

POWER OF



mienergy™
COOPERATIVE

Your Touchstone Energy® Cooperative 

VISION

MiEnergy Cooperative is the trusted model of efficiency, innovation and member satisfaction.

MISSION

To be an industry leader in delivering reliable, high-quality energy services at reasonable prices with superior member service.

MiEnergy Cooperative

Notice of Annual Meeting of Members

The 2nd Annual Meeting of the Members of MiEnergy Cooperative will be held at the Mabel Community Center, 201 South Main Street, Mabel, Minnesota, beginning at 7 p.m., on April 18, 2018, to take action upon the following matters:

1. The reports of officers, directors, and committees;
2. All other business which may legally come before the meeting or any adjournment or adjournments thereof.

Consistent with the terms of the Plan of Merger approved by the Members in April of 2016, there will be no election of directors at this meeting. Absent a resignation, retirement, or other event causing a vacancy on the Board, the existing directors will continue to serve until the initial postmerger election, which will occur at the Annual Meeting to be held in 2020.

You are urged to attend the meeting, hear the reports of the officers and transact such other business as may come before the meeting.

Dated April 1, 2018
Dennis Ptacek, Secretary



MiEnergy Cooperative Board of Directors pictured from front row L-R: Don Petersen, treasurer, district 3; Dean Fisher, district 4; Charles Frana, district 4; Ron Stevens, vice chair, district 2; Roger Hegland, district 1; Dennis Young, district 3; and Carl Reicks, district 4. Back row L-R: Darla Rance, district 1; Skip Wieser, district 3; Jeff Redalen, district 1; Dean Nierling, chair, district 2; Jenny Scharmer, district 5; Dennis Ptacek, secretary, district 1; and Beth Olson, district 5.

Front cover L-R: Eric Friedrich, technician support specialist; Sara Krage, system design coordinator; Josh Carolan, apprentice lineworker; Kari Steele, member services representative; and Tim McConnell, custodial/general laborer.

The power of one

It is our pleasure to report to the membership on the first year of operation of MiEnergy Cooperative. To say it has been a busy year is an understatement. A tremendous amount of work and activity was taken by our cooperative employees and directors this past year and we are very proud of our accomplishments, and equally excited for our future.



Brian Krambeer
President/CEO



Dean Nierling
Board Chair

Refinement and improvement were the key focal points for 2017. Every aspect of our cooperative operation was reviewed and improved upon utilizing best practice guidelines. MiEnergy Cooperative started January 1, 2017, requiring the review of every cooperative policy, service and program to establish the MiEnergy way of business. This exclusive opportunity allowed us to look for efficiencies in our operations for the betterment of the membership — this is the power of one.

One Financially Strong Cooperative

MiEnergy Cooperative ended the year in a strong financial position with margins just over \$3.8 million. Our equity, debt service coverage and times interest earned ratios satisfied all the financial covenants of our lenders. Our independent auditor, Eide Bailly, provided us with a clean audit and an unqualified opinion upon review of our financial statements.

With our strong financial position, the board of directors approved the retirement of \$2,070,498 in members' capital credits in October. These capital credits were credited to active members' electric bills in October. We also approved \$40,000 of unclaimed capital credits to be awarded in scholarships to children of MiEnergy members for continued secondary education.



Returned over
\$2 MILLION
in capital credits



Making Investments

As your cooperative's stewards, we have the important responsibility to deliver reliable electric service to your home, farm or business 24 hours a day - seven days a week. We are living up to the mission through our staff of talented and dedicated employees that take great pride in meeting our members' needs. We also meet this responsibility through consistent planned investments in our electric distribution infrastructure.

Rural infrastructure is a key topic of discussion at our state capitals in St. Paul and Des Moines. It is also a topic of major discussion in Washington, D.C. We regularly hear about the dire need for repair and replacement of our nation's roads and bridges, yet funding is limited for these critical needs. We classify our electric distribution system as another key part of our rural infrastructure in northeastern Iowa and southeastern Minnesota. We are equally proud that our planning, budgeting and investing over the last decade have rewarded us with the ability to operate a solid and modern electric distribution system. This all translates to increased power reliability for our members.

