your Connexus Connection
For Connexus Energy Members

2020 Business Review
Board of Directors

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East Bethel

Mark Ethen
Vice Chair
Blaine

Gordon Westerlind
Secretary/Treasurer
Big Lake

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Asst. Secretary/Treasurer
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Donald Holl
Forest Lake

Shelly Peterson
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14601 Ramsey Blvd.
Ramsey, MN 55303

Connexus Energy is an equal opportunity/affirmative action employer.

EXECUTIVE LEADERSHIP

Greg Ridderbusch, President and Chief Executive Officer
Brian Burandt, Vice President, Power Supply and Business Development
Don Haller, Vice President, Members
Mark Koplin, Vice President, Technology
Nick Loehlein, Vice President, Electric Operations
Linda Maegi, Vice President, Employee Services
Yan Paul Martinez, Chief Financial Officer and Vice President

your most powerful membership®
2020 at a glance

2 billion
Annual kilowatt hours in energy sales

$247 million
Annual revenue

$7.6 million
Cash Back to members

$387 million
Utility plant investment

138,000
members
91% residential
9% commercial/industrial

$1.8 million
Employee cost-saving ideas saved more than $1.8 million in operating costs.

$5+ million
Solar plus battery storage and peak management programs offset over $5 million from our wholesale power costs.

$1.3 million
Distributed $1.3 million in energy conservation rebates to members.

2%-4%
Connexus rates remain 2%-4% less than Xcel.

4 years
Four consecutive years our rates remain the same.
COVID-19 pandemic, quarantine, shutdowns, racial unrest, a monumental election, etc. It goes on and on. How can we even begin to talk about what happened in 2020? It was a year like no other. We may have had to stand six feet apart but it brought us closer together in so many ways. At Connexus Energy, we found strength in all those challenges and did what we always do. We focused our energy on you.

It’s always been important, but 2020 was a year when electricity really mattered. With our homes turned into classrooms and workplaces, providing reliable electricity to our members was essential, and we delivered. Our reliability record remains among the best in the country. We quickly put new procedures in place to ensure our employees would be safe and still able to take care of our members’ needs. With that accomplished, we focused on moving forward with planned projects that will benefit members well into the future.

When it comes to the cost of electricity, today and down the road, our plan is simple – keep it affordable. For the fourth year in a row, our rates remain unchanged. Our members pay the same price for electricity today as they did four years ago. And, when compared to Xcel Energy, Connexus rates remain 2% to 4% less than our neighbor utility.

And, while our rates have not changed, we are changing and leading the way with new programs. Dare we say, we are renovating our old utility “house” like on HGTV. In the recent past, it has been Wi-Fi thermostats and Peak-Time rebates. This year, we’ll be trying additional approaches to help members.

Pilots for Free Nights and the Level Rate plans are being designed for members who want more control of their use of electricity and monthly bill. The shared grid innovations we’ve put in place over the last few years are paying off as well. The battery storage systems and other peak-management systems offset over $5 million from our wholesale power cost last year.

Connexus Energy and our members have done much to improve efficiency and lower costs at home. Our biggest opportunity for improvement now is to lower the cost of wholesale power purchased from Great River Energy (GRE). Connexus works to maintain the lowest distribution cost in the state – a strength offset by the highest wholesale power costs. This past year, Connexus reviewed and supported GRE’s cost-based decision to close its large North Dakota coal-fired power plant. If executed by GRE as promised, significant power cost savings begin in 2023.

While 2020 is now behind us, the challenges associated with this pandemic are still real. No matter what lies ahead, our focus on members will remain the cornerstone of our cooperative. We believe Connexus Energy is poised for continued success, both today and in the years ahead.

Stay safe and thank you for being a Connexus Energy member.

[Signatures]

Fran Bator  
Board Chair

Greg Ridderbusch  
President & Chief Executive Officer
2020 highlights

Perfect power
Our reliability shines bright. In a recent J.D. Power survey that compared utilities throughout the country, Connexus received the highest marks for perfect power. In the survey, 79% of respondents indicated they did not experience a brief or lengthy outage in the previous three months.

