

Annual Report Summary



Notice of Annual Meeting

DUNN ENERGY COOPERATIVE MENOMONIE, WISCONSIN

The Annual Meeting of the members of Dunn Energy Cooperative will be held at the Office of the Dunn Energy Cooperative, Township of Red Cedar, Dunn County, Wisconsin.

REGISTRATION WILL BEGIN AT 5:30 PM

with a light dinner provided before the meeting. The meeting will begin at 6:30 p.m. on Thursday, May 19, 2022 to take action on the following matters.

1. The reports of officers, directors, and committees
2. The election of three directors to the Cooperative
3. Any other business

NOTE: Ballots are enclosed for the election of three directors to the Cooperative.

TO VOTE IN PERSON: Please bring your ballots with you to the meeting.

TO VOTE BY MAIL: Mail your ballots in the enclosed self-addressed, stamped envelope.

Please remember to sign the voter certification on the back of the ballot envelope. To be counted, your mail vote must be received at our office no later than 4:30 p.m. on May 18, 2022.

A complete Annual Meeting Report will be available at the meeting, upon request, or at our website at www.dunnenergy.com.

Mission Statement

Dunn Energy Cooperative is dedicated to efficiently providing safe, reliable energy and superior service to benefit our members and the community.

President's Message

As we look back at the past year of the pandemic, I think most would agree it was far from normal. Webster's dictionary defines the word normal as: usual, typical, routine.

Schools had to adapt to new learning methods with virtual presentations taking the place of in-person classes. Masks became a routine part of our wardrobe.

Churches adapted, with parking lot or online services becoming typical means of worship.

Business was not immune to the effects of the pandemic either, with curbside pick-up common for restaurants and grocery stores. Office employees were sent home to work remotely and meetings became virtual, eliminating travel.

While these changes were not usual or routine, some will remain to be the new normal. Technology played a huge role in helping us live and work through the challenges that the pandemic threw at us. Just imagine if the pandemic had come ten years earlier what problems we would have encountered without technology as we know it today.

While many things were not normal or routine during the pandemic, some things remained the same. Electricity was delivered to our members as usual, as it has for decades. With the Co-op's brushing program, line maintenance, and replacement, the reliable delivery of electricity with as few outages as possible is the goal.

Operation Roundup, the program where our members can choose to round up their bill to the nearest dollar continued as usual through the pandemic. The committee had to use the Zoom platform to meet some of the year, but many organizations were able to benefit from awards totaling nearly \$40,000 for 2021. I would encourage members to participate, if you do not already, and organizations to apply for our quarterly grants.

Thanks to our employees for your dedication and hard work to help Dunn Energy have another successful year. Thank you to our members for your continued support and I hope to see you at the Annual Meeting.

Larry Amble

Annual Meeting Program

5:30 p.m. Registration of Members

6:30 p.m. **Welcome – Larry Amble**

Due Proof of Mailing

Report of Credentials Committee

President’s Report – Larry Amble

Manager’s Report – Jesse Singerhouse

Guest Speaker – Brent Ridge, Dairyland Power Cooperative

Business Meeting

Adjournment

Rules for the Annual Meeting:

1. The meeting will be conducted in accordance with Robert’s Rules of Order
2. Any speaker must be recognized by the chair before speaking
3. Only members will be recognized by the chair; each member must give his or her name
4. No resolution on policy affecting Dunn Energy Cooperative may be submitted by any member unless written copies have been submitted to the Board of Directors no later than the date listed on the Notice of Nominations
5. Members are to limit their questions and comments to three (3) minutes, with any rebuttal limited to two (2) minutes
6. Members will be limited to one question. If time allows, members may ask additional questions.
7. There will be a designated time for questions and answers during the business session.

Balance Sheet

DUNN ENERGY COOPERATIVE DECEMBER 31, 2021 AND 2020

	2021 (Audited)	2020 (Audited)
ASSETS		
PLANT		
Utility Plant	\$66,001,845	\$63,715,705
Less: Reserve for Depreciation	(15,839,396)	(15,077,747)
Net Utility Plant	50,162,449	48,637,958
INVESTMENTS		
Investments in Associated Organizations	11,605,653	11,002,002
Other Investments	30,429	50,729
Total Investments	11,636,082	11,052,731
CURRENT ASSETS		
Cash and Temporary Investments	2,789,989	4,219,194
Marketable Securities	1,492,609	-
Accounts Receivable - Less Reserve	2,095,193	2,112,047
Materials and Supplies	504,333	492,956
Interest Receivable	7,074	6,997
Prepayments	92,794	87,679
Total Current Assets	6,981,992	6,918,873
DEFERRED DEBITS	154,023	289,188
TOTAL ASSETS	\$68,934,546	\$66,898,750
 EQUITIES & LIABILITIES		
EQUITIES		
Patronage Capital Credits Assigned	23,409,798	22,902,459
Other Equities	7,117,419	7,041,283
Current Year Patronage	2,871,409	1,639,033
Total Equities	33,398,626	31,582,775
LONG TERM LIABILITIES	30,830,814	31,159,330
OBLIGATIONS UNDER LEASE AGREEMENTS	5,740	-
CURRENT LIABILITIES		
Current Maturities of Long-Term Liabilities	1,449,592	1,143,000
Accounts Payable	1,605,505	1,533,064
Consumer Deposits	101,395	104,795
Other Current and Accrued Liabilities	844,365	746,573
Total Current Liabilities	4,000,857	3,527,432
DEFERRED CREDITS	698,509	629,213
TOTAL EQUITIES AND LIABILITIES	\$68,934,546	\$ 66,898,750

