



# FOCUS »» FORWARD

2021 ANNUAL REPORT





# 2021

# ANNUAL REPORT

Stearns Electric Association holds a strong record of providing reliable power, consistently supporting the communities we serve and exemplifying the cooperative principles in its daily operations. Our service territory is attractive to families and new businesses – providing the perfect framework for a powerful future. After an unprecedented year of uncertainty and adaptation in 2020 due to the COVID 19 pandemic, our focus in 2021 was on just that – our future.

We are on the edge of significant changes in our industry. The growing interest in electric vehicles, the expanding use of smart household appliances, and the most recent impact of growing remote employment opportunities all hinge on the reliability and affordability of electric service. At the same time, members want us to be better stewards of the environment as we incorporate new energy resources. It is critical that we continue to serve our members and our communities well.

Stearns Electric already has a legacy of implementing smart energy solutions and engaging our community. But as we look to the future, we need to be visionary as we build a cooperative to serve the member of tomorrow. We must make smart investments and develop new programs that will serve our members into this changing future. Our employees must be well trained, our technology robust and the foundations of our distribution system strong.

This past year was a year of focus for the Cooperative. Focus on financial strength and stability, disciplined performance, and purposeful planning. Prudent cost management has kept our rates unchanged, and our financial position allowed us to return \$1.45 million in Capital Credits to our members. Our operations team completed a tremendous amount of work in the field upgrading the distribution network, which included building or replacing nearly 53 miles of power line and completing significant substation improvements. Our member service team handled numerous account and billing requests with precision and a smile. Our energy services and information technology teams made great leaps implementing new technology to deliver energy solutions, protect member information and increase efficiency. And finally, our leadership team developed a three-year strategic plan to lead the Cooperative forward.

Delivering more requires the foresight to identify tomorrow's needs today—something we've been doing for nearly 85 years. With continued support from our members, we look forward to meeting the challenges ahead and delivering more to Central Minnesota for decades to come. Together, we will grow this Cooperative and continue powering your quality of life.

**Robin Doege**, Chief Executive Officer

## MISSION:

*To safely provide competitively priced and reliable electric service, beneficial energy solutions and a positive member experience.*

MEMBER-CONSUMERS

**27,967**

MEMBERS  
PER MILE

**6.81**

**65** DEDICATED  
EMPLOYEES

## 7 COOPERATIVE PRINCIPLES

1. Open and Voluntary Membership
2. Democratic Member Control
3. Members' Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Cooperation Among Cooperatives
7. Concern for Community

SERVICE AREA

**2,000+ SQ. MILES**

FOUNDED

**1937**

TOTAL MILES OF LINE

**4,181**

MILES OF  
OVERHEAD LINE

**2,598**

MILES OF  
UNDERGROUND LINE

**1,583**

## VISION:

*Stearns Electric Association is a critical asset to our members and our communities.*

**9** MEMBER-ELECTED  
DIRECTORS





# DEMOCRATIC CONTROL

## 2021 HIGHLIGHTS

- Facing the ongoing impact and uncertainty of the COVID-19 pandemic, Stearns Electric planned a Drive-In Annual Meeting on May 6. Nearly 100 vehicles were present at the Stearns County Fairgrounds.
- In addition to the regularly scheduled elections of three districts in conjunction with the Annual Meeting, a special election was held in District 3 due to a resignation of a board member. Voter turnout was 13.4% across all voting districts.
- In August, the Board of Directors, executive team and management team completed the strategic planning process to define priorities for the Cooperative across seven key areas: technology; member engagement; infrastructure/reliability; rates/power supply; employees; load growth/economic development; and safety. Prior to the strategic plan, member and employee surveys were conducted.

