

CONNEXUS ENERGY STRATEGIC PLAN 2023 TO 2025



Connexus Energy updates its strategic plan every three years. This document is the 2023 to 2025 strategic plan. While it presents strategies and initiatives for the next three-year period, it is with a ten year perspective or horizon. Progress against the strategies is reviewed each year by management and the board. Driven by our strategy, annually the board reviews and approves a financial plan, and updates the corporate score card.

2022 GENERAL SITUATION

Connexus has accomplished much these past three years. Our ability and performance to run all aspects of the distribution business exemplifies operational excellence. Reliability perennially is among the top tier of all utilities nationally. Our members have enjoyed rate stability for five years running. Member satisfaction measured by JD Powers has returned to strong performance compared to our Midwest peer utilities greater than 100,000 accounts.

Innovation has emerged as a hallmark of Connexus. No other regional utility has comparable success with battery storage. Our solar resources operate as distribution grid integrated distributed resources; thereby offsetting high cost wholesale power. The WiFi thermostat program and Peak Time Rebate are highly successful examples of behavioral demand response (DR) engaging our members in optional new demand management solutions. Soon, gone will be the days of centrally turning off member air conditioning, which has been eclipsed in value by behavioral DR. Data analytics has become a strategic competency giving us insight into operations, member services, and energy market opportunities.

And near the close of 2022, we realized our long term wholesale power supply objective by exiting Great River Energy membership for the savings and flexibility of a customer relationship. Despite many attempts to find solutions to legacy rate problems with our wholesale power supply, it became apparent that Connexus had the scale, experience, and capabilities to manage our own power supply future. After two hard years advancing from conceptual development to an agreed term sheet and then to negotiated detailed agreements, our GRExit was approved by GRE members on August 30, 2022.

STRATEGIC INTENT 2023 TO 2025

Results from the past three years has Connexus Energy advancing from its legacy Distribution Utility business model since 1937 to an Electric Utility business model starting in 2022. Our strategy is to maintain our hard won distribution operations excellence and add power supply and load serving operations to become a cooperative Electric Utility. We maintain our strong cooperatives values and aim to be the first regional example. There have been precedent examples in New Mexico, Florida, and Virginia, but Connexus is the first in the Midwest to extend its business model including accountability for power supply.

