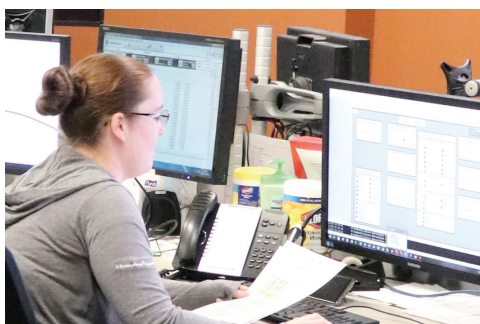


Keeping costs down together



ANNUAL REPORT | 2019

Letter to the Membership

From the Board Chair and President & CEO

Keeping costs down together

While all of us love the tremendous quality of life electricity provides, most of us still don't love opening our electric bills. At Wright-Hennepin (WH), we understand.

That's why WH begins with the goal of delivering electricity at the lowest possible cost. We know if we do our job well, you'll have more resources left over each month to take a family vacation or to pay for health care or to save for retirement. We call this a relentless focus on **keeping costs down together**. Here are five ways we're partnering with you to do it:



First, Keeping Costs Down Means Competitive Rates and Timely Refunds.

The record shows WH has been quite successful delivering energy below what you would pay Xcel, our region's primary Investor Owned Utility (IOU). Consider:

- Before Xcel was mandated by the Minnesota Public Utilities Commission (MPUC) to provide refunds to its customers, WH residential bills in 2018 were almost 5 percent lower.
- Even *after* more than \$130 million in refunds are returned to Xcel consumers for 2018 bills, WH will still have beaten Xcel on a typical monthly residential bill.
- Beyond this, WH returned more than \$3 million in capital credit refunds to members in 2018, bringing our four-year record of member refunds to more than \$12 million.
- When WH's own capital credit refunds are included in the head-to-head comparison, WH residential members will have paid *at least 9 percent less than* Xcel consumers (5.5 percent less after considering Xcel refunds) in 2018.



Second, Keeping Costs Down Means a Relentless Focus on Power Supply.

Fully 70 percent of your monthly electric bill pays for power supply — the generation and transmission of electrons. Consequently, job one is to focus on this largest piece of the cost pie.

Traditionally, power was delivered through "all requirements contracts" made between distribution systems like WH and their suppliers at Generation and Transmission (G&T) cooperatives like Great River Energy.

But beginning in 2006, WH added a second wholesale power supplier (Basin Electric Power Cooperative) to serve future growth. The driving idea was not only to save money but to make power supply less dependent on a single source and therefore more diverse. The results?

- Over the past 12 years, WH has saved members more than \$60 million in power supply costs.
- Just since 2015, WH has saved \$11 million by purchasing power directly out of the Midcontinent Independent System Operator (MISO) market, which pools electrons from dozens of generating facilities in 15 states.

Now, under a new contract negotiated with GRE in 2018, WH can self-direct 50 percent of power supply when a generating resource retires. Consequently, WH will enjoy an unprecedented level of flexibility to choose the resources that best fit the needs, values and pocketbooks of our members.



Third, Keeping Costs Down Means Special Member Programs.

At WH, we strive to partner with you to keep costs down. This starts with our energy-savings programs, which effectively discount your energy during off-peak times when the cost of energy is low. For example, WH offers:

- \$1,250 back for participating in our quick cash water storage program, up to \$1,530 for an air source heat pump and other rebates on everything from dual fuel to water storage. So check our website!
- New in 2018, for just \$1 a month (\$12 per year) WH will purchase and retire renewable energy credits under our new Renewable Choice program. This is an easy and inexpensive way to tailor your electric bill to your values — and it costs thousands of dollars less than putting solar panels on your roof!

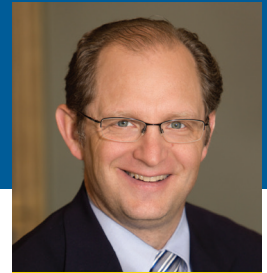


Fourth, Keeping Costs Down Means Effective Cost Control.