*Stearns Electric is a democratically-controlled business, meaning we are governed by local people who are elected by you.*



**GREG BLAINE**  
District 1



**ARLYN LAWRENZ**  
District 2



**MICHAEL CRAMER**  
District 3



**RANDY ROTHSTEIN**  
District 4



**TONY AMPE**  
District 5



**STEVE NOTCH**  
District 6



**LONNIE IVERSON**  
District 7



**ERIC PETERSON**  
District 8



**JERRY FRIES**  
District 9

# FINANCIAL REPORT

*Delivering an affordable and reliable supply of electricity requires the foundation of financial strength to meet our members' needs both today, and well into the future.*

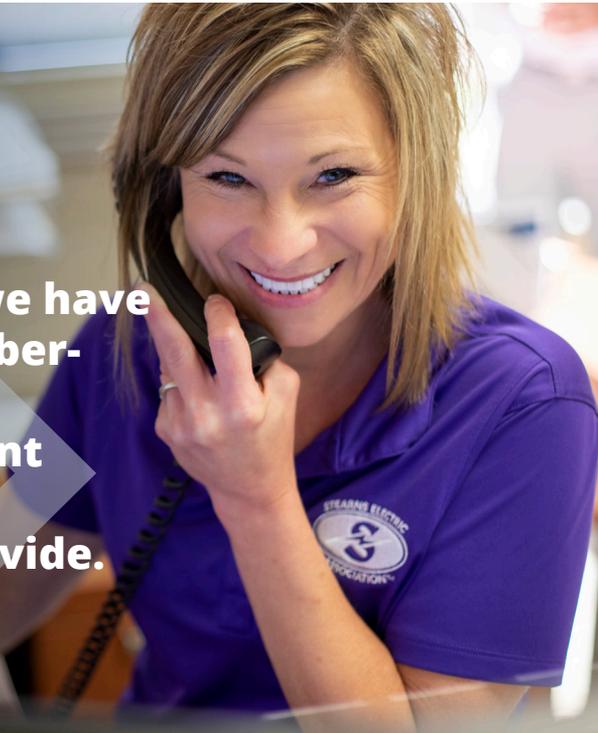
A defining feature of your Co-op membership, and a principle that guides us, is your economic participation. The partnership we have with you, as member-consumers of Stearns Electric, rests on our commitment to wisely use the resources you provide.

Our 2021 total operating revenue was \$61,962,225. Our internal cost increases were minimal, helping us end the year with a solid operating margin of \$2,059,778. Equity as a percent of assets ended the year at a healthy 47.79%.

As a result of the Cooperative's sound and stable financial condition, we returned \$1.45 million in general retirement Capital Credits, which included \$350,000 from Great River Energy, to our member-consumers in November. That adds up to more than \$38 million returned over the years - quantifiable proof that you are a member of a successful, effective organization.



**The partnership we have with you, as member-consumers, rests on our commitment to wisely use the resources you provide.**