One Powerful Future

It is important to note that the choices you make, have a direct impact on your cooperative and the decisions we make for our future operation. For example, a member's decision to purchase an electric vehicle or a solar distributed-generation system, install a wi-fi thermostat or purchase smart appliances all can, and will, impact the operation of your electric cooperative in the future.

Therefore, we must provide the retail electric rate to incentivize electric vehicle charging during the off-peak hours. We must establish policies and procedures to eliminate cross subsidization of rate classes and fairly compensate and reward member-owned generation. We must also aggregate the member investments in distributed generation, technology and smart appliances to reward not only the cooperative for avoided power costs, but the participating members for their participation.

Our future success depends upon our partnership with our membership to not only offer the rates and programs desired by our members, but using these resources to continue to expand energy efficiency, conservation and cost reductions.

A Look Into 2018

In the coming months, we look forward to providing member outage reporting via texting with optional outage restoral texts. Our outage map already displays power outages across the MiEnergy Cooperative system. Our second generation AMI (Advanced Metering Infrastructure) deployment is progressing and we are nearly 50 percent completed. The new metering infrastructure will allow more retail rate options for members, in addition to power quality and outage analysis reporting.

We are in the process of upgrading our meter data management program in 2018 that will populate our SmartHub member access portal/app to provide even greater detail to members on their electric use and help to identify opportunities for energy efficiency savings.

The 2018 operating budget included over \$2 million in vegetation management right-of-way clearing and treatment. Trees consistently are the leading cause of power outages all across our system. Combined with continued investment in our electric infrastructure, system reliability is expected to continue to improve.

Cooperative Support

We express our ongoing appreciation to the members of MiEnergy Cooperative for the opportunity to combine, create and build the electric cooperative of the future and to better serve the membership in the many years to come. It is the power of one.

Cooperatively,

Brian Krambeer
President/CEO

Dean Nierling
Board Chair



Providing electric service 24/7 to your home, farm or business since 1936





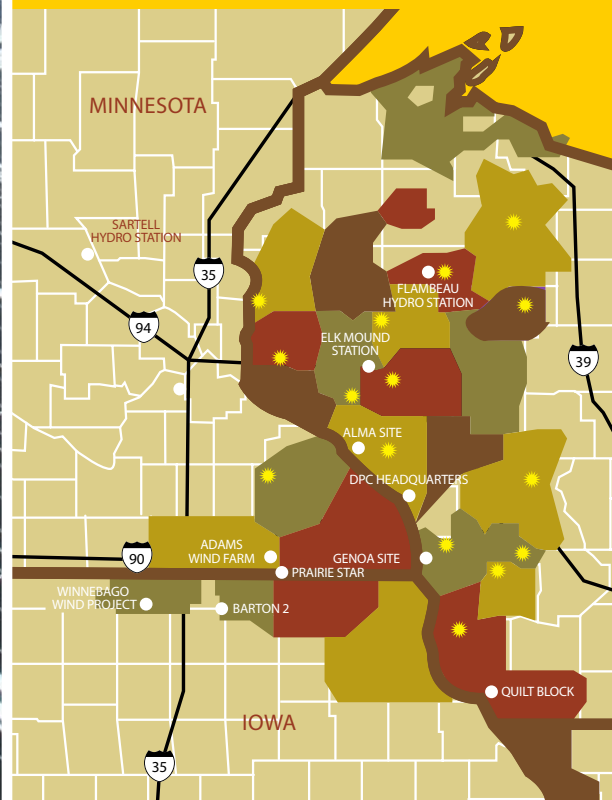
Power supply highlights

Dairyland Power Cooperative, MiEnergy's wholesale power provider, continues to implement a long-term plan that includes diversified generation resources and that aligns with the strategic guidance of the board and member cooperatives. Here are highlights from 2017:

- Fifteen solar projects came online in 2017 throughout the Dairyland system totaling 20 megawatts (MW) and producing enough renewable energy to power over 3,000 homes.
- Dairyland entered power purchase agreements with EDP Renewables for the output of the Quilt Block 98 MW wind power project near Platteville, WI and 80 MW of renewable energy from the Barton Wind Farm in Kensett, Iowa. These two resources power more than 44,000 households.
- Dairyland and Minnesota Power/ALLETE (Duluth, Minn.) announced plans for a 525-550 MW combined cycle natural gas facility near

Superior, Wis. The Nemadji Trail Energy Center is considered 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 and compliments renewable resources.

