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## ANNUAL REPORT 2022

STEARNS  
ELECTRIC  
ASSOCIATION





# POWER THAT PERSISTS

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In 1937, local farmers founded Stearns Electric to bring electricity to rural areas of Central Minnesota. It took several years for electric lines to be built, but some members still remember the day they received electricity at their homes and farms for the first time.

For the last 85 years, the Cooperative has proudly powered our local communities and member-consumers. The electric utility industry is ever-changing and things look much different in 2022 than they did in 1937. However, our core values and purpose remains the same:

**Dedicated service to our member-consumers.** Our number one purpose is, and always has been, to provide reliable electricity to Cooperative members throughout Central Minnesota.

**For the members, by the members.** This includes being led by member-consumers from each Cooperative district who are elected to the Stearns Electric Board of Directors by the members in each district.



### **Meaningful community involvement.**

Our Cooperative and employees give back to the communities that we serve to positively impact the future of Central Minnesota.

In 2022, these values sat at the foundation of a successful year. Through company-wide teamwork, the Cooperative exceeded its goals in the areas of: SmartHub enrollments and outage notifications, digital staking implementation, demand response unit (DRU) installation and communication, injury prevention and timely reporting, workplace culture and policy updating.

The year also had a strong focus of preparing for the future by evaluating energy opportunities, facility needs,

property taxes on Cooperative owned distribution infrastructure, rates and reliability - all of which have a great impact on our communities and member-consumers.

As the energy industry changes, we will continue to build on the solid foundation the Cooperative has established and drive forward in a new era of innovation and continual growth.

As your new CEO, I'm excited and honored to lead the Cooperative into 2023 and beyond.

Matt O'Shea, Chief Executive Officer





# THE POWER OF MEMBERSHIP

Stearns Electric Association was founded in 1937 by the members, for the members. Since the beginning, member-consumers of the Cooperative have played a lead role in organizing the Cooperative, electing individuals to serve as leadership on the Board of Directors and staying active in Cooperative business by participating in events and educational programs.

## 2022 HIGHLIGHTS

- We returned to an in-person Annual Meeting for the first time since 2019 and had over 200 members in attendance. We gifted members with the traditional butter and cheese, but also gave away a commemorative 85<sup>th</sup> Anniversary Cookbook to celebrate our milestone anniversary.
- In addition to the regularly scheduled elections of three districts in conjunction with the Annual Meeting, a special election was held in District 5 due to the resignation of a board member. Voter turnout was 12.44% across all voting districts.



### POWER THAT PERSISTS

Scan to read more about the power of membership at Stearns Electric over the last 85 years.



## LEADERSHIP TRANSITION

In July 2022, CEO Robin Doege announced his retirement after four years of service to the Cooperative. Doege retired on September 30. The board of directors hired Holmes Executive Search, LLC to conduct a nationwide executive search, during which Cooperative vice presidents, Vicky Herkenhoff and Matt O'Shea co-led the Cooperative. In December, the Board of Directors announced that Matt O'Shea was selected as the next CEO of Stearns Electric.



## 2022 COOPERATIVE DIRECTORS



**GREG BLAINE**

District 1



**ARLYN LAWRENZ**

District 2



**MICHAEL CRAMER**

District 3, Secretary/Treasurer



**RANDY ROTHSTEIN**

District 4, Vice President



**JEFF KOEHLER**

District 5



**BOB NIEHAUS**

District 6



**LONNIE IVERSON**

District 7



**ERIC PETERSON**

District 8, President



**JERRY FRIES**

District 9



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

# 2022 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 2022 total operating revenue was \$62,765,635. Our internal costs increased 2.8% and \$1,100,000 of deferred revenue was recognized, helping us end the year with a solid operating margin of \$2,460,428. In addition, the Cooperative strategically advanced loan funds earlier than needed to hedge the interest rate increases seen in 2022. This will save Stearns Electric approximately \$880,000 over the life of the loan. Equity as a percent of assets ended the year at a healthy 47.95%.

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 \$40 million returned over the years - quantifiable proof that you are a member of a successful, effective organization.