Statement of Operations

DUNN ENERGY COOPERATIVE DECEMBER 31, 2021 AND 2020

	2021 (Audited)	2020 (Audited)
OPERATING REVENUES	<u>\$25,269,077</u>	<u>\$24,983,908</u>
OPERATING EXPENSES		
Cost of Purchased Energy	16,318,165	16,535,582
Distribution Expense - Operation & Maintenance	2,505,240	2,544,464
Consumer Accounting and Collection	307,100	337,810
Consumer Informational & Advertising	227,653	209,160
Sales Expense	40,485	40,242
Administrative and General Expenses	1,346,298	1,252,033
Total Operating Expenses	<u>20,744,941</u>	<u>20,919,291</u>
OPERATING MARGINS BEFORE FIXED EXPENSES	<u>4,524,136</u>	<u>4,064,617</u>
FIXED EXPENSES		
Depreciation Expenses	1,960,909	1,906,071
Tax Expense	285,548	269,502
Other Operating Deductions	7,859	14,135
Interest Expense - Other	617	49,883
Interest on Long Term Debt	951,155	923,270
Total Fixed Expenses	<u>3,206,088</u>	<u>3,162,861</u>
OPERATING MARGINS AFTER FIXED CHARGES	1,318,048	901,756
Other Patronage Capital or Margins	<u>865,890</u>	<u>698,993</u>
NET OPERATING MARGINS	2,183,938	1,600,749
Non-Operating Margins	687,471	38,284
TOTAL PATRONAGE CAPITAL & OPERATING MARGINS	<u>\$2,871,409</u>	<u>\$1,639,033</u>
Dunn Energy Operating Margins	1,461,296	1,012,452
Dairyland Power Margins	722,642	588,297
Dunn Energy Non-Operating Margins	<u>687,471</u>	<u>38,284</u>
TOTAL PATRONAGE CAPITAL & OPERATING MARGINS	<u>\$2,871,409</u>	<u>\$1,639,033</u>

AUDIT REPORTS

Each year the USDA's Rural Utilities Service (RUS), the National Rural Utilities Cooperative Finance Corporation (CFC), and CoBank require an independent audit be made of the Cooperative's records. Our most recent audit was completed for the period ending December 31, 2021.

Each year an independent auditing firm does a complete audit of the past year's operation. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The auditing firm appears before the Board of Directors at a regularly scheduled board meeting to make recommendations, changes, auditing entries, and methods to further enhance the Cooperative. Copies of the completed audit are sent to RUS, CFC, and CoBank and are available at the office of the Cooperative.

Dunn Energy Cooperative 2021 Annual Meeting of Members

The 84th Annual Meeting of Dunn Energy Cooperative was held at Dunn Energy Cooperative on Saturday, June 19, 2021. Larry Amble, President of the Cooperative, acting as chairman called the meeting to order at 10:30 a.m. and gave an invocation and led the Pledge of Allegiance. Brian Johnson, Secretary-Treasurer, was introduced and read the Notice of the Annual Meeting and Due Proof of Mailing. The President had the credentials committee give their report and Chairperson Tony Baier reported that 789 mail-in ballots were received and there were 49 members in attendance, which means that a quorum is present.

The President then asked the ballot clerks to pick up any ballots that had not yet been turned in. President Amble gave his report. He noted that 2020 was a challenging year, but employees and the board were flexible and maintained great customer service. He also mentioned the many wonderful things Operations Round up has done in 2020.

President Amble called on General Manager/CEO Jesse Singerhouse to give a State of the Cooperative Report for 2020. Mr. Singerhouse thanked the members for attending today. He also thanked the employees and directors for helping out today, along with WRDN Radio, who was broadcasting the meeting. Mr. Singerhouse introduced the members of the nominating committee as well as the candidates running for the Board of Directors. Guests were introduced including; Warren Petryk 93rd Assembly person from Wisconsin, Jeff Springer from Dairyland Power Cooperative, Rob Richard from WECA, Wisconsin State Representative Rob Summerfield, and John Petska and Dan Liske, directors from Chippewa Valley Electric Cooperative.

