



2010 Annual Report

# Unprecedented Opportunities. UNIQUE CHALLENGES.

· CURRENT CONNECTION SPECIAL EDITION · MAY/JUNE 2011 · VOLUME 63, NUMBER 3 ·



A Touchstone Energy<sup>®</sup> Cooperative   
The power of human connections.



Bruce Kraemer, CEO

## A Message from your CEO

I'm proud to be working for you as the CEO of Crow Wing Power.

Over the past 74 years, this cooperative has weathered extreme economic highs and lows. Careful planning and our dedication to members have kept us strong.

The most recent years have been challenging for us with increased wholesale power rates and low economic growth. Our nation is facing difficult times, resulting in high unemployment and record-breaking home foreclosures. At the same time,

government regulations and high oil prices are just some of the reasons for the continual rise in the cost of power.

Just like you, our members, we have had to look for ways to cut costs and become innovative with the services we offer.

In this annual report, we'll review what we've accomplished in various aspects of our business and share what we're doing to help strengthen the cooperative to ultimately save you money.

Unprecedented decisions were made in 2009 and 2010 - the most significant was our purchase of 80 acres of land and mineral rights for what's been recognized as the richest manganese deposit in North America and it's located in Emily, Minnesota. It's estimated there are one to three billion pounds of valuable manganese concentrated in a 5 to 12 acre area on that site.

I'd like to focus my report on what's been happening with the manganese project.

As a not-for-profit cooperative, we formed Cooperative Mineral Resources, a subsidiary, dedicated to working on a unique opportunity of potentially extracting rich manganese ore. We took on the challenge of working with top mining experts, environmental engineers, geologists and regulatory agencies in an effort to prepare a method of extracting the valuable mineral in a way that would not harm the environment. We knew that our cooperative may be the only organization that could accomplish an extraction plan that would benefit our region and protect the local community.

## \$11.3 Million in Capital Credits Returned to Members

Members of a cooperative reap financial gains, when margins exceed operating costs. Earlier this year, capital credit checks totaling \$506,626 were mailed to 11,700 cooperative members. The checks were distributed for allocations that were made to members for the electricity they used for the balance of 1986. In the past 16 years, approximately \$11.3 million has been returned through our normal capital credit program.

We have had great success in other diversified businesses. If this project proves successful, it could reap great financial benefits for cooperative members in the form of capital credit checks. It would also help the City of Emily, the region, the State and the nation as a whole.

Last year was challenging - a time of careful planning, processing and working with environmental engineers, local residents, the City of Emily and State and Federal regulatory agencies - to formulate a plan that would meet and exceed environmental regulations.

Our dedication and commitment paid off, in that we were able to successfully pass a heavily scrutinized Environmental Assessment Worksheet and move forward with a demonstration project that began this year.

At the time of this writing, we are in the process of extracting up to 12,000 cubic yards of manganese/ore material as part of the demonstration. We're using a single 14-inch well and have a borehole extraction tool lowered inside the well casing. The extraction tool utilizes existing groundwater and high pressure water jets to break up manganese, iron and silica. The manganese is rich and black and is being shipped to mineral research labs in Coleraine and Nashwauk for study.

After only a few months, the demonstration is teaching us about the makeup of the manganese deposit and the equipment and processes needed to extract it successfully.

Later this summer, we plan to review information gathered during the demonstration, study data collected and determine whether it is financially and environmentally feasible to move forward with a commercial operation. If we do, it would take several more years of regulatory review and planning before it would be allowed.

As always, we believe in the cooperative way - looking out for members and the local communities we serve. It is my sincere hope that our due diligence and investment pays off. I'd like to say, it's been a real pleasure to receive such outstanding local support from members and local residents. We will continue to share everything we learn about the manganese site as we move forward.

I'll keep you informed.

Bruce Kraemer, CEO

*Photo of single well rig used in the manganese extraction demonstration project in Emily.*





# Expanding Money-Saving Opportunities for Members

Crow Wing Power has offered energy-saving load management off-peak and dual fuel programs since the early '80s, but in recent years, we've added a multitude of new programs designed to save members money in a variety of ways.