# CONSOLIDATED BALANCE SHEET

Fiscal Year Ended December 31, 2022 & 2021

ASSETS	2022	2021
Electric Plant in Service	\$151,087,386	\$145,068,580
Construction Work in Progress	1,252,314	1,738,866
Less Accumulated Provision for Depreciation	(48,473,839)	(46,280,017)
NET UTILITY PLANT	103,865,861	100,527,429
Investments in Associated Organizations	30,385,498	30,280,847
Investments in Related Companies	1,399,240	1,403,161
Investments in Economic Development Projects	1,261,388	1,529,894
Restricted Investments	1,000,000	2,100,000
Other Investments and Loans	97,576	100,204
TOTAL INVESTMENTS	34,143,702	35,414,106
Cash and Cash Equivalents	1,199,557	900,084
Temporary Investments	8,079,157	6,946,686
Consumer Accounts Receivable, Net	5,284,080	6,130,430
Other Accounts Receivable, Net	491,925	154,442
Materials and Supplies Inventory	3,601,551	2,505,129
Prepaid Expenses	406,912	386,166
Interest Receivable	12,332	12,315
TOTAL CURRENT ASSETS	19,075,514	17,035,252
Deferred Debits	815,275	980,230
TOTAL ASSETS	\$157,900,352	\$153,957,017
EQUITIES AND LIABILITIES	2022	2021
Patronage Capital	\$73,502,337	\$71,503,549
Other Equities	2,216,742	2,068,284
TOTAL EQUITIES	75,719,079	73,571,833
Long Term Debt (Less Current Maturities)	68,015,393	64,645,951
Accumulated Provisions for Pension and Benefits	416,479	502,979
Current Maturities of Long-Term Debt	2,612,863	2,644,929
Accounts Payable	5,963,041	6,141,485
Other Accrued Liabilities	2,756,210	2,700,471
TOTAL CURRENT LIABILITIES	11,332,114	11,486,885
Deferred Credits	2,417,287	3,749,369
TOTAL EQUITIES AND LIABILITIES	\$157,900,352	\$153,957,017

# CONSOLIDATED STATEMENT OF OPERATIONS

Fiscal Year Ended December 31, 2022 & 2021

	2022	2021
Electric Energy Revenue	\$61,317,928	\$62,624,786
Other Electric Service Revenue	1,447,707	(662,561)
TOTAL OPERATING REVENUE	62,765,635	61,962,225
Cost of Power	40,533,066	40,670,566
Distribution Expense - Operations	3,743,662	3,576,281
Distribution Expense - Maintenance	3,576,057	3,856,239
Consumer Account Expense	1,127,131	1,093,588
Customer Service and Informational Expense	940,489	894,418
Sales Expense	80,950	42,925
Administrative and General Expense	3,445,027	3,156,619
Depreciation Expense	4,829,693	4,666,213
Other Deductions	6,113	10,877
TOTAL OPERATING EXPENSES	58,282,188	57,967,726
Operating Margins Before Fixed Charges	4,483,447	3,994,499
Interest on Long-Term Debt	2,023,019	1,934,721
Operating Margins After Fixed Charges	2,460,428	2,059,778
G&T and Other Capital Credits	991,069	2,474,790
Net Operating Margins	3,451,497	4,534,568
Interest and Other Income	420,794	432,806
Income (Loss) from Equity Investments	171,580	430,910
TOTAL NON-OPERATING MARGINS	592,374	863,716
NET MARGINS	\$4,043,871	\$5,398,284

ASSETS  
*what we own*

EQUITIES  
*our net worth*

LIABILITIES  
*what we owe*

## AUDIT

The 2022 financial statements were audited by the accounting firm CliftonLarsonAllen, LLP.



## WHAT MAKES UP THE REVENUE

RESIDENTIAL 48.0%



FARM 24.0%



LARGE COMMERCIAL 13.4%



OTHER 7.4%



SMALL COMMERCIAL 7.2%



## WHERE YOUR DOLLAR GOES

COST OF POWER 64.6%



OPERATING EXPENSES 20.6%



DEPRECIATION 7.7%



OPERATING MARGIN 3.9%



INTEREST 3.2%



**550,607,119**

KWHS SOLD

**\$62,765,635**

OPERATING REVENUE

**\$40,533,066**

COST OF POWER

**\$58,282,188**

OPERATING EXPENSE

**\$4,043,871**

NET MARGINS

**\$2,045,076**

CAPITAL CREDITS  
RETURNED



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

# THE POWER OF TRANSFORMATION

Stearns Electric Association has proudly distributed electricity to power local homes, farms and businesses for 85 years and in that time the industry has changed immensely. In order to adapt, we have employed new technologies and transformed our electric services to accommodate the growing needs of our member-consumers. A few ways that Stearns Electric has done this is by offering residential EnergyWise® programs, Commercial, Industrial and Agricultural (CI & A) grant opportunities, and innovative energy solutions.