Mr. Singerhouse also recognized employees who reached milestones in 2020:

- Becky Gehring – 5 years
- Dan Heit – 5 years
- David Livingston – 5 years
- Logan Scheel – 5 years
- Jolene Fisher – 15 years
- Diane Harschlip – 20 years
- Jesse Singerhouse – 20 years

It was reported that in 2020 members had power 99% of the time due to proactive right-of-way clearing and continual line maintenance. Four major work plan projects were completed in 2020 as well. The cooperative also installed many new services and performed inspections on many miles of line.

Financially it was reported that 2020 operating revenues were slightly below 2019. In quarter 1 of 2020, sales did not quite meet budget due to a mild start to the winter and some businesses being offline due to COVID. However, expenses were down as well due to a decrease in power costs from Dairyland Power Cooperative.

Dunn Energy was able to refinance nearly \$3 million in older loans with a collective interest rate of nearly 5% to an interest rate of less than 1%; saving members thousands of dollars for many years to come.

Jeff Springer, Manager of Innovation and Efficient Electrification at Dairyland Power Cooperative, spoke to the members about electric vehicles and showed his Mustang Mach E as well.

President Amble then stated that we were now moving into the business portion of our meeting. He asked for a motion to accept the minutes as printed from the 83rd Annual meeting. A motion was made and seconded. Motion carried.

President Amble stated that there was no Old Business to come before the meeting and asked for any New Business. None was brought forth by the membership gathered.

President Larry Amble announced that the Nominating Committee had finished counting the ballots and then had credentials committee chairman Tony Baier, read the results of the election. The official results are as follows:

For District 6 Director to succeed Tom Zwiefelhofer:

1. Tom Zwiefelhofer 441
2. Wayne Schindler 335

Tony then declared that since Tom Zwiefelhofer received the majority of votes, he was elected as director for a three-year term ending in 2024.

For District 7 Director to succeed Jim Wildner:

1. Jim Wildner 518
2. Tim Lienau 255

Tony then declared that since Jim Wildner received the majority of votes, he was elected as director for a three-year term ending in 2024.

For District 8 Director to succeed Lee Jensen:

1. Lee Jensen 507
2. Cletus Wolfe 268

Tony then declared that since Lee Jensen received the majority of votes, he was elected as director for a three-year term ending in 2024.

President Amble and General Manager/CEO Singerhouse then asked for any questions from the membership. There was a question about how much money directors make per meeting as well as how to get the most out of SmartHub.

The drawing for bill credits was held after the meeting and the following members each won \$50 bill credits: Charles Bassett, David Whiteley, Debra Gotlibson, Gary Meyer, Pat Eggert, Elaine Grutt, Glenn Gehring, Lawrence Schlough, Christara Hormann, and Bruce Kitchner.

There being no further business to come before the meeting, on motion duly made, seconded and unanimously carried, the meeting was adjourned at 11:19 a.m.

In 2021, the Operation Round Up program funded over \$37,000 in grants for local not-for-profit organizations in the communities we serve.

Hay River Lutheran Quilters
Dunn County HCE
Sofas for Service
Buffalo-Pepin Literacy Alliance
Durand Youth Fishing Contest
Wheaton Fire & Rescue
Reach Out & Read
Menomonie Area Senior Center
Women's Relief Society
Colfax Public Library
The Giving Doll
Ridgeland Parks & Rec Dept.
Spring Valley Fire Dept.
Dunn County Historical Society
Durand Fire Relief Association
Alano Club of Menomonie
Arbor Place
Pepin County Sheriff's Dept.
St. Paul's Evangelical Lutheran Church
Elk Mound High School
Town of Rock Creek - Park Commission
Downsville Snowdrifters
New Hope Comforters
Rotary Feeds

Quilting Supplies
Project Bookworm
New beds for Veterans
Literacy Technology
Contest supplies
Medical Bags & SCBA Gear
Books for K-5th graders
Strong Bodies Training
Dunn County Jail - Real Colors
New books
Material for dolls (public service)
Merry-go-round
Battery operated chainsaw
Technology upgrades
Extrication Equipment
Update lighting to LED
Software Upgrades
Collapsible Safety Cones for Squads
Security/Safety updates
Hygiene Kits for Students
Pickle Ball Court
New Ball Field lights
Quilting Supplies
Rotary Feeds America Event at DEC

Scholarship Recipients

At Dunn Energy Cooperative we are excited to again award 15 - \$1000 scholarships to local youth whose parents are members of our cooperative. The quality of all of the applicants was impressive. They each displayed the level of community involvement and achievement it takes to be a success.

