

2017 In Review

Welcome to a new energy future – your way

We live in an increasingly sophisticated digital age. Technology continues to change the way we manage our business operations and live our personal lives. As a result, our members' needs are evolving. Connexus Energy is a member-owned cooperative, and we work for you. We are building upon our 80-year history and creating a path to a new energy future – your way.



MESSAGE TO OUR MEMBERS

Keep the lights on and serve our members. From the very beginning, those two basic principles have been the foundation of our cooperative. For over 80 years, we have steadily built upon that legacy. Whether it is offering helpful and innovative products, investing in new technology, or giving back to the local communities, everything we do is for the benefit of our members.

Our focus on membership is why we are consistently a highly-rated utility. In 2017 J.D. Power Surveys, Connexus Energy scored fourth in overall satisfaction and second in power quality and reliability within the Midwest. Our members expect us to deliver reliable, affordable, and safe power – and we do.

Connexus Energy serves 132,000 members, and not everyone wants the same things from us. Today, you have a choice in the way you want to be served. New technology is enabling us to do it your way.

AMI (Advanced Meter Infrastructure) meters are opening new doors. Later this year when all the meter installations are complete, energy usage information will be readily available to all members. We will be able to tell you there is an outage at your location before you even realize it. You will also be able to look up your energy usage for any given time. That information could help you manage your energy bills. If you don't want all that information, you don't need to have it. It's up to you.

With so many different communication channels, we want to communicate with you – your way. During outages, if you want to get text or email updates, you can sign up for outage alerts. Or, if you prefer, you can still call us on the phone. How do you want to pay your bill? Online, mail, or in person? We leave that up to you.

Connexus Energy now offers several programs for those who are interested in controlling their home's energy use. We've expanded our Wi-Fi PowerNap® air conditioning program to include a couple of different Honeywell products. By offering free wi-fi thermostats and rebates, we make it easier for you to participate in our energy-saving programs. This summer, we are trying something different with a peak-time rebate pilot program. Members will be able to help us save energy on days when it's most expensive, and we'll pay you for the energy you've saved. You choose how much you want to control and save.

Looking at renewable energy options, we find ourselves in a period of great change and opportunity. Currently, more than 20 percent of our energy comes from renewable sources. For some members, that's good enough. Others want to go greener. We plan on adding more solar arrays to our energy portfolio this year. It will be there for those who want it. We are also working on an innovative battery storage project – an emerging energy trend. These projects are designed to meet our members' current and future energy needs.

In closing, we are very enthusiastic about the opportunities ahead of us. We remain committed to the ideals that have characterized our cooperative for more than 80 years; our members remain at the center of what we do. We thank you for your membership. Welcome to a new energy future – your way.



Greg Ridderbusch

Peter Wojciechowski

A handwritten signature in black ink, appearing to read 'Greg Ridderbusch'.

Greg Ridderbusch
President and Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Peter Wojciechowski'.

Peter Wojciechowski
Board Chair

FINANCIAL HIGHLIGHTS

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

STATEMENTS OF OPERATIONS (in thousands)

| | 2017 | | 2016 |
|---|------------|----|---------|
| Electric Revenue | \$ 262,706 | \$ | 260,683 |
| Cost of Power | 198,770 | | 197,356 |
| Gross margin | 63,936 | | 63,327 |
| Operating Expenses - including interest | 60,564 | | 59,935 |
| Other Non-Operating Income | 10,432 | | 11,704 |
| Net Margin | \$ 13,804 | \$ | 15,096 |

BALANCE SHEETS (in thousands)

| <i>Assets</i> | 2017 | | 2016 |
|---|------------|----|-----------|
| Utility Plant | | | |
| Total utility plant | \$ 349,577 | \$ | 333,668 |
| Less accumulated depreciation | (137,983) | | (136,178) |
| Total utility plant, net | 211,594 | | 197,490 |
| Other Property and Investments | | | |
| Investments in associated organizations | 140,837 | | 132,900 |
| Other investments | 9,530 | | 9,661 |
| Other assets | 12,390 | | 11,467 |
| Total other assets | 162,757 | | 154,028 |
| Current Assets | | | |
| Cash and cash equivalents | 178 | | 4 |
| Accounts receivable, net | 27,128 | | 27,884 |
| Material and supplies | 2,818 | | 3,068 |
| Other | 878 | | 11,226 |
| Total current assets | 31,002 | | 42,182 |
| Total Assets | \$ 405,353 | \$ | 393,700 |
| <i>Patrons' Equity and Liabilities</i> | | | |
| Patrons' Equity | \$ 186,383 | \$ | 180,229 |
| Long-Term Debt, Less Current Maturities | 149,549 | | 150,275 |
| Other Long-Term Liabilities | 5,350 | | 3,694 |
| Current Liabilities | | | |
| Accounts payable | 37,925 | | 36,375 |
| Customer deposits | 1,303 | | 1,258 |
| Accrued liabilities | 10,943 | | 10,951 |
| Debt due within one year | 13,900 | | 10,918 |
| Total current liabilities | 64,071 | | 59,502 |
| Total Patrons' Equity and Liabilities | \$ 405,353 | \$ | 393,700 |

\$7.6 million Cash Back to members in 2017

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



Milestones

- 1937**..... Anoka County Light and Power Association is formed.
- 1954**..... The cooperative achieves its original goal of bringing electricity to the farmers of north central Minnesota.
- 1960's**..... An on-staff home economist shares the advantages of using electricity and provides cooking and laundering tips at our demonstration kitchen at our Anoka facility.
- 1997**..... We move our headquarters from Anoka to our current location in Ramsey. A year later, we change our name from Anoka Electric Cooperative to Connexus Energy.
- 2001**..... Connexus Energy becomes the first electric cooperative in Minnesota to serve 100,000 members.
- 2014**..... Connexus Energy builds what is at the time the largest community solar garden in Minnesota and introduces the SolarWise program.
- 2017**..... Connexus Energy creates the country's first bee apiary in a solar garden.

1937 - 2017

80 years of serving our members

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