

2018 ANNUAL
REPORT

**Value
you can
count
on**



WH
Wright-Hennepin
Cooperative Electric Association

A Touchstone Energy® Cooperative

Letter to the Membership

From the Board Chair and President & CEO

Value you can count on

Most of us consider ourselves to be “value buyers” when it comes to products and services. That is, we carefully weigh what we get for what we pay whether it's cars or groceries or entertainment.

So it's worth asking: What is the value of a hot shower? What's the value of staying cool in air-conditioned comfort on a hot, sticky July day? Or what's the value of



safely drying your favorite sweater, or recharging your mobile

phone, or quickly heating up dinner in the microwave?

Most of us haven't thought about it, in part because the electricity that makes these services possible isn't priced that way. In fact, at an electric cooperative like Wright-Hennepin (WH), electricity is priced not by the value it provides but to recapture the costs of generation, transmission and distribution.

But asking the question “what would you pay?” does highlight just how valuable – and inseparable – electricity is from our daily lives. And as a member-owner of WH, it's reasonable and helpful to ask: what value does WH uniquely provide beyond basic electric service?

Well, we're glad you asked! At WH, we provided value to you in 2017 in six important ways:

Value Means Competitive Pricing:

WH again delivered competitively-priced electricity to our membership.

In 2017, WH:

- Provided lower cost electricity compared to Xcel Energy. On an average residential monthly bill WH was 1.79 percent lower, 9 percent lower when you consider energy savings rates and 13 percent lower when you count Capital Credits.
- Returned \$3.6 million in Capital Credit refunds, touching 90 percent of the membership.
- Saved more than \$3.7 million in wholesale power purchases (which make up almost 70 percent of your bill) by buying directly out of the regional electricity market.

Value Means Safety and Reliability:

At WH, we know delivering value means keeping you, your loved ones and our employees safe while keeping

the lights on! In 2017, WH:

- Achieved a perfect safety record with no incidents and no-lost time by our employees. As important, our membership was 100 percent free of electrical contacts.
- Delivered reliable power in the top 10 percent of cooperatives nationwide. In fact, we've cut our already low outage rate by almost half over the past decade.

Value Means Service: At WH, we know delivering value means providing prompt answers, good advice and helpful solutions for your needs. In 2017, WH:

- Pulled in almost \$13 million in revenue through its WH Holding businesses, including WH Security, HeatMyFloors.com, WH Services (WH Appliance Repair and WH Tree Services) and WH International Response Center. Collectively, these businesses absorbed almost \$2 million in costs which otherwise would have been borne by WH electric members.
- Earned an American Customer Satisfaction Index (ACSI) score of 85, which is seven points higher than electric cooperatives nationally (78) and 12 points higher than Xcel Energy (73).

Value Means Choices and Options: You want flexible offerings tailored to your pocketbook, needs and values. In 2017, WH:

- Delivered more rate options, rebates and special programs than ever before.
- Provided significant new energy savings opportunities for members with rebates for air source heat pumps, electric water heaters, air conditioning, dual fuel and more.
- Developed new Solar Choice and Renewable Choice options (details to be unveiled at the Annual Meeting) which allow consumers to purchase energy supported either by WH's portfolio of solar assets or by renewable energy from the grid.

Value Means State-of-the-Art

Technology: Part of being a 21st Century utility means making investments into cutting-edge technologies which deliver value through faster, cheaper and better service. In 2017, WH:



Erick Heinz
Board Chair



Tim Sullivan
President & CEO

- Expanded the deployment of



next-generation Automatic Meter Infrastructure (AMI) meters, which can read and report your usage hourly to WH and to MyMeter, our free on-line energy portal.

- Took the next step toward developing a fully-functioning microgrid at Millennium Park in Rockford which combines a diesel generator, solar arrays, demand management receivers and AMI to serve area members.

