2018 ANNUAL REPORT

BUILDING A SMART ENERGY FUTURE

mienergy™
COOPERATIVE

Look inside to see what we are already doing!
YOU’RE INVITED
MIENERGY COOPERATIVE’S 3RD ANNUAL MEETING
WHERE?
Mabel Community Center
201 South Main Street
Mabel, Minn.
WHEN?
Tuesday, April 23, 2019
Doors open at 6 p.m.
Business meeting at 7 p.m.
OFFICIAL ORDER OF BUSINESS IS ON THE BACK COVER.

2018 BOARD OF DIRECTORS
YOUR BOARD, THE DISTRICT THEY SERVE AND THE YEAR THEIR SEATS ARE UP FOR RE-ELECTION

DEAN FISHER
District 4, 2022
CHARLES FRANZA
District 4, 2022
DOUG HALL
District 1, 2020
DEAN KNULL
District 6, 2018
BETH OLSON
District 3, 2022
DON PETERSEN
District 3, 2021
DENNIS PTACEK
District 1, 2020
RICK STEVENS
District 3, 2021
JENNY SCHARMER
District 5, 2022
BETH OLSON
District 5, 2022
DARLA RANCE
District 5, 2022

Co-op members represent you
MiEnergy is a democratically-controlled business, meaning the cooperative is governed by local people, just like you.

Milan Energy Cooperative Notice of Annual Meeting of Members
The 3rd annual meeting of the members of MiEnergy Cooperative will be held at the Mabel Community Center, 201 South Main Street, Mabel, Minnesota, beginning at 7 p.m., on April 23, 2019, to take action upon the following matters:

1. The reports of officers, directors, and committees;
2. All other business which may legally come before the meeting or any adjournment or adjournments thereof.

Consistent with the terms of the Plan of Merger approved by the members in April of 2016, there will be no election of directors at this meeting. Absent a resignation, retirement, or other event causing a vacancy on the Board, the existing directors will continue to serve until the initial post merger election, which will occur at the Annual Meeting to be held in 2020.

You are urged to attend the meeting, hear the reports of the officers and transact such other business as may come before the meeting.

Dennis Ptacek
Secretary

A SMART ENERGY FUTURE
WHAT BEGAN IN 1936, CONTINUES TODAY

DEAR MEMBERS:
The founders of our electric cooperative were surely amazed at the benefits electricity provided such as light during darkness, refrigeration to keep milk from spoiling and well pumps for indoor plumbing. What began in 1936 has not stopped. Reliance on reliable and affordable electricity is even greater today. Today’s technology is creating opportunities and much of it is being charged by or plugged in to electricity. A smart energy future has changed over the years, but the one thing that remains unchanged is MiEnergy Cooperative’s commitment to working for its members to bring change to their doorstep. Reflecting on the past year, we are pleased to report on the cooperative’s financial success and highlight what we are doing to continue to build a smart energy future.

FINANCIAL SUCCESS
MiEnergy exceeded budget calculations and met all the financial requirements of lenders. Operating revenue, which is primarily from the sale of electricity to members, was over $75 million. Seasonal weather, increased commercial growth, the addition of the city of St. Charles as a wholesale member and an extended grain drying season contributed to increased energy sales. All rate classes of members experienced increased kWh sales, with the exception of street lighting, which is due to the LED conversion program.

Wholesale power costs from Dairyland Power Cooperative and Alliant Energy exceeded $48.5 million. Wholesale power costs and operating expenses provided a margin of just under $1.6 million. The operating margins, combined with non-operating margins and capital credits from Dairyland of almost $2.2 million brought the year-end margin to nearly $3.8 million. As a result of our stable financial condition, board action returned $2.1 million in capital credits back to members.

SYSTEM IMPROVEMENTS
Electric utilities are a capital-intensive industry and we must continually be investing financial resources in our utility system. Over $10.2 million was spent in 2018 on system improvements and new capital projects. Reinvesting in plant and system improvements are on schedule with our 10-year Rural Utilities Service work plan.

BATTERY STORAGE
We announced in 2018 that MiEnergy Cooperative is one of four electric cooperatives in the United States that is piloting smart battery storage for residential applications. Grants from the Department of Energy and the Iowa Energy Center provided support for the

WHAT ELECTRICITY PRODUCES CONTINUES TO BE AMAZING, EVEN 80+ YEARS LATER.