Beyond power supply, to keep costs down WH must excel at holding the line on our own operating costs — things like poles, wires, transformers, computers and staff.



Erick Heinz
Board Chair



Tim Sullivan
President & CEO

- In 2018, WH was in the best 6 percent in the nation for operating costs (see related chart on page 4).
- WH Holding also contributes \$4.1 million in combined benefits for members (see page 5 for details.)



Fifth, Keeping Costs Down Means Smart Reinvestments.

In the 21st Century, building an effective, efficient distribution system means making ongoing investments in next generation technology. In 2018, WH:

- Installed 4,000 new meters in our Automatic Meter Infrastructure (AMI) system which will allow WH to read meters hourly, providing safer, more reliable and more responsive service.
- Kicked off a groundbreaking new study into how our members use Electric Vehicles (EVs). The findings will help shape our programs to accommodate the rise of EV use in our area for years to come.



A Final Word on Keeping Costs Down Together.

At WH, our commitment to keeping costs down isn't just a slogan. Since we are built for and run by our member-owners, achieving big things together is part of our unique cooperative identity. It's in our DNA. At WH, you're not served by a corporation several states away but by those who live and work in our local communities. You're served by your friends, neighbors and often fellow members; by those with whom you share common cause and common purpose.

So, the next time you open your WH bill, remember it's not just about electricity. It's about a local cooperative you own where, in the end, we accomplish everything in partnership with you — including **keeping costs down together**.

As always, thank you for your business!

Sincerely,

Erick Heinz,
Board Chair

Tim Sullivan,
President & CEO

WH to return special capital credit refund of \$1.6 million in March!

A special capital credit refund of \$1.6 million will be returned to WH members in March as the result of surplus margins from 2018 electric operations. Most WH members who purchased electricity last year will receive a portion of this special refund based on their 2018 electric usage. On average, residential refunds will be \$37.47 per household.

Several factors combined to produce the surplus. First, WH experienced record sales in 2018 after more than a decade of flat sales. Second, WH's power costs were significantly lower than projected due to special credits from wholesale power suppliers. Third, WH spent less on operations than was budgeted.

"Due to better than anticipated sales and effective cost control, WH experienced year-end margins which were more than needed," said Board Chair Erick Heinz. "As a result, the board of directors voted to return this surplus immediately to our members."

This is the third special capital credit refund from surplus margins approved by the board of directors. The first was for business in 2008, the second for 2012 business.



From left to right: Board Chair Erick Heinz, District 9; Chris Lantto, District 5; Mike Tieva, District 6; Kenneth Hiebel, District 7; Casey Whelan, District 8; Secretary-Treasurer Dale Jans, District 4; Vice Chair and WH Holding Chair Timothy Young, District 1; Burton Horsch, District 3; and Duane "Butch" Lindenfelser, District 2.

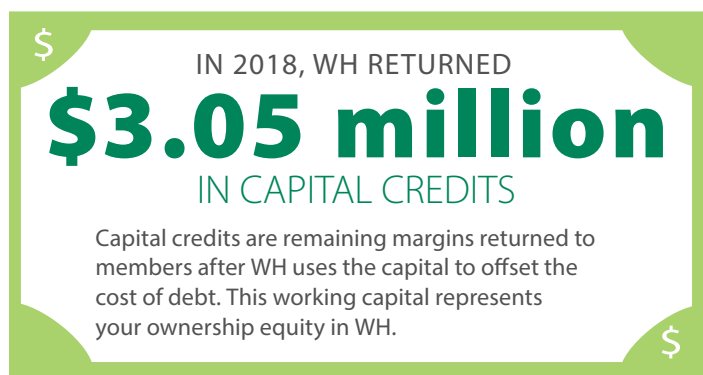
The Board has determined the special refund will be distributed as an extra capital credit retirement. Members will receive a check in the mail if their refund is \$5 or more unless they have opted to receive a bill credit. Members whose refund is between \$1.00 and \$4.99 will automatically receive a bill credit. This is an extra refund on top of the \$3.05 million general capital credit refund provided to WH members in December 2018.