Value Means Support for Local

Communities: Value is also created when we give back to the communities we serve. In 2017, WH:

- Delivered almost \$200,000 to charitable and non-profit organizations in our area through Operation Round-Up, a trust that dispenses the money raised when WH members generously round up their bill each month.
- Supported local schools by providing scholarships for deserving high school seniors, night lights and tree seedlings to elementary school students in kindergarten and third grade and electric safety demonstrations to kids of all ages.

We hope you agree this is clear, concrete and compelling value for you, your family, your friends and your neighbors served by WH. After all, it's your co-op and we appreciate your business!

Cooperatively,

Erick Heinz,
Board Chair

Tim Sullivan,
President & CEO

Competitive Performance

Reliability Performance

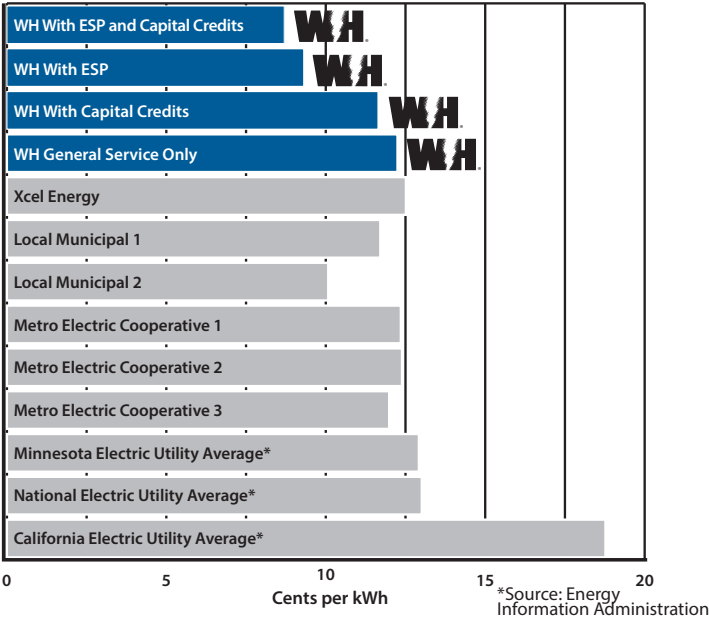
2017 residential rates were very competitive

WH proved reliable again in 2017

One of the core tenants of Wright-Hennepin’s (WH) mission is to keep rates competitive. WH stacks up well against other electric utilities and cooperatives as the graph below shows. Moreover, members enrolled in a WH Energy-Saving Program (ESP) experienced an even lower price of power. WH’s rates are below state and national averages.

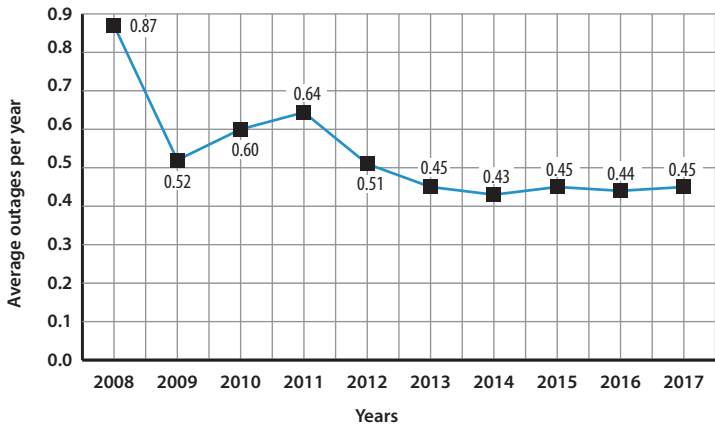
In 2017, WH returned \$3.6 million in Capital Credits – the largest refund in the history of the cooperative – to 90 percent of members. We also gave you the flexibility to spend that money where you see fit by distributing a check instead of a bill credit. These refunds are possible when revenues exceed expenses. Our goal is to provide power to you at the lowest possible cost consistent with good service, and we hope this provides tangible evidence of your stake in WH and the cooperative difference.