# CONSOLIDATED BALANCE SHEET

Fiscal Year Ended December 31, 2021 & 2020

ASSETS	2021	2020
Electric Plant in Service	\$145,068,580	\$139,503,864
Construction Work in Progress	1,738,866	1,358,532
Less Accumulated Provision for Depreciation	(46,280,017)	(43,006,308)
<b>NET UTILITY PLANT</b>	<b>100,527,429</b>	<b>97,856,088</b>
Investments in Associated Organizations	30,280,847	28,705,275
Investments in Related Companies	1,403,161	1,134,751
Investments in Economic Development Projects	1,529,894	1,756,263
Restricted Investments	2,100,000	1,100,000
Other Investments and Loans	100,204	657,037
<b>TOTAL INVESTMENTS</b>	<b>35,414,106</b>	<b>33,353,326</b>
Cash and Cash Equivalents	900,084	976,108
Temporary Investments	6,946,686	5,310,503
Consumer Accounts Receivable, Net	6,130,430	6,260,180
Other Accounts Receivable, Net	154,442	219,022
Materials and Supplies Inventory	2,505,129	2,365,178
Prepaid Expenses	386,166	245,082
Interest Receivable	12,315	12,315
<b>TOTAL CURRENT ASSETS</b>	<b>17,035,252</b>	<b>15,388,388</b>
Deferred Debits	980,230	1,146,120
<b>TOTAL ASSETS</b>	<b>\$153,957,017</b>	<b>\$147,743,922</b>
EQUITIES AND LIABILITIES	2021	2020
Patronage Capital	\$71,503,549	\$68,252,572
Other Equities	2,068,284	1,902,544
<b>TOTAL EQUITIES</b>	<b>73,571,833</b>	<b>70,155,116</b>
Long Term Debt (Less Current Maturities)	64,645,951	63,173,309
Accumulated Provisions for Pension and Benefits	502,979	480,479
Current Maturities of Long-Term Debt	2,644,929	2,685,205
Accounts Payable	6,141,485	7,141,357
Other Accrued Liabilities	2,700,471	2,196,303
<b>TOTAL CURRENT LIABILITIES</b>	<b>11,486,885</b>	<b>12,022,865</b>
Deferred Credits	3,749,369	1,912,153
<b>TOTAL EQUITIES AND LIABILITIES</b>	<b>\$153,957,017</b>	<b>\$147,743,922</b>

# CONSOLIDATED STATEMENT OF OPERATIONS

Fiscal Year Ended December 31, 2021 & 2020

	2021	2020
Electric Energy Revenue	\$62,624,786	\$59,947,111
Other Electric Service Revenue	(662,561)	(247,198)
<b>TOTAL OPERATING REVENUE</b>	<b>61,962,225</b>	<b>59,699,913</b>
Cost of Power	40,670,566	38,280,172
Distribution Expense - Operations	3,576,281	3,196,889
Distribution Expense - Maintenance	3,856,239	4,540,402
Consumer Account Expense	1,093,588	1,057,380
Customer Service and Informational Expense	894,418	926,264
Sales Expense	42,925	50,717
Administrative and General Expense	3,156,619	2,920,651
Depreciation Expense	4,666,213	4,406,474
Other Deductions	10,877	12,112
<b>TOTAL OPERATING EXPENSES</b>	<b>57,967,726</b>	<b>55,391,061</b>
Operating Margins Before Fixed Charges	3,994,499	4,308,852
Interest on Long-Term Debt	1,934,721	2,056,027
Operating Margins After Fixed Charges	2,059,778	2,252,825
G&T and Other Capital Credits	2,474,790	1,049,698
Net Operating Margins	4,534,568	3,302,523
Interest and Other Income	432,806	140,271
Income (Loss) from Equity Investments	430,910	334,584
<b>TOTAL NON-OPERATING MARGINS</b>	<b>863,716</b>	<b>474,855</b>
<b>NET MARGINS</b>	<b>\$5,398,284</b>	<b>\$3,777,378</b>

**ASSETS**  
*what we own*

**EQUITIES**  
*our net worth*

**LIABILITIES**  
*what we owe*

## AUDIT

The 2021 financial statements were audited by the accounting firm CliftonLarsonAllen, LLP.



**KWHS SOLD**  
**539,012,226**

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**OPERATING REVENUE**  
**\$61,962,225**

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**COST OF POWER**  
**\$40,670,566**

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**OPERATING EXPENSE**  
**\$57,967,726**

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**NET MARGINS**  
**\$5,398,284**

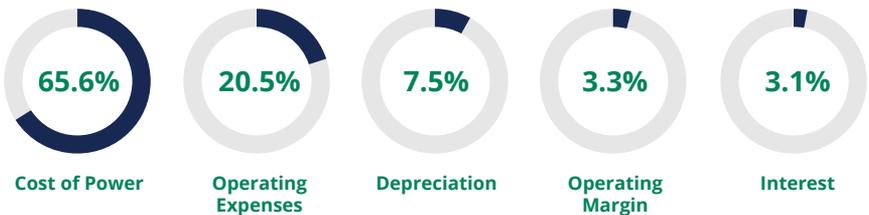
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**CAPITAL CREDITS RETURNED**  
**\$2,147,319**

