

**WH**  
**Wright-Hennepin**<sup>®</sup>  
Cooperative Electric Association  
A Touchstone Energy<sup>®</sup> Cooperative 

# *SMART POWER FOR YOUR HOME*

**2013 Annual Meeting Edition**  
Hotline Update - March 2013

# Smart power and products for your future

LETTER TO THE MEMBERSHIP FROM THE BOARD CHAIR AND PRESIDENT & CEO



**Chris Lantto**  
Board Chair



**Mark Vogt**  
President & CEO

## To the members:

Two-thousand-twelve was a year of favorable operating results for Wright-Hennepin (WH), and this benefitted you in a variety of ways. In a year where national headlines too often heralded the suffering, inconvenience and lost commerce of prolonged electric outages on the east coast and other regions of the country, WH turned in another record-best year in keeping your lights on. The cooperative turned in that performance while delivering electricity to your homes, farms and businesses at a net price that was as competitive as any electric supplier in this marketplace. Due to strong cost control and new revenue streams from other products, your board of directors was also able to return a record-high capital credit return to you of \$3.7 million. This was done via the regular annual capital credit retirement of \$1.2 million at the end of the year, and then again with a \$2.5 million special retirement for 2012 business, which will appear as a credit on your electric statement this month.

**Letter to the Members**  
CONTINUED ON PAGE 3

## Board to return special refund of \$2.5 million this month!


A special refund of \$2.5 million will be returned to Wright-Hennepin (WH) members in March to recognize surplus margins resulting from 2012 electric operations. On average, residential refunds will be \$43 per household. Individual amounts will vary based on electric usage.

The refund is a result of WH's successful efforts to lower costs for the fiscal year 2012. WH had expected a six percent wholesale power cost increase over 2011 rates. But WH's ability to absorb about half of the extra wholesale power costs due to efficiencies in its local operations resulted in margins that were higher than needed to meet financial requirements.

"Due to our ability to lower or offset rising wholesale power cost increases throughout the year, WH experienced year-end margins that were more than needed to meet competitive objectives and bankers' requirements in 2012. The board of directors decided this surplus should immediately be returned to the member-owners of WH," said Board Chair Chris Lantto.

This is the second refund from surplus margins provided to members by a Wright-Hennepin Board, the first was for business in 2008. The Board has determined this special refund will be in the form of an extra capital credit retirement that will appear on members' electric statements in March. This special refund is in addition to the regular

\$1.2 million capital credit refund provided to WH members in December. It will not affect or change the next regular capital credit refund scheduled for December 2013. Refunds such as this are a distinct advantage of the cooperative business model.

Operating as a non-profit, member-owned business, membership with WH allows all electric customers to share in its success. All WH members who purchased electricity in 2012 will receive a portion of this special refund based on 2012 electric patronage. 



WH's Board of Directors from left to right, top to bottom: Burton Horsch, District 3, Howard Lake; Timothy Young, District 1, Annandale; Vice Chair Thomas Mach, District 6, Maple Grove; Erick Heinz, District 9, Corcoran; Duane "Butch" Lindenfelser, District 2, Monticello; Kenneth Hiebel, District 7, Plymouth; Secretary-Treasurer Dale Jans, District 4, Buffalo; Chair Chris Lantto, District 5, French Lake; and Donald Lucas, District 8, Maple Grove.



Two-thousand-twelve was also a year of continuing to reinvent WH. The utility business model is changing rapidly, and your cooperative is committed to be on the forefront of that change for your benefit. For instance, WH received extensive national and state press coverage for the launch of its innovative Community Solar project in 2012. It's the first community solar project in the state, and the first one in the nation using battery backup to store the energy made from the sun. New technologies for allowing members to control their electric usage are literally exploding around us, and we are evaluating those technologies and applications to offer the best ones to you. In fact, it's the reason for this year's annual meeting theme: "Smart Power for Your Home." We hope you will join us at the annual meeting April 2nd to hear all about it.

**"2012 was about keeping your price of power competitive"**

Though the things that influence successful utility operations are changing faster than any time in history, one thing remains the same: Members want competitively-priced electric power. That's why WH's board meetings in 2012 continued to focus on this key performance area. Not only was your price of power competitive with every utility in this area (see graph 1), but it was lower than state and national averages. Those of you taking advantage of Off-Peak programs (over 60 percent of you) or who received a capital credit refund enjoyed an even lower price of power.

While we are gratified that we were able to turn in another year of competitive pricing for you, the cost of generating electricity is undoubtedly going up for all utilities. Newsletter articles and blogs on our website in 2012 communicated the acceleration in price of generating electricity costs across the utility spectrum.

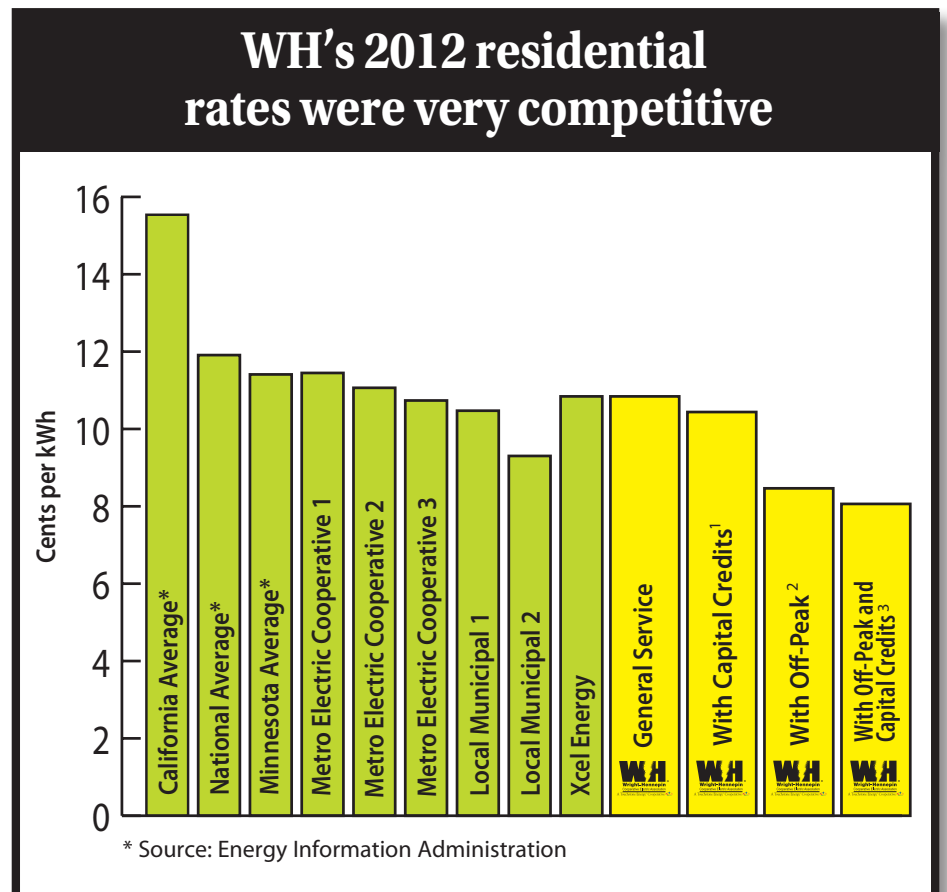
These higher costs are due to an unprecedented level of new government regulation on fossil fuel power plants. Coal makes up roughly half the electric generation portfolio in this country, but accounts for 72 percent of power supply here in the Midwest. Compliance with this disruptive level of government regulation is becoming cost prohibitive as a result, and utilities are being forced to shut down baseload fossil fuel power plants before their useful life is over. In fact, according to the Edison Electric Institute, we can expect the unplanned retirement of almost 20 percent of coal-fired electric capacity by 2015 due to recent regulation! The economic law of supply and demand says price will go up any time you so abruptly take that amount of supply out of a marketplace.