Our mission at Dunn Energy is to make a difference one member at a time. We hope that our scholarships make a difference in the lives of the recipients and we challenge them to continue to make a difference throughout their lives.

On behalf of all of our members, we are honored to present \$1,000 scholarships to:

Oscar Wyss (John & Angela Wyss) from Boyceville High School is interested in studying at UW-Stevens Point

Ira Bialzik (Tina & Aaron Bialzik) from Boyceville High School is interested in studying at UW-Eau Claire

Taylor Risler (Randy & Tonya Risler) from Colfax High School is interested in studying at CVTC

Jillian Bowe (Jan & Amy Bowe) from Colfax High School is interested in studying at Winona State University

Madison Barstad (Josh & Andrea Sarauer) from Colfax High School is interested in studying at Winona State University

Katherine Loff-Peterson (John & Linda Loff-Peterson) from Durand High School is interested in studying at Michigan Technical University

Janessa Harschlip (Joel & Diane Harschlip) from Durand High School is interested in studying at CVTC

Gracen Garlie (Dave & Maria Garlie) from Eau Claire Memorial High School is interested in studying at UW-Madison

Kallee Rhude (Pat & Lanette Rhude) from Elk Mound High School is interested in studying at Northcentral Technical College

Carter Sundeen (Seth & Susan Sundeen) from Elk Mound High School is interested in studying at UW-Eau Claire

Lauryn Deetz (Mike & Michelle Deetz) from McDonell Area Catholic School is interested in studying at CVTC or UW-Eau Claire

Madeline Ellison (Tera & Jason Ellison) from Menomonie High School is interested in studying at UW-Stout

Alexzandra Kruschke (Paul & Dawn Kruschke) from Menomonie High School is interested in studying at CVTC

Ethan Evans (Rob & Dawn Evans) from Mondovi High School is interested in studying at UW-La Crosse

Rachel Kahler (Jason & Tricia Kahler) from Mondovi High School is interested in studying at CVTC

Non-traditional Student Scholarship Winner:

Ashley Mayer from Mondovi has returned to CVTC to earn her Nursing degree

March 02, 2022

Board of Directors
Dunn Energy Cooperative
Menomonie, Wisconsin

Dear Board Members:

We have audited the financial statements of Dunn Energy Cooperative (the “Cooperative”) for the year ended December 31, 2021, and have issued our report thereon March 02, 2022. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Dunn Energy Cooperative are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the Cooperative during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management’s estimate of the depreciation is based on industry standards and management’s estimate of the useful life of the assets. We evaluated the key factors and assumptions used to develop the depreciation estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for doubtful accounts is based on current economic trends and write-off history and represents the amount that management expects will not be collected from current receivable balances. We evaluated the key factors and assumptions used to develop the allowance estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

During 2021 the Cooperative had a couple of significant non-recurring transactions as indicated below.

- The Cooperative had a note payable under the Paycheck Protection Program (PPP) for \$635,032 as provided for in the Coronavirus Aid, Relief and Economic Security Act. This was obtained and also forgiven during 2021. The forgiveness eliminated the debt and was recognized as nonoperating margins in 2021.
- Subsequent to year end the Cooperative received approximately \$617,000 from Dairyland Power related to NWPAs lawsuit settlements. This had no impact on the 2021 financial statements and is an added disclosure in the report as a subsequent event.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No such misstatements were noted and there were no significant audit entries proposed to management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 02, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Cooperative’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Cooperative’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and, if appropriate, management of Dunn Energy Cooperative and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

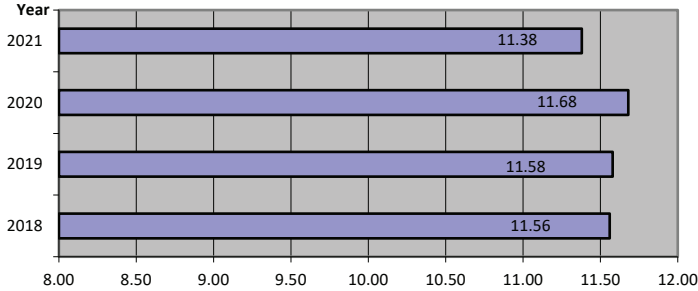
Bauman Associates, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS

2021 Financial Highlights

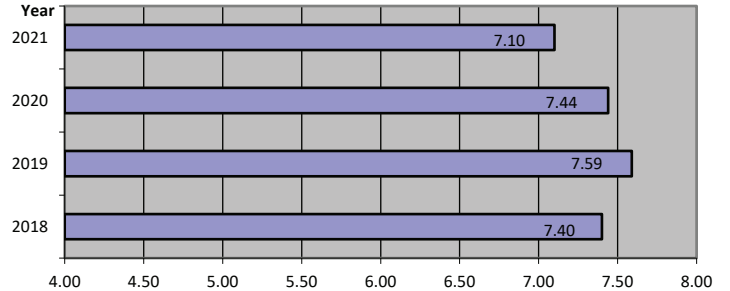
Graph 1

Revenue per kWh (cents)