Rate competitiveness for 2017



WH is proud to inform you that members again averaged less than one outage per year (see graph below). But when the lights do go out, members can rest assured that their cooperative will keep them informed through multiple channels including mobile outage notifications, WH's outage map and social media updates. All of these include an estimated time of restoration and cause for the outage. To sign up for email or text alerts, visit <http://goo.gl/AN4Bxf>, and follow us on Facebook and Twitter.

Members averaged less than one outage per year



WH’s Board of Directors

From left to right: Board Chair Erick Heinz, District 9, Corcoran; Chris Lantto, District 5, Annandale; Mike Tieva, District 6, Maple Grove; Kenneth Hiebel, District 7, Plymouth; Casey Whelan, District 8, Maple Grove; Secretary-Treasurer Dale Jans, District 4, Buffalo; Vice Chair and WH Holding Chair Timothy Young, District 1, Annandale; Burton Horsch, District 3, Howard Lake; and Duane “Butch” Lindenfelser, District 2, Monticello.



Operation Round Up

Since 1994, Wright-Hennepin (WH) members have made generous donations to local organizations through Operation Round Up (ORU). Two of these organizations include Pay It Forward Fund and Second Chance for Life Foundation.

- Pay It Forward Fund is an organization to which WH has donated \$15,000 since 2015 through ORU. Another \$5,000 is scheduled to be donated in 2018. Pay It Forward Fund is a non-profit organization that dedicates itself to helping breast cancer patients. The funds they receive are directed towards supporting the basic living expenses of utilities, housing, medical care and transportation while the patients undergo treatment.



- Second Chance for Life Foundation is another organization to which WH has donated for several years. Since 2004, WH ORU has donated \$20,000 to the organization. Second Chance for Life Foundation is a support group for heart transplant recipients, candidates, their families and donor families. The funds they receive are directed towards patients in need of heart transplants.



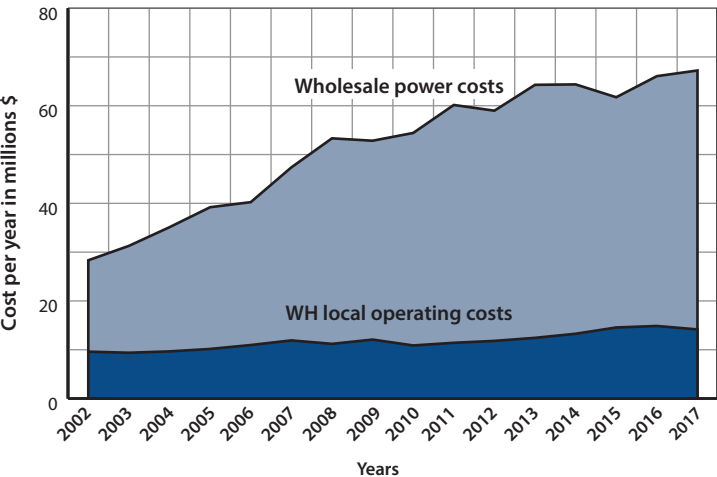
These organizations are appreciative of the generosity shown by WH members throughout the years.