### Our response to this high level of government regulation has been three-part:

1. In order to keep your electric rates competitive, we continue to aggressively manage the costs we have most control over. As graph 2 shows, we kept local operating costs – the cost to operate our electric system in Wright and Hennepin counties – flat for the past 10 years. We've done that with innovation and technology. Even so, with wholesale power supply costs accounting for about 70 percent of our total cost structure, we have experienced pressure on retail rates as all utilities have.
2. We continue to educate elected officials regarding the impact the high level of regulation has on costs and, ultimately, your electric bills. We encourage you to do the same at every opportunity.

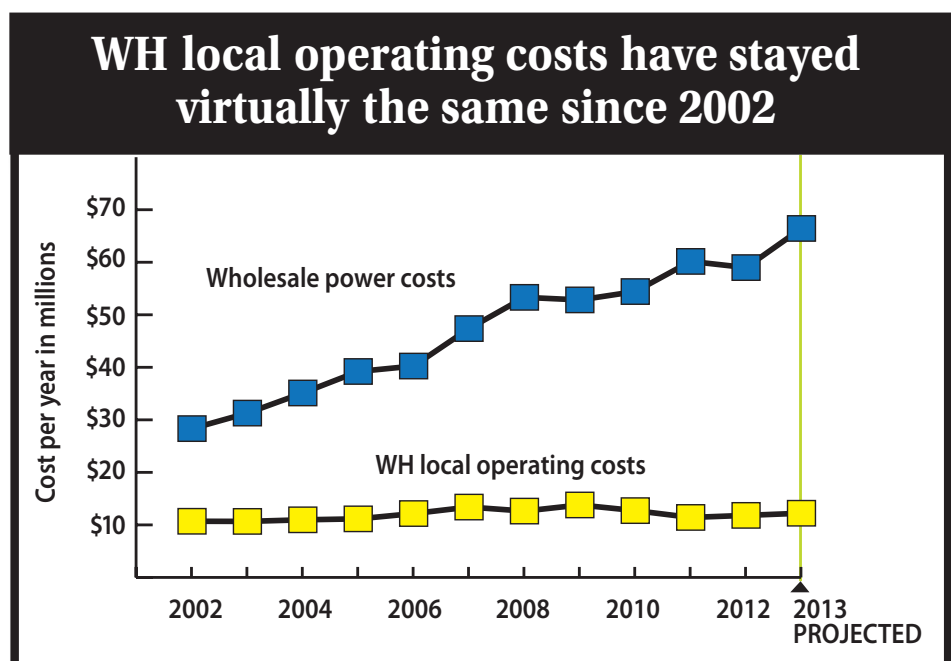
**Letter to the Members**  
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**GRAPH 1**



1 = 98% of membership, 2 = 63% of membership, 3 = 62% of membership

**GRAPH 2**



**3.** We offer energy efficiency information and programs to help members save money. Approximately half of you are signed up for at least one Off-Peak program. As a result, members on Off-Peak received more than \$6 million in bill credits in 2012 alone. We are also here to help with your energy efficiency efforts. We offer a unique energy use web portal called MyMeter, allowing WH members a free and exclusive way to view daily energy use and compare it with other households. We also offer many energy saving tips and information. Please check our website [whe.org](http://whe.org) for more information.

**“2012 was also about keeping power reliability high”**

Besides keeping rates competitive, keeping your lights on is the other most important thing we do. We are pleased to report that our reliability record for 2012 reached another all-time best mark. Specifically, the average number of outages each member experienced in 2012 was lower than in any previous year (see graph 3). This reliability record far eclipsed the industry average.

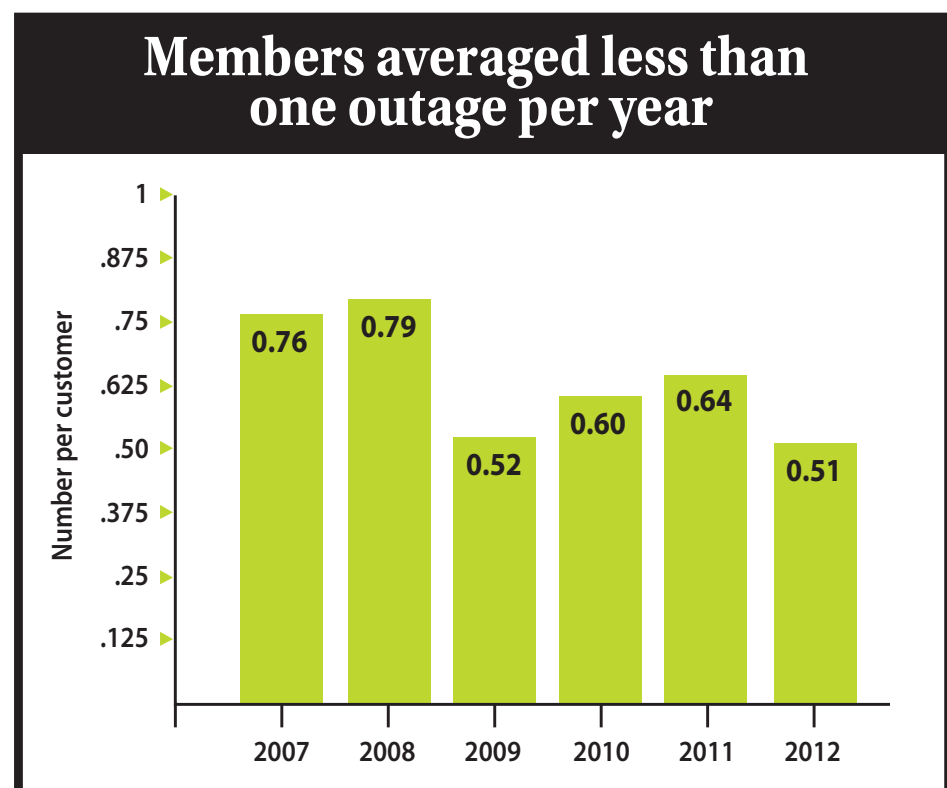
Our ongoing power line construction practices are two-fold: making upgrades to existing equipment in order to ensure high reliability, as well as building new lines to serve new members. In 2012 alone, we invested \$10 million in new energy distribution lines and in operations and maintenance of existing lines.