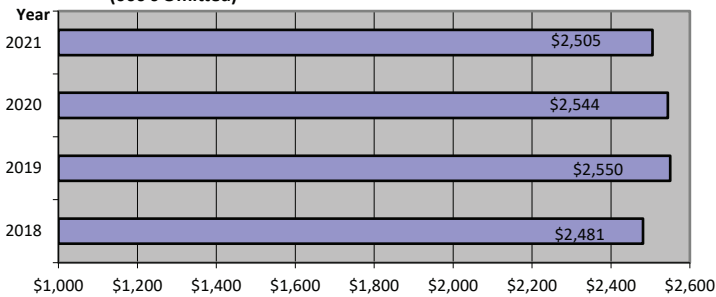
Graph 2

Power Cost per kWh (cents)



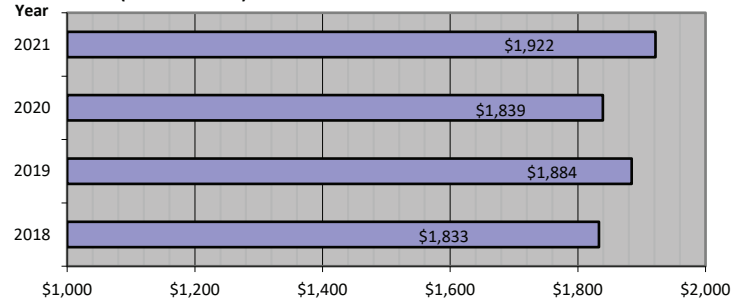
Graph 3

Electric Operations & Maintenance Expenses
(000's Omitted)



Graph 4

Accounting, Sales, & Admin. Expenses
(000's Omitted)



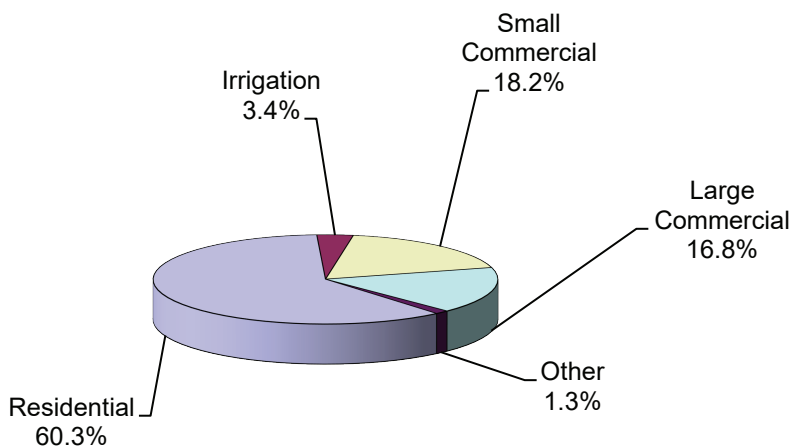
Statement of Dunn Energy Cooperative

	2021	2011	2001	1991
Total Assets	68,934,546	44,620,295	31,532,477	15,801,435
Total Other Liabilities	4,705,106	2,651,754	3,776,854	1,143,136
Total Long Term Debt	30,830,814	19,245,355	10,664,768	4,070,308
Total Equity	33,398,626	22,723,186	17,090,855	10,587,991
Total Electric Revenue	25,269,077	20,416,489	9,808,648	7,242,091
Total Electric Expenses	23,951,029	19,622,442	9,356,653	6,957,805
Other Margins	1,553,361	841,272	291,637	305,487
Net Margins	2,871,409	1,635,319	743,632	589,773
Active Members	8,848	8,304	8,077	6,254

