

Cooperative Energy Futures

2021 Annual Report



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COOPERATIVE ENERGY FUTURES

COMMUNITY POWERED ENERGY

April 14th, 2022

Dear Cooperative Energy Futures Members,

We are pleased to share our third CEF Annual Report at an important moment of growth for our co-op. As our first eight projects enjoy full year-round production, we have begun development on a second round of community solar projects, expected to launch in late 2022 and early 2023. We issued our first member dividend in 2021 with \$235,000 in cash and equity distributions to members. We have doubled our staff team, and look forward to being able to engage more deeply with our members as this next round of community solar projects come online.

2021 has been full of challenges. Our team remained fully remote for the first half of the year, and periodic COVID disruptions have continued since, ongoing challenges we know all our members share. Similarly, the ongoing disruptions to global supply chains have sent the cost of solar climbing and created many development delays. From the increasing impacts of severe weather to the economic dislocations caused by foreign wars to the increasing grid-lock and political polarization in our state and federal governments; many headwinds face our work.

Amidst the challenges, the movement for equitable, community-owned clean energy is growing. Dozens of new clean energy cooperatives are emerging nationwide, many of them looking to replicate CEF's model. Locally, state legislators are looking to transform Minnesota community solar to better match the goals of equitable access and local ownership that are our focus. At CEF, we're expanding our community solar program while also launching new efforts to make rooftop solar available to tenants in affordable housing.

The times call us to help lead our communities and our society through the transition to energy democracy. We're gearing up, and we are glad you you're with us!

This work is all possible because of you. Members are helping us site new solar projects, engaging neighbors as subscribers, and pushing for better state and local policy. CEF's members have together directly invested over \$2.675 million in local clean energy, ensuring community ownership of our projects. Thank you for being a part of it, and keep it up!

Please join us for the 2022 CEF Annual Members Meeting on May 10th 6-7:30PM at UROC in North Minneapolis (online option available). Register at tinyurl.com/2022CEFAnnualMeet.

We look forward to building with you.

Sincerely,

Timothy DenHerder-Thomas
General Manager

Cooperative Energy Futures 2021 Updates

2021 has been a year of growth for Cooperative Energy Futures. We’ve grown our staff and gotten ready to launch our second round of community solar projects over the next year, which will roughly double our membership over the next couple years. We’ve also issued our first ever member dividend, distributing \$235,000 in cash and equity back to our members, the first wave of profit sharing that we expect to accelerate in the years ahead. Here’s some of the key numbers:

	January 1 st , 2021	December 31 st , 2021
Co-op Members	905	938
Community Solar Subscribers With Monthly Bill Credits	649	643
MW of Community Solar in Operation	6.795 Megawatts (DC)	6.795 Megawatts (DC)
Clean Energy Generated to Date	9,389,112 kWh	17,527,105 kWh
Total Utility Bill Savings Generated to Date	\$1,422,405	\$2,684,202
Member Dividends (cash distributions)	\$0	\$47,000
Member Dividends (equity accounts)	\$0	\$188,000



Building Our Cooperative:

Cooperative Energy Futures held our second online Annual Members meeting in May with over 80 members attending and 60 members participating in our online Annual Board elections.

Recordings of the CEF Annual Members Meeting are available at:

<https://www.cooperativeenergyfutures.com/annual-meeting-and-annual-report>

Members elected new Directors Sachiko Graber, Holly Buchanan, and Anita Mercado to the Board of Directors and returned Director Keith Dent to the Board for a second term. They join existing

Board members Matthew Hazelton, Ahmad Kian, Roger Steinkamp, Dan Bakke, and Sean McLoughlin, whose terms will expire at the 2022 Annual Member meeting.

2021 was also an exciting new year for staff expansion; building out our team's capacity to support a new wave of community solar projects and launch our new Affordable Housing Solar program. CEF welcomes new team members:

- Alan Henderson as Subscriptions Outreach Manager
- Dan Grantier as Solar Development Manager
- Toya Lopez as Subscriptions Outreach Associate
- Sagal Dirir as Subscriptions Outreach Associate

Our new staff join Timothy DenHerder-Thomas, Bruce Konewko, Mary Kay Olson, and Pouya Najmaie to serve our membership and build out our cooperative to the next level.

Bios of all existing Board members and staff can be found at:

<https://www.cooperativeenergyfutures.com/our-team>

Upcoming Community Solar Projects:

2021 brought CEF's next wave of community solar projects closer to the finish line:

- The Eden Prairie project (947 kW on rooftop of Eden Prairie Community Center) received its Xcel Interconnection Agreement and began recruiting subscribers from across the city.
- The Clara City project (~1,470 kW on open land just west of Clara City in western MN) received its Xcel Energy Interconnection Agreement and finalized a partnership relationship with Clean Up the River Environment (CURE), a community-based organization with members across the area.
- The Midtown project (~1,100kW parking canopy over a newly built parking ramp owned by Allina Hospitals in Minneapolis) began the Xcel Energy engineering study process as the parking ramp on which it will be built began construction.
- CEF completed and signed a Membership Interest Purchase Agreement for three more community solar gardens initially developed by One Energy Development. While Interconnection Agreements and final permitting are continuing in 2022, this agreement will likely enable CEF to launch new projects in:
 - Lake Elmo, MN, with a ~1,200 kW solar garden serving residents of Saint Paul and its Washington County suburbs
 - Mankato, MN, with a ~1,200 kW solar garden serving affordable housing residents in the Mankato area.
 - Watertown, MN, with a ~1,400kW solar garden that, once it clears remaining permitting hurdles, would be able to serve residents in Hennepin and Carver counties.
- CEF's Chisago project serving residents in the northeastern suburbs of the Twin Cities remains on hold with Xcel, though we expect it to move forward in 2023.

