

2018 BUSINESS REVIEW

connecting with our members

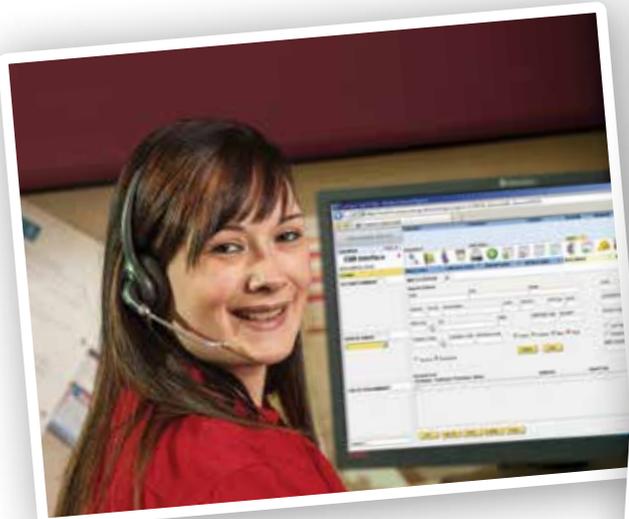


Con-nect-ing

adjective • joining or linking things together, especially so as to provide access and communication.



It's a connected world. Technology has changed how we communicate with each other and it is also shaping a new energy future. Today, more than ever before, the power is in your hands.



MESSAGE TO OUR MEMBERS

“Connecting” – a word that unites. It’s about linking, joining, and engaging. At Connexus Energy, we are connecting with our members and building new relationships that are beneficial to us all.

Connexus Energy’s distribution system – the poles, lines, and substations – is the strongest connection we have with our members. We continually expand and upgrade our system so that members can count on reliable and safe electricity. We do this while keeping rates affordable. We are proud of the fact that for the past two years, Connexus’ rates have held steady.

Last year, we elevated connecting to a new level. Our solar plus storage project in Athens Township and Ramsey gained national recognition for the connection between solar energy and battery storage. The project is one of the first in the country to use batteries integrated with a solar array to align the energy delivery to when it’s most valuable. As solar costs are decreasing, and members’ enthusiasm for renewable energy is increasing, we plan to build additional solar arrays in the next few years.

How do you connect with 133,000+ members? New technology now makes it possible to engage with members on a level that was not possible just a few years ago. The new Advanced Meter Infrastructure (AMI) meters open a world of possibilities for offering programs and services that add value for our members. Programs like the new Peak-Time Rebate allow you to decide how much energy you want to save. On this program, you help us save energy on days when it is most expensive for energy to be produced. In turn, we pay you for each kilowatt-hour of energy saved when compared to your normal usage. Yes, the power is in your hands.

Technology has changed how we communicate and interact with members. When it comes to connecting, the choice is yours. Want to pay your bill online? In 2018, we expanded our online account options. Don’t want to talk to us on the phone? We’ve now added online chat capability. No time to phone in an outage? We have it covered. Send us the details online. On social media, the Connexus community continues to grow in size and we always appreciate your feedback and insight.



Connecting with members helps achieve outstanding results. Connexus Energy continues to be among the most highly-rated electric utilities for customer satisfaction by J.D. Power, which ranks utilities based on power quality and reliability, price, billing and payment, corporate citizenship, communications, and customer service.

Moving forward, our Board, management team, and employees are experienced, innovative, and focused on doing what’s in the best interest of all of our members. Connecting with you is at the center of all we do.

Thank you for your continued support.

Greg Ridderbusch
President & Chief Executive Officer

Fran Bator
Board Chair

at a glance

133,000+
Residential and
commercial members

\$273 million
Annual revenue

2.3 billion
Annual kilowatt hours
in energy sales

\$382 million
Utility plant investment



NEW WAYS OF CONNECTING

Connexus Energy's two new solar plus storage sites in Ramsey and Athens Township are leading the way in the solar community. Construction began in the summer of 2018 and both sites were fully operational before the end of the year. The two arrays span 54 acres and between them have 41,000+ solar panels and 3,150 Lithium Iron Phosphate batteries installed. The project is one of the first in the country to use batteries integrated with a solar array to align the energy delivery to when it is most valuable. In other words, Connexus now has the ability to save the power that the solar panels produce and use that power at times when electricity demand is at its peak – mainly during the summer months. This will help us save in power supply costs. The two sites add 10 megawatts of renewables to Connexus' energy mix with 15 megawatts of battery storage.