Capital credit refunds are a unique advantage of the cooperative business model. WH members share in the success of the cooperative, which operates as a not-for-profit, member-owned business.

Service Performance

Meeting and exceeding your needs

WH is committed to offering valuable products and services. This constant commitment is proved time and again in returned capital credits, the high member satisfaction score you gave us, the volume of your calls, and with residential and Conservation Improvement Program (CIP) rebates.

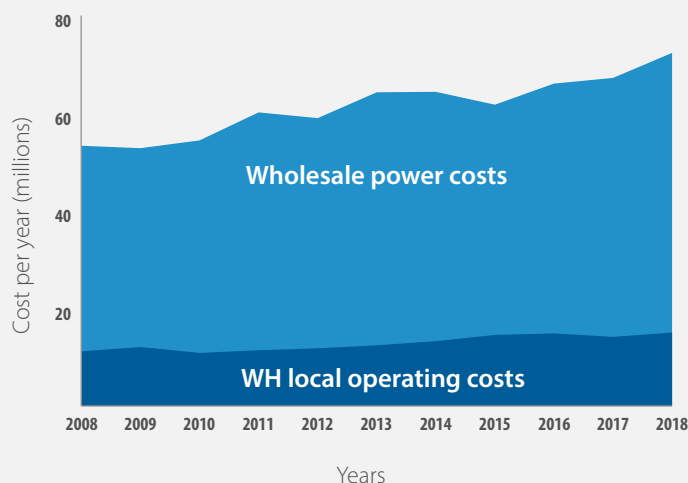


Operating Performance

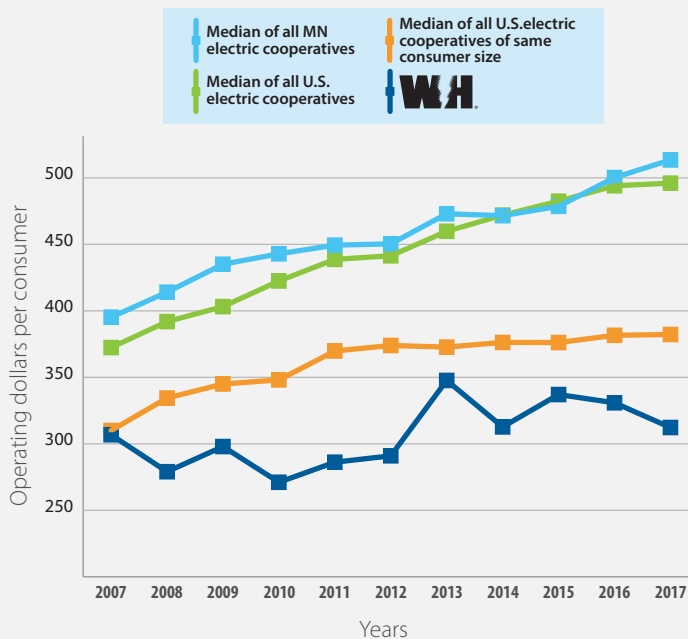
Keeping costs low

WH has consistently kept operating costs below state and national levels. This is accomplished by implementing technology and process improvements that allow us to do our jobs more efficiently.