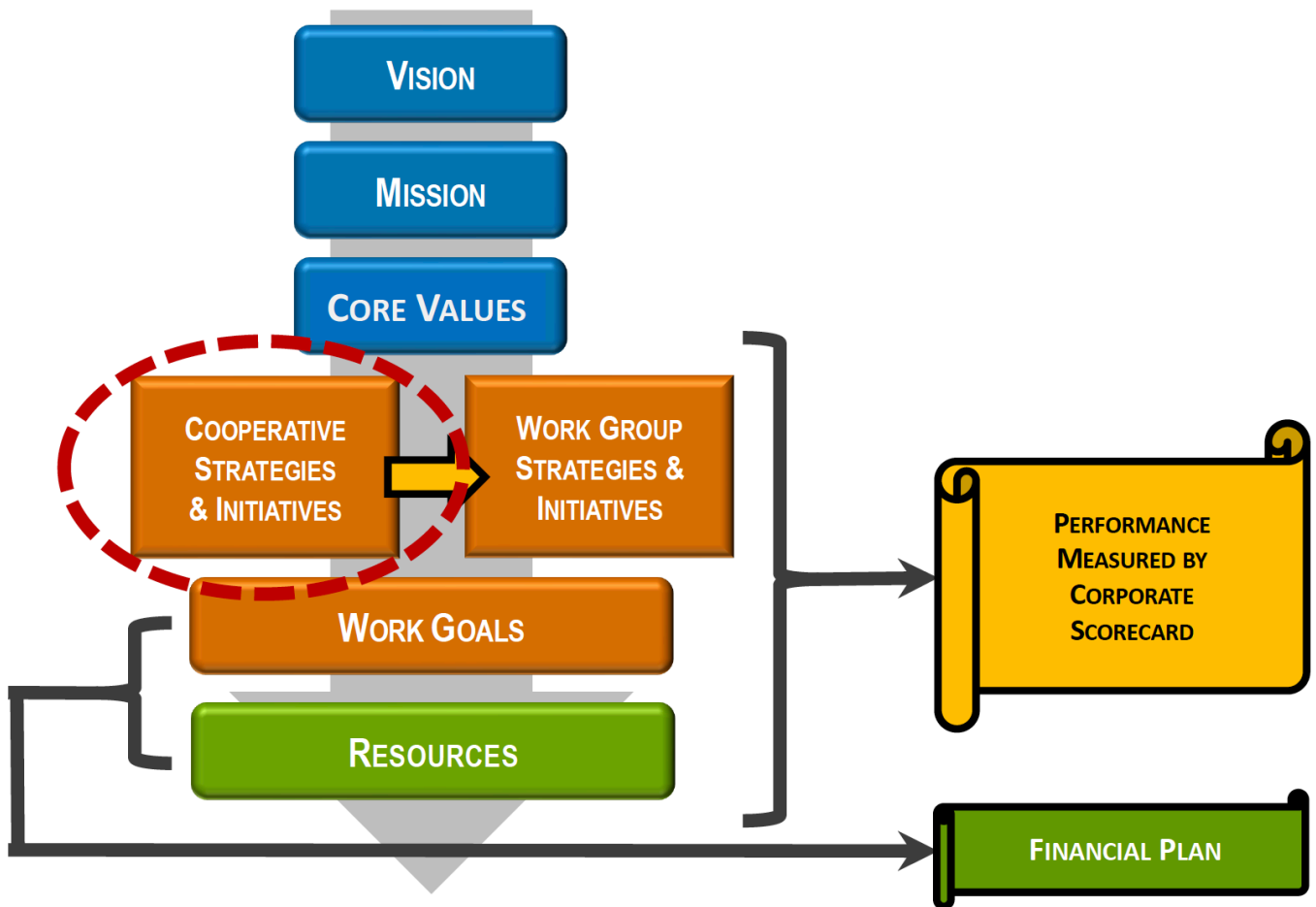
Adding power supply and load serving capabilities had been under development with the addition of MW class solar arrays at Princeton, St. Francis, Isanti, and Ramsey. Battery storage interconnected at Isanti and Ramsey have built unique experience. With the former 5% limit lifted, Connexus is unleashed to develop additional renewables and battery storage, but also to utilize contractual relationships with new partners for supply, storage, DR, and hedging.

Modernizing our grid and services to members will continue. And the major trend will be the breakout electrification of transportation and other home and business systems. Whereas conservation has flattened electric utility loads over the past decade, electrification will turn our significantly suburban service territory into a growth engine.

Our employees and board view the future with optimism. The electric sector is core to all our lives. With our scale, unleashed flexibility, and the tenacity to succeed, Connexus Energy seeks to serve members with excellence. And as a regional leader, we are prepared to collaborate with utilities, municipalities, and stakeholders to advance innovation and excellence.

PLANNING TERMINOLOGY & CONSTRUCT:

We use standard terms and a consistent construct to articulate our strategic and business plans. The vision, mission, and values statements change infrequently. Every three years, the board and senior staff refresh the Cooperative strategies and initiatives. However, those statements are like the front section of a newspaper. They may be augmented by work group strategies and initiatives that are important contributors. To accomplish our work, goals are annually developed between leaders and employees, and resources are assigned. This approach intends to create a line of site from work performed by any employee to corporate priorities. All employees should find a link between Connexus Energy priorities and work performed.



Finally, two annual processes tie in. The corporate scorecard is revisited annually. The performance metrics and associated performance levels are thought through in the context of the strategies, initiatives, work goals, and resources approved. And, with respect to resources, our annual work goals, and the resources required to execute them, are a couple of essential elements of the annual financial plan.

VISION

A statement that expresses the aspirations of an organization.

The following updated vision statement is a progressive, member facing, assertion. It's contemporary phrasing and concise compelling voice was articulated by a Connexus Energy employee, supported by management, and selected and approved by the board of directors.



your most powerful membership®

MISSION

A statement that communicates the organization's purpose.