WHERE SOLAR AND
STORAGE CONNECT



NEW METERS, NEW POSSIBILITIES

Connecting members with data from their meters is now possible thanks to AMI (Advanced Meter Infrastructure) meters. AMI installations were completed in 2018, and today our members benefit from this meter technology. AMI meters, coupled with technology like Wi-Fi thermostats, and innovative programs such as Peak-Time Rebate, help members efficiently manage their energy use.





FINANCIAL HIGHLIGHTS

The complete audited financial statements can be viewed online at connexusenergy.com.

STATEMENTS OF OPERATIONS (in thousands)

	2018	2017
Electric Revenue	\$ 272,683	\$ 262,706
Cost of Power	197,269	198,770
Gross margin	75,414	63,936
Operating Expenses - including interest	61,612	60,564
Other Non-Operating Income	7,860	10,432
Net Margin	\$ 21,662	\$ 13,804

BALANCE SHEETS (in thousands)

December 31, 2018 and 2017

<i>Assets</i>	2018	2017
Utility Plant		
Total utility plant	\$ 382,589	\$ 349,577
Less accumulated depreciation	(141,222)	(137,983)
Total utility plant, net	241,367	211,594
Other Property and Investments		
Investments in associated organizations	146,366	140,837
Other investments	9,582	9,530
Other assets	12,753	12,390
Total other property and investments	168,701	162,757
Current Assets		
Cash and cash equivalents	4	178
Accounts receivable, net	28,962	27,128
Material and supplies	3,576	2,818
Other	1,253	878
Total current assets	33,795	31,002
Total Assets	\$ 443,863	\$ 405,353
<i>Patrons' Equity and Liabilities</i>		
Patrons' Equity	\$ 200,063	\$ 186,383
Long-Term Debt, Less Current Maturities	163,796	149,549
Other Long-Term Liabilities, Less Current Maturities	25,183	5,350
Current Liabilities		
Accounts payable	31,275	37,925
Customer deposits	1,619	1,303
Accrued liabilities	11,671	10,943
Debt due within one year	10,256	13,900
Total current liabilities	54,821	64,071
Total Patrons' Equity and Liabilities	\$ 443,863	\$ 405,353

2018 HIGHLIGHTS



environment

More than **25%** of our energy comes from renewable resources such as solar and wind. As technology advances and costs decrease for generating and storing renewable energy, we will continue to offer more renewable energy to our members.

community

We invested more than **\$400,000** in the community. We believe the best way we can help is by supporting organizations who have the expertise to make a difference in the lives of our members.

charged up

Connexus Energy is committed to helping members adopt electric vehicles (EVs). While still in the early stages, **55** electric vehicles were added to our EV programs last year. As EVs become more widespread in Minnesota, we continue to expand the offering of incentives to our members.

at the top

In the J.D. Power Residential Electric Study, Connexus showed a strong performance in Power Quality and Reliability for 2018 when compared to our competitive set of 34 other utilities in the Midwest.* This is one of the key drivers of overall satisfaction for utility customers.

holding steady

New initiatives are helping to reduce costs. For **2** years in a row, there is no rate increase for basic electric service.

on for reliability

On average, our members experience **1** outage every **2** years. In national comparisons, we rank in the top tier of all utilities.

cash back

Members received **\$8** million in Cash Back. As our member, you receive Cash Back annually based on the amount of electricity you use.

safety

Driving safely is one of our most important safety activities. Employees drove **1.3** million miles with only one preventable accident.



*Results based on data from the 2018 and 2019 J.D. Power Residential Electric studies used to benchmark Connexus results to a selected peer group of utilities in the Midwest region serving 100,000 customers or more.





Back (L-R): Peter Wojciechowski, Donald Holl, Mark Ethen, Fran Bator, Gordon Westerlind
 Front (L-R): Shelly Peterson, Michael Cady, Kenneth Fiereck

BOARD OF DIRECTORS

Fran Bator, Chair, East Bethel

Mark Ethen, Vice Chair, Blaine

Gordon Westerlind, Secretary/Treasurer, Big Lake

Peter Wojciechowski, Assistant Secretary/Treasurer, Ham Lake

Michael Cady, Blaine

Kenneth Fiereck, Clear Lake

Donald Holl, Forest Lake

Shelly Peterson, Nowthen



CONNECT WITH US

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EXECUTIVE LEADERSHIP

Greg Ridderbusch, President and Chief Executive Officer

Mike Bash, Chief Financial Officer and Vice President Business Resources

Brian Burandt, Vice President Power Supply and Business Development

Don Haller, Vice President Member Services, Products, and Sales

Pete Miller, Vice President Human Resources

Matt Yseth, Vice President Electric Operations