- Efficiency improvements and wise management of controllable costs and risks are priorities. Dairyland is investing in prudent transmission opportunities that improve reliability and add value for members. Dairyland is an 11 percent owner of the CapX2020 Hampton-Rochester-La Crosse 345 kV line, which was completed in 2016. Dairyland is also participating in two additional regional 345 kV transmission projects: five percent ownership in a portion of the Badger-Coulee Project (La Crosse to Madison), scheduled to be in service in 2018 and nine percent ownership in the Cardinal-Hickory Creek project (Madison to Dubuque), which is going through the permitting process, with anticipated decisions from regulators in 2019-2020.
- 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.
- Ensuring rates and services are competitive is critical to the economic well-being of the region. The board approved an increase of two percent on the average wholesale rate in Dairyland's 2018 budget, competitive with other wholesale generation and transmission cooperatives in the region.



Added **216 MW** of renewable energy (Enough to power 47,000 homes!)

TECHNOLOGY

Providing members **tools** for managing their energy use and keeping employees **safe & efficient** while on the job.

- Automated metering infrastructure
- SmartHub
- Online outage maps
- Job briefing safety app



GRASSROOTS

Lobbying on behalf of members for **reliable, affordable** electricity.

We don't just choose republicans or democrats, we work with all our elected officials for you.



LOCAL PARTNER

Educating and supporting the local communities we serve.

MiEnergy Cooperative 2017

5,532

miles of line maintained by
MiEnergy

18,722 members who belong
to the cooperative

3.38 average number of members served per mile of line

\$2,070,498

returned in capital credits to members

1,048

average number of
kilowatt-hours used each month
per residential member

82

employees work out of
the Cresco and Rushford
offices and
outposts in
Caledonia,
Harmony &
Spring Valley

336

number of
distributed
generation
systems in the
cooperative's
service territory

28%

of outages in 2017
were related to trees
making contact with
power lines

\$23,600

given as scholarships to
local high school students

\$9,350

given in Operation Round Up grants
to local worthy causes by participating members

605,189,397

number of
kilowatt-hours
sold to members

\$7,072 given as donations by
members to RECare

66%

portion of MiEnergy's budget
that goes towards purchasing
wholesale power

25,121 number of
electric
meters served

1st annual meeting minutes

The 1st annual meeting of the members of MiEnergy Cooperative was held at the Community Center in Mabel, Minnesota, at 7 p.m. on the 19th day of April, 2017.

Prior to the meeting a video was shown with a theme of "A New Legacy".

The meeting was called to order by Dean Nierling, chair, who presided, and Dennis Ptacek, secretary, acted as secretary of the meeting and kept the minutes thereof.

Nierling welcomed the members and special guests in attendance. He noted that the meeting would be conducted pursuant to the "Modern Rules of Order" and indicated there would be an opportunity for member questions following the CEO report.

An invocation was offered by Vice Chair Ronald Stevens. Nierling then led the members in reciting the Pledge of Allegiance.

Nierling introduced Ptacek, who noted that the notice of annual meeting had been mailed to all members and was printed in the Annual Meeting program. He read the Affidavit of Mailing of the Notice.

Nierling reported that the members present in person is a sufficient number of members to constitute a quorum.

Nierling introduced the board members, CEO Krambeer, Assistant Board Secretary Heather Larson, and Attorney Dennis Puckett.

Director Jenny Scharmer was introduced and she introduced guests who were in attendance, including representatives of neighboring cooperatives, the Iowa Association of Electric Cooperatives and key local business leaders.

Nierling noted that the minutes of the Special Meeting of the Members of Hawkeye REC and Tri-County Electric Cooperative held April 9, 2016, and the annual meetings of said entities held July 13 and 19, 2016, were mailed to the members in the annual meeting booklets. He recommended that the reading of these items be waived, and they be accepted as printed. A motion was then made, seconded and carried to waive the reading of the minutes of the Special and Annual meetings held in 2016 and the same were approved as distributed.

Nierling introduced Board Treasurer Don Petersen who reviewed the financial statements for Hawkeye REC and Tri-County Electric Cooperative for 2016. The annual meeting booklet included a summary statement of revenue and expense and balance sheet information for both entities and Petersen reviewed some of the key figures. He noted that a new combined set of financial statements are being maintained as of January 1, 2017.