WH wholesale power and operating costs



Keeping operating costs low

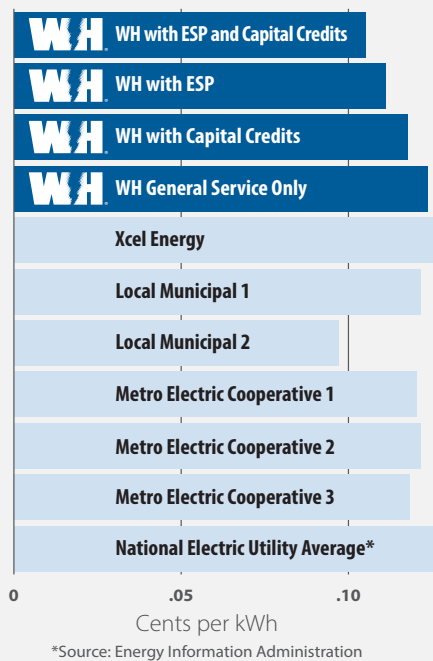


Competitive Performance

2018 residential rates were very competitive

One of the core tenants of WH's 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.

2018 residential rates were very competitive

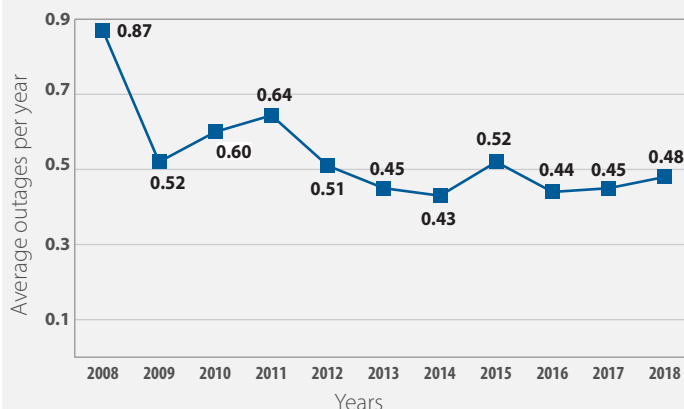


Reliability Performance

WH proved reliable again in 2018

WH's electric service in 2018 proved to be reliable once again. Power was on for all members across our service territory on average for 99.99 percent of the year. We continue to improve our distribution system in order to achieve top 10 percent performance in reliability among cooperatives.

Averaged less than one outage for two years



Enjoy a free pork chop dinner at WH's 2019 Annual Meeting!

Details on page 8

WH Holding Products and Services

WH owns multiple subsidiary businesses, which are separate from the electric operation. These businesses keep costs down by generating profits and eating costs that offset the retail price of electricity for WH members. WH Holding is the legal umbrella under which these businesses reside, protecting the electric cooperative's not-for-profit status.

WH Holding



In 2018, WH Holding **absorbed** almost **1.7 million** in cost allocations, which equals about **\$22 A YEAR** IN SAVINGS FOR EACH WH MEMBER.

WH Appliance Repair



WH Appliance Repair supplies service technicians to fix major appliances when needed and helps provide protection from large unexpected appliance repair bills.