These investments have helped to ensure a system that is as state of the art as any distribution utility in America.

Yet, when there is an outage due to weather, or when vehicle accidents damage our system, or when animals blow fuses, our line workers, 24-hour dispatchers and support employees take professional pride in safe, rapid response to your needs. We also know how important it is to keep you updated when outages occur. Thanks to member feedback, in 2012 we launched another free and exclusive service for WH members that allows you to sign up to receive text messages/emails when you experience an outage. For your planning purposes, these messages include an estimate of the time it will take to restore power. It also tells you the reason for the outage (if known) and whether or not a line crew is on the way. If you would like a free subscription to this service, visit: <http://goo.gl/csdRH>.

**Letter to the Members**  
CONTINUED ON PAGE 5

**GRAPH 3**



**Our Vision**

To be the preferred energy services company in our marketplace.

**Our Mission**

We are an energy and services cooperative dedicated to enhancing the quality of life of our customers.



*“Every year is about providing excellent service to you”*

Each quarter, we conduct a survey of members to track how we are doing in providing service. We are grateful for the consistently high scores you have provided on this survey. Those scores are industry leaders (see graph 4). But, our ongoing goal is to do even better and another important job is to continue providing the latest in innovative products and services for members’ homes, farms and businesses.

As part of ensuring “Smart Power For Your Home” we continue to explore many additional new technologies.

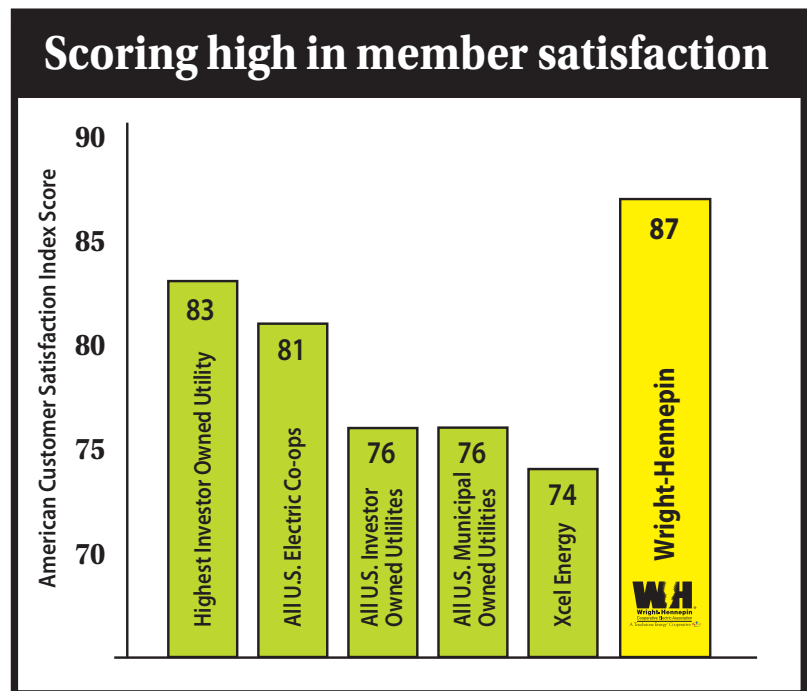
Our efforts in 2012 included:

- As mentioned earlier, by building the states’ first Solar Community, WH members can receive all the benefits of owning solar without having to install panels on their homes. By purchasing panels that are part of a solar community, participants effectively lock-in a portion of their price of electricity for years to come. It represents a tremendous hedge for members concerned with how new government regulation will increase their future price of power.
- Being actively involved in the development of renewable energy products for Silent Power, a Minnesota-grown company. Silent Power manufactures residential-sized energy storage appliances that allows solar and wind energy to be used when it is needed, rather than only when it is produced. (Storing the power in a battery makes it available when you need it.) Having an effective storage device, such as the Silent Power product, allows for increased efficiency for renewables.
- Monitoring and innovating with the performance of our solar and wind demonstration projects at WH’s headquarters in Rockford. These are used as a tool for WH members and staff to better understand the costs, benefits, operation, strengths and weaknesses of renewable energy from a homeowner’s perspective. Our commitment to you is that we will do everything reasonably possible to help bring renewable energy into the mainstream.

In 2013 we will pilot a new program with a select number of members to add to our family of Off-Peak appliances. For the first time, members with window air conditioners and dehumidifiers – previously unable to participate in Off-Peak savings – will be provided with equipment that allows them to remotely control their equipment, especially during WH’s load management times. This will provide a new way for many more members to reduce electric bills. Assuming the pilot proves successful, we will open it to all interested members later in the year.

**Letter to the Members** ►  
CONTINUED ON PAGE 6

**GRAPH 4**



### Notice of Annual Meeting of the Wright-Hennepin Cooperative Electric Association

TO ALL STOCKHOLDERS:

Please take notice that the annual meeting of the members of the above cooperative will be held at its headquarters in Rockford, Minnesota at 7 p.m. on Tuesday, April 2, 2013, to take action on the following matters:

- I. The reports of officers, directors, and committees.
- II. The election of three directors, one from District 4, one from District 6, and one from District 8. In connection with the election scheduled for this meeting candidates have been nominated pursuant to the bylaws.
- III. In addition to voting for directors, balloting will occur on proposed Bylaw amendments.
- IV. Any other business that may come before the meeting or any other adjournments thereof.

Dale F. Jans, Secretary

## Nationally known speaker, Steven Collier, will present at WH’s Annual Meeting

*Collier is known as the “smart grid man.”*

Steven Collier is an energy consultant and the Business Development Vice President at Milsoft Utility Solutions. He has a master’s of science in electrical engineering from Purdue University and over 38 years of background working in the electric industry. Collier is known in the electric industry as the “smart grid man.” A smart grid is an electrical grid that uses information and communications technology to gather and act on information for consumers.



Collier has diverse entrepreneurial, management and transactional experience as a senior executive consultant and is an expert in the latest electronics, telecommunications and information technologies for all aspects of electric operations.