## WHAT MAKES UP THE REVENUE



## WHERE YOUR DOLLAR GOES





STEARNS ELECTRICAL

ASSOCIATION



# ENERGY SMART FOCUSED ON SOLUTIONS

Stearns Electric's EnergyWise® Programs and Rebates provide incentives to assist members in making energy-efficient choices. With these programs, our members save money while helping the Cooperative maintain lower electric rates.

We experienced growth in our programs in 2021 as members took advantage of special promotions and attractive rebates to invest in effective, efficient and affordable energy solutions. The Cooperative had 25,521 systems controlled under load management, with 297 new systems installed in 2021, resulting in an additional 2,320 kW of controlled load.

You've long counted on our leadership and expertise when it comes to using energy wisely. As we blend our knowledge and experience with innovations happening in our industry, your connection to efficient, affordable energy continues to grow.



## DUAL FUEL

**7,111 participants and  
105 new enrollees in 2021**



## CYCLED AC

**10,261 participants and  
88 new enrollees in 2021**



## STORED WATER

**5,420 participants and  
48 new enrollees in 2021**





## RESIDENTIAL

- 695 rebates totaling \$205,455 were disbursed to members for making energy efficiency changes, which saved over 1.9 million kWh of energy annually.
- 85 air source heat pumps and 1 ground source heat pump were installed on Stearns Electric's system.



## COMMERCIAL AND AGRICULTURE

- 77 farm and business energy efficiency rebates were approved for a total of \$155,057.
- By making these improvements, farmers and businesses will save over 4.5 million kWh and over \$291 thousand annually on their electric bills.



## RENEWABLE ENERGY

- 22.2 MWh of electricity was produced by Stearns Electric's SolarWise Community Solar Array in 2021.
- 15 member-owned wind turbines and 93 member-owned solar arrays operate on Stearns Electric's system with a total capacity of 1.86 MW.