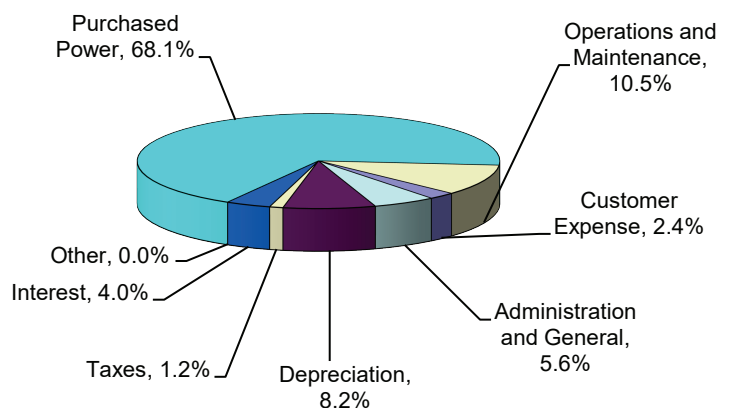
2021 Financial Highlights

	2021	2020
	(Audited)	(Audited)
Connected as of Dec. 31	10,313	10,182
New Services	148	137
Miles of Line	2,030.42	2,019.37
Total kWhs Purchased	229,963,382	222,387,788
Total kWhs Sold	220,809,371	213,246,574
Total kWhs Unaccounted for	9,154,011	9,141,214
% of Line Loss	3.98%	4.11%
Average kWhs Sold Per Consumer Per Month		
Residential & Farm (excluding irrigation)	1,002	1,009
Small Commercial	5,107	5,104
Average Bill Per Consumer Per Month		
Residential & Farm (excluding irrigation)	\$138.84	\$141.61
Small Commercial	\$501.51	\$514.60
Electric Plant Investment Per Mile	\$32,506	\$31,552
Meters Per Mile	5.08	5.04
Capital Credits Retired	\$1,131,697	\$1,245,991
Capital Credits Retired to Date	\$22,116,439	\$20,984,742

Where Income Dollars Came From



Where Income Dollars Went



Dairyland Power Cooperative Update

Where Renewables and Reliability Meet

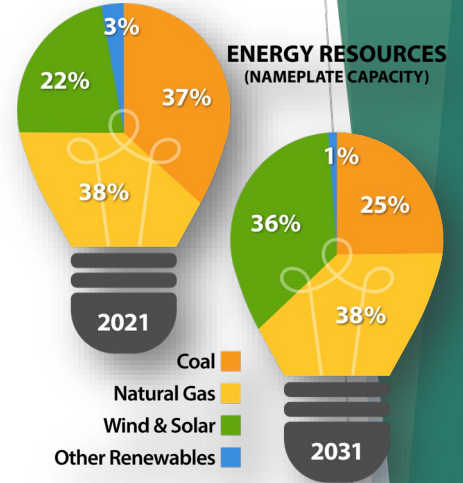
Brent Ridge, President and CEO

Presented To:
2022 Dunn Energy Cooperative
Annual Meeting
May 19, 2022

- ▶ Midcontinent Independent System Operator (MISO) is an independent, not-for-profit organization that delivers safe, cost-effective electricity across 15 states and Manitoba, Canada
- ▶ 900,000 sq. miles
- ▶ 6,500+ generating units
- ▶ 66,000 miles of transmission lines



Dairyland's Energy Mix

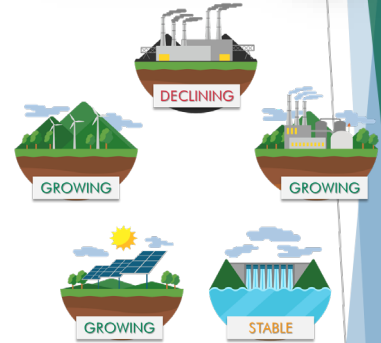


MISO Perspective on Reliability Challenges

- ▶ Power plant retirements, lower overall reserve margins and increasing outage levels of "baseload" generation impact capacity availability.
- ▶ Wind and solar resources are not always available or need to be curtailed due to transmission constraints.
- ▶ Natural gas resources may not be able to procure the fuel they need at key times



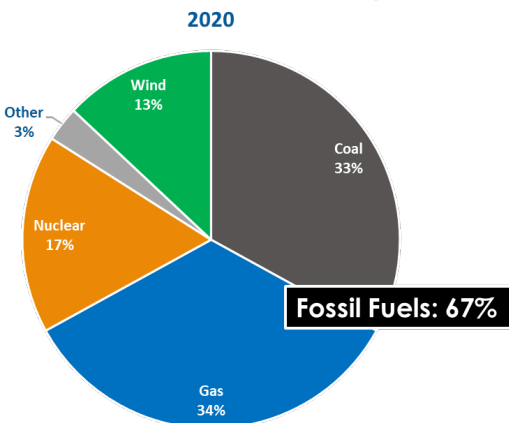
“The aggregate impact of these and other challenges has altered the region’s historical summer centric risk profile, making it more prone to grid emergencies in winter and shoulder-seasons that rarely posed risks in the past. - MISO”



MISO - Planning for the Future



MISO Generator Energy Mix



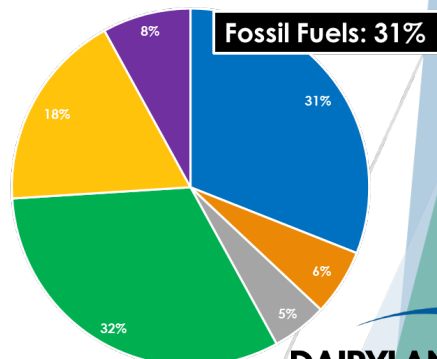
Source: MISO Futures, April 2021

What is the Future (by 2040)?