He indicated that the cooperative was in a strong financial position. He also noted that the auditor had issued unqualified opinions for both Hawkeye REC and Tri-County Electric Cooperative in February of 2017.

CEO Brian Krambeer was introduced and he presented the manager's report. His report noted the history of Hawkeye REC, Tri-County Electric Cooperative and key milestones. He reviewed the statement of purpose for the merger of Hawkeye REC and Tri-County Electric Cooperative to form MiEnergy Cooperative. He indicated that he viewed MiEnergy Cooperative as a better, stronger cooperative for the future. He reviewed some key statistics for the merged entity, as well as the director districts and the potential for a reduction in the size of the board over time through natural attrition. He stated that the cooperative had adopted a best practices philosophy, adopting the best practices of the merged entities. He noted Operation Round-Up and the RECare program and encouraged the members to participate in those worthy programs. He provided information about the inter-office data connectivity and data center virtualization, as well as the new phone system and other technology improvements. CEO Krambeer reported that the work plans for MiEnergy included funding for over \$36 million in system improvements.

He provided information about rates; Dairyland Power Cooperative; the Clean Power Plan and EPA changes; the addition of members through Southern Minnesota Energy Cooperative (SMEC); and the cooperative's receipt of a national award. CEO Krambeer recognized the employees for all their hard work and dedication, as well as the board for its support. He then offered to answer questions and addressed questions about nuclear power; small scale solar and wind generation; the potential of expansion of services to include internet; community solar projects; and preparedness for a disaster such as an electromagnetic pulse (EMP) attack. Following the questions, he thanked the members for attending the meeting and participating in the cooperative.

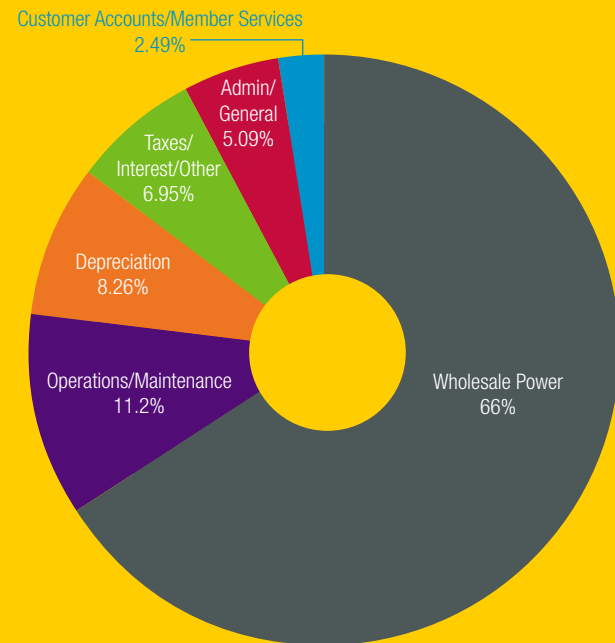
Nierling next noted that there was no unfinished business from last year's member meetings and called for any new business, and there was none.

There being no further business to come before the meeting, Nierling declared the meeting adjourned at 7:45 p.m.

A drawing was held for door prizes and the members in attendance were provided an attendance gift as they left the meeting. Prior to the meeting, the members enjoyed dessert and coffee.



TOTAL COST OF ELECTRIC SERVICE 2017



STATEMENT OF REVENUE AND EXPENSE

	2017	2016
OPERATING REVENUE	\$71,815,322	\$71,275,154
Cost of purchased power	47,121,297	46,985,237
Distribution – operations	4,134,398	4,514,368
Distribution – maintenance	3,861,550	3,650,096
Consumer account	890,861	868,104
Customer service and informational	890,230	1,136,338
Administrative and general	3,632,504	3,357,823
Depreciation	5,899,250	6,068,819
Taxes	803,486	232,043
Interest of long-term debt	4,075,222	4,001,030
Interest on short-term debt	25,598	141,387
Other	58,161	53,402
Total operating expense	\$71,392,557	\$71,008,647
OPERATING MARGINS	\$422,765	\$266,507
G & T AND OTHER CAPITAL CREDITS	\$2,454,983	\$2,006,749
NON-OPERATING MARGINS	\$973,602	\$1,157,094
NET MARGIN	\$3,851,350	\$3,430,350