We experienced growth in many of our programs in 2022 as members took advantage of special promotions and attractive rebates to invest in effective, efficient and affordable energy solutions. The Cooperative had 25,593 systems controlled under load management, with 357 new systems installed in 2022, resulting in an additional 3,977 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 and affordable energy continues to grow.



## POWER THAT PERSISTS

*Scan to read more about the power of transformation at Stearns Electric over the last 85 years.*

## RESIDENTIAL

- 749 rebates totaling \$191,700 were disbursed to members for making energy efficiency changes, which saved nearly 1.8 million kWh of energy annually.
- 101 new Cycled AC, 124 new Dual Fuel and 43 new Stored Water participants enrolled in our standard EnergyWise® programs.
- 95 air source heat pumps and four ground source heat pumps were installed.
- The in-home electric vehicle level-two charging program, ChargeWise, gained popularity, growing to 53 total enrollments.



Over 14,000 Cooperative load control devices are nearing end of life and need to be replaced by the end of 2025. Our Energy Services team is making noteworthy progress exchanging the current technology with new demand response units (DRUs). In 2022, the replacement of all of our irrigation, generator and electric vehicle load controllers were completed despite supply chain and shipping challenges.

## COMMERCIAL AND AGRICULTURE

- 86 farm and business energy efficiency rebates were approved for a total of \$135,513.
- By making these efficiency improvements and investments, farmers and businesses will save 2.9 million kWh and over \$186,000 annually on their electric bills.
- Commercial lighting retrofits continue to be popular in achieving energy savings and some area businesses have made progress in electrifying their forklift fleet, removing nearly all propane powered units.

## RENEWABLE ENERGY

- 21.24 MWh of electricity was produced by Stearns Electric's SolarWise Community Solar Array in 2022.
- 15 member-owned wind turbines and 140 member-owned solar arrays operate on Stearns Electric's system with a total capacity of 2.5 MW.



Energy use has changed drastically since the Cooperative turned the lights on in 1937. But one thing remains the same: It's your energy. Our mission is to help you use it wisely.

# THE POWER TO SERVE

At Stearns Electric Association, our mission is member focused. In everything we do, a team of 67 dedicated employees is behind the scenes working on behalf of our members.

We believe 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.



## POWER THAT PERSISTS

*Scan to read more about the power to serve at Stearns Electric over the last 85 years.*

# 89,785

WEBSITE VISITS

# 84,177

FACEBOOK REACH

# 41,547

OUTAGE MAP VISITS

# 15,844

SMARTHUB USERS

# 12,031

AUTOPAY USERS

# 5,079

PAPERLESS USERS

# 4,633

FACEBOOK FOLLOWERS





The Cooperative exists to serve our members. Whether we are taking phone calls, keeping member information safe, creating an annual budget or thanking our members for their patronage, Stearns Electric employees are constantly working to better our customer care and service.

## 2022 HIGHLIGHTS

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- Member satisfaction is an important goal for Stearns Electric and a positive member experience is part of our mission. In our 2022 member survey, the overall satisfaction of our membership was 8.88 out of 10, a very good score.

- To offer timely and accurate power outage information to members, our information technology and operations departments partnered with our enterprise software provider National Information Solutions Cooperative to implement new notification options. Members can now sign up to report power outages and receive outage notifications by text message or email through the SmartHub app.



# THE POWER TO DELIVER

Founded to bring power to the people, the newly formed Stearns Electric Association intended to bring electricity to homes and farms in rural Central Minnesota for the very first time in 1937. Today, we use electricity more than ever before. While much has changed in our 85-year history, delivering electricity to our member-consumers remains our highest priority.

At Stearns Electric, we have a dedicated team of employees who work meticulously to help guarantee the reliability, comfort, safety and convenience of the electricity our members rely on. Our lineworkers spend their days maintaining and upgrading our electrical distribution system and restoring outages as necessary. The engineering department ensures our distribution system is built to meet the electricity demand from our members both now and into the future. Our operations department makes certain all Cooperative employees have the tools, equipment and resources they need to get their jobs done effectively.

