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## LOOKING FORWARD TO 2019

As the flags of your Cooperative flutter in the unbroken wind of the Northwoods, I peer out the window at the slushy snow covering the parking lot and the seasonal activity of salting the sidewalk in anticipation of your arrival. Peering is a mere external mask, as internally, I'm reflecting on the accomplishments

of your Cooperative over the past year with the optimism of possibilities of a new one, which can be endless in one's life, but somewhat consistent and predictable within a small cooperative utility environment. Much forethought, evaluation and planning are required to make a significant and impactful move in any one direction. Most influential moves are more strategic and performed over a period of time. Although, there are opportunities with the advancement of technologies, but uncertainties as well with long-term planning affected by legislative influence and regulatory requirements.

The change in some national executive initiatives from the last administration have somewhat altered the agenda in the utility environment. The most recent mid-term elections have illustrated another shift as the current Republican-controlled House has transitioned, with the vote of the people, to a Democratic majority in 2019. Even our own Republican governor of eight years, Governor Scott Walker, did not regain his seat. What does it all mean? It means change, or potential filibustering. Without partisanship, it will be difficult to move any agenda. The Clean Power Plan initiation within President Obama's administration, which ensured electric utilities moved briskly to meet CO<sub>2</sub> emission reduction commitments by 2030, has slowed with President Trump's vow to alter the course. However, the passage to insert more renewables into the generation mix have proved beneficial to the electric grid, and it is certain that you will see more solar arrays, and wind turbines being constructed in the near future. Generation is proportionate to consumption, and no-emission electric vehicles (EV) and chargers are steadily becoming more commonplace on the roadway. The transportation industry is second to the electrical industry in CO<sub>2</sub> emissions, and thus EV chargers to recharge these vehicles are coming to a place near you. The electric car charging grid is growing and resembling the construction of the Great Transcontinental Railroad. Chargers are being deployed in strategic locations along interstates and highways to interlink the east to the west, and north to south. If you look to the right of the front of your

new Member Service Center, you will see one.

Your Cooperative is performing very well with accomplishing the best safety and reliability records in the history of the organization. The cost element of your mission statement has always been the most elusive and challenging, with a market of continual inflationary increases without growth to absorb. We are dependent on your energy consumption for the financial viability of the Cooperative, and with persistent advancements and economic savings in energy-conserving lighting, appliances and equipment, average consumption has declined. You will notice that your Cooperative has begun to install LED outdoor lighting as it is a brighter, whiter light, and requires less maintenance, while consuming less energy. Given a membership makeup of 51% residential and farms and another 45% seasonal

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accounts, accompanied by minimal average home usage in the Northwoods because of alternative heating sources, water heating and clothes drying, along with weather sales dependency. Colder and warmer temperatures equate to more sales. Milder weather conditions for the last three years have caused

overall energy sales to decline. These factors associated with increases from your wholesale provider, Dairyland Power, and increased maintenance, utility plant depreciation, and long-term debt payments, have compelled your Board of Directors to authorize a 4% increase to the operating revenue, which represents an increase of \$5.50 on a monthly bill for an average residential member consuming 750 kWhs. This increase will take effect on your January bill and will be identified as "Operating Margin Adjustment" (OMA). Your Cooperative staff and directors are always trying to minimize these impacts to you, our member/owners, but a mild increase is required to fulfill the requirements of the Equity Management Plan. An indication within the historical narrative to sustain the rate in a flat growth market is apparent as this 4% increase is part of only 14.2% over the last eight years on an average residential member account as opposed to a 55.5% increase within the eight years prior.

I would like to continue our pledge to you, that we will do everything within our power to increase your reliability, to maintain reasonable energy rates, and to ensure your safety, along with the public and the employees of the Cooperative. This, I pledge to you.