Annual meeting attendees will gain insight on emerging consumer technology WH is introducing, as well as innovations of the future. Collier will talk about home technology, home energy management, renewable information, smart grid capabilities, and visions of the future.

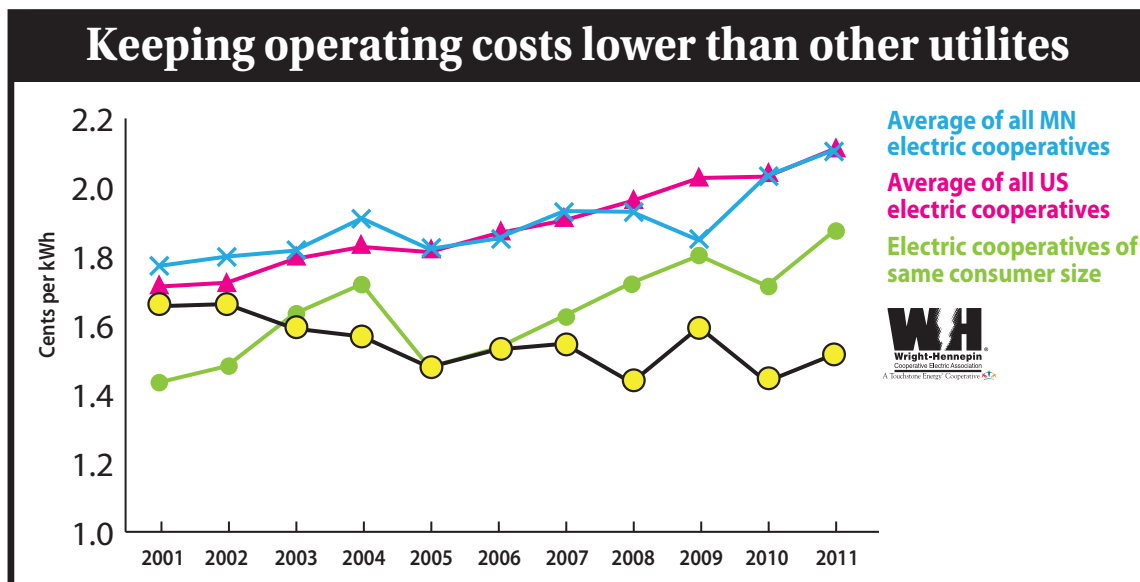
**“WH’s financial condition is strong”**

WH turned in a very strong financial performance in 2012. The steps we have taken to manage local operating costs have helped our ability to keep your rates competitive. As the chart to the right shows, WH’s operating expenses per kWh are lower than state and national averages compared with other electric cooperatives (graph 5).

These low operating costs are the direct result of efficiency gains made possible through the use of technology, ongoing process improvements, as well as contributions from WH’s diversified businesses. WH owns six subsidiaries (see graphic 6) under a holding company umbrella. In 2012, WH Holding reduced the electric cooperative’s costs by \$1.8 million, directly reducing your price of power.

Additionally, your Board’s decision to diversify power supply has again contributed to significant wholesale power cost savings in 2012. In 2006, we switched from having only one power supplier to two. Since then, we have saved \$26 million through this arrangement – \$7.5 million in 2012 alone.

**GRAPH 5**



**“Community Involvement Continues”**

WH’s mission statement dedicates us to enhancing your quality of life. Beyond providing reliable power, excellent service and competitive rates, we continued this commitment to the community in a number of ways during 2012:

- Awarded \$27,700 in scholarships to local students through WH Holding. Local scholarship donations began in 1988. Since the start of the program, \$546,000 has been provided to local students to further their educational dreams.

- As part of Operation Round Up (ORU) members allow their electric bills to be rounded up to the next dollar. These contributions are placed in a trust fund and then donated to local organizations by an ORU trust board. During 2012, ORU donated \$169,737 to community programs, bringing ORU total donations to \$2.8 million since the program’s inception in 1994.

- In 1997, WH’s service territory was hit by a severe storm that left thousands of trees broken and uprooted. Since that time, WH has donated 198,000 trees for planting by local organizations, including 15,000 seedlings in 2012.

**Letter to the Members**  
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**GRAPHIC 6**

**WH Holding company delivers products and services to meet your needs**

WH owns six subsidiary businesses, which are separate from the electric operation. In 2012, WH Holding picked up \$1.8 million in cost allocations that otherwise would have been collected in members’ electric rates. This structure also protects the electric cooperative’s non-profit status and provides liability protection.

**WH Holding**

A wholly owned subsidiary of Wright-Hennepin Cooperative Electric Association

**WH Response Center**

A wholly owned subsidiary of Wright-Hennepin Cooperative Electric Association

The International Response Center provides 24/7 wholesale monitoring services to almost 60,000 customers in the US and Canada.

**WH SERVICES**

This subsidiary provides quality contractor services such as tree trimming, Off-Peak equipment installations and street lighting.

**WH Security**

A wholly owned subsidiary of Wright-Hennepin Cooperative Electric Association

WH Security provides security alarm systems and monitoring services to thousands of customers in the Twin Cities marketplace.

**HEATMYFLOORS.COM**



HeatMyFloors.com provides energy efficient under floor electric heating systems.

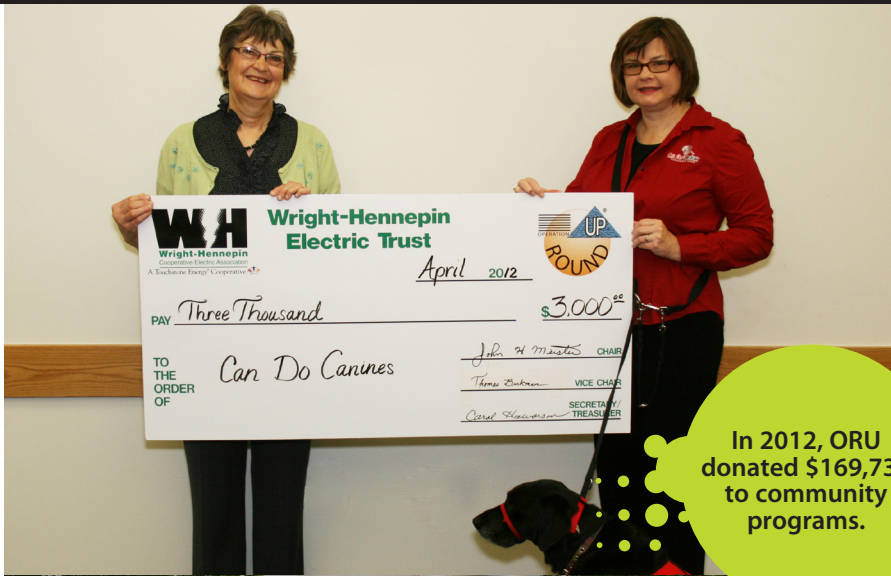
**WH HOLDING INVESTMENTS**

WH Holding Investments provides the legal structure for partnership activity such as our involvement in Silent Power, a battery storage appliance manufacturer in Baxter, Minn..