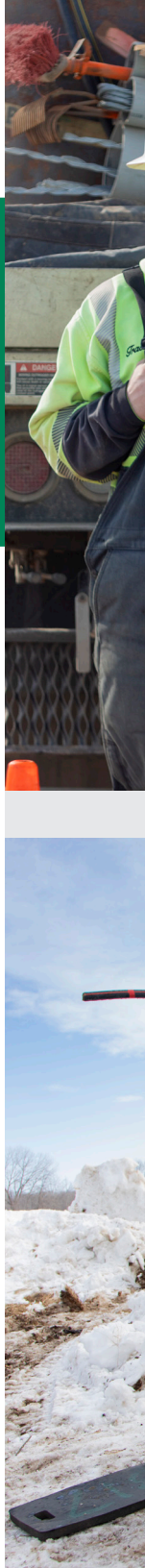
Every year, Stearns Electric spends countless hours and millions of dollars working to maintain the grid that brings electricity to our local homes and businesses. Our 2022 construction work plan represented a \$5.6 million commitment to reliable electric service. This investment was used to upgrade, 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.

Inflationary pressures and supply chain issues were some of our greatest challenges this year. We faced significant delays as our team worked hard to procure the materials needed to complete our construction activities. With great collaboration from neighboring cooperatives, some impressive internal detective work and a little improvising, we were able to complete all service orders, work orders and alterations of service for our membership. In addition, the Cooperative took proactive steps to plan and prepare for similar concerns in 2023.



## POWER THAT PERSISTS

*Scan to read more about the power to deliver at Stearns Electric over the last 85 years.*





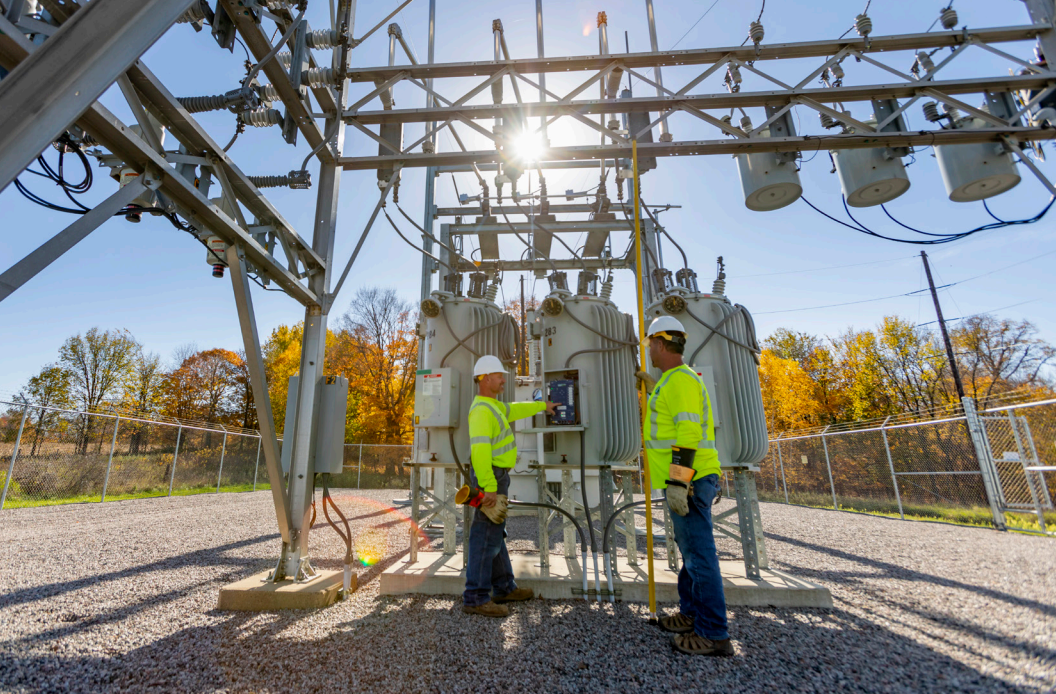
## CONSTRUCTION AND MAINTENANCE HIGHLIGHTS

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- 6,470 poles were inspected and tested for strength and durability, of which 90 were identified for replacement.
- 2,346 miles of line were patrolled for hazards and safety concerns. These inspections identified 791 items in need of maintenance, of which 763 were repaired in 2022.
- 745 projects were designed, staked and constructed.
- 9.9 miles of single-phase overhead, 9.1 miles of three-phase overhead, 25.3 miles of single-phase underground and 25.5 miles of three-phase underground power line were constructed.
- 279 new electric services were installed and 187 member alterations of service were completed.







## SUBSTATION IMPROVEMENT

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- 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, 12 new regulator controls, four new electronic breaker controls, four sets of high-side fuse assemblies and 16 new Viper reclosers were installed. In addition, three three-phase breakers, 29 voltage regulators and 125 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.