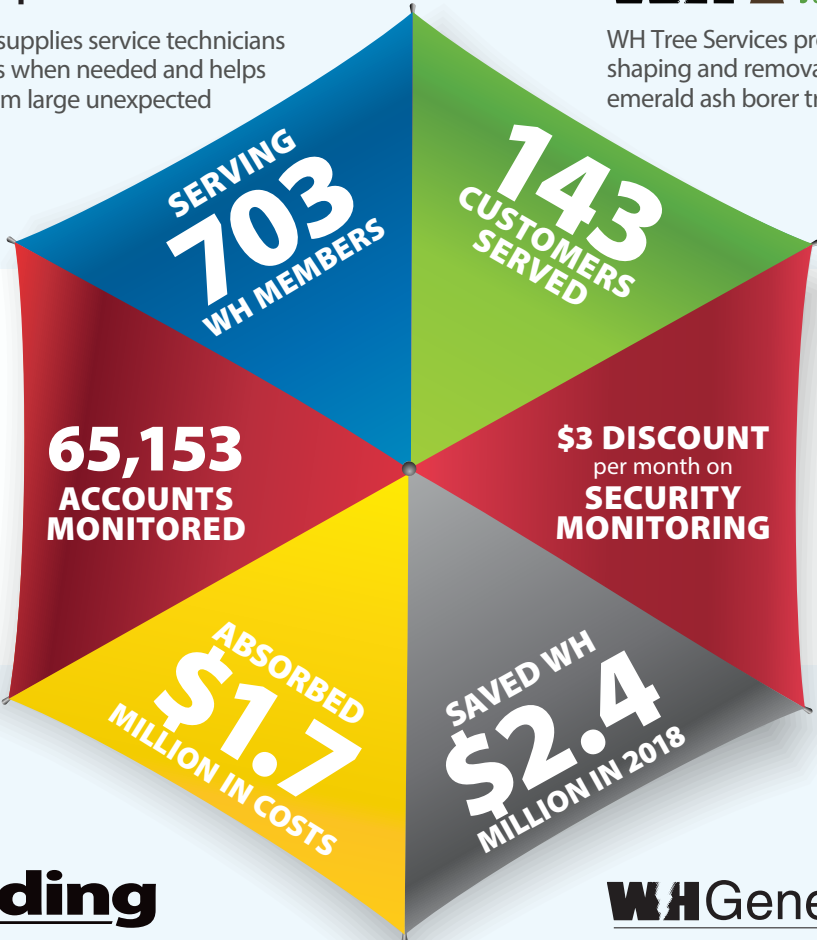
WH Tree Services provides tree trimming, shaping and removal, stump removal and emerald ash borer treatments.



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



WH Security provides retail security alarm systems and monitoring services to thousands of homes and businesses in Minnesota and Wisconsin, including 3,836 WH members.



WH Holding

WH Holding is the legal umbrella under which these businesses reside, protecting the electric cooperative's not-for-profit status.

WH Generation

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

2019 Director Candidates

Districts 4, 6 and 8



Dale Jans, District 4

Dale Jans, Buffalo, is the incumbent director running in District 4. He has been a WH member for 57 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.

Dale has served as secretary/treasurer for 22 of his 26 years on the WH board. He served 33 years on the Centra Sota Cooperative board, including 24 as chairman of the board for that organization.

Additionally, he represents all Minnesota electric cooperatives as a director on the Rural Electric Supply Cooperative's (RESCO) board of directors. RESCO is headquartered in Madison, Wisconsin, and serves utilities in the upper Midwest. Dale 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. 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."



Mark Hegstrom, District 4

Mark Hegstrom is running for director in District 4. Mark and his wife, Darcy, live in Chatham Township (near Buffalo) and have been members of WH for 16 years.

Hegstrom is a Technical Manager at Honeywell Aerospace and has worked there for 39 years. His focus is Process Management from a Lean and Six Sigma perspective.

Hegstrom has been a long-time member of Living Word Christian Center and has served in various capacities including 18 years as a men's group

leader and 15 years as an usher team leader. He also is a member of the Yankee Flying Club.

Hegstrom holds a Bachelor degree in Electrical Engineering from the University of Minnesota and has previously held a Master Electrician license from the State of Minnesota.

"If elected, I will work with board members and WH management to understand and meet the challenges facing the cooperative in providing reliable power at a competitive rate while fostering the inclusion of renewable energy options and positioning WH to meet the increasing demand for power."



Mike Tieva, District 6

Mike Tieva, Maple Grove, is the incumbent director running unopposed in District 6. Mike and his wife, Jennifer, have been WH members for 14 years. Mike is the president and an owner of Northland

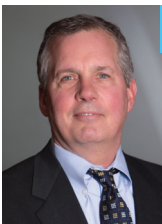
Mechanical Contractors, Inc. in New Hope, Minnesota, and has been with the company for 31 years.