Operating Performance

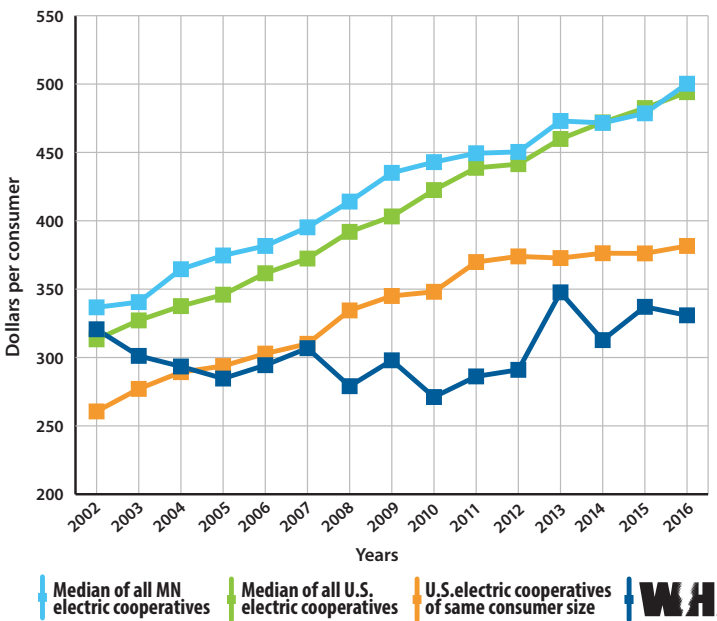
Keeping costs low

Wright-Hennepin (WH) has consistently kept costs below state and national levels despite the ever-increasing cost of wholesale power. This is accomplished by implementing the most cost-efficient technology on the grid and in our offices, ensuring members receive energy at a fair and competitive rate.

WH wholesale power costs and local operating costs



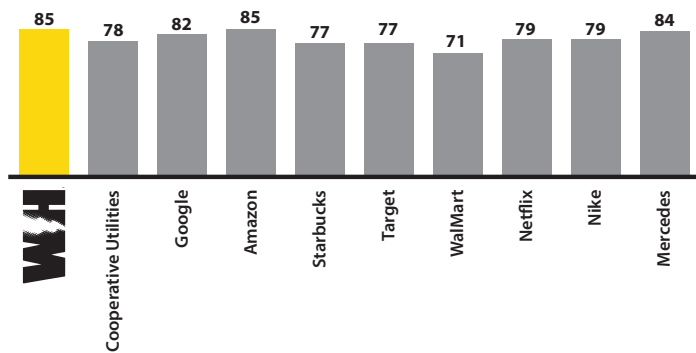
Keeping operating costs low



Service Performance

Meeting and exceeding your needs

2017 American Customer Satisfaction Index Scores, compared to other industries



At Wright-Hennepin (WH), we take member satisfaction seriously. We measure it twice a year through the American Customer Satisfaction Index (ACSI). In 2017, your feedback resulted in an 85 for WH, a score higher than Google (82), Nike (79), Netflix (79) and Walmart (71). We strive to improve and our goal is to score in the top 10 percent of all electric cooperatives. To do that, we will continue to make changes to your cooperative that benefit you, the member.

Providing value for members

Our mission statement reads, "We deliver the power, products and competitive pricing essential for improving the quality of life of the members and communities we serve." Energy needs and demands are constantly changing, and we're proud to keep our members on the leading edge of technology with services that allow you to manage your pocketbook and improve your comfort and quality of life.

Today technology affords opportunities that were not available 10 years ago. MyMeter is a free service that allows you to monitor your energy usage. You can track how many kilowatt hours you consume each day throughout the year. If there was a cold day and the heat was turned up, you can log in to MyMeter to see how many kilowatts were consumed compared to a normal day. Monitoring your energy consumption on any device gives you the advantage of understanding your bill and allows you to improve energy efficiency.

As a member, you may be looking for ways to take control of your energy bill. WH's Energy-Saving Programs and rebates are two ways that members can influence their bill. Whether you're interested in saving on water heating or home heating and cooling, WH has programs that offer reduced rates and rebates.

In today's information age, it can be hard to find reliable sources. WH strives to provide members with accurate information on a variety of energy topics. Look for us on social media platforms like Facebook and Twitter, along with our blog and website.



You're invited to...

Enjoy a free pork chop dinner at WH's 2018 Annual Meeting!

Details on page 8



WH Holding: Value for the member

Wright-Hennepin (WH) owns multiple subsidiary businesses, which are separate from the electric operation. WH Holding is the legal umbrella under which these businesses reside. In 2017, WH Holding absorbed \$1.9 million in cost allocations that otherwise would have been collected in members’ electric rates. The WH Holding structure also protects the electric cooperative’s non-profit status and provides liability protection.