Powering our members and communities toward a smarter energy future with a passionate focus on affordability, innovation, safety, and grid reliability.

CORE VALUES

Principles that guide our internal conduct and our relationships with members and the community.

Service Driven	Exceptional service to our members and to each other driven by reliability, empathy, flexibility, efficiency, and “the golden rule.”
Safety Always	Employee and public safety are always first in our thinking and our actions.
Collaborative	Great things are achieved together across the organization with keen understanding how we communicate, act, and work with each other.
Empowered	Accountability and trust enable empowered, autonomous, and fiscally responsible action in achieving our goals.
Innovative	Creative shields-down thinking is the key to sustainable value creation in our evolving industry.
Integrity	Exemplified by leaders, and expected from all, are the qualities of honesty, courage, transparency, and trust.
Respect ALL	Members, employees, and ALL are treated with respect and appreciation of the differences that make our cooperative and world a better place.



THE 7 COOPERATIVE PRINCIPLES

1

Open and Voluntary Membership

Membership in a cooperative is open to all people who can reasonably use its services and stand willing to accept the responsibilities of membership, regardless of race, religion, gender, or economic circumstances.

2

Democratic Member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. Representatives (directors/trustees) are elected among the membership and are accountable to them. In primary cooperatives, members have equal voting rights (one member, one vote); cooperatives at other levels are organized in a democratic manner.

3

Members' Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital remains the common property of the cooperative. Members allocate surpluses for any or all of the following purposes: developing the cooperative; setting up reserves; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4

Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control as well as their unique identity.

5

Education, Training, and Information

Education and training for members, elected representatives (directors/trustees), CEOs, and employees help them effectively contribute to the development of their cooperatives. Communications about the nature and benefits of cooperatives, particularly with the general public and opinion leaders, help boost cooperative understanding.

6

Cooperation Among Cooperatives

By working together through local, national, regional and international structures, cooperatives improve services, bolster local economies, and deal more effectively with social and community needs.

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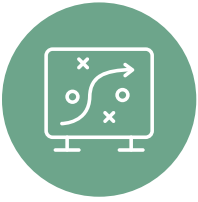
Concern for Community

Cooperatives work for the sustainable development of their communities through policies supported by the membership.

COOPERATIVE STRATEGIES AND INITIATIVES:

Evolve from *distribution utility* to *electric utility*

	1. Build our Op-Ex Foundation Forward
	2. Unleash Value Enabled by GRExit Flexibility
	3. Modernize Member Programs
	4. Monetize Strategic Capabilities
	5. Contribute as Regional Leader
	6. Diligently Manage Risk



1. Build Our Operational Excellence Foundation Forward – Our operational excellence foundation for electric distribution is a core strength. Reliability, safety, member satisfaction, resiliency, affordability, and security are a continuing focus.

- a. ***Safety Always*** – Maintain our commitment. Improve our safety culture. Proper safety protocols always trump rushing a job.
- b. ***Distribution System***
 - i. Maintain our industry leading distribution system reliability
 - ii. Modernize our distribution system. Refresh aging grid infrastructure. Advance distribution automation.
 - iii. As a GRE transmission customer, seek a continuing effective working relationship
- c. ***Financial Strength*** – Support an operationally excellent electric utility business model.
 - i. Increase operating cash to at least 30 days on hand, equity ranging between 53-59%, and equity as % of assets >40%.
 - ii. CFC and CoBank are core banking relationships. Also consider opportunities to diversify capital investment.
 - iii. Continue to build credit quality and seek a second credit agency rating by 2025.
- d. ***Power Supply Operations... Walk before we run***
 - i. As a MISO load serving entity (LSE), grow expertise managing energy, capacity, and load forecasting
 - ii. Developing a board approved hedging policy and consider first transactions in 2023
 - iii. Build expertise as offset to GRE support over time. Build relationships with power markets’ players as potential partners
 - iv. Optimize value from our GRE slice-of-system assets and core services. Rebuild our GRE working relationship with positivity to the extent it is reciprocated by GRE staff and GRE members.
 - v. Create our first Resource Plan by YE2023
- e. ***“Culture Eats Strategy for Lunch”*** – Attract and retain talent as a preferred workplace with meaningful work, competitive benefits, professional challenges, community connection, and fun.
- f. ***Communications & Public Affairs*** – Execute our communications and public affairs efforts as an element of operational excellence.