## Home Energy Audits

Many homeowners have taken advantage of our free home energy analyses and walk-through energy audits offering low-cost/no cost ways to save.



## TogetherWeSave.com

In partnership with Touchstone Energy, we launched a new interactive website that helps members reduce heating and cooling costs. The program called TogetherWeSave.com shows how much money you can save if you do things like caulk a window or install compact fluorescent bulbs.



## Charitable Donations Help the Region

In 2010, over \$190,000 was donated to local organizations with an emphasis on health and well-being programs and projects. Since its inception in 1996, this charitable giving program has donated more than \$1.9 million. Funding for this program is made possible by members that allow us to round-up their electric bills to the nearest dollar.

Operation Round-Up is administered by a separate nonprofit entity called Crow Wing Power Community Trust, and a volunteer board who are Crow Wing Power members.

*Crow Wing Power Community Trustees from left to right: Gerald Hayes, Barry Hite, Walt Sowers, Patti McDonald, Leslie Bouchonville, Caroline Veith, Khris Sundvahl and John Croatt.*



## 2010 Rebates

To help members upgrade appliances to energy efficient models, we offer appliance rebates.

- \$49,700 in appliance rebates,
- \$8,000 for Air Conditioning tune-ups and,
- \$46,700 for energy-efficient lighting.

The result of those incentives reduced our annual wholesale power purchases by 1.5 million kWhs. When members use energy more efficiently, it helps reduce the high demand for electricity during certain periods when wholesale power costs are high.

## Online View of Individual Electric Use

Most recently we've added an online energy use program called MyMeter<sup>®</sup> that allows members the ability to view daily electric use. We have 5,708 members registered for this great program. By setting goals to voluntarily conserve electricity and monitor daily electric use, many of our online users are reducing their electric bills.

## Co-op Connections Card

The Crow Wing Power Co-op Connections card has saved members money at participating local businesses since we launched it in 2002. The now nationwide program, adopted by Touchstone Energy, is being used by 351 co-ops in 45 states, placing nearly 30 million cards and key fobs in circulation. Members can save money locally and nationally. The program offers substantial pharmacy discounts and has an online coupon feature to save members additional money on groceries.



Our goal, in addition to providing electric service at affordable rates, is to offer a variety of ways to help cooperative members save money in these trying economic times.

## Access Plus Recognizes New Wireless Era

Access Plus, LLC has been in business since 1997. A lot has changed in those 14 years. In our first year in business, we had only 2 phone models and 4 plans to choose from. Today, there are over 30 phones, dozens of plans and features, and hundreds of thousands of apps to choose from.

Voice calls used to be the sole feature, now data and its applications have overtaken the voice element. According to Chetan Sherma, an independent telecommunications analyst, voice revenue has declined 7 percent over the last four years in the U.S., while data revenue has soared 132 percent.

Access Plus revenue in 2010 was derived from tower minutes of use and T-Mobile cell phones and accessory sales. Our tower sites carried nearly 39 million voice minutes of use in 2010.

The demand for data continues to drive sales and adoption of smartphones locally and nationally. Downloadable applications continue to make life easier and make information available instantly. The use of the built-in camera and video capability jumped by almost 20%, due to better quality and user friendliness of the features.

By the end of 2010, smartphones were in the hands of 35% of the U.S. population. Nielsonwire stated the increase in smartphone use will be so rapid,

that by the end of 2011, they expect over 50% of phones in use in the U.S. market will be smartphones. They also suggest that “we are just at the beginning of a new wireless era where smartphones will become the standard device consumers will use to connect to friends, the internet and the world at large.” Access Plus will continue to be there to help members transition to the new age of technology.



## People's Security

### Home Security Now Offers Web-based Home Control

People's Security Company has been providing valuable security services to residential and business community members for the past 22 years. They have a solid reputation for exceptional personal service and use high quality Honeywell equipment.