**WH Generation**

A wholly owned subsidiary of Wright-Hennepin Cooperative Electric Association

WH Generation offers turn-key installation for on-site commercial generators.



In 2012, ORU donated \$169,737 to community programs.



In 2012, WH donated 15,000 trees for planting by local organizations.



In 2012, WH Holding provided \$27,700 in scholarships to local students.



WH line workers and Three Rivers Park district employees work on keeping baby osprey safe.

● At WH, we know how important it is to stay safe around electricity and we feel it is critical to educate the public on this topic. During 2012, we conducted over 75 safety demonstrations at local schools, fire departments and community events as part of spreading electric safety awareness.

● Each year, WH line workers assist the Three Rivers Park district with their efforts to reintroduce osprey to the local area. Using our bucket trucks, we temporarily remove baby osprey from their nests in order for them to be banded and tracked by park employees. We also build platforms on top of specially placed power line poles so that osprey can place their nests in high places away from power lines.


● Your cooperative is a major employer in this area. The electric cooperative provides full time jobs for 91 people and the WH Holding Company provides 54 full time jobs, representing a major benefit to the local economy. We paid \$1.9 million in real estate and property taxes in Wright and Hennepin counties in 2012.

One pending piece of business from 2012 is our appeal of a stray voltage lawsuit. A jury rejected 40 years of established science and testing methods recognized by experts and regulators across America to properly measure and address the issue of stray voltage. While we respect the opinion of the jury, we believe their conclusion was incorrect and asked the Minnesota Court of Appeals to review the case. A decision is expected in third quarter 2013.

As we prepare for the road ahead, our goals remain unchanged:

- Keep electric rates the best value available in our marketplace;
- Provide an unmatched level of service, reliability and smart power for your homes;
- Continue our commitment to the local community;
- Maintain a strong financial condition.

## “Our Enduring Commitment To You”

Key to this will be the people who make WH work on a day to day basis. Our thanks go to the board directors, managers and employees who execute the strategies to fulfill these goals. Most of all, we thank you for your ongoing support and patronage of WH. 

Cooperatively,

Chris Lantto  
Board Chair

Mark Vogt  
President & CEO

# Members using smart power

## WH Solar Community investor pleased with purchase

David Schmidt, of Corcoran, Minn. purchased one of the solar panels from the first Wright-Hennepin (WH) Solar Community and is happy about owning clean energy.

"I heard about the first WH Solar Community on their website and I was interested in this new technology because it is economically smarter. I wanted to test it out, see the logistics of it and see how much I can afford at this time. I also liked the idea of the solar and battery combined."

Schmidt said he was interested in owning solar panels, but was concerned about cost, as well as home resale value.

"I was curious about solar energy, but couldn't afford an entire house system. This is a great opportunity without much investment. This way is affordable because you can choose to own as many solar panels as you would like from the community. I thought it was especially great because a future homeowner may not want solar panels."



David Schmidt, Corcoran, purchased a solar panel in the WH Solar Community


Solar communities allow members to purchase and use affordable solar panels without having to worry about installation and maintenance. The panels are constructed, managed and maintained at WH's headquarters in Rockford, Minn. Participants are able to lock in the cost of electricity for the life of the project, which is estimated at 50 years.

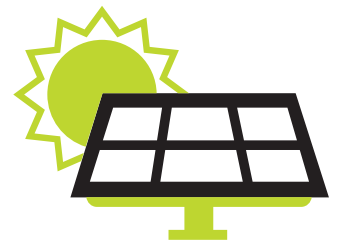
"What appealed to me the most is that it was really easy to get signed up for solar panels and easy to get involved in the solar community. In general, I like the idea of renewable energy and I think I'm in a place where I can spend more money on my electricity and buy something that is higher quality."



Solar communities allow members to purchase solar panels without worrying about installation and maintenance. The panels are managed and maintained at WH's headquarters in Rockford, Minn.

WH's first solar community has already sold out and construction is set to begin this spring. Reservations for a second solar community are currently being accepted.

If you want more information about this program, contact a representative at (800) 646-0323, or visit [whsolarcommunity.com](http://whsolarcommunity.com). 



## WH Security member saves energy using Control My Home

Through WH Security's Control My Home energy management options powered by Alarm.com, customers can manage their home's energy use by remotely accessing and controlling light, electric and thermostat settings via the Internet.

Jeff Stephens, Minnetonka, Minn. began using Alarm.com for thermostat energy management purposes in July 2012.


"I use Alarm.com to control the thermostats in my cabin while I am away and it has been working wonderfully. I was interested in this new technology because the cabin is our secondary home and I like to be able to control the temperature of my cabin while we are home and away from it."

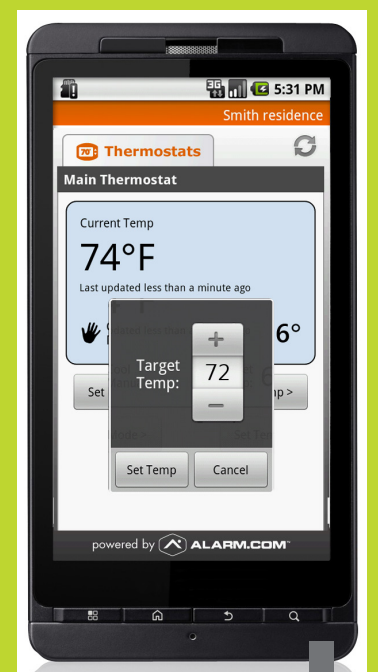
Customers who use Alarm.com save money by reducing energy without sacrificing personal comfort. For members like Stephens, it is easy to pre-set



custom schedules and control thermostat settings through Alarm.com. The user-friendly website can also be accessed on mobile phone applications, ensuring a user that their home is at the right temperature when they arrive, but also prevents them from wasting energy when away.

"Alarm.com services are great for all seasons. In the summer we use it to cool our cabin by controlling our thermostat with our phones. We usually do this on the long drive up, so the cabin is cool by the time we arrive. In the winter, we use it to save on our heating bills because we can turn on the heat while back home and let it run only when it needs to be on, based on the temperature."

To learn more about Alarm.com services offered through WH Security, call a representative at (763) 477-3664. 



Control My Home services allow you remote access to your lights, locks and thermostat from any Internet connection!