2. Unleash Value Enabled By GRExit Flexibility – Business flexibility is the gem won exiting GRE membership. We will walk, then run, unleashing value previously constrained.

- a. **Clean Energy Transition** – Unleashed from GRE’s 5% renewable self-supply limits, add cost competitive renewables and battery storage while maintaining affordability for all members
- b. **Load Growth at Marginal Market Cost** – All growth beyond the cap is at marginal instead of fully embedded cost. Average down the power supply cost with growth.
- c. **Capacity and Renewable Credit Sales** – Instead of paying GRE for more capacity and renewables than needed, take the excess and realize its value
- d. **Higher Return Conservation Programs [ECO]** – Actively manage conservation rebate programs. Lead by advancing new practices with the DOC in cooperation with MREA.



3. Modernize Member Programs – Modernize programs to enhance our member experience. Built upon the foundation of affordability, reliability, and member service. Innovate on electrification, load management, behavioral pricing, and sustainability.

Our ethic is that all employees contribute to serving members.

- a. **Electric Transportation** – Aim to be the easiest utility in MN for members that transition to electric vehicles. Address workplace, multi-family, and institutional charging and pricing solutions.
- b. **Load Management** – Tailor and redirect our DSO managed load solutions to realize benefits in the context of our customer contracts. Begin phase out of low-value legacy programs like switched AC.
- c. **Behavioral Pricing Programs** – Pilot new options for behavioral pricing like subscription EV charging
- d. **Green My Use** – Monetize renewable energy credits (RECs) to members seeking a simple option to green their use.
- e. **Co-Investment** – Consider programs that facilitate co-investment with members like DER aggregation and BTM battery storage.



4. Monetize Strategic Capabilities – Connexus innovation has built capabilities constrained in application by our size but may add value if offered to the market as a service. Commercializing as for-profit activity to build competencies and create professional opportunities.

- a. **Create Business Model & Propose Launch Investment** – Consider business model options. If approved, resource a startup entity, invite limited partners, and build the business.
- b. **Service Example** – Develop a back-office service offering to support utilities that wish to launch advanced load and behavioral demand service options.
- c. **Asset Example** – Create a battery storage program where our subsidiary might own batteries on a performance fee basis.
- d. **Growth Example** – Build our own load. Consider strategic investments that would create both load for Connexus and a profitable business.



5. Contribute as Regional Leader – Connexus has grown its voice and its brand in energy solutions and innovation. Having also achieved independence, we have an opportunity to further contribute to our cooperative community and region.

- a. **Cooperative Leader** – We lend our voice and resources in joint action for the collective good. We support the good work of MREA.
- b. **Energy Policy Voice** – Share viewpoints, learnings, and contribute to MN and regional policy development.
- c. **The Connexus Energy Foundation [CEF]** – With the CEF and employee-led Connexus Cares, we seek to invest in charitable causes and stakeholders that help our communities.
- d. **Economic Development** – We actively partner with our local counties, cities, and their economic development activities. We seek to attract significant new commercial, industrial, and institutional members.



6. Diligently Manage Risk – With our business model change to an Electric Utility, Connexus steps up its risk management processes.

- a. **Enterprise Risk Management [ERM]** – Build an ERM program including active board governance. Routinely analyze and mitigate our key risks. Develop and implement an energy hedging policy by 4Q22.
- b. **Grid & Facilities Security** – Invest to defend our operations from electronic, physical, and other attacks. Assure our home campus is safe and secure.
- c. **Black Swan Caution** – Periodically envision Black Swan scenarios and consider mitigation approaches, e.g., pre-stock supplemental materials away from the HQ facility anticipating extreme weather or debilitating supply chain disruptions.