WH Security



John and Carol Roden have been members of Wright-Hennepin (WH) since 1991. When John started traveling for work, the family decided to install a home security system for an added level of protection. They have been satisfied customers ever since.

“I chose very begrudgingly to be a customer and now I have nothing but good things to say about WH Security,” John said. “I like it and wouldn’t consider changing it. I’ve talked to several people about it and I use my system a lot.”

In addition to the traditional door and window sensors in their Monticello home, the Roden’s also have two monitored smoke sensors as part of their system.

“We’ve been out in the mountains in the Rockies and have gotten a call that our alarm was going off,” John said. “It gives you that peace of mind. We’ve not had any problems. They have 24/7 help and get back to you very quickly. The technicians are very professional and friendly. I speak very highly of WH Security.”

WH Security is monitored by WH International Response Center – another WH subsidiary business.

HeatMyFloors.com

Bill Tregaskis wanted to turn his three-season porch into something he could use all year, but he had no ductwork to install heat, so he called



HeatMyFloors.com. A HeatMyFloors.com representative worked with Tregaskis to get a STEP Warmfloor system for the porch, which Tregaskis was able to install with luxury vinyl flooring himself.

“The representative was fabulous,” Tregaskis said. “He came to the house to look

over some options. The actual assembly went very smoothly and the floor works very well. I’m very happy and I would recommend it. It’s very energy efficient. I have not had any increase in my electric bill.”

WH Appliance Repair

Arland Nelson of Buffalo has been a Wright-Hennepin member since 2002 and WH Appliance Repair customer since 2016. He recently had a technician out to look at his gas furnace and was pleased that they were able to fix it right away.

“They called ahead to let me know they were coming,” Nelson said, adding that the technicians were prompt and neat. “They fixed it in one trip.”

Nelson said he was happy with the service and would definitely recommend WH Appliance Repair to others.



WH Tree Services

Barb Schaack lives adjacent to a park in Maple Grove, so tree removal and trimming on her property presented some challenges.

The trucks could not leave tracks across the ground, and she had a fence around her property she didn’t want the trees to fall on. WH Tree Services came in and removed two trees, one of which was in the back corner of her lot, and trimmed several others that were overgrown.



“I was fascinated by how they manipulated their machinery,” Schaack said, adding that they made sure the trees and branches fell on her side of the fence.

The work took some planning as crews had to consider road weight restrictions and wait for the ground to be frozen before they could access her property.

“I think you have a great crew,” said Schaack, who has been a member of WH since 1986. “They worked very hard under difficult circumstances. I’m very happy.”

WH Holding

WHSECURITY

WH Security provides retail security alarm systems and monitoring services to thousands of homes and businesses.

WHResponse

WH International Response Center provides around-the-clock wholesale home security monitoring services to customers across the United States.

HEATMYFLOORS.COM

HeatMyFloors.com provides energy efficient underfloor radiant electric heating products to contractors and homeowners across the U.S. and Canada.

WH TREE Services

WH Tree Services provides tree trimming, shaping and removal, stump removal and emerald ash borer treatments.

WH Appliance Repair

WH Appliance Repair protects you and your family from large unexpected appliance repair bills.

WH solar

WH Solar provides members with options for purchasing renewable solar energy.

WH Generation

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

2018 Director Candidates

Districts 1, 3 and 9

Timothy Young, District 1



Timothy Young, Annandale, is the incumbent director in District 1. He has been a Wright-Hennepin (WH) member for 39 years and has served on the board of directors for 21 years. He and his wife, Nancy, have three children and five grandchildren.

Young has worked as an attorney for Young & Brown, LLP since 1978 and concentrates his practice on business, government and real estate. Since 1994, he has been a court-appointed commissioner and referee in 26 eminent domain and partition cases. He was a member of the Annandale School Board from 1992 to 2002, chaired the Annandale 4th of July parade for over a decade and received a Bronze Star for service in Vietnam. Since 2015, he has been on the Canopy Advisory Committee for the city of Annandale.