REVENUES GREW DUE TO WEATHER, COMMERCIAL GROWTH, SERVICE TO ST. CHARLES AND AN EXTENDED GRAIN DRYING SEASON.

DELIVERING ELECTRICITY IS CAPITAL INTENSIVE; $10.2 MILLION WAS SPENT TO KEEP THE ELECTRIC GRID SAFE AND WELL MAINTAINED.

MENERGY IS 1 OF 4 CO-OPS IN THE NATION PARTICIPATING IN A RESIDENTIAL SMART BATTERY STORAGE PILOT.
investment to research and test battery storage as an energy management tool. Chosen participants in the pilot allow the cooperative to switch the home’s energy source from the distribution grid to the battery during critical peak energy periods. The first battery was commissioned in October and early research is promising. Avoiding daily transmission peaks and using electricity during off-peak times provides a great opportunity if paired with a future time-of-use energy rate. We are anxiously awaiting more data on this five-year pilot.

RURAL BROADBAND
A smart energy future depends on broadband for the use of technology from smart devices like thermostats, appliances and automation to avoid peak energy use periods. These devices can enhance quality of life and help keep electric rates affordable. We believe today’s delivery of broadband service in rural areas is equivalent to the first delivery of electric service in the 1930s. It’s equally noteworthy that your electric cooperative is again leading this initiative with two respected local telecommunications cooperatives. In July, we announced our partnership with Mabel Cooperative Telephone Company and Spring Grove Communications to create MiBroadband. It includes ownership in Harmony Telephone Company, which provides the customer service and expertise for MiBroadband service.

As MiEnergy continues to expand its broadband communications network to communicate with our 43 substations and nearly 25,000 electronic meters, so too will MiBroadband’s service area grow.

GREENER OPTIONS
Renewable energy, primarily wind and solar, in addition to energy efficiency and energy management has made electricity the energy choice of the future. Combined with battery storage, the opportunities and advancements seem endless. Electrification of the transportation industry has every automobile manufacturer responding with electric vehicles and progressive goals to transform their production lines. MiEnergy launched its off-peak electric vehicle charging rate in 2018. With an off-peak rate of $5.6 cents per kWh, it is equivalent to paying $75 per gallon for gasoline. In 2019, electric vehicle charging stations will be installed at our Cresco and Rushford locations. We are also adding two Chevy Bolts to our fleet. Our initiative is to incorporate the electric vehicles into our operations to educate our members and support the buildout of charging stations across the cooperative’s service territory and region with the help of our statewide associations.

COMING IN 2019
It was announced in 2018 that we are adding a cooperative-owned 1.5-megawatt utility-scale solar array east of Decorah, Iowa, and a 1-megawatt (MW) array near Utica, Minn. We are also evaluating the addition of a 2-MW of smart battery storage at our Chatfield Substation. MiEnergy will continue its commitment to meet our members’ needs in providing safe and affordable electricity just as it has for decades. Together, our members, employees and directors are what makes us successful and a leader in the utility industry. We’re proud of what we have accomplished and look forward to continuing to build a smart energy future.

Cooperatively,

Brian Krambeer
President/CEO

Dean Nierling
Board Chair

TODAY’S RURAL MEMBERS WANT BROADBAND SPEED SIMILAR TO HOW FARMERS WANTED ELECTRICITY IN THE 1930’S.

PARTNERSHIPS ARE KEY TO OFFERING BROADBAND TO RURAL AREAS.

RENEWABLE ENERGY AND ELECTRIFICATION OF THE TRANSPORTATION INDUSTRY IS MAKING ELECTRICITY THE ENERGY CHOICE OF THE FUTURE.

THE CO-OP ANNOUNCED PLANS TO ADD TWO SOLAR ARRAYS IN 2019 IN RURAL AREAS OF DECORAH AND UTICA.
RURAL BROADBAND
A hybrid system of fixed wireless and fiber used by MiEnergy’s electric grid is offering broadband to rural residents for their homes, farms and businesses.

Bringing the world to your door!

BROADBAND LAUNCHED IN 2018

BROADBAND

GREENER OPTIONS
With transportation going green, MiEnergy added an off-peak electric vehicle charging rate. Look for a charging station at our Cresco and Rushford offices coming in 2019.

In 2019, MiEnergy will add 2 Chevy Bolts to its fleet!

