE

ATTEND THE 77TH ANNUAL MEETING IN 2018!

People's Energy Cooperative will be traveling to La Crosse, Wisconsin, on **Wednesday, June 6**, to participate in Dairyland Power Cooperative's 77th Annual Meeting. A chartered bus will leave People's Oronoco headquarters at 7:30 a.m. and return around 4:00 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.

ANNUAL MEETING: MARCH 22, 2018

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 if you make your request by March 10th.

Please contact PEC at 507-367-7000 or memberservices@peoplesrec.com.

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