“Did you know? Your electric rates have averaged 1.6 percent less than Xcel’s over the past 10 years and 1.80 percent less in 2017 alone. WH is committed to providing clean, renewable energy options for this membership. WH was one of the first in the nation to develop community solar and now has 540 kW of solar resources.

WH member-owners were without power an average of only 36 minutes in 2017, which is less than 1/100 of 1 percent of the 525,600 minutes in a year. Said another way, your co-op brought you competitively-priced, innovative and reliable power 99.99 percent of the time. And we’re always working to do better. Thank you for allowing me to serve as your co-op director,” Young said. “I would appreciate your vote to serve again.”

Burton Horsch, District 3



Burton Horsch, Howard Lake, is the incumbent director in District 3. He has been a Wright-Hennepin (WH) member for 63 years and has served on the board of directors for 18 years. Horsch is a former dairy farmer, and now grows seed corn and soybeans. He has served 29 years as a supervisor on Victor Township. Horsch is an honorary life member of the MN Farm Bureau. He is the secretary of the Howard Lake Senior group. He is a choir member and an elder at the St. James Lutheran Church. He also volunteers and

delivers Meals on Wheels in the Howard Lake-Waverly area. Horsch is a Certified National Cooperative Director, and completed the Board Leadership program. He has served on the Minnesota Rural Electric Association resolutions committee.

“I feel my past experience will enable me to meet the challenges ahead with the best decisions for WH’s member-owners,” Horsch said. “I am ready to continue to help make the decisions the electric industry is being challenged with. Competitive rates have been one of WH’s main focuses and I will work to keep this maintained.”

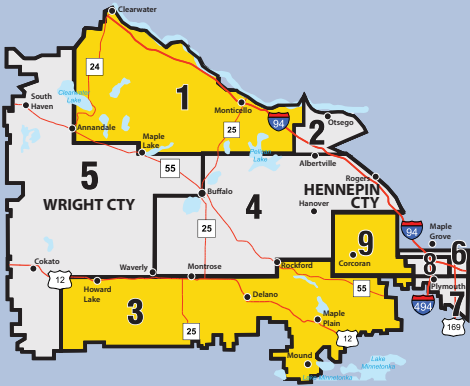
Erick Heinz, District 9



Erick Heinz, Corcoran, is the incumbent director in District 9. He has been a Wright-Hennepin (WH) member for 31 years and has served on the board of directors for 18 years. He and his wife, Teresa, have three children and 12 grandchildren.

Heinz has been a self-employed farmer for 36 years raising beef cattle and crops. He also worked as a Mycogen seed corn sales representative and provides snow plowing and truck hauling services. Heinz has served on the boards of the Hennepin County Farm Services Agency,

Hennepin Co-op Seed Exchange, Hennepin County Dairy Herd Improvement Association, the Hennepin County American Dairy Association and the Great River Energy Board. He is a lifelong resident of the Corcoran area and is a member of the Mary Queen of Peace Catholic Church. Heinz has completed the “Certified Cooperative Director” course, the “Board Leadership” course and the Director Gold Program. Heinz is currently serving as Chairman of the Board of Directors for WH. “I have enjoyed representing District 9,” Heinz said, “and if re-elected, I will work with board members to keep retail electric rates stable and reliable in these changing times and environmental uncertainty.”