Depends on:

- Economics
- Political Environment
- Technological Advancements
- Reliability


Deep Decarbonization



DAIRYLAND POWER COOPERATIVE

A Touchstone Energy® Cooperative

DAIRYLAND GENERATION RESOURCES



387 MW

John P. Madgett Station


- Coal
- 1979
- Alma, WI



74 MW

Elk Mound Combustion Turbines

- Natural gas/oil
- 2001
- Chippewa County, WI



165 MW*

Weston #4
*Dairyland's share (30% ownership)


- Coal
- 2008
- Wausau, WI



503 MW

RockGen

- Natural gas
- 2022
- Cambridge, WI



18 MW

Flambeau Hydro Station

- Hydro
- 1951
- Ladysmith, WI



Solar

- 27 MW from multiple sites
- 149 MW Badger State Solar
 - Coming soon




Wind

- Quilt Block (98 MW)
- Barton (80 MW)
- Tatanka Ridge (52 MW)
- Winnebago (20 MW)
- Adams (18 MW)
- "Other" wind (18 MW)
 - Across multiple facilities



Landfill Gas

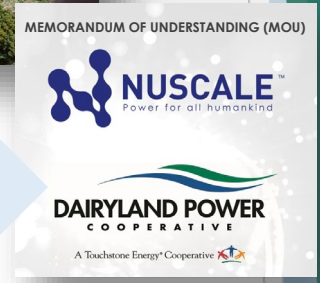
- Timberline Trail (6 MW)
- Central Disposal (5 MW)



Nematji Trail Energy Center (NTEC) Natural Gas Plant

- ▶ Dairyland 50%
- ▶ Basin Electric 30%
- ▶ Allette/MN Power 20%

Long-term review of nuclear as non-carbon emitting 24/7 option through small modular reactor (SMR) technology



Safe, Reliable and Cost-Effective Energy for the Future

- ▶ We will take a balanced and measured approach to carbon reduction
- ▶ Investment is trending toward renewable energy
- ▶ We must ensure a reliable and affordable flow of electricity
 - ▶ Innovation will drive the transition.
 - ▶ Traditional resources will keep the lights on
- ▶ "All of the above" approach
 - ▶ Retiring coal plants within MISO
 - ▶ Natural gas = lower CO2 emissions + renewable-enabling (can ramp up/down quickly)
 - ▶ Add renewable
 - ▶ Consider advanced nuclear



General Manager's Report

2021 was another great year for Dunn Energy Cooperative. We accomplished many of our goals and maintained our focus on providing you reliable, affordable and environmentally responsible energy. In today's complex energy world, accomplishing those things is no easy task. To be successful we must rely on strategic partnerships, engaged cooperative members and talented employees who are dedicated to serving your energy needs. I'm proud of everything we have accomplished in 2021.

While we can't prevent every outage, members had power over 99.98% of the time this past year. This is due in large part to the preventative work our crews do to maintain our system. This includes tree trimming, line upgrades and maintenance, power quality investigation, and long-range system planning. We do our best to be proactive and try to eliminate problems before they become outage issues.

In 2021, Dunn Energy participated in an American Customer Satisfaction survey of our members. Dunn Energy Cooperative achieved a score of 85, our highest to date and one of the higher scores of Cooperatives across the country. THANK YOU members for your feedback and the incredible rating. That score is achieved because of the hard work of 28 employees and 9 Board members who are dedicated to serving our members and the community.

Your Cooperative remained financially strong in 2021 and for the second consecutive year no rate increase was needed. This was due in large part to flat energy rates from our power supplier Dairyland Power Cooperative. Also, the staff and board worked hard to control costs wherever possible and we experienced a slight increase in energy sales. All those things added up to a strong financial year with margins above budget. In true Cooperative fashion, we also returned over \$700,000 to our members in power cost adjustment credits throughout the year and retired nearly \$1 million in capital credits to the membership.

The Board and Executive Staff engaged in a strategic planning session in 2021 to set our course for the next three years. Besides the day to day work of keeping the lights on, the session told us that employee development, technology, safety, financial strength and member engagement were key areas we need to focus on. Our staff have developed short- and long-term goals in each of those areas and I'm proud to say we are hard at work achieving those goals. Goals that have one thing in mind; serving our member-owners. Last year at the annual meeting we announced plans to install a Level 3 electric vehicle fast charger at the 29 Pines Travel Center in partnership with River Country Cooperative, Dairyland Power Cooperative, Charge EV and ZEF Energy. I'm pleased to report that the charger is being utilized several times a month by travelers in the area. In the years ahead we are planning to look for more opportunities to install EV chargers with our partners.