People's Security offers a variety of security options from a simple low-cost protection package to a more elaborate system. The smart phone technology available today is key to the latest and greatest web-based application allowing control of a security system from anywhere. Optional video service can allow the homeowner access to camera views of their home as well.

Currently, over 5,900 residential and business customers are served by People's Security Company.

## Credit Union

With over 4,700 members and over \$3.1 million in reserves, Crow Wing Power Credit Union has continued the strong growth of the last eleven years. We are a strong, solid financial institution offering exceptional service to our members. Our deposit products pay very competitive rates. The loan products cover most consumers' needs and we offer a variety of home mortgage options.

The Credit Union was founded in 1999 to provide Crow Wing Power members with solid financial products. The Credit Union is a not-for-profit business, as is Crow Wing Power. Surplus funds resulting from our sound lending practices are returned to the member-owners through higher deposit rates, reduced loan rates and setting aside funds for future service enhancements.

Credit union members feel secure with the added peace of mind knowing that their deposits are federally insured through the National Credit Union Administration, a US Government agency. We adhere to sound financial underwriting practices and provide members with professional guidance in selecting the right loan product.

Join Your Credit Union today.



## Improving Reliability - Advancing Technology

Crow Wing Power's Operations Department is responsible for maintaining the cooperative's electrical system, providing reliable power and upgrading infrastructure to accommodate new automated technology.

In January, the Crow Wing Power Board of Directors approved a new three-year work plan. That plan includes continued support and focus on Right-of-Way clearing. In the past several years, our Right-of-Way crews have been working very aggressively on maintenance and clearing, and because of that we've experienced great improvements in reduced outages. In 2010, we spent \$4 million on Right-of-Ways and cleared and maintained 310 miles to improve reliability.

Another focus of the new three-year work plan is a goal to accelerate the replacement of older, failing underground cable. Some of underground cable is 30 to 35 years old and needs replacing.

As technology advances, we continue to use it to streamline our operations department, improve service – saving time and money.

It's predicted that homes will someday be equipped with smart grid features where people will have the ability to control appliances and electric use, based on varying prices of electricity at any given time. In order to prepare for the future, we continue to upgrade our substations and members' metering system.

Wise investments in technology and computerized automation greatly improve our efficiencies and ultimately reduce operational costs.



## Protecting Osprey

Last summer, scout troop #102 from Pequot Lakes helped us with our Osprey program, by volunteering to build nesting platforms. Over the years we've used the platforms to encourage Ospreys to nest in safe places away from power lines and helps to reduce unnecessary outages while protecting the birds.

## Cookbook Features Members' Favorite Recipes

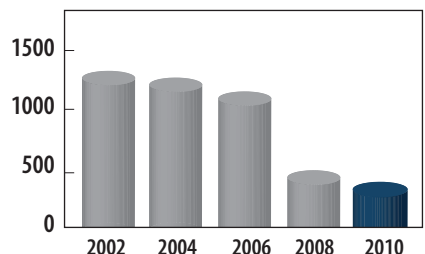
For several years we've hosted a Recipe Club. Members send us their favorite recipes and receive recipe cards. By the end of 2010, we had collected over 500 recipes and decided to publish a Cooperative family cookbook. We're offering the cookbook at cost to members for \$10.



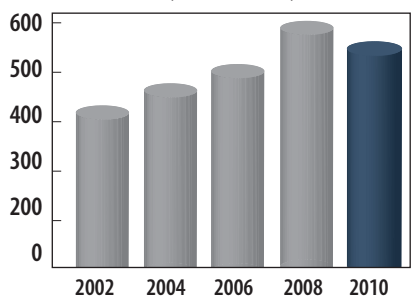
## Assets

What we own

Services Added



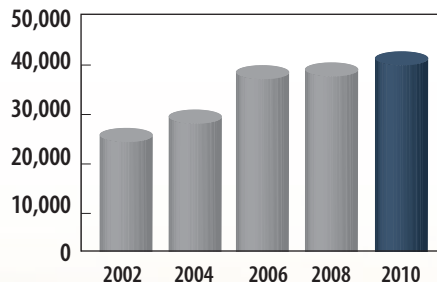
Electricity Sold  
(In Millions of kWh)