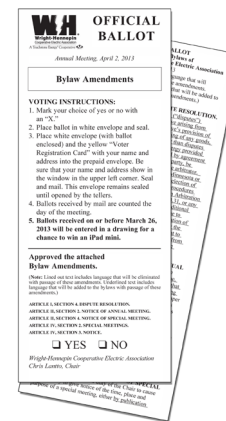


# Board recommends approval of five bylaw provisions

WH's Bylaws were originally written 76 years ago when the cooperative was formed. Since then, steps have been taken to keep the Bylaws and Articles a robust document that is up-to-date with current law and addresses contemporary business issues. At this year's annual meeting, the board of directors is recommending five article revisions.

The sentences with lines under them are recommended additions by your board of directors. The sentences with strikeouts indicate recommended deletions. The right hand column provides a brief explanation for the board's recommendations.

Members are asked to approve the articles with one vote. Ballots will be mailed to all members March 14. Voting will conclude April 2 at the annual meeting, with the results announced during the business meeting.



## RECOMMENDATIONS

Changes to the bylaws of Wright-Hennepin Cooperative Electric Association April 2, 2013

### ARTICLE I MEETINGS OF DIRECTORS

**Section 4. Dispute Resolution.** All disputes, claims, or controversies ("disputes") between a member and the Cooperative arising from or related in any way to the Cooperative's provision of electricity or other services, its furnishing of any goods, or in its conduct of its operations, other than disputes relating to the payment for electrical energy provided by the Cooperative, that are not resolved by agreement of the parties shall, at the request of any party, be resolved by binding arbitration by a single arbitrator. Arbitration shall take place in Rockford, Minnesota or as close to this location as possible. The selection of the arbitrator and all arbitration rules and procedures shall be determined pursuant to the Uniform Arbitration Act in Minnesota Statutes §§ 572B.01-572B.31, or any successor provisions, and pursuant to any additional written procedures to be established from time to time by the board of directors. The determination of any dispute in arbitration shall be governed by the laws of the State of Minnesota. This agreement to arbitrate disputes shall survive any withdrawal from or termination of a member's membership in the Cooperative.

### ARTICLE II MEETINGS OF DIRECTORS

**Section 2. Notice of Annual Meeting.** Notice of the annual meeting shall be given by the Secretary by publication in a magazine, periodical, or other publication of the Cooperative that is regularly published and circulated generally among members or by publication in a weekly legal newspaper or newspapers published or circulated in the counties where the Cooperative operates at least two (2) weeks previous to the date of such meeting, or by mailing notice thereof to each and every member personally not less than fifteen (15) days previous to the date of such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. In case of a joint membership, notice given to either joint members shall be deemed notice to both joint members.

**Section 4. Notice of Special Meeting.** It shall be the duty of the Chair to cause the Secretary to give notice of the time, place and purpose of a special meeting, either by publication in a magazine, periodical, or other publication of the Cooperative that is regularly published and circulated generally among members or by publication in a legal newspaper or newspapers published or circulated in the counties where the Cooperative operates at least two (2) weeks previous to the date of such meeting or by mailing notice thereof to each and every member personally not less than fifteen (15) days previous to the date of such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the member at his address as it appears on the records of the Cooperative with postage thereon prepaid. Such notice shall be issued within ten (10) days from and after the date of the presentation of the written petition mentioned in Section 3 of this Article II, and such special meeting shall be held within thirty (30) days from and after the date of the presentation of such petition. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such annual or special meeting. In case of a joint membership, notice given to either joint member shall be deemed notice to both joint members.

### ARTICLE IV MEETINGS OF DIRECTORS

**Section 2. Special Meetings.** Special meetings of the Board of Directors may be called by the Chair President or any three (3) directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place, which shall be within the area served by the Cooperative, for the holding of any special meetings of the Board of Directors called by them.

**Section 3. Notice.** Notice of the time, place and purpose of any special meeting of the Board of Directors shall be given at least two five (5) days previous thereto, by written notice, delivered personally or mailed, to each director at their last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage prepaid thereon. Such notice may also be given by facsimile or electronic mail. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except in case a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

## BYLAW BASIS RECOMMENDATION

### ARTICLE I

**Section 4.** To provide a speedier and less costly method of dispute resolution for almost all legal matters with the exception of routine issues involving payment. Arbitration as a process to resolve disputes has long been recognized in Minnesota law. Payment issues are already handled in the most efficient method available. (e.g., small claims court).

### ARTICLE II

**Section 2.** To clarify and expand the methods which the cooperative can provide legal notice to the members regarding the annual meeting.

**Section 4.** To clarify and expand the methods by which the cooperative can provide legal notice to the members regarding a special meeting of the membership.

### ARTICLE IV

**Section 2.** To update titles and authorize special board of directors meetings outside the service territory to accommodate occasional working sessions with directors from other cooperatives.

**Section 3.** To allow a special meeting of the board of directors to be called on short notice to deal with an urgent matter.

# ★ MEET THE CANDIDATES ★

## 2013 WH BOARD ELECTION

### Dale Jans District 4 - Buffalo



Dale Jans, Buffalo, is the incumbent director running unopposed in District 4. He has been a Wright-Hennepin Cooperative Electric Association (WH) member for 51 years, certified as a Credentialed Cooperative Director, and works as a farmer in Chatham Township. He and his wife Karen have four sons and are members of St. John's Lutheran Church in Buffalo, Minn.

Jans has served as secretary/treasurer for 16 of his 20 years on the WH board. He served 33 years on the Centra Sota Cooperative board serving 24 of those years as chairman of the board for that organization. Additionally, he also represents all Minnesota electric cooperatives as a director on the Rural Electric Supply Company's (RESCO) board of directors. RESCO is headquartered in Madison, Wis. and serves utilities in the upper Midwest. Jans was first elected to RESCO's board in 1999 and presently serves on that board's executive committee.

"I welcome the opportunity to continue to serve as Wright-Hennepin's District 4 director," Jans said. "Offering direction to keep rates competitive as well as providing products and services that enhance the well-being of our members in these volatile times will continue to be my priority."

### Thomas Mach District 6 - Maple Grove



Thomas Mach, Maple Grove, is the incumbent director running in District 6. He and his wife Sue have two children and have been WH members for 40 years.

A Vietnam veteran with more than 30 years of financial management experience, Mach, who is retired, served as chief financial officer of a company in Plymouth, and was member of the Financial Executives Institute. Mach is chair of the WH Holding Company and vice chair of Wright Hennepin Electric.

"I will work to continue providing the lowest possible rates for members and to assist in providing direction for the cooperative to better serve its customers and community," Mach said.

### Jeff Walz District 6 - Maple Grove



Jeff Walz is the challenger in District 6. Walz has been a Wright-Hennepin member for 15 years. He and his wife Theresa live in Maple Grove and have three children.

