

your
Connexus Connection

For Connexus Energy Members



2020 Business Review



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*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 Koplín, Vice President, Technology

Nick Loehlein, Vice President, Electric Operations

Linda Maegi, Vice President, Employee Services

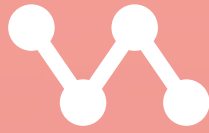
Yan Paul Martínez, Chief Financial Officer and Vice President

your most powerful membership®

2020 at a **glance**

2%-4%

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



4 years

Four consecutive years our rates remain the same.



\$247 million

Annual revenue



\$7.6 million

Cash Back to members



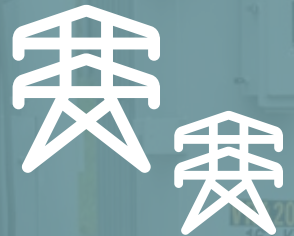
\$5+ million

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



\$387 million

Utility plant investment



\$1.8 million

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



138,000

members

91% residential

9% commercial/industrial



2 billion

Annual kilowatt hours in energy sales



\$1.3 million

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



Message to our **members**



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.

Greg Ridderbusch
President & Chief
Executive Officer

Fran Bator
Board Chair

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)

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

BALANCE SHEETS (in thousands)

December 31, 2020 and 2019

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

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

The Connexus Energy **Foundation**

The Connexus Energy FoundationSM 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+)

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

First Name Last Name
Mailing Address
Mailing Address 2
City, State Zip

Helping where **needed**



*As more of our friends and neighbors lost their jobs due to shut-downs, 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 | Impact Services/Meals on Wheels |
| Anoka County 4-H | Minnesota Military Family Foundation |
| Big Lake Community Food Shelf | MN K9 |
| CAER Food Shelf | Northern Starz Children's Theatre |
| Cambia Hills of East Bethel | Rum River Arts Center |
| Hunter Houle Memorial Foundation | Sherburne County Faith in Action |