## Liabilities

What we owe

Number of Accounts Served



## Net Worth

Members' equity in the co-op

## Cost of Our System

We estimate our system has depreciated  
This gives our system a book value of:

	2010	2009
	\$ 159,092,787	\$ 152,322,632
	<u>(45,019,490)</u>	<u>(41,845,677)</u>
	\$ 114,073,297	\$ 110,476,955

## We Have Other Property and Investments

Great River Energy & Basin Electric Power Company capital credits	19,000,976	17,585,796
Memberships in and capital credits from other associated organizations	339,016	251,431
National Rural Utilities Cooperative Finance Corp. (Investments required for long-term financing)		
Capital term certificates	2,523,353	2,526,891
Patronage capital credits	496,821	435,140
Other investments	<u>16,529,419</u>	<u>17,878,499</u>
Total other property and investments	\$ 38,889,585	\$ 38,677,757

## We Have These Current Assets

Cash and cash equivalents	\$ 12,049,612	\$ 1,440,019
Members and others owe us for electrical energy, services, etc.	8,309,533	8,058,817
Materials and supplies for line construction and maintenance	1,460,199	1,483,523
Prepaid expenses	38,983	27,594
Interest receivable on investments	<u>122,046</u>	<u>54,485</u>
Total Current Assets	\$ 21,980,373	\$ 11,064,438

We have deferred debits 74,423 40,254

## Total Assets We Own

**\$175,017,678** **\$160,259,404**

## Long-term Debt

	2010	2009
We owe RUS	\$ 60,309,438	\$ 54,123,022
We owe National Rural Utilities Cooperative Finance Corporation	28,360,870	21,359,792
We owe Great River Energy	<u>1,004,984</u>	<u>1,308,229</u>
Total Long-term Debt	\$ 89,675,292	\$ 76,791,043

## We Owe Current Liabilities

Power, materials, etc.	\$ 6,654,722	\$ 6,808,287
Taxes, interest, etc.	2,795,154	2,739,263
Security deposits	354,800	<u>295,735</u>
Total Current Liabilities	\$ 9,804,676	\$ 9,843,285

We have deferred credits 7,274,637 14,070,188

## Total We Owe

**\$106,754,605** **\$100,704,516**

## Members' Equity in the Cooperative

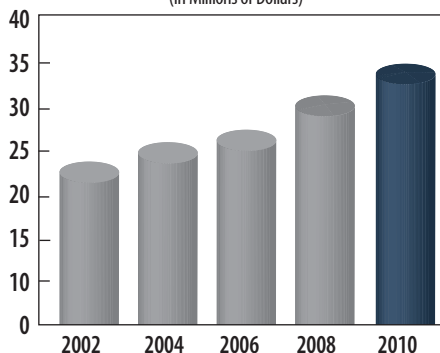
**\$68,263,073** **\$ 59,554,888**

## Revenue

## Expenses

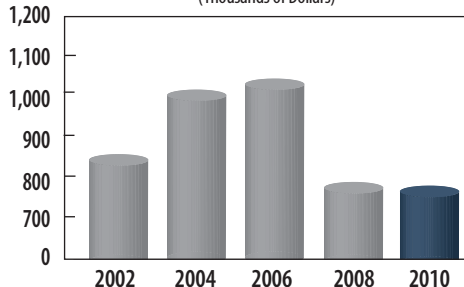
### Wholesale Power Costs

(In Millions of Dollars)



### Capital Credit Retirements

(Thousands of Dollars)