BALANCE SHEET

ASSETS	2017	2016
ELECTRIC PLANT		
In service	\$181,678,975	\$177,651,314
Under construction	355,762	549,560
Total electric plant	\$182,034,737	\$178,200,874
Less accumulated depreciation	52,600,592	49,637,859
Net Electric Plant	\$129,434,145	\$128,563,015
OTHER PROPERTY AND INVESTMENTS		
Investments in associated companies	\$30,143,929	\$28,240,093
Restricted investments	3,196,009	2,623,780
Non-utility property, net	250,512	314,992
Special funds – revenue deferral	-0-	651,912
Other investments	104,800	135,597
Other assets	-0-	113,000
Total Other Property and Investments	\$33,695,250	\$32,079,374
CURRENT ASSETS		
Cash and cash equivalents	\$4,621,544	\$7,673,939
Accounts receivable – net	8,154,712	7,209,487
Accounts receivable – FEMA	79,110	-0-
Current maturities of other investments	-0-	404,703
Materials and supplies	5,390,303	2,405,895
Other assets	484,410	262,564
Total Current Assets	\$18,730,079	\$17,956,588
DEFERRED DEBITS	\$3,372,758	\$3,410,504
TOTAL ASSETS	\$185,232,232	\$182,009,481
EQUITIES AND LIABILITIES		
EQUITIES		
Patronage capital	\$57,329,976	\$56,619,688
Other equities	10,681,708	9,871,912
Total Equities	\$68,011,684	\$66,491,600
LONG-TERM DEBT, Less Current Maturities	\$95,396,940	\$92,988,896
CURRENT LIABILITIES		
Current maturities of long-term debt	\$4,945,000	\$4,260,660
Line of credit	-0-	5,500,000
Accounts payable	5,941,155	5,254,264
Customer deposits	159,538	193,207
Other current and accrued liabilities	3,096,650	2,853,397
Total Current Liabilities	\$14,142,343	\$18,061,528
DEFERRED CREDITS	\$7,681,265	\$4,467,457
TOTAL EQUITIES AND LIABILITIES	\$185,232,232	\$182,009,481

Bring this registration card to the annual meeting

See you at the Mabel Community Center on Wednesday, April 18.

Card must be turned in by 7 p.m. to be eligible for the prize drawing. Must be present to win.

The backside of this card will serve as admission for you to the 2nd Annual Meeting of MiEnergy Cooperative on Wednesday, April 18. The one-hour business meeting begins at 7 p.m. at the Mabel Community Center, 201 South Main Street, Mabel, Minn. The official order of business for the meeting is listed below.

Order of business

Call to Order and Meeting Rules.....	Dean Nierling, board chair
Invocation	Jenny Scharmer, board director
Pledge of Allegiance	
Meeting Notice and Proof of Mailing	Dennis Ptacek, board secretary
Announcement of Quorum	Nierling
Introduction of Board, CEO & Attorneys	Nierling
Introduction of Guests	Ron Stevens, vice chair
Approval of Annual Meeting Minutes	Nierling
Treasurer's Report (Audit)	Don Petersen, board treasurer
President/CEO Report	Brian Krambeer, president/CEO
Questions from the Membership	Krambeer
Unfinished Business	Nierling
New Business	Nierling
Adjourn	Nierling
Drawing for Prizes.....	Ted Kjos, vice president marketing & external relations

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Your Touchdown Energy Cooperative

TURN YOUR COINS INTO CHANGE

Learn more about Operation Round Up by visiting our booth at the annual meeting!

Heartland Security

See our booth at the annual meeting for information on medical, security and video surveillance systems for your home, farm or business.

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 IOWA PO Box 90, Cresco, IA 52136
 MINNESOTA PO Box 626, Rushford, MN 55971

 PRSRT STD
 U.S. Postage
PAID
 DPC

Bring this registration card
to the annual meeting for
your chance to win a prize.

Mabel Community Center
Wednesday, April 18

Card must be turned in by
7 p.m. to be eligible for the prize
drawing. Must be present to win.



Visit our booth at the
**MiEnergy
 Annual Meeting**
 to learn how local organizations
 are benefitting from
 Operation Round Up and how
 members can help.

