

## Dairyland focused on safe, reliable and sustainable power

The 24 members of Dairyland Power Cooperative, including Jump River Electric Cooperative (JREC), renewed their commitment to each other in 2018 through an extension of their Wholesale Power Contract with Dairyland. This agreement among Dairyland's distribution cooperative members was created Dairyland in 1941. Today, it ensures Dairyland will continue to provide the energy and flexibility needed by JREC.

As your Dairyland director, I assure you that staff work to ensure Dairyland's 24 members, including Jump River Electric Cooperative, have **safe, reliable** and **sustainable** electricity that remains **affordable**.

In 2019, several business initiatives will be implemented to achieve the Strategic Imperatives established by Dairyland's Board of Directors. Our industry is rapidly changing and Dairyland is positioned to be a dynamic cooperative leader into the future.

**Wholesale Rate Study Task Force** – The Board of Directors and managers of Dairyland's members are working together to assess Dairyland's current wholesale rate structure, along with potential new rate structures. The goal is to develop a rate design that is competitive, while providing long-term mutual success for Dairyland, its member cooperatives and members of JREC.

**Strategic Decision Excellence** – The goal of this initiative is to enhance how Dairyland makes business decisions. This includes evaluating processes and systems used to make major capital, operational and strategic business decisions.

**Sustainable Generation Plan** – This plan will provide a framework for resource planning for the next 7-10 years. It will provide value to members through continued expansion of renewable energy, evaluating price volatility and determining the best project mix for Dairyland's members.

### Planning for long-term success

In addition to these three 2019 initiatives, business plans continue in all areas of operations to fulfill the cooperative's Strategic Imperatives:

**Cooperative Purpose** - Exceeding members' expectations is Dairyland's Vision. Dairyland staff are committed to living the seven *Cooperative Principles* and leveraging the cooperative advantage. They are focused on improving communities and the quality of life in Dairyland's four-state region

**Employee Development** - Dairyland is focusing on attracting, developing and retaining talented leaders who are focused on serving co-op members. As employees retire, every open position is evaluated and often reshaped or redirected to ensure the future needs of members are met.

**Resource Diversification** - Dairyland staff have been diversifying resources intentionally and thoughtfully by using the best economic decisions for a sustainable resource mix.

Through power purchase agreements, renewable wind energy resources were added from the Barton Wind Project in Iowa, Quilt Block Wind Farm in southwest Wisconsin and Dodge Center Wind Farm in Minnesota. Since 2017, 18 large-scale cooperative solar energy projects have been announced in the service areas of Dairyland members. Many of these sites also include community solar projects.

The regulatory process for the Nemadji Trail Energy Center (Superior, Wis.) is moving forward in Wisconsin. Dairyland and ALLETE's Minnesota Power (Duluth, Minn.) announced the

proposed natural gas facility in June 2017. The plant is an up to 625 MW combined-cycle natural gas facility scheduled to be in service by 2025, contingent on regulatory approvals.

This facility will help Dairyland add more renewable energy and reduce carbon intensity. It will also ensure reliability for our growing system.

**Competitive Service** - Ensuring rates and services are competitive is critical to the economic well-being of the region. Dairyland's Board approved a 1 percent increase on the average wholesale rate in Dairyland's 2019 budget, effective May 1.

Efficiency improvements and management of costs and risks are priorities. Dairyland is also investing in transmission opportunities that improve reliability and add value for members.

**Financial Strength** - Maintaining financial strength and competitive access to capital are critical to delivering Dairyland's strategic plans. Standard and Poor's elevated Dairyland's rating to A+ with a stable outlook in early 2018. Dairyland's Board and management work to balance building financial strength with competitive rates and sound operations.

**Growth:** 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. Additional energy resources, including renewables and the Nemadji Trail Energy Center, are needed to serve that growth.

Dairyland staff are working with members to support economic development opportunities that will help communities grow by adding businesses and jobs.

**Safety Culture** - The safety of employees, members and the public is the highest priority at Dairyland. Employees continue to educate, promote and maintain a safety focus as they strive for an operational goal of "zero incidents."

**Operational Excellence** - Reliable performance of Dairyland's power plants and transmission system are high priority. The men and women who operate and maintain Dairyland's facilities are focused on safety, while holding high standards for reliable operations.

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.

Dairyland's transmission investments demonstrate a commitment to growth and reliability. By working with other utilities, infrastructure in the region is strengthened to absorb changing generation sources.

**Plant Decommissioning** – Great progress was made to dismantle the La Crosse Boiling Water Reactor (LACBWR) and the Alma Station in 2018. Structures were removed from both sites, including LACBWR's reactor building. The safe demolition of the Alma Station's 700-foot stack was also popular in the media in October.

Strategic planning has provided direction for Dairyland's business decisions. I assure you that Dairyland continues to plan to reliably and sustainably meet our cooperative's future energy needs.