NEW RATE FOR FUTURE NEEDS

LEARN MORE ABOUT THE CO-OP
A REVIEW OF THE NUMBERS FOR 2018

18,738 # OF MEMBERS SERVED BY THE CO-OP

3.38 AVERAGE # OF MEMBERS PER MILE OF LINE

18% OF OUTAGES WERE CAUSED BY TREES

402 PRIVATE ENERGY SYSTEMS OWNED BY MEMBERS

66¢ OF EVERY DOLLAR YOU PAY THE CO-OP PAYS FOR WHOLESALE POWER

1,098 AVERAGE # OF KWH USED EACH MONTH BY RESIDENTIAL MEMBERS
PLANNING FOR LONG-TERM SUCCESS

In 2019, several business initiatives will be implemented to achieve the Strategic Imperatives established by Dairyland’s Board of Directors. Our industry is rapidly changing and Dairyland is positioned to be a dynamic cooperative leader into the future.

• Reimagining Generation Plan – This plan will provide a framework for resource planning for the next 7-10 years. It will provide value to members through planned expansion of renewable energy, evaluating price volatility and determining the best project mix for Dairyland’s members.

• Wholesale Rate Study Task Force – The Board of Directors and managers of Dairyland’s members are working together to assess Dairyland’s current wholesale rate structure, along with potential new rate structures. The goal is to develop a rate design that is competitive, while providing long-term mutual success for Dairyland and its member cooperatives.

• Strategic Decision Excellence – The goal of this initiative is to enhance how Dairyland makes business decisions. This includes evaluating processes and systems used to make major capital, operational and strategic business decisions.

Exceeding members’ expectations is Dairyland’s vision as it continues to plan to reliably and sustainably meet our cooperative’s future energy needs.

Cooperatively,

Jennifer Scharmer
MiEnergy’s Representative on Dairyland Power Cooperative’s Board

2ND ANNUAL MEETING MINUTES

The 2nd annual meeting of the members of MiEnergy Cooperatives was held at the community center, New Richland, Minn. at 7 p.m. on the 18th day of April, 2018.

The meeting was called to order by Dean Nierling, chair of the board, who presided, and Dennis Placek, secretary of the cooperative, as acting secretary of the meeting and kept the minutes therefor.

Nierling called the meeting to order. In the absence of 5 MiEnergy members due to inclement weather, he recessed the meeting until April 18, 2017 at 7 p.m.

Nierling called the next business of the meeting, which was to review the statement of purpose for the merger. He noted that the first year of the merged cooperative was a success. He reviewed the new rate structures and methodology used to set rates. He reviewed some basic cooperative statistics and noted that the first year of the merged cooperative was a success. He reviewed the new rate structures and methodology used to set rates. He reviewed some basic cooperative statistics and noted that the first year of the merged cooperative was a success.

Nierling introduced the board members, CEO Krambeer and Attorney Dennis Puckett. Vice Chair Ron Stevens was introduced, and he introduced guests who were in attendance, including representatives of neighboring cooperatives, mostly in southern Minnesota. Nierling introduced Ptacek, who noted that the notice of annual meeting had been mailed to all members and was printed in the annual meeting notice. He read the affidavit of mailing of the notice.

Nierling reported that the members present in person had been checked, and that a sufficient number of members were present to constitute a quorum.

An invocation was offered by Director Jenny Krambeer. Nierling then led the members in meeting the Pledge of Allegiance.

Nierling introduced Placek, who noted that the notice of annual meeting had been mailed to all members and was printed in the annual meeting notice. He noted the affidavit of mailing of the notice.

Nierling introduced the board members, CEO Krambeer and Attorney Dennis Puckett. Vice Chair Ron Stevens was introduced, and he introduced guests who were in attendance, including representatives of neighboring cooperatives, Dairyland Power Cooperative, the Iowa Association of Electric Cooperatives and key local business leaders.

Nierling noted that the minutes of the annual meeting held April 17, 2017, were mailed to the members in the annual report. He read the affidavit of mailing of the notice that the minutes of the meeting be waived and they be accepted as printed. A motion was duly made, seconded and carried, to waive the reading of said minutes, and they were thereupon declared to be approved and ordered to be filed in the records of the Cooperative.

Nierling introduced Board Treasurer Don Peterson, who reviewed the financial Statements for MiEnergy Cooperative for 2017. The annual report included summary statement of revenue and expense and balance sheet, cash flow statement and Peterson reviewed some of the key figures. He indicated that total assets increased $2.1 million, and liabilities increased by $1.7 million. Total equity at the end of 2017 was $88 million, which is 36.7% of total assets, compared to 38.9% in 2016. A $5.2 million in capital credits were retired in 2017. The financial statements were audited by the Edin Daily CPA firm.