## 2021 HIGHLIGHTS

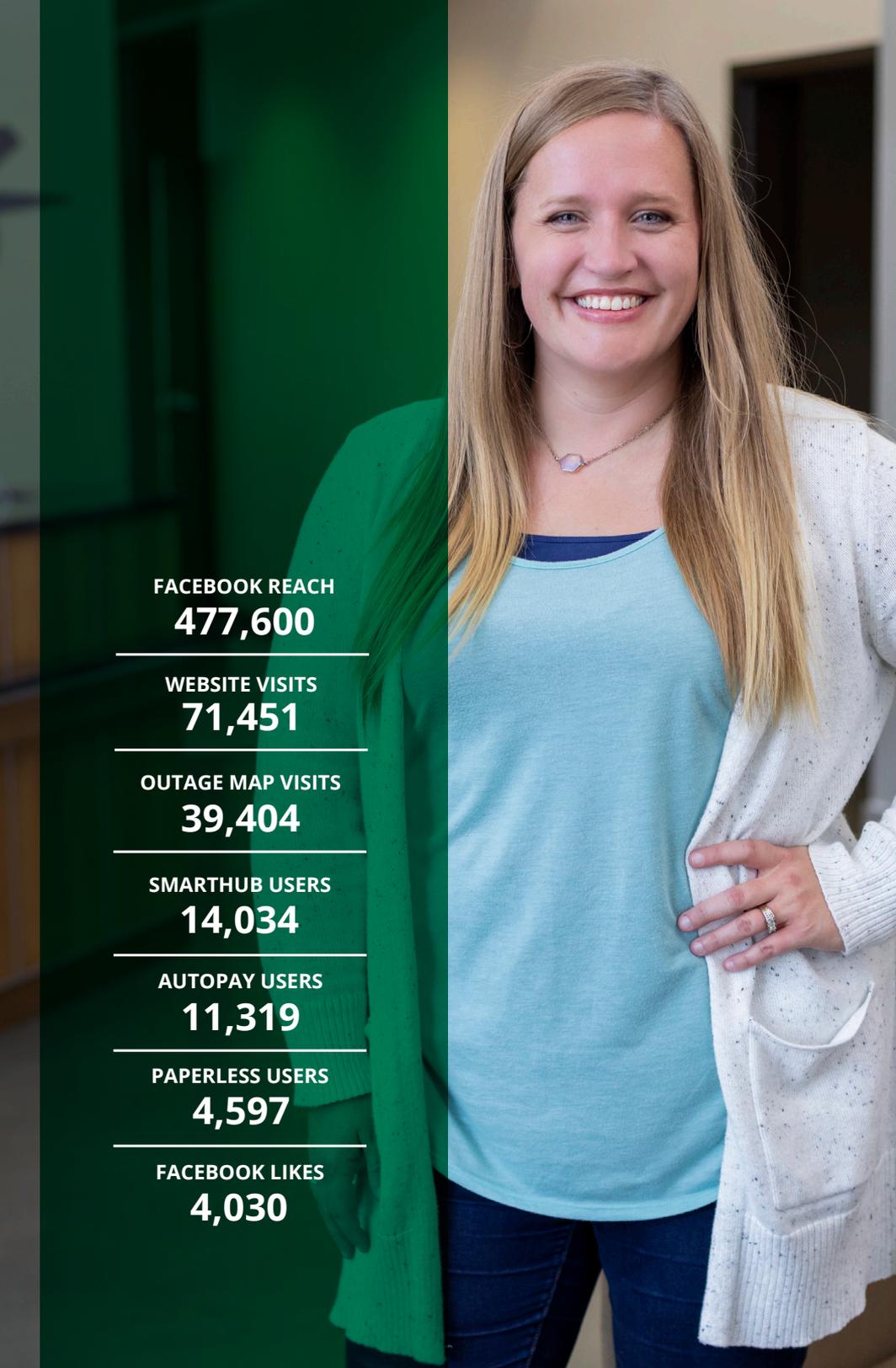
- 2021 marked the start of a 5-year plan to change out load management receivers with new Aclara receivers. This project will increase response time, add features and provide the Co-op the ability to adapt to future load controlling opportunities and strategies. Using our internal employees that hold master and journeyworker electrician licenses will allow the Co-op to keep costs down.
- Stearns Electric exceeded all spending requirements set forth by the State's Conservation Improvement Program and obtained additional funds to finance all residential, commercial and agricultural rebates and grants.

# FOCUSED ON SERVING MEMBERS

Stearns Electric Association believes in being responsive to our members' needs and concerns. This leads us to make choices that promote transparency, increase efficiency, build relationships and improve member satisfaction. In 2021, the Cooperative focused on enhancing employee communication, adding technology to improve efficiency and data security, and ensuring the health and safety of both our team and our community.

## 2021 HIGHLIGHTS

- Through the adoption of a leadership development program called GiANT Worldwide, employees throughout the Cooperative learned more about themselves. The program uses tools to teach employees how people are naturally wired to enhance communication across the organization. Stearns Electric's program is called Stronger Together.
- In 2021, three employees were honored with the Minnesota Rural Electric Association LIFEGuard Awards. The LIFEGuard program recognizes individuals who go above and beyond what is typically expected in terms of promoting or actively engaging in safety activities.
- The Cooperative continued to work with employees and members through the COVID pandemic. In early 2021, about half of our office employees worked remotely and field employees used enhanced safety and sanitation precautions. In April 2021, our headquarters opened back up to our membership and public after being temporarily closed due to COVID since March of 2020.
- Member satisfaction is an important goal for Stearns Electric and a positive member experience is part of our mission. In our 2021 member survey, the overall satisfaction of our membership was 8.94 out of 10, a very good score. This result is higher than the last two surveys.
- Microsoft Office 365 software applications and services were deployed across the Cooperative to provide secure cloud storage, improve internal communication and provide employees with the ability to access files remotely, among other things.
- The IT department implemented a new Endpoint Detection Response solution to address growing cybersecurity concerns and threats. Keeping member and Cooperative information safe is a top priority for Stearns Electric.



