

# 2021 Dairyland Director Report

February 10, 2021

## Dairyland: Safe and Sustainable

In 2020, Dairyland (our wholesale power provider) adapted swiftly to tackle the unprecedented challenges of COVID-19. While focused on providing critical electricity for Dairyland's 24 member cooperatives, they closely monitored the pandemic and took measures to keep employees, members and communities safe. Dairyland employees—whether working onsite, in the field or remotely—are committed to safety, 24/7 reliability and affordability for Jump River Electric Cooperative members.

In the midst of the pandemic, Dairyland had a smooth leadership transition in July 2020 when Brent Ridge became President and CEO following the retirement of Barbara Nick.

The world changed in many ways during 2020. Dairyland's six **Strategic Priorities** support their overarching goal of **SUSTAINABILITY**. Dairyland's leadership team and the Board of Directors continue to address ongoing changes in the energy industry known as the "Four Ds": Decarbonization, Deregulation, Digitalization and Decentralization. To be sustainable, Dairyland must address these challenges and create long-term value for Dairyland's members.

Without a **Culture of Safety**, nothing is sustainable, and safety remains the highest priority at Dairyland. Dairyland is implementing human performance tools to strengthen and maintain a culture of safety as they strive for an operational goal of "zero incidents."

One thing that hasn't changed is the value of our **Cooperative Principles** and relationships. Dairyland has demonstrated commitment to transparent governance and strong relationships with members. Dairyland staff are focused on improving communities and the quality of life in Dairyland's four-state region. As a cooperative, Dairyland makes positive impacts in its local communities and by supporting organizations that assist those facing economic challenges.

Aligned with the updated Mission, Vision and Core Values, Dairyland's **People 1<sup>st</sup>** culture is member-focused, clarifies employee roles and goals, and is enhancing communication throughout the organization.

**Asset Reliability & Diversification** are a priority as Dairyland transitions its energy resources to a lower carbon future. In 2020, Dairyland's Board of Directors approved a goal of 50 percent reduction in carbon dioxide intensity rate by 2030. The Sustainable Generation Plan provides a framework for energy diversification, considering the economic impact on members, technological feasibility, social implications and environmental responsibility.

In January 2021, the Tatanka Ridge Wind Farm (Deuel County, S.D.) began operation. Dairyland has a power purchase agreement (PPA) to receive renewable wind energy from a 52-megawatt (MW) portion of the wind farm. Dairyland also has a PPA with Ranger Solar for a future addition of 149 MW from the Badger State Solar Facility.

The retirement of Dairyland's coal-fired Genoa Station #3 (G-3) is scheduled for June 1, 2021. Dairyland has owned and operated the coal-fired power plant, located on the banks of the Mississippi River in Genoa, Wis., since 1969. Employees remain focused on safe and reliable operation of the unit. Throughout this past year, Dairyland's power plant availability has been in the top quartile for performance.

Natural gas will serve as the bridge to a low-carbon future, supporting renewable energy investments while giving new technologies time to advance.

Dairyland has a long history of recycling coal-combustion byproducts (CCB). In 2020, they achieved a significant sustainability milestone by recycling 100 percent of the fly ash captured by precipitators at G-3 and the John P. Madgett Station (Alma, Wis.). Dairyland's fly ash is most commonly recycled as a replacement for Portland cement in concrete. Adding fly ash into concrete contributes to a stronger, less permeable product at a lower price. Another beneficial reuse effort underway is participation in a pilot agricultural project with UW-Extension to test the effectiveness of CCB as fertilizer.

**Financial and Competitive Strength** is critical to sustainability. Dairyland balances building financial strength with ensuring competitive rates and sound operations.

The Board approved Dairyland's 2021 budget which will result in an estimated 2.6 percent decrease in the average wholesale rate for Dairyland's member cooperatives on May 1. The 2021 budget supports the priorities outlined in Dairyland's strategic business plan to serve Jump River Electric Cooperative. A new wholesale rate design will also provide additional flexibility for member cooperatives beginning in May 2021.

Financially, Dairyland had strong margins in 2020 due to a favorable regional energy market, a reduction in budgeted operational/divisional costs and other factors. As a result, Dairyland provided \$6 million of rate credits to members in 2020, reduced future expenses and is evaluating business development opportunities. In addition, Dairyland increased its cash retirement of Capital Credits to 5 percent (versus 2 percent) resulting in 2020 cash retirements of \$11.5 million and had three power cost adjustments (PCA) credits totaling \$2.8 million.

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's Board and leadership team balance building financial strength with competitive rates and sound operations. Management of costs and risks, and modernizing processes to enhance efficiency will remain key areas of focus.

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

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.

In 2020, Dairyland began a programmatic approach for adding middle-mile fiber optic communications to its existing transmission infrastructure, primarily for communication purposes. As the program progresses, excess fiber optic communication capacity may be available to enable rural broadband service providers access to the communities Jump River Electric Cooperative and Dairyland's other member cooperatives serve.

**Growth and Innovation** will foster sustainable business and long-term competitive rates for members. Dairyland and its members are also implementing strategies to support electric vehicle growth through the creation of CHARGE EV, LLC. CHARGE EV will help to lead the installation of more electric vehicle chargers in the rural areas served by Dairyland members in Iowa, Illinois, Minnesota and Wisconsin. Additionally, CHARGE EV will work with local businesses to help them learn more about adding EVs to their fleets.

Dairyland staff work with members to support economic development opportunities that will help communities grow by adding businesses and jobs. Securing economic development projects are important for the entire Dairyland system.

Dairyland's system will grow by about 10 percent in the next few years with the addition of service territory acquired by member cooperatives, mostly in southern Minnesota. By seeking innovative solutions and implementing effective project management to achieve its strategic priorities, Dairyland will remain sustainable, adaptable and competitive as the energy industry transforms.

Dairyland has demonstrated its agility and commitment to safety, while reliably providing critical power throughout this unexpected pandemic journey. As your representative on the Dairyland Board of Directors, I am confident that Dairyland will continue to provide our cooperative with reliable, affordable and sustainable power today and for future generations.

### **Dairyland's Mission, Vision & Values**

**Mission:** *To power our communities and empower cooperative members to improve the quality of their lives.*

**Vision:** *To grow, innovate and deliver value as a premier member-driven energy cooperative through safe, reliable and sustainable solutions.*

**Core Values - RAISE:** *Relationships, Accountability, Integrity, Safety, Excellence*

**Side bar:** Jump River Electric Cooperative is one of 24-member distribution cooperatives that receive power from Dairyland Power Cooperative, which is headquartered in La Crosse, Wis. The Dairyland system serves over 255,000 meters across our region providing the benefits of electricity to nearly 600,000 consumers.