He has served as a management trustee on three boards for the past 10 years: Pipe Trade Services MN Welfare Fund, Pipe Trades Services MN Retiree Health Fund and PTSMN Health Care Services, Inc. Mike is also a director with Heartland Group Insurance Captive.

Mike earned his Credentialed Cooperative Director Certificate within a year of being elected to the WH Board in 2015. He is vice-chair of WH Holding Company and committee chair for the Policy, Planning and Professional Services Committee.

He holds a bachelor's degree from Minnesota State University, Mankato, in business administration, and is a graduate of the Minneapolis Pipefitters Joint Apprenticeship Training Program. Mike's favorite pastime is coaching his children in the Osseo Maple Grove Hockey Association (OMGHA) program.

"As a WH Director, my most important duty is to look out for the interests of the members of the cooperative, and ensure they're getting the best value for the electricity and services provided."



Casey Whelan, District 8

Casey Whelan, Maple Grove, is the incumbent director running unopposed in District 8.

"Thank you for electing me to the WH Board of Directors

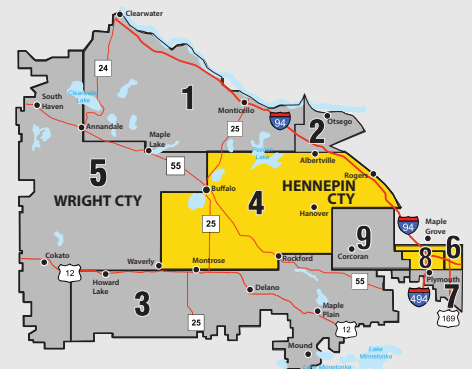
three years ago as your member representative. I have tried very hard to represent your interests on issues, large and small. We have accomplished a lot and, if re-elected, I will continue to diligently move the organization forward consistent with the cooperative principles.

A few of our accomplishments include: consistently pricing our services lower than Xcel, introducing a service alternative allowing

members to purchase renewable electricity with no impact on nonparticipating members, implementing a new performance management system to align goals and objectives throughout the organization and negotiating a new wholesale power agreement with Great River Energy which will provide value well into the future.

I have applied my 30+ years of board experience in other organizations, 20+ years of executive management experience in the energy industry and academic training in Economics to provide organizational guidance to the committed and outstanding WH leadership team. I would like to continue serving on the WH Board of Directors and ask for your support. Please call or email with any questions or comments."

District Map



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

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 11, 2019, 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. Any other business that may come before the meeting or any other adjournments thereof.

Dale F. Jans, Secretary

Financial Report

for the years ended December 31, 2018 and 2017

Consolidated Balance Sheet

ASSETS	2018	2017
Plant assets		
1 Utility plant	\$ 197,328,239	\$ 189,090,070
2 Construction work in progress	775,927	840,874
3 Total utility plant	198,104,166	189,930,944
4 Less accumulated depreciation	73,483,958	67,817,767
5 Net utility plant	124,620,208	122,113,177
Other property and investments		
6 Investments in associated organizations	\$ 52,107,608	\$ 48,483,531
7 Non-utility property-net	2,589,749	3,231,614
8 Notes receivable	23,732	42,435
9 Other investments	917,718	841,463
10 Total other property and investments	55,638,807	52,599,043
Current and other assets		
11 Cash and cash equivalents	\$ 8,023,596	\$ 10,485,847
12 Accounts receivable	6,057,514	5,854,162
13 Other accounts receivable	963,113	1,076,809
14 Accrued unbilled revenue	6,453,268	7,068,980
15 Materials and supplies inventory	1,828,753	1,919,156
16 Other current and accrued assets	550,902	536,472
17 Total current and other assets	23,877,146	26,941,426
18 Deferred debits	2,084,146	2,575,961
19 Total assets	206,220,307	204,229,607
EQUITY	2018	2017
Members' equity		
20 Patronage capital	\$ 81,166,811	\$ 76,146,690
21 Other equities	9,124,453	7,758,877
22 Total members' equity	90,291,264	83,905,567
LIABILITIES	2018	2017
Long-term debt (less current maturities)		
23 RUS notes	\$ 44,036,675	\$ 45,184,890
24 Nat. Rural Utilities Co-op Finance Corp	13,429,582	14,464,733
25 CoBank notes	28,612,901	31,156,638
26 Total long-term debt	86,079,158	90,806,261
Current and other liabilities		
27 Current maturities of long-term debt	\$ 5,009,826	\$ 4,883,973
28 Accounts payable	1,507,498	1,836,264
29 Accounts payable-purchased power	8,915,122	9,814,228
30 Consumer deposits	2,006,959	1,875,250
31 Other current and accrued liabilities	6,742,398	6,524,562
32 Total current and other liabilities	24,181,803	24,934,277
33 Deferred credits	5,668,082	4,583,502
34 Total members' equity and liabilities	206,220,307	204,229,607