FACEBOOK REACH

**477,600**

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WEBSITE VISITS

**71,451**

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OUTAGE MAP VISITS

**39,404**

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SMARTHUB USERS

**14,034**

---

AUTOPAY USERS

**11,319**

---

PAPERLESS USERS

**4,597**

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FACEBOOK LIKES

**4,030**



**Often referred to as  
unsung heroes, linemen  
work meticulously to help  
guarantee the reliability,  
comfort, safety and  
convenience of the  
electricity we rely on.**

# RELIABILITY

## NOW AND FOR THE FUTURE

***Delivering quality electric service to our members can only be done with significant investment, proper planning and system maintenance.***

Reliability isn't something that happens by chance. Throughout the year, distribution and transmission infrastructure – which includes things such as poles, wires, transformers and substations – is subject to many perils. On any given day, ice storms, high winds, tornadoes, squirrels and birds, and even distracted drivers, can interrupt electric service and cause a power outage.

Each year, maintaining a reliable system takes hundreds of hours

of planning, maintenance, inspections and system upgrades. We are constantly preparing for the things we can control on our system, such as planned and routine maintenance outages, and for unexpected outages that are often beyond our control. We set high goals for the reliability and accessibility of the power we provide to you, our members.

Equally important is our commitment to balancing reliability and affordability with member expectations, which requires a mindset of continuous improvement and looking ahead to anticipate your future needs.

## 2021 OUTAGES



TREES  
**19.21%**



UNDERGROUND  
**17.49%**



SCHEDULED  
**16.25%**



UNKNOWN  
**10.66%**



EQUIPMENT  
**10.24%**



LIGHTNING  
**9.85%**



PUBLIC  
**8.25%**



ANIMALS  
**5.07%**



OTHER  
**1.96%**



POWER SUPPLIER  
**1.02%**

***Trees were the leading cause of outages in 2021, at 19.21%. Among a variety of factors, major storms in our service territory and increased quantities of danger trees inside and outside the clearing limits due to drought conditions and tree disease were at the root of these outages.***

# PROVIDING SAFE, RELIABLE ELECTRICITY

Chances are you don't think about how we build, repair and maintain our power lines; you only think about the peace of mind that comes from having power when you need it. But a lot goes into making that happen. We have to be forward thinking. From repairing a broken line in the middle of a storm, controlling load when energy demand is at its highest, to exploring new technologies, we work hard to anticipate the needs of our system. Every year, Stearns Electric spends countless hours and millions of dollars working to maintain the grid that brings electricity to our local homes and businesses - all to ensure your power is flowing 24 hours a day, 365 days a year!

Our 2021 construction work plan represented a \$6.1 million commitment to reliable electric service. This investment was used to upgrade, enhance and repair our distribution system in a variety of ways - all of which strengthen our ability to serve you, and provide reliable, affordable electricity.

Despite facing extreme temperatures and drought conditions in 2021, energy use for the year was only up slightly over previous years. Irrigation energy use nearly doubled 2020 and tripled 2019 totals. However, irrigation only amounts for a small percentage of our total energy load, so the overall impact was minimal. Our steady and typically predictable commercial, industrial and residential loads also fluctuated due to weather and other outside factors, but in general, Stearns Electric energy needs do not vary greatly year over year.