Board of Directors:


- District 1: Timothy Young, Annandale
- District 2: “Butch” Lindenfelser, Monticello
- District 3: Burton Horsch, Howard Lake
- District 4: Dale Jans, Buffalo
- District 5: Chris Lantto, Annandale
- District 6: Mike Tieva, Maple Grove
- District 7: Kenneth Hiebel, Plymouth
- District 8: Casey Whelan, Maple Grove
- District 9: Erick Heinz, Corcoran

WH President and CEO: Tim Sullivan
WH CFO: Angie Pribyl
WH Holding COO: Wendy Youngren

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

TO ALL MEMBERS:
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 Thursday, April 19, 2018, to take action on the following matters:

- I. The reports of officers, directors, and committees.
- II. The election of three directors, one from District 1, one from District 3, and one from District 9. In connection with the election scheduled for this meeting candidates have been nominated pursuant to the bylaws.
- III. Any other business that may come before the meeting or any other adjournments thereof.


Dale F. Jans, Secretary



Consolidated Balance Sheets December 31, 2017 and 2016

ASSETS			EQUITY		
	2017	2016		2017	2016
Plant Assets			Members' Equity		
1 Utility Plant	\$ 189,090,070	\$ 180,096,094	20 Patronage Capital	\$ 76,146,690	\$ 68,063,481
2 Construction Work In Progress	\$ 840,874	\$ 875,963	21 Other Equities	\$ 7,758,877	\$ 13,455,658
3 Total Utility Plant	\$ 189,930,944	\$ 180,972,057	22 Total Members' Equity	\$ 83,905,567	\$ 81,519,139
4 Less Accumulated Depreciation	\$ 67,817,767	\$ 62,694,059			
5 Net Utility Plant	\$ 122,113,177	\$ 118,277,998			
Other Property and Investments			LIABILITIES		
6 Investment in Associated Organizations	\$ 48,483,531	\$ 46,465,302		2017	2016
7 Non-Utility Property-Net	\$ 3,231,614	\$ 3,890,896	Long-Term Debt (Less Current Maturities)		
8 Notes Receivable	\$ 42,435	\$ 128,626	23 RUS Mortgage Notes	\$ 45,184,890	\$ 31,431,279
9 Other Investments	\$ 841,463	\$ 705,041	24 Nat. Rural Utilities Co-op Finance Corp.	\$ 14,464,733	\$ 15,497,756
10 Total Other Property and Investments	\$ 52,599,043	\$ 51,189,865	25 CoBank Notes	\$ 31,156,638	\$ 33,596,029
			26 Total Long-Term Debt	\$ 90,806,261	\$ 80,525,064
Current and Other Assets					
11 Cash and Cash Equivalents	\$ 10,485,847	\$ 2,842,015	Current and Other Liabilities		
12 Accounts Receivable	\$ 5,854,162	\$ 6,200,705	27 Current Maturities of Long-Term Debt	\$ 4,883,973	\$ 4,504,121
13 Other Accounts Receivable	\$ 1,076,809	\$ 1,422,114	28 Accounts Payable	\$ 1,836,264	\$ 1,335,661
14 Accrued Unbilled Revenue	\$ 7,068,980	\$ 6,847,797	29 Accounts Payable-Purchased Power	\$ 9,814,228	\$ 9,972,203
15 Materials and Supplies Inventory	\$ 1,919,156	\$ 2,309,722	30 Consumer Deposits	\$ 1,875,250	\$ 1,771,640
16 Other Current and Accrued Assets	\$ 536,472	\$ 585,849	31 Other Current and Accrued Liabilities	\$ 6,524,562	\$ 10,010,142
17 Total Current and Other Assets	\$ 26,941,426	\$ 20,208,202	32 Total Current and Other Liabilities	\$ 24,934,277	\$ 27,593,767
18 Deferred Debits	\$ 2,575,961	\$ 8,186,103	33 Deferred Credits	\$ 4,583,502	\$ 8,224,198
19 Total Assets	\$ 204,229,607	\$ 197,862,168	34 Total Members' Equity and Liabilities	\$ 204,229,607	\$ 197,862,168