Statement of Operations

	2018	2017
51 Operating revenues	\$ 106,128,615	\$ 98,030,381
52 Deferred revenues	(1,300,000)	4,450,000
53 Cost of power	72,355,844	67,224,978
Local operating expenses		
54 Distribution (operations and maintenance)	\$ 7,461,015	\$ 6,887,700
55 Member accounts and service	3,736,080	3,725,241
56 Administrative and general	3,840,239	3,547,294
57 Total local operating expenses	15,037,334	14,160,235
Fixed charges		
58 Property tax	\$ 1,930,377	\$ 1,823,754
59 Depreciation and amortization	5,999,665	5,165,677
60 Interest on long-term debt	3,624,923	3,365,574
61 Total fixed charges	11,554,965	10,355,005
62 Extraordinary items	-	7,673,528
63 Net Operating Margins	5,880,472	3,066,635
64 Conservation improvement program	(557,846)	(551,089)
65 Non-operating margins	630,435	(737,471)
66 Net operating and non-operating margins	5,953,061	1,778,075
67 Generation and transmission and other capital credits	4,052,747	2,433,596
68 Net margins	10,005,808	4,211,671

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, 2018. The auditor has issued his unmodified opinion dated February 18, 2019, 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.



Commitment to Community

Since 1994

\$4,014,958



donated to
**LOCAL CHARITIES
AND ORGANIZATIONS**
through
Operation Round Up.

Since 1988

\$709,050



in
SCHOLARSHIPS
awarded
to students by WH.

In 2018

50



HOTLINE DEMOS
conducted by WH
at local schools
and community events.

In 2018

20



**LOCAL COMMUNITY
EVENTS AND ACTIVITIES**
hosted and
participated in by WH.

In 2018

6,900



**TREE SEEDLINGS
AND NIGHT LIGHTS**
donated to schools by WH.



Wright-Hennepin
Cooperative Electric Association
A Touchstone Energy® Cooperative

6800 Electric Drive
Rockford, MN 55373

Hotline Update

March 2019 Annual Report for Wright-Hennepin members

Keep in touch with
your cooperative!

Member call center:

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

To report an outage:

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: whe.org

Email: info@whe.org

Facebook: @WrightHennepin

Twitter: @WrightHennepin

Instagram: [wrighthennepin](https://www.instagram.com/wrighthennepin)

YouTube: [WrightHennepin](https://www.youtube.com/WrightHennepin)

Keeping costs down together

YOU'RE INVITED: WH'S 2019 ANNUAL MEETING!

THURSDAY, APRIL 11, 2019

at WH headquarters in Rockford.

MEMBER ATTENDANCE GIFTS

FREE reusable shopping bag

FREE pound of butter*

PRIZE DRAWINGS

- » Four children's bicycles
- » 2008 Chevy 1/2 ton 4x4*
(Registered members only)
- » Additional prize drawings at individual
information booths

** Must be present for the business meeting*

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.

**GRAND
PRIZE!**