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**While the Cooperative has a strong reliability record, outages can occur because the system is exposed to the elements. On August 28, 2021, a large storm hit the center of our service area just north of I-94. The storm produced consistent winds of 50-70 mph lasting for more than 20 minutes causing significant damage to the distribution network.**

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# CONSTRUCTION AND MAINTENANCE HIGHLIGHTS

- 7,038 poles were inspected and tested for strength and durability, of which 247 (3.5%) were identified for replacement.
- 1,991 miles of line were patrolled for hazards and safety concerns. These inspections identified 580 items in need of maintenance, of which 237 were repaired in 2021.
- 3,500 feet of conductor cover, 1,652 bushing covers and 1,600 pole wraps were installed on our system in 2021 to reduce the number of outages caused by birds and small animals.
- 732 projects were designed, staked and constructed.
- 8 miles of overhead single-phase, 4.9 miles of overhead three-phase, 23.7 miles of underground single-phase and 16.1 miles of underground three-phase power line were added or replaced.
- 407 new electric services were installed and 151 member alterations of service were completed.



# SUBSTATION IMPROVEMENTS

- Oil inspections and dissolved gas analysis were completed on 35 substation transformers and 70 substation regulators to identify and evaluate internal conditions that could potentially lead to failures and cause major outages.
- To proactively maintain our substations 6 new regulator controls, 5 new electronic breaker controls, 3 sets of high side fuse assemblies and 12 new triple-single style reclosers were installed. In addition, 5 three-phase breakers, 21 voltage regulators and 215 oil circuit reclosers were changed out among our 33 substations.
- Through consistent substation inspections and frequent assessment of our 94 line voltage regulators, 56 line capacitor banks and 45 electronic breakers, multiple issues were identified and addressed before they caused larger problems.
- Transformers were upgraded and minor modifications were made at our Crow Lake, Bangor and Zion substations to increase capacity due to load growth and allow for safer operation of those substations. To make the most efficient and economical use of our existing distribution system resources, the upgrade plan called for a new transformer at the Crow Lake substation and from there equipment was handed down to other substations where it could be of best use.



**Being proactive ensures we are ahead of the needs of our members as the demand for electric load increases.**





ROW MILES CLEARED

1,488

PROBLEM TREES  
ADDRESSED

13,794

TREE CLEARING  
MEMBER REQUESTS

300

PARCELS SPRAYED  
AND MOWED

280

## CURBING FUTURE CONCERN VEGETATION MANAGEMENT

Clearing Right-of-Way is critical to keeping our members' lights on. In 2021, we started our second 4-year maintenance cycle with a focus on maintaining safe clearances and addressing danger trees outside the maintained Right-of-Way. Drought conditions and tree diseases such as Oak Wilt, Dutch Elm and Emerald Ash Borer added significant threats to our Right-of-Way this year. However the benefits of our first 4-year cycle were evident by easier access to our lines, safe clearances and a reduction in tree-related outages prior to the start of our Right-of-Way program.

## OTHER 2021 HIGHLIGHTS

- In 2021, Stearns Electric installed and configured a new software package for digital staking. The GeoDigital Stakeout Software will enable our line designers, support staff, linemen and contractors to increase efficiency around staking sheets and work orders.
- The aged analog fleet radio system used by our operations and engineering departments was upgraded to a digital system.
- In addition to new software, improving processes, training and expanding the knowledge base of employees was a high priority in 2021.

# WHOLESALE POWER POSITIONING FOR THE FUTURE

Stearns Electric Association purchased 91.4% of its wholesale energy from Great River Energy and the remaining 8.6% is purchased from the Western Area Power Administration, a federal hydro-power resource.



In 2021, 65.6% of every dollar collected by Stearns Electric was used to purchase wholesale power.

## GREAT RIVER ENERGY'S GENERATION PORTFOLIO

**55%**  
COAL

**25%**  
RENEWABLE

**18%**  
MARKET

**1%**  
NATURAL GAS

**1%**  
HYDRO



## 2021 HIGHLIGHTS

In August, Great River Energy announced it had reached a tentative agreement to sell Coal Creek Station power plant to Rainbow Energy Center, LLC. Additionally, Nexus Line, LLC, announced its plans to purchase the high voltage direct current (HVDC) transmission system from Great River Energy, which connects Central Minnesota to the Twin Cities area of Minnesota.