- Significant planning and coordinating took place to upgrade the I-94 Industrial Park Substation to accommodate the addition of a new large commercial account in 2022. A new three-phase feeder, protection devices, controls and SCADA equipment were added to this substation or upgraded in order to increase capacity, improve reliability and allow real-time monitoring for this area of our service territory.



## VEGETATION MANAGEMENT

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• In 2022, we saw an increasingly high number of diseased trees. Emerald Ash Borer, Oak Wilt and Dutch Elm diseases spread due to drought conditions and other tree stressors. Many affected trees are outside the Cooperative's normal clearing distance, but because they are dying, they become a threat to our power lines and must be managed.



Clearing Right-of-Way is critical to keeping our members' lights on.

# 340

RIGHT-OF-WAY  
MILES CLEARED

# 12,300

PROBLEM TREES  
ADDRESSED

# 191

MEMBER TREE  
CLEARING REQUESTS

# 17,882

PARCELS SPRAYED  
AND MOWED

## TECHNOLOGY UPGRADES

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The transition to digital staking was successfully executed in 2022. GeoDigital StakeOut Software was deployed, allowing our engineering team to design overhead and underground lines with improved accuracy while automating and accelerating the process of updating our maps.



# RELIABLE ELECTRICITY AND 24/7 OUTAGE RESPONSE

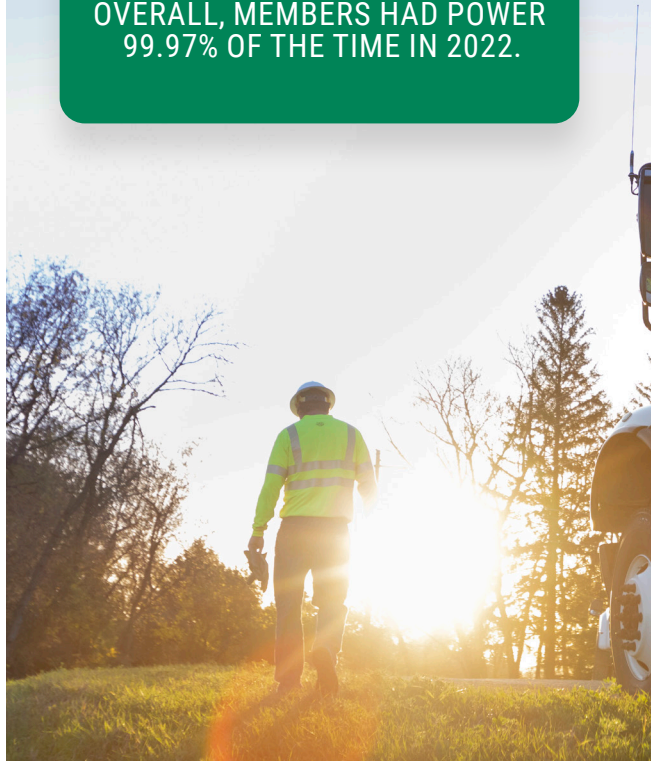
While the Cooperative has a strong reliability record, outages can occur because the system is exposed to the elements. This spring, our service territory was impacted by three independent major storms. The most significant damage to our system occurred on May 12 when high wind speeds and heavy rain resulted in 35 broken poles, 1,385 danger trees and the need for mutual aid to restore power to 4,428 members.

“

The power to deliver reliable energy to our members has improved significantly since our early days. Advancements in equipment, safety gear and technology make it possible for us to prepare for, predict and restore power outages more efficiently than ever before.

99.97%

OVERALL, MEMBERS HAD POWER  
99.97% OF THE TIME IN 2022.



Delivering quality electric service to our members can only be done with significant investment, proper planning and system maintenance. In 2022, 33.85% of outages were scheduled to achieve these objectives while also keeping our lineworkers safe.

Scheduled outages demonstrate the frequent communication between our field employees and office staff. By scheduling outages, our engineering and operations support department can communicate better with members regarding the causes of these outages before they even occur.



## POWER OUTAGE CAUSES 2022

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**33.85%**

SCHEDULED

**18.49%**

OTHER OR UNKNOWN

**13.42%**

TREES

**10.70%**

EQUIPMENT

**6.91%**

UNDERGROUND

**5.74%**

ANIMALS

**5.54%**

LIGHTNING

**5.35%**

PUBLIC

# 64.6%

IN 2022, 64.6% OF EVERY DOLLAR COLLECTED BY STEARNS ELECTRIC WAS USED TO PURCHASE WHOLESALE POWER.