## 2010 Electrical Energy Sales Statistics

Year Ending  
December 31, 2010

## Comparative Operating Statistics

Year Ending  
December 31, 2010

	2010	2009
Sales of electric energy to customers	\$ 54,600,640	\$ 55,127,088
Miscellaneous electric revenues and penalties	740,733	716,910
Non-operating and other income, net (interest income, miscellaneous items)	<u>7,157,359</u>	<u>7,491,305</u>
<b>Total Revenue</b>	<b>\$ 62,498,732</b>	<b>\$ 63,335,303</b>
Wholesale power (paid to power suppliers)	\$ 35,440,723	\$ 35,237,505
Other operating expenses (administration, sales, maintenance, taxes, etc.)	12,555,574	12,443,332
Depreciation of utility plant	4,183,228	4,067,546
Interest expenses on long-term debt	<u>2,495,520</u>	<u>3,030,150</u>
<b>Total expenses</b>	<b>\$ 54,675,045</b>	<b>\$ 54,778,533</b>
Patronage capital income before generation and transmission capital credits	\$ 7,823,687	\$ 8,556,770
Patronage capital from Great River Energy and other associated cooperatives	<u>1,653,407</u>	<u>1,897,671</u>
<b>Net patronage capital (Income)</b>	<b>\$ 9,477,094</b>	<b>\$ 10,454,441</b>
Accumulated patronage capital—beginning of year	\$ 59,554,888	\$ 49,925,883
Retirement of patronage capital	<u>(768,909)</u>	<u>(825,436)</u>
<b>Accum. patronage capital - end of year</b>	<b>\$ 68,263,073</b>	<b>\$ 59,554,888</b>

## Financial Highlights

	2010	2010
<b>Type of Service</b>	<b>KWHs Sold</b>	<b>Revenue</b>
Rural Residential	400,593,504	\$ 40,768,542
Commercial/Industrial	137,647,368	13,326,721
Irrigation	2,856,112	430,287
Public Street Light	<u>358,002</u>	<u>75,090</u>
<b>Total</b>	<b>541,454,986</b>	<b>\$ 54,600,640</b>
	<b>2010</b>	<b>2009</b>
Number of accounts served	41,975	41,733
New services added this year	364	302
Miles of line energized	5,302	5,269
Member accounts per mile	7.92	7.92
Total KWH purchased through GRE & Basin	577,019,511	589,869,165
Total KWH sold	541,454,986	556,898,664
Cost per KWH sold	\$ .065	\$ .060
Average cost per KWH to customer	\$ .10	\$ .0990
Average residential KWHs used per month	845	881
Average residential monthly bill	\$ 86	\$ 88
Plant investment per member	\$ 3,790	\$ 3,650
Percent of member equity—ownership	39.0%	37.16%

**CROW WING POWER**  
P.O. BOX 507, HIGHWAY 371 NORTH • BRAINERD, MN 56401  
(218) 829-2827 OR 800-648-9401  
WWW.CWPOWER.COM

**CURRENT  
CONNECTION  
SPECIAL EDITION**

A Touchstone Energy® Cooperative   
*The power of human connections*

(ISSN 1068-1949)  
USPS 456-180

Published bimonthly by Crow Wing Power,  
P.O. Box 507, Brainerd, MN 56401.  
www.cwpower.com

**Editor: Char Kinzer**

Periodical postage paid at Brainerd, MN.  
Send change of address form 3579 to:  
Current Connection, Crow Wing Power, P.O. Box 507,  
Brainerd, MN 56401.

Annual Subscription Rates:  
Members - \$3.00  
Non-Members - \$3.50

## Board President

Your Board of Directors is very dedicated and represents you well. I've been a member of this cooperative all my life and am proud to be one of your Directors and now President of the Board. Employees, management and the board work hard to serve your needs and we will continue to work in your best interest in the future.

*Gordon Martin*



## Directors

Nine board members, elected by our electric member/owners, direct Crow Wing Power. The board determines policies and procedures and has fiduciary responsibilities.

Directors attend ongoing training to keep them abreast of current issues relating to the electric industry.

Back Row: (left to right) Lois Hansen, Dwight Thiesse, Don O'Brien, Gordon Martin, Kay Blais.

Front Row: (left to right) Ken Miller, Bette Mezzenga, Bob Kangas, Gert Roggenkamp