Members of Dunn Energy Cooperative, 2021 was a great year for your Cooperative. While we have many challenges ahead I know we will meet them head on. Thank you for the opportunity to serve your energy needs. I invite you to attend your annual meeting on Thursday, May 19th here at Dunn Energy Cooperative. The Thursday night meeting format is new this year. Please consider attending to learn more about your Cooperative.



Dairyland Director Report

SAFETY, RELIABILITY AND COST MANAGEMENT

With an overarching goal of Sustainability, Dairyland Power Cooperative's leadership team and the Board of Directors are focused on providing safe and reliable electricity for Dairyland's 24 member cooperatives while transitioning to a low-carbon future.

On June 1, 2021, Dairyland safely retired the coal-fired Genoa Station #3 (G-3). Decommissioning of the facility is in progress, with a focus on reuse and donations of materials that benefit the community. A study is also underway to find a positive future site plan for both Dairyland and the Genoa community.

Following the closing of G-3, Dairyland's purchase of the RockGen Energy Center, a 503 megawatt (MW) natural gas plant in Cambridge, Wis., was a strategic fit for its power supply portfolio. RockGen supports the growth of wind and solar energy in the region and provides reliable electricity in all weather conditions.

Renewable additions include the Tatanka Ridge Wind Farm (Deuel County, S.D.) which began operation in 2021. Dairyland has a power purchase agreement (PPA) to receive energy from a 52 MW portion of the wind farm. Dairyland also has a PPA with Ranger Solar for the 149 MW Badger State Solar facility (Jefferson, Wis.), which is scheduled to be operational in 2023.

The regulatory approval process continues for the Nemadji Trail Energy Center. Basin Electric Power Cooperative has joined Dairyland and Minnesota Power as a project partner for the proposed 525-625 MW natural gas generation facility (Superior, Wis.) which is planned to be operational in 2025. In 2021, the John P. Madgett Station and Elk Mound Generation Station both set power production records, reliably serving Dairyland's members during extreme temperatures.

The Board approved a budget supporting Dairyland's strategic business plan, which resulted in an estimated 0.4% percent decrease in the average wholesale rate for Dairyland's member cooperatives beginning Jan. 1, 2022. A new wholesale rate design was also implemented in May 2021 to provide additional flexibility for member cooperatives.

Cost management actions and sound 2021 fiscal performance resulted in strong margins. As a result, Dairyland provided \$4 million of rate credits to members in 2021, reduced future expenses and is investing in business development opportunities. In addition, Dairyland maintained its cash retirement of Capital Credits of 2 percent resulting in 2021 cash retirements of \$4.7 million and had four power cost adjustments (PCA) credits totaling \$3.7 million. As part of its new rate design, Dairyland also instituted the revenue volatility adjustment (RVA). All told, the RVA returned an additional \$9.2 million to the members.

Dairyland has credit ratings of "A3" with a stable outlook from Moody's and "A+" also with a stable outlook from Standard and Poor's.

Dairyland is also investing in regional transmission opportunities. By working with other utilities, regional transmission infrastructure has been strengthened to absorb changing generation sources while maintaining reliability and adding value for members.

Transmission Construction crews work to safely rebuild, construct and upgrade approximately 50 miles of 69 kV transmission line each year. Each mile takes approximately two weeks to complete with roughly 17 poles per mile.

The Board supported accelerating the build-out plan for middle-mile fiber optic communications on Dairyland's transmission infrastructure, primarily for communication. As the program progresses, fiber optic communication capacity could support rural broadband service providers in the communities Dunn Energy Cooperative and Dairyland's other member cooperatives serve.

Growth and Innovation foster sustainable business and long-term competitive rates for members. Dairyland has expanded shared services for members in Information Technology, Human Resources and Publication Services, and established a Business Development Fund to seek new revenue opportunities.

Dunn Energy Cooperative and Dairyland were among 31 cooperatives to create CHARGE EV, LLC, in 2020, to build interest in the growth of electric vehicles (EV). The CHARGETM network of cooperative-powered EV chargers is growing in rural areas. Additionally, Dairyland is working with local businesses to help them learn more about adding EVs to their fleets.

While Dairyland evolves, our Cooperative Principles and member satisfaction remain at the forefront. Dairyland is committed to transparent governance and strong relationships with members. As a Touchstone Energy® cooperative, Dairyland makes positive impacts in its local communities and improves the quality of life for cooperative members.

As your representative on the Dairyland Board of Directors, I am confident that Dairyland will continue to provide our cooperative with safe, reliable, affordable and sustainable power today and for future generations.