On average, our members only experience a sustained outage once every 2.3 years. And, on average, that outage lasts just over one hour. Continued investment in our substations, underground cables, and vegetation management means we have a reliable distribution system that performs exceptionally well.

A greener future
Renewable energy plays a major part in the power grid of the future. Renewables like solar and wind are affordable and helping us save on power costs. It is also what a growing number of our members want. In 2020, we lowered the monthly cost of going green at your home. And, amid the pandemic, we began construction on two new solar facilities in Baldwin and Stanford Townships, which will add 10 MW to our renewable portfolio. That is equivalent to the energy usage of nearly 2,000 homes.

Cash Back for members
Members received $7.6 million in Cash Back payments. Over the past 50 years, we paid more than $130 million in Cash Back to our members.

Success with energy-saving programs
We increased enrollment in our Peak-Time Rebate (PTR) Program to over 10,000 members. In this program, which is unique to Minnesota, members are paid $1 for every kilowatt hour of energy saved during peak demand events in the summer months. Our free-free Wi-Fi thermostat program puts control of energy savings in our members’ hands. Nearly 10,000 members participated in the program in 2020.

Awards and recognition
Connexus Energy was presented with a national award by Pheasants Forever and Fresh Energy for our leadership in integrating prairie plant habitats with our solar projects.

Connexus Energy was also honored by Recharge Minnesota as a leader in electric vehicle adoption.
## Financial Highlights

### Statements of Operations (in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Revenue</td>
<td>$246,950</td>
<td>$238,090</td>
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<tr>
<td>Cost of Power</td>
<td>173,232</td>
<td>168,776</td>
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<tr>
<td><strong>Gross margin</strong></td>
<td>73,718</td>
<td>69,314</td>
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<tr>
<td>Operating Expenses - including interest</td>
<td>65,498</td>
<td>65,069</td>
</tr>
<tr>
<td>Other Non-Operating Income</td>
<td>8,213</td>
<td>8,696</td>
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<tr>
<td><strong>Net Margin</strong></td>
<td>$16,433</td>
<td>$12,941</td>
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</table>

### Balance Sheets (in thousands)

#### December 31, 2020 and 2019

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
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</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Utility Plant</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total utility plant</td>
<td>$387,223</td>
<td>$373,410</td>
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<tr>
<td>Less accumulated depreciation</td>
<td>(157,009)</td>
<td>(148,627)</td>
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<tr>
<td><strong>Total utility plant, net</strong></td>
<td>230,214</td>
<td>224,783</td>
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<tr>
<td><strong>Other Property and Investments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in associated organizations</td>
<td>151,516</td>
<td>148,835</td>
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<tr>
<td>Other investments</td>
<td>9,619</td>
<td>9,603</td>
</tr>
<tr>
<td>Other assets</td>
<td>35,817</td>
<td>34,058</td>
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<tr>
<td><strong>Total other property and investments</strong></td>
<td>196,952</td>
<td>192,496</td>
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<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
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<tr>
<td>Cash and cash equivalents</td>
<td>2</td>
<td>2</td>
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<tr>
<td>Accounts receivable, net</td>
<td>29,981</td>
<td>30,058</td>
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<tr>
<td>Material and supplies</td>
<td>3,952</td>
<td>4,088</td>
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<tr>
<td>Other</td>
<td>1,554</td>
<td>2,202</td>
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<tr>
<td><strong>Total current assets</strong></td>
<td>35,489</td>
<td>36,350</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td>$462,655</td>
<td>$453,629</td>
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<tr>
<td><strong>Patrons' Equity and Liabilities</strong></td>
<td></td>
<td></td>
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<tr>
<td>Patrons' Equity</td>
<td>$212,662</td>
<td>$204,007</td>
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<tr>
<td>Long-Term Debt, Less Current Maturities</td>
<td>160,856</td>
<td>161,524</td>
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<tr>
<td>Other Long-Term Liabilities, Less Current Maturities</td>
<td>23,190</td>
<td>24,346</td>
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<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
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<tr>
<td>Accounts payable</td>
<td>35,984</td>
<td>34,938</td>
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<tr>
<td>Member deposits</td>
<td>1,819</td>
<td>1,647</td>
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<tr>
<td>Accrued liabilities</td>
<td>12,598</td>
<td>12,398</td>
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<tr>
<td>Debt due within one year</td>
<td>15,546</td>
<td>14,769</td>
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<tr>
<td><strong>Total current liabilities</strong></td>
<td>65,947</td>
<td>63,752</td>
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<tr>
<td><strong>Total Patrons' Equity and Liabilities</strong></td>
<td>$462,655</td>
<td>$453,629</td>
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</table>