CEO Brian Krambeer was introduced and he presented the financial report. Krambeer attributed the success of the cooperative to the employees. He thanked the board for its leadership and the members for their support and commitment. He reviewed some basic cooperative statistics and noted that the first year of the merged cooperative was a success. He reviewed the new rate structures and methodology used to set rates. He reviewed some basic cooperative statistics and noted that the first year of the merged cooperative was a success. He reviewed the new rate structures and methodology used to set rates. He reviewed some basic cooperative statistics and noted that the first year of the merged cooperative was a success. He reviewed the new rate structures and methodology used to set rates.
### WHERE YOUR DOLLAR GOES

<table>
<thead>
<tr>
<th>Component</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale Power</td>
<td>66.07%</td>
<td>6.93%</td>
</tr>
<tr>
<td>Operations/Maintenance</td>
<td>11.4%</td>
<td>4.84%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>8.12%</td>
<td>2.64%</td>
</tr>
<tr>
<td>Taxes/Ser/Int/Other</td>
<td>6.3%</td>
<td></td>
</tr>
<tr>
<td>Admin/General</td>
<td>4.8%</td>
<td></td>
</tr>
<tr>
<td>Customer Accounts/Member</td>
<td>2.6%</td>
<td></td>
</tr>
</tbody>
</table>

### BALANCE SHEET

<table>
<thead>
<tr>
<th>Assets</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ELECTRIC PLANT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In service</td>
<td>$188,179,824</td>
<td>$181,678,975</td>
</tr>
<tr>
<td>Under construction</td>
<td>$67,776</td>
<td>355,762</td>
</tr>
<tr>
<td>Total electric plant</td>
<td>$195,957,594</td>
<td>$186,034,737</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>$5,487,466</td>
<td>$5,600,592</td>
</tr>
<tr>
<td>Net Electric Plant</td>
<td>$134,469,128</td>
<td>$129,434,145</td>
</tr>
<tr>
<td><strong>OPERATING &amp; MAINTENANCE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in associated companies</td>
<td>$30,717,004</td>
<td>$30,143,929</td>
</tr>
<tr>
<td>Restricted investments</td>
<td>3,196,004</td>
<td>$3,196,004</td>
</tr>
<tr>
<td>Non-utility property, net</td>
<td>109,986</td>
<td>250,312</td>
</tr>
<tr>
<td>Other investments</td>
<td>140,725</td>
<td>140,400</td>
</tr>
<tr>
<td>Total Other Property and Investments</td>
<td>$34,194,040</td>
<td>$33,695,250</td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$3,695,990</td>
<td>$4,627,344</td>
</tr>
<tr>
<td>Accounts receivable – net</td>
<td>8,414,773</td>
<td>8,154,772</td>
</tr>
<tr>
<td>Accounts receivable – FEDRA</td>
<td>9,125,316</td>
<td>7,010</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>5,549,527</td>
<td>5,390,303</td>
</tr>
<tr>
<td>Other assets</td>
<td>377,673</td>
<td>484,410</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>$20,720,073</td>
<td>$18,730,079</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>DEFERRED DEBITS</strong></td>
<td>$2,781,874</td>
<td>$3,372,758</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$189,786,215</td>
<td>$185,232,232</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EQUITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Patronage capital</td>
<td>$58,516,384</td>
<td>$57,329,976</td>
</tr>
<tr>
<td>Other equities</td>
<td>11,047,386</td>
<td>10,681,708</td>
</tr>
<tr>
<td>Total equities</td>
<td>$69,563,770</td>
<td>$68,011,684</td>
</tr>
<tr>
<td><strong>LONG-TERM DEBT, LESS CURRENT Maturities</strong></td>
<td>$69,150,837</td>
<td>$68,150,040</td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current maturities of long term debt</td>
<td>$5,059,086</td>
<td>$4,949,000</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>5,863,555</td>
<td>5,841,155</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>107,950</td>
<td>118,338</td>
</tr>
<tr>
<td>Other current and accrued liabilities</td>
<td>2,949,991</td>
<td>3,096,850</td>
</tr>
<tr>
<td>Total Current Liabilities</td>
<td>$13,862,666</td>
<td>$14,142,343</td>
</tr>
<tr>
<td><strong>DEFERRED CREDITS</strong></td>
<td>$7,570,923</td>
<td>$7,681,265</td>
</tr>
<tr>
<td><strong>TOTAL EQUITIES AND LIABILITIES</strong></td>
<td>$189,786,215</td>
<td>$185,232,232</td>
</tr>
</tbody>
</table>