Walz leads product management for distribution management systems for electric utilities. He is a member of the Institute of Electrical and Electronics Engineers, and a licensed professional engineer. He is also very active in volunteer coaching for local youth in the Osseo-Maple Grove community.

"As a youth, I represented my local cooperative for the Rural Electric Youth Tour in Washington DC. This experience inspired my interest in electrical engineering, leading to a career serving electric utilities. Our cooperative is well known in the industry for operational excellence resulting in competitive rates and high reliability. I am passionate about serving my local cooperative and I would be honored to represent District 6 to help our cooperative to continuously improve."

### Donald Lucas District 8 - Maple Grove



Donald Lucas, Maple Grove, is the incumbent director running in District 8. Lucas has been a Wright-Hennepin member for 28 years, has served on the board for 18 years, and is certified as a Credentialed Cooperative Director. He and his wife Ruth have two grown children and are members of St. Vincent de Paul Parish in Osseo, Minn.

Now retired, Lucas worked 30 years in the telecommunications industry in the areas of electronic design, networking and troubleshooting. Lucas was vice president of engineering at Astrocom Corporation, a Minneapolis telecommunications company. Prior to that, he was a design engineer at the Mayo Foundation in their research and development department where he did the architectural electronic hardware design for the first prototype whole body CT scan.

"WH's record for minimal downtime (power outages) due to storms, repairs, etc. is a testimony to our customer-driven focus and dedicated employees," Lucas said. "For the past 18 years, I have represented WH by working with other board members and WH staff to consciously promote cost-saving policies aimed at keeping our electric rates competitive. My telecommunications background has given me a keen insight in the technical and budgeting aspects of the electric utility industry. Additionally, I constantly pursue new industry information so that I can continue to competently represent our members."

### Warren Hight District 8 - Maple Grove



Warren Hight is the challenger in District 8 against Donald Lucas. Warren and his wife Sherry live in Maple Grove and have been WH members for 10 years. Warren was CEO of SRT Communications Cooperative where he managed over 200 employees providing telecommunication services to about 50,000 members. As CEO he successfully built the business into the largest independent telephone company in the state of North Dakota.

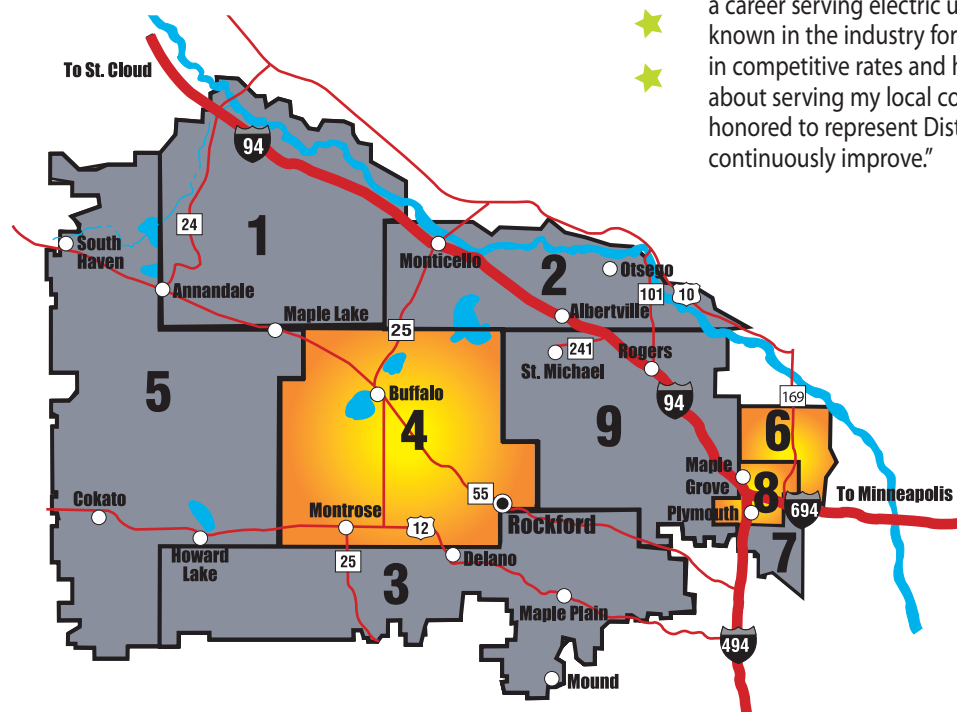
Warren has served on the board of directors of Trinity Hospital and held the Chairman's position on numerous industry committees. He was appointed by the Wright-Hennepin board of directors to serve on the co-op's telecommunications subsidiary board, which he did for six years. Warren currently serves on the board of directors of TopLine Federal Credit Union. He holds a bachelor's degree from Minot State University.

"As a former CEO, I will bring a fresh perspective to implementing green technologies yet keeping your rates affordable. I have the experience to meet the challenge and seek your vote."

### Wright-Hennepin's electric service territory

is divided into nine districts, each of which is represented by a board member. The members from each district elect their own director to serve on Wright-Hennepin's board. Board directors meet monthly to provide strategic oversight, establish policy and rates, and represent members' voices in the cooperative's operations.

■ = Districts up for election



## Consolidated Balance Sheets December 31, 2012 and 2011

	2012	2011
<b>Assets</b>		
1 Utility Plant	\$ 150,204,727	\$ 146,828,106
2 Construction Work In Progress	\$ 876,243	\$ 461,280
3 <b>Total Utility Plant</b>	<b>\$ 151,080,970</b>	<b>\$ 147,289,386</b>
4 Less Accumulated Depreciation	\$ 45,122,433	\$ 42,560,380
5 <b>Net Utility Plant</b>	<b>\$ 105,958,537</b>	<b>\$ 104,729,006</b>
<b>Other Property and Investments</b>		
6 Investment in Associated Organizations	\$ 36,913,388	\$ 33,364,091
7 Non-Utility Property-Net	\$ 1,752,419	\$ 1,838,725
8 Notes Receivable	\$ 831,487	\$ 882,493
9 Other Investments	\$ 1,803,086	\$ 1,791,026
10 <b>Total Other Property and Investments</b>	<b>\$ 41,300,380</b>	<b>\$ 37,876,335</b>
<b>Current and Other Assets</b>		
11 Cash and Cash Equivalents	\$ 11,326,852	\$ 12,043,082
12 Accounts Receivable	\$ 3,777,575	\$ 4,036,146
13 Other Accounts Receivable	\$ 383,201	\$ 291,415
14 Accrued Unbilled Revenue	\$ 6,010,565	\$ 5,621,902
15 Materials and Supplies Inventory	\$ 1,502,642	\$ 1,551,774
16 Other Current and Accrued Assets	\$ 500,642	\$ 391,076
17 <b>Total Current and Other Assets</b>	<b>\$ 23,501,477</b>	<b>\$ 23,935,395</b>
18 <b>Deferred Debits</b>	<b>\$ 14,130,712</b>	<b>\$ 1,941,353</b>
19 <b>Total Assets</b>	<b>\$ 184,891,106</b>	<b>\$ 168,482,089</b>