The sale of Coal Creek Station and the HVDC system is an extensive process. Approvals and negotiations for the sale continued throughout 2021. Great River Energy anticipates the sale to be complete in 2022.

# CONCERN FOR COMMUNITY

Concern for Community is one of the seven cooperative principles that guides Stearns Electric Association and its one of the values that drives us to find new ways to serve.

When we are able to go out into our communities, we get to focus on what really matters: people. We are here to serve, and that's what inspires us. Whether it means providing financial and community resources or simply saving time and money for our members, we do our best to continually make our community a wonderful place to be and a great place to do business.

## VIRTUAL ENERGY EDUCATION

Every year as part of our commitment to safety and community, we present a free energy efficiency and electrical safety demonstration to local 4<sup>th</sup> grade classrooms throughout our service territory. This year, due to continued pandemic restrictions, the Co-op had to get creative.

With the Energy Education display set up in the Cooperative's conference room, presenters were able to use Zoom or Google Meet technology to connect with each classroom and present the program virtually. In January and February, 1,640 4<sup>th</sup> grade students in 33 schools were able to participate.



## MY CO-OP CARES VOLUNTEERING

Over 30 Co-op employees participated in three different 'My Co-op Cares' volunteer opportunities in 2021. Employees were able to spend a portion of their work day giving back to local non-profits and organizations that are making important impacts in our communities. Last year, we spent time at Eagle's Healing Nest in Sauk Centre, St. John's Park in Meire Grove and Angel Reins Stable in St. Augusta.



## OPERATION ROUND UP®

Since the program's inception in 1993, Operation Round Up® has awarded over \$2.7 million total. In 2021, 181 community organizations shared \$162,602 in Operation Round Up® funds. This program is made possible by over 75% of members that round up their electric bill.



## EMPLOYEE GIVING

Employees at Stearns Electric are extremely generous and their giving in 2021 was no exception. In June, employees donated to the "Sharing Our Blessings" drive to provide funds to local families in need through our wellness program. This annual drive was aided this year in part from an employee dunk tank. In November, we held our 14<sup>th</sup> Annual Charity Event which raised nearly \$5,500 for the Bikers Against Child Abuse - Granite City Chapter.





## COMMUNITY AWARD

BIO Girls was named Stearns Electric's Touchstone Energy® Community Award winner for working to improve the self esteem of adolescent girls, ages 7-12. The BIO Girls program focuses on mentorship, structured curriculum, physical activity and community service. Participants learn the importance of healthy relationships, kindness, self-care and leadership, among other topics.

## ECONOMIC DEVELOPMENT

The Co-op engages economically in the growth and safety of our communities. Highlights included supporting tourism by using our revolving loan fund to assist with the purchase of an electric tram for Hemker Park & Zoo, as well as providing gap funding for the financing of a new fire truck in Albany.



## MEMBER APPRECIATION

For the second year in a row, we held the Member Appreciation Donut Dash. Over 600 vehicles drove through three lines at the Freeport Community Center on Saturday, August 14. Members received a six-pack of donuts from one of four local bakeries – Albany Home Bakery, Belgrade Bakery, Cold Spring Bakery and Little Falls Bakery and Deli – milk from Stony Creek Dairy, and school supplies in bright drawstring backpacks.



**Stearns Electric Association**  
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**PERIODICALS  
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# **85<sup>TH</sup> ANNUAL MEETING**

## **TUESDAY, APRIL 5, 2022**

MELROSE AREA HIGH SCHOOL AUDITORIUM  
7 - 8 P.M. (DOORS OPEN AT 6:30 P.M.)

*Bring this Annual Report for registration.*