Statement of Operations for the Years Ended December 31, 2017 and 2016

	2017	AMOUNT	% of REVENUE	2016	AMOUNT	% of REVENUE
51 Operating Revenues	\$	98,030,381		\$	97,275,173	
52 Deferred Revenues	\$	4,450,000		\$	(3,250,000)	
53 Cost of Power	\$	67,224,978	68.6%	\$	66,061,746	67.9%
Local Operating Expenses						
54 Distribution - Operations and Maintenance	\$	6,887,700	7.0%	\$	7,223,031	7.4%
55 Member Accounts and Service	\$	3,725,241	3.8%	\$	3,751,563	3.9%
56 Administrative and General	\$	3,547,294	3.6%	\$	3,895,167	4.0%
57 Total Local Operating Expenses	\$	14,160,235		\$	14,869,761	
Fixed Charges						
58 Property Tax	\$	1,823,754	1.9%	\$	1,813,647	1.9%
59 Depreciation and Amortization	\$	5,165,677	5.3%	\$	4,879,452	5.0%
60 Interest on Long-Term Debt	\$	3,365,574	3.4%	\$	3,438,982	3.5%
61 Total Fixed Charges	\$	10,355,005		\$	10,132,081	
62 Extraordinary Items	\$	7,673,528		\$	-	
63 Net Operating Margins	\$	3,066,635	3.1%	\$	2,961,585	3.0%
64 Conservation Improvement Program	\$	(551,089)		\$	(551,791)	
65 Non-Operating Margins	\$	(737,471)		\$	(236,529)	
66 Net Operating and Non-Operating Margins	\$	1,778,075		\$	2,173,265	
Generation and Transmission and Other Capital Credits						
67	\$	2,433,596		\$	3,703,163	
68 Net Margins	\$	4,211,671		\$	5,876,428	



Financial Report

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, 2017. The auditor has issued his unmodified opinion dated February 26, 2018, 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.



You're Invited!

WH's Annual Meeting is April 19 at our Rockford headquarters. Check out the back page of this Annual Report for more information.

Out and about in communities

Wright-Hennepin (WH) has continuously found ways to get out and about in the communities we serve.

- WH's Energy Use Consultants perform electric safety demonstrations at local schools and community centers. These demonstrations help educate children and the public about the importance of electric safety.
- In the summer months, WH participates in the Wright County Fair, various parades across our service territory and a variety of shows and events. During these activities,



WH connects with members and the public to create and build relationships.

- Each year WH donates thousands of trees to local schools and youth and civic organizations. The trees are then planted in various parks and outdoor spaces, helping to create a beautiful environment for our communities to enjoy.



There are more ways WH contributes to the communities we serve, but our goals are always the same. WH wants to help create safe communities to live in and connect and build relationships with our members beyond providing electricity.



6800 Electric Drive
Rockford, MN 55373

Periodicals

Hotline Update

March 2018 Annual Report for Wright-Hennepin members

Keep in touch with your cooperative!

Member service center:

(763) 477-3000 or (800) 943-2667

To report an outage:

Electric dispatchers are available 24/7
Call: (763) 477-3100 or (888) 399-1845

WH Security monitoring:

Security dispatchers are available 24/7
Call: (763) 477-4275 or (800) 858-7811

Website: www.whe.org

Email: info@whe.org

Facebook: www.facebook.com/WrightHennepin

Twitter: @WrightHennepin



Value you can count on

You're invited: WH's 2018 Annual Meeting!

Thursday, April 19, 2018

6800 Electric Drive - Rockford

Member attendance gifts:

Free reusable shopping bag
Free pound of butter*

Prize drawings:

Four children's bicycles
2006 Chevy Impala* (*registered members only*)

Additional prize drawings at the individual information booths.

*Must be present until the end of the business meeting to receive butter and a chance to win the vehicle.

Schedule

- Registration opens:** 4 p.m.
- Free Pork Chop Dinner:** 4:30 - 6:45 p.m.
- Bingo:** 4:30 - 6:45 p.m.
- Children's Activities:** 4:30 - 8 p.m.
- Business Meeting:** 7 - 8 p.m.

You could win this vehicle! Visit <http://goo.gl/wwwbfM4> for more information.