	2012	2011
<b>Members' Equity</b>		
20 Patronage Capital	\$ 62,216,565	\$ 57,168,069
21 Other Equities	\$ 13,204,855	\$ 12,482,844
22 <b>Total Members' Equity</b>	<b>\$ 75,421,420</b>	<b>\$ 69,650,913</b>
<b>Long-Term Debt (Less Current Maturities)</b>		
23 RUS Mortgage Notes	\$ 36,524,364	\$ 45,827,646
24 Nat. Rural Utilities Co-op Finance Corp. Notes	\$ 22,358,461	\$ 14,175,993
25 CoBank Notes	\$ 15,996,250	\$ 17,168,956
26 Notes Payable	\$ -	\$ 146,378
27 <b>Total Long-Term Debt</b>	<b>\$ 74,879,075</b>	<b>\$ 77,318,973</b>
<b>Current and Other Liabilities</b>		
28 Current Maturities of Long-Term Debt	\$ 3,442,107	\$ 3,111,087
29 Accounts Payable	\$ 2,172,286	\$ 1,057,538
30 Accounts Payable-Purchased Power	\$ 8,248,698	\$ 8,517,957
31 Customer Deposits	\$ 1,434,690	\$ 1,336,257
32 Other Current and Accrued Liabilities	\$ 15,293,529	\$ 5,011,997
33 <b>Total Current and Other Liabilities</b>	<b>\$ 30,591,310</b>	<b>\$ 19,034,836</b>
34 <b>Deferred Credits</b>	<b>\$ 3,999,301</b>	<b>\$ 2,477,367</b>
35 <b>Total Members' Equity and Liabilities</b>	<b>\$ 184,891,106</b>	<b>\$ 168,482,089</b>

## Statement of Operations for the Years Ended December 31, 2012 and 2011

	2012	AMOUNT	PERCENT	2011	AMOUNT	PERCENT
51 Operating Revenues	\$ 84,470,817		100.0%	\$ 83,660,125		100.0%
52 Cost of Power	\$ 58,986,451		69.8%	\$ 60,159,185		71.9%
<b>Local Operating Expenses</b>						
53 Operations and Maintenance	5,879,642		7.0%	5,654,308		6.7%
54 Customer Accounts & Services	3,096,178		3.7%	3,222,598		3.9%
55 Administrative and General	2,836,837		3.4%	2,543,712		3.0%
56 <b>Total Operating Expenses</b>	<b>\$ 11,812,657</b>			<b>\$ 11,420,618</b>		
<b>Fixed Charges</b>						
57 Property Tax	\$ 2,061,008		2.4%	\$ 2,049,828		2.5%
58 Depreciation and Amortization	4,424,503		5.2%	4,295,894		5.1%
59 Interest on Long-Term Debt	3,689,662		4.4%	3,993,565		4.8%
60 <b>Total Fixed Charges</b>	<b>\$ 10,175,173</b>			<b>\$ 10,339,287</b>		
61 <b>Net Operating Margins</b>	<b>\$3,496,536</b>		<b>4.1%</b>	<b>\$1,741,035</b>		<b>2.1%</b>
62 Conservation Improvement Program	\$ (550,000)		-0.7%	\$ (550,000)		-0.7%
63 Non-Operating Margins	\$ 473,179		0.6%	\$ 614,449		0.7%
64 <b>Net Operating &amp; Non-Operating Margins</b>	<b>\$ 3,419,715</b>		<b>4.0%</b>	<b>\$ 1,805,484</b>		<b>2.2%</b>
<b>Generation and Transmission &amp;</b>						
65 Other Capital Credits	\$ 3,726,541		4.4%	\$ 2,717,072		3.2%
66 <b>Net Margins</b>	<b>\$ 7,146,256</b>		<b>8.5%</b>	<b>\$ 4,522,556</b>		<b>5.4%</b>

### Letter to the members of Wright-Hennepin Cooperative Electric Association, Rockford, Minn.

Brady Martz & Associates, P.C., an independent certified public accounting firm, has audited Wright-Hennepin Cooperative Electric Association's financial statements for the year ended December 31, 2012. The auditor has issued his unqualified opinion dated February 20, 2013, on the financial statements. Copies of the audited financial statements are on file at the cooperative's office for inspection.

*Brady Martz*

Brady Martz & Associates, P.C.  
Grand Forks, N.D.

## How your dollar was used in 2012



■ Wholesale power – 69.8%   
 ■ Operations & maintenance – 7.0%   
 ■ Depreciation – 5.2%   
 ■ Interest – 4.4%  
■ Customer accounts & services – 3.7%   
 ■ Property tax – 2.4%   
 ■ Administrative and general – 3.4%   
 ■ Operating Margins – 4.1%

# SMART POWER FOR YOUR HOME

**Tuesday, April 2, 2013**  
**at WH's Rockford Headquarters**

**Registration Opens:** 4 p.m.

**Pork Chop Dinner:** 4:30 p.m. – 6:45 p.m.  
Served by the Wright County 4-H Federation

**Bingo:** 4:30 p.m. – 6:45 p.m.

**Children's Activities:** 4:30 p.m. – 8 p.m.  
For ages 2-10, conducted by area Girl Scouts

**Business Meeting:** 7 p.m. – 8 p.m.



## GUEST SPEAKER . . . . .

**Steven Collier**, the "Smart Grid Man," an energy consultant and the Business Development Vice President at Milsoft Utility Solutions, will speak about emerging consumer technology.



### Informational booths:

- WH Appliance Repair/Customer Service
- Beat the Peak
- Co-op Connections/Community Involvement
- Control my Appliance
- Director booth
- Electric safety
- HeatMyFloors.com
- MyMeter and money-saving ideas
- Off-Peak programs
- Power reliability and real-time outage information
- Power supply
- WH Security/Control My Home
- Silent Power
- tenKSolar
- Tree trimming services
- WH Solar Community

### Member Attendance Gifts:

**FREE** reusable shopping bag

**FREE** pound of butter

*\*Must be present for business meeting to receive butter.  
Butter will be distributed at the end of the business meeting.*

### Grand Prize Attendance Drawing:

Registered members will have a chance to win the grand prize of a **2003 Chevy Astro** cargo van with all-wheel drive (retired from WH's fleet) The winner will be announced at the end of the business meeting and must be present to win.