### STATEMENT OF REVENUE AND EXPENSE

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATING REVENUE</td>
<td>$75,911,089</td>
<td>$71,815,322</td>
</tr>
<tr>
<td>Cost of purchased power</td>
<td>46,515,213</td>
<td>47,121,297</td>
</tr>
<tr>
<td>Distribution – operations</td>
<td>4,255,408</td>
<td>4,134,398</td>
</tr>
<tr>
<td>Distribution – maintenance</td>
<td>4,113,346</td>
<td>3,861,550</td>
</tr>
<tr>
<td>Consumer account</td>
<td>934,988</td>
<td>890,861</td>
</tr>
<tr>
<td>Customer service and informational</td>
<td>1,001,274</td>
<td>890,230</td>
</tr>
<tr>
<td>Administrative and general</td>
<td>3,564,044</td>
<td>3,632,504</td>
</tr>
<tr>
<td>Depreciation</td>
<td>5,960,919</td>
<td>5,889,250</td>
</tr>
<tr>
<td>Taxes</td>
<td>748,749</td>
<td>830,486</td>
</tr>
<tr>
<td>Interest</td>
<td>4,289,253</td>
<td>4,100,820</td>
</tr>
<tr>
<td>Other</td>
<td>377,673</td>
<td>484,410</td>
</tr>
<tr>
<td>Total operating expense</td>
<td>$73,430,337</td>
<td>$71,392,557</td>
</tr>
<tr>
<td>OPERATING MARGINS</td>
<td>$2,480,752</td>
<td>$2,422,767</td>
</tr>
<tr>
<td>S &amp; F AND OTHER CAPITAL CREDITS</td>
<td>$1,181,792</td>
<td>$2,456,983</td>
</tr>
<tr>
<td>NON OPERATING MARGINS</td>
<td>$1,015,419</td>
<td>$970,402</td>
</tr>
<tr>
<td><strong>NET MARGIN</strong></td>
<td>$3,789,960</td>
<td>$3,851,350</td>
</tr>
</tbody>
</table>

### POWERING HOMES, FARMS & BUSINESSES FOR TODAY AND TOMORROW

**REQUIRES BUILDING A SMART ENERGY FUTURE**

- Internet
- TV & TV box
- Air Conditioning
- Home Theater
- Smart Refrigerator
- Solar Energy
- Oil Heating
- Air Conditioning
- Robotic Vacuum Cleaner
- Smart Dishwasher
- Smart Oven
- Security System
- Smart Washer
- Alexa Bridge
- Energy Audit
- Pet Feeder
- Smart Thermostat
- Water Purification System
- Knife Sharpener
- Smart Fridge
- Smart Oven
- Over The Range Microwave
- Security System
- Smart Lock
- Smoke Detector
- Smart Dog
- Fan
- Smart Dog
- Smart Lock
- Security System
Annual Meeting
Mabel Community Center
201 South Main St, Mabel, MN
Tuesday, April 23

Card must be turned in by 7 p.m. to be eligible for the prize drawing. Must be present to win.

ORDER OF BUSINESS

THE ONE-HOUR BUSINESS MEETING BEGINS AT 7 P.M.

THE OFFICIAL ORDER OF BUSINESS FOR THE MEETING IS LISTED AT RIGHT.

Call to Order and Meeting Rules.........................................................Dean Nierling, board chair
Invocation................................................................. Ron Stevens, board vice chair
Pledge of Allegiance..................................................All Attendees
Meeting Notice and Proof of Mailing.............................Dennis Ptacek, board secretary
Announcement of Quorum..................................................Nierling
Introduction of Board, CEO & Attorneys ..................Nierling
Introduction of Guests .....................................................Jenny Scharmer, board director
Approval of Annual Meeting Minutes.............................. Nierling
Treasurer’s Report (Audit) ........................................... Don Petersen, board treasurer
Director Election Update.............................................Denny Puckett, attorney
President/CEO Report ..................................................Brian Krambeer, president/CEO
Questions from the Membership .................................. Krambeer
Unfinished Business ..................................................... Nierling
New Business .............................................................. Nierling
Adjourn ............................................................................. Nierling
Drawing for Prizes.........................Employees Kaye Bernard, Cindy Christensen & Shelly Hove