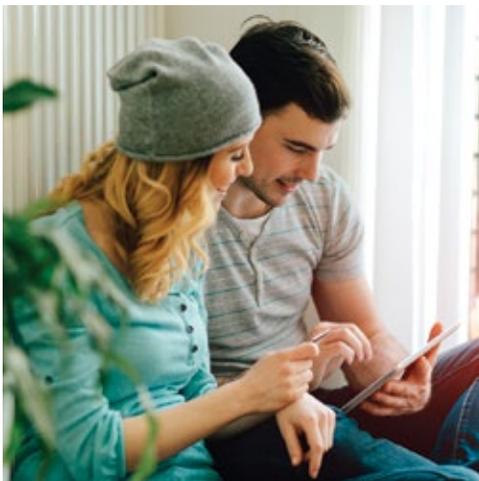


#YourMostPowerfulMembership

2016 at a glance



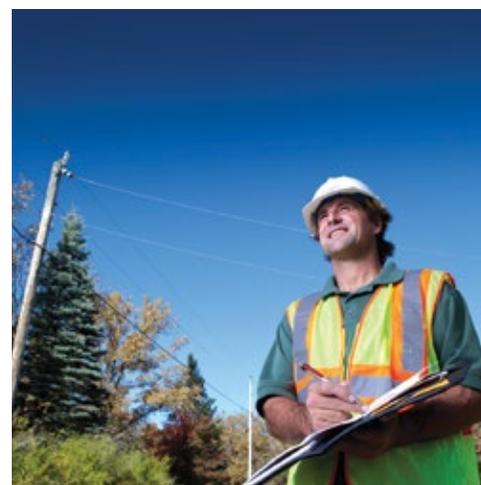
#1MemberSatisfaction



#6MillionCashBack



#SolarMadeEasy



Members are the most important part of our cooperative. Everything we do, every day, is for your benefit. Connexus Energy aspires to be your most powerful membership.



BOARD CHAIR'S MESSAGE

The Connexus Energy Board of Directors is your elected voice to govern and guide our electric cooperative. Cooperatives are powerful business models where the membership, through its local member boards, sets the plans, policies, rates, and services. This model stems back 80 successful years and remains just as vibrant in the 21st century.

Today's members have varied interests and needs, which we view as opportunities. Of course, everyone wants the lights on – always. Everyone wants cost competitive electricity – always. Some homeowners want to own solar panels and actively manage their energy use. There are businesses that want all green energy at the lowest additional cost. Manufacturers, colleges, and schools seek advice on energy systems. In addressing all of these needs and more, our members continue to rate Connexus Energy's service among the best in the country.

It is your Board's honor to serve and play our role in making Connexus Energy "your most powerful membership."



Peter Wojciechowski
Board Chair



Greg Ridderbusch

Peter Wojciechowski

CEO'S MESSAGE

Looking back, 2016 was an excellent year. That is what you would expect most business leaders to say. Except, for Connexus Energy members, 2016 really was an excellent year. Your cooperative got all the basics right – rates, reliability, service, finances, and then some.

Connexus Energy rates are at, or lower than, the neighboring utilities. There are many contributors to that outcome; but, the operational excellence of our employees is a key driver. System reliability remains strong because of prudent and diligent investment in our wires and the systems that monitor and control them. On average, our members may experience an outage once every three years. In national comparisons, we rank in the top tier of all utilities. When a big storm hits, you have our powerful team restoring the system rapidly and, just as importantly, with careful attention to safety.

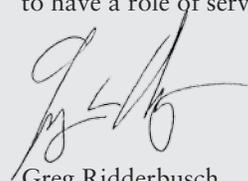
Commitment to member service excellence is in our employee's DNA. During 2016, our member internet portal received a substantial upgrade in its capabilities. Outage mapping in near real time is now available. Moreover, member survey feedback gave us another strong report card with the American Customer Satisfaction Index. Connexus remains among the highest rated utilities in the country.

Connexus Energy achieved this high rating while maintaining a powerful financial foundation that is both ready for the unexpected and for strategic investments in the business.

One such investment approved by the Board in 2016 is the AMI meter upgrade for members. We are now in the process of replacing our aged metering infrastructure. With the new meters come new capabilities. Members will be able to access their usage information for any given day. We will know instantly if your power goes out. New meters, coupled with technology like WiFi thermostats, becomes a powerful tool-set to help efficiently manage your energy use.

When members ask us whether Connexus Energy finds value in renewable energy, the answer is an easy "Yes." Even though federal incentives are still in play, the economics of wind and solar energy keep improving. Utility-scale solar energy is now virtually at cost parity with wholesale energy. We seek opportunities that add cost-competitive renewable energy, within the bounds of our supply contract. Today, all members are already benefiting from increasing renewables, otherwise called the "greening of the grid." This is yet another reason why Connexus Energy is your most powerful membership.

In closing, I appreciate the warm reception I received during my first full year of service to Connexus Energy members, our Board, and to our employees. It is an honor to have a role of service to the North Metro region.



Greg Ridderbusch
President and Chief Executive Officer

FINANCIAL HIGHLIGHTS

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

STATEMENTS OF OPERATIONS (in thousands)

	2016		2015
Electric Revenue	\$ 260,683	\$	251,139
Cost of Power	197,356		189,902
Gross margin	63,327		61,237
Operating Expenses - including interest	59,935		59,236
Other Non-Operating Income	11,704		6,455
Net Margin	\$ 15,096	\$	8,456

BALANCE SHEETS (in thousands)

<i>Assets</i>	2016		2015
Utility Plant			
Total utility plant	\$ 333,668	\$	328,314
Less accumulated depreciation	(136,178)		(132,945)
Total utility plant, net	197,490		195,369
Other Property and Investments			
Investments in associated organizations	132,900		124,353
Other investments	9,661		9,641
Other assets	11,467		12,293
Total other assets	154,028		146,287
Current Assets			
Cash and cash equivalents	4		18
Accounts receivable, net	27,884		25,688
Materials and supplies	3,068		3,489
Notes Receivable	10,000		-
Other	1,226		794
Total current assets	42,182		29,989
Total Assets	\$ 393,700	\$	371,645
<i>Patrons' Equity and Liabilities</i>			
Patron's Equity	\$ 180,229	\$	171,192
Long-Term Debt, Less Current Maturities	150,275		140,789
Other Long-Term Liabilities	3,694		6,842
Current Liabilities			
Accounts payable	36,375		34,502
Customer deposits	1,258		1,150
Accrued liabilities	10,951		10,017
Debt due within one year	10,918		7,153
Total current liabilities	59,502		52,822
Total Equities and Liabilities	\$ 393,700	\$	371,645

1 out of 3

On average, members incur only one outage every three years.

BOARD OF DIRECTORS

Peter Wojciechowski, Chair, Ham Lake

Mark Ethen, Vice Chair, Blaine

Fran Bator, Secretary/Treasurer,
East Bethel

Gordon Westerlind, Assistant Secretary/
Treasurer, Big Lake

Michael Cady, Vadnais Heights

Kenneth Fiereck, Clear Lake

Donald Holl, Forest Lake

Betsy Wergin, Princeton



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

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

#ConnectWithUs

NEW! OUTAGE ALERTS



Power outage and restoration information is now at your fingertips.
Sign up to get outage updates via text, email, or both.



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