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

The Connexus Energy Foundation™ began operating in 2020 as part of our long-term plan for community giving. The foundation is funded with unclaimed Cash Back from former members. Prior to setting up the foundation, unclaimed Cash Back could only be donated in the allotted year. Today, unclaimed Cash Back funds can be carried over and allocated evenly from year-to-year, helping us to better serve our community partners.

As always, we proudly support organizations from across our service area. Our primary areas of support include youth and education, community services, economic development and commerce, and environmental stewardship.

$331,000 to our communities

2020 Donations ($500+)

<table>
<thead>
<tr>
<th>Acceptor</th>
<th>Amount</th>
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<tbody>
<tr>
<td>ACBC Food Shelf</td>
<td>$331,000</td>
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<tr>
<td>Alexandra House</td>
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<tr>
<td>American Red Cross</td>
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<tr>
<td>Anoka-Champlin Fire Department Relief Association</td>
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<tr>
<td>Anoka County Child Abuse Prevention Council</td>
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<td>Anoka County Parks Heritage Labs &amp; Wildlife Outreach</td>
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<td>Anoka Halloween Parade</td>
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<tr>
<td>Anoka-Hennepin Educational Foundation</td>
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<td>Anoka-Ramsey Community College</td>
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<tr>
<td>Anoka Technical College</td>
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<tr>
<td>Backing the Blue Line</td>
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<tr>
<td>Cars for Neighbors</td>
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<tr>
<td>Centennial Educational Foundation</td>
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<tr>
<td>Energy Resources Center – Pollinator Project</td>
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<tr>
<td>Farm Friends Barn</td>
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<tr>
<td>Fishing for Life</td>
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<tr>
<td>Friends of the Mississippi River</td>
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<tr>
<td>Great River Greening</td>
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<tr>
<td>Greater Twin Cities United Way</td>
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<td>Haven for Heroes</td>
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<td>Hope 4 Youth</td>
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<tr>
<td>Hope for the Community Food Shelf</td>
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<tr>
<td>Initiative Foundation</td>
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<tr>
<td>Mental Wellness Campaign for Anoka County</td>
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<tr>
<td>Mercy and Unity Hospitals Foundation</td>
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<tr>
<td>Minnesota Search and Rescue Dog Association</td>
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<tr>
<td>NACE Food Shelf</td>
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<tr>
<td>Salvation Army HeatShare</td>
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<tr>
<td>The Education Foundation of the Forest Lake Area</td>
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<tr>
<td>The Wave Youth Center</td>
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<tr>
<td>Tree Trust</td>
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<tr>
<td>White Bear Lake Educational Foundation</td>
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Helping where needed

As more of our friends and neighbors lost their jobs due to shutdowns, local food shelves experienced an increased need for their services. In turn, Connexus increased donations to the food shelves, and our employees organized food drives to help where they could.

In a year when the pandemic shut down classrooms and forced students to learn remotely, Connexus Energy stepped up and donated more than $117,000 towards education. This included funding to ensure students had the ability to attend classes from home.

Your Community, Your Choice
Every month, our members choose who gets a $1,500 donation.

2020 recipients

ACBC Food Shelf
Anoka County 4-H
Big Lake Community Food Shelf
CAER Food Shelf
Cambia Hills of East Bethel
Hunter Houle Memorial Foundation

Impact Services/Meals on Wheels
Minnesota Military Family Foundation
MN K9
Northern Starz Children's Theatre
Rum River Arts Center
Sherburne County Faith in Action