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

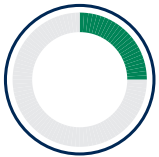
## WHOLESALE POWER

Great River Energy (GRE) is a generation and transmission cooperative created to supply reliable, affordable and environmentally responsible energy. GRE carefully plans a power supply portfolio and builds and maintains transmission resources in order to deliver wholesale electricity to the regional market and its member-owner cooperatives, including Stearns Electric.

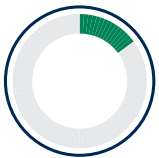
### GRE'S GENERATION PORTFOLIO



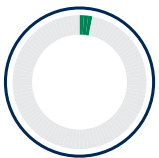
**57%**  
COAL



**25%**  
RENEWABLE



**15%**  
MARKET



**3%**  
NATURAL GAS

Generation resources of varying fuels, locations and scale each serve a specific purpose. In 2022, with the sale of Coal Creek Station, GRE began to phase out their remaining coal resources and unveiled a plan to add significant renewable energy to its portfolio from a 400 MW wind energy project in North Dakota. Additionally, GRE will explore critical grid-scale battery technology by developing a 1 MW multi-day battery in Minnesota. Through this transition, GRE will continue to make strategic decisions to stabilize wholesale energy rates and ensure reliability aspects of its power supply with resource adequacy and energy sufficiency.



# THE POWER OF COMMUNITY

As a cooperative, Stearns Electric Association was founded on the seven cooperative principles. One of those principles is 'concern for community.' What began as a promise to power rural communities across our service territory has grown into several programs focused on making Central Minnesota a better place to live, work and play.

## 2022 HIGHLIGHTS

### MEMBER APPRECIATION

In 2022, we returned to the Freeport Community Center for an in-person Pancake Feed and hosted over 1,500 members for pancakes and sausage prepared by the Kimball Lions Club. Members appreciated the local vendor and high quality food. Children enjoyed seeing line trucks and gear our lineworkers use every day, and receiving free school supplies.

### OPERATION ROUND UP®

Since the program's inception in 1993, Operation Round Up® has awarded over \$2.9 million. In 2022, 204 community organizations shared \$167,550 in Operation Round Up® funds. This program is made possible by over 78% of members that round up their electric bill.



#### POWER THAT PERSISTS

Scan to read more about the power of community at Stearns Electric over the last 85 years.





## ENERGY EDUCATION

In January and February, 1,554 4<sup>th</sup> grade students in 30 schools were able to participate virtually in energy efficiency and safety demonstrations provided at no cost by the Cooperative.

## SAFETY TRAINING

In 2022, we partnered with Great River Energy and Safety and Security Consultation Specialists, LLC to host an electric vehicle safety training for nearly 200 first responders to educate them about electric vehicle accident response. Along with the educational presentation, attendees were able to see a variety of electric and hybrid vehicles, thanks to some Stearns Electric members.



## BOARD AND BREWS

In October, we launched a new member engagement series. Board and Brews events in each district provided members with the opportunity to meet their directors, ask questions and mingle with others in their district over coffee.



### POWER THAT PERSISTS

Scan to read more about the power to impact at Stearns Electric over the last 85 years.



## ECONOMIC DEVELOPMENT

In 2022, the Cooperative partnered with Great River Energy and the USDA to assist local businesses with loans for expansion and efficiency upgrades. Two of the five loan applications made were the largest in Cooperative history and the projects supported will bring an additional \$7 million into Central Minnesota and support job growth in our area.



## HONOR QUILTS

In December, our lineworkers received a very special surprise thanks to the Central Minnesota Honor Quilts group. These quilters made beautiful quilts for each of our lineworkers as a thank you for the important work they do to keep the lights on. Each quilt included a personalized tag to honor each lineworker and was delivered with a “quilter’s embrace”. Thank you Honor Quilts for these extremely kind gifts.

## EMPLOYEE GIVING

Employees at Stearns Electric are extremely generous and their giving in 2022 was no exception. In November, we held our 15<sup>th</sup> Annual Charity Event which raised \$5,845 for the INDY Foundation. Since 2008, over \$50,000 has been donated on behalf of employees and the Board of Directors to 15 worthy organizations.





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**PERIODICALS  
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# 86<sup>TH</sup> ANNUAL MEETING

## THURSDAY, MARCH 30

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

*Bring this Annual Report for registration.*