The first 6 of these solar gardens are expected to begin construction in late 2022 and come online in early 2023.

In addition to community solar gardens, CEF launched a program for rooftop solar serving tenants in affordable housing that will begin construction in mid-2022 for over 60 low-income tenant households in Minneapolis.

Service Improvements for CEF members:

In 2021, feedback that CEF and others have been advancing for several years paid off in a number of important process improvements:

1. Xcel Energy updated its community solar administration system so that all community solar subscribers now receive their Xcel Energy bill after the 20th of the month (unless you opt out). This date change has the benefit of ensuring that the bill credits from the previous month will show up on your bill, as opposed to possibly being delayed until the following month's bill if your bill was previously issued in the first half of the month before the previous month's solar bill credits were calculated.
2. The State of Minnesota Division of Energy Resources updated their process for the Low-Income Heating Energy Assistance Program (LIHEAP) to allow electricity costs – including the costs of a community solar subscription – to be counted towards a low-income households energy burden, and also allows recipients to direct part of their LIHEAP award to cover their community solar garden costs. This increases the compatibility between community solar and Energy Assistance.
3. In August, the Minnesota PUC directed Xcel Energy to propose a pilot program in early 2022 that would allow vetted developers (CEF would likely qualify) to collect community solar garden subscription payments via the utility bill, eliminating the confusion and collections barriers of having two separate energy bills.
4. CEF has continued internal work to update our billing system so that members will be able to log in and track the performance of their subscription over time.

Shaping Minnesota's Clean Energy Policy:

Cooperative Energy Futures has engaged in shaping policy for Minnesota's clean energy future to ensure our members and other communities have full access to a just clean energy transition:

1. CEF continued to push for legislative changes to restore the bill credit rate paid to subscribers in future residentially-focused and low-income accessible projects back to the "Applicable Retail Rate" enjoyed by present subscribers. Our bill was heard in both House and Senate energy committees in 2021, though no solar legislation made it through in 2021. This policy effort has become a centerpiece of community solar policy discussions in 2022.
2. In March 2021, CEF secured adoption of an approach within Minnesota's Value of Solar that accurately calculates the timing of solar energy production throughout the year. This approach was applied to the 2022 Value of Solar, and we'll be working to make sure this method is applied thoroughly in future years.
3. CEF helped revise the rules for the Xcel Energy Solar* Rewards Low-Income incentives. The new rules, which make solar accessible for low-income tenants and multi-family residents, were approved in May 2021, and further updates to the program specifically reserving 10% of Solar* Rewards program funds for low-income residents were approved

in November 2021. While the key approvals unfortunately took place after all 2021 incentive funding had been used, it has set CEF up to launch our first solar program for low-income tenants in 2022.

4. CEF's has worked in partnership with Vote Solar, the Institute for Local Self-Reliance, the Environmental Law and Policy Center, and Earthjustice to intervene in Xcel Energy's Integrated Resource Plan since mid 2019. These efforts met with resounding success in the final decision-making process in February 2022. The final approved plan for Xcel Energy's electric system requires rapid closure of all remaining coal plants in the state, no new natural gas or other fossil fuel power plants, and a dramatic ramp-up of wind and solar energy. Especially important; Xcel will also be required to work with stakeholders to more effectively model distributed energy in its next planning process, and is also required to consider the equity impacts of its plans and conduct stakeholder engagement in a way that demonstrates its ultimate plan is accountable to impacted communities.

The Path Ahead:

As we look to the year ahead, Cooperative Energy Futures is focused on:

- Launching the next round of community solar projects and bringing in another 700-900 new members into the co-op.
- Launching our first round of rooftop solar for renters in affordable housing based on the new rules for the Solar* Rewards Low-Income incentive program that we secured in 2021.
- Securing the policy changes we will need to take our model of community solar to scale.
- Building out our member engagement and project development teams to support you – our member owners, in helping create the next wave of local clean energy in our communities.

We look forward to an exciting year of growth for our projects and member communities in 2022!



“We’re helping [our community] understand the employment – from the sales positions to the electrical engineer, to the actual installers; there’s several opportunities in solar.”

- Keith Dent, Subscriber, Board Member, and part of Installer team on several CEF projects

How Your Co-op Works:

Cooperative Energy Futures (CEF) is a Minnesota 308B Cooperative Association, which means we are a for-profit business owned by our members and operated to benefit current and future members. CEF had 938 member-owners at the end of 2021 (membership has grown to 1,009 by April 15th, 2022). All residential subscribers to community solar gardens and most of the small business or non-profit subscribers become CEF member-owners.

If you are a member, you have a right to run for and vote in CEF elections for the Board of Directors, which sets cooperative priorities and directs the actions of the General Manager and the staff team. Members can run each year as a Board member of the cooperative. If you don't want to run yourself, use your vote to weigh in on who you want to represent you and other members in managing the cooperative. Full bios of the current Board of Directors and the staff team are available at: <https://www.cooperativeenergyfutures.com/our-team>

All member-owners also have rights to profit sharing based on their portion of the business of the co-op. In the case of community solar subscriptions, this profit sharing right is based on the portion of kWh of CEF's community solar gardens that their subscription represents. CEF distributed profits to members during 2021 based on 2020 net income, though we did not have net income for fiscal year 2021, so we will not issue a 2021 member dividend in 2022.

Why a Cooperative?

Cooperatives have a long history of helping local communities solve urgent problems when markets and governments are failing to meet their needs. Just a few examples:

- Farmers across the Midwest in the late 19th century struggled to access markets for their crops without getting squeezed by the railroads, who took most of their profits. In response, farmers formed agricultural co-ops that built their own grain elevators and other processing facilities and built collective power to negotiate with the railroads.
- In the 1930s and 1940s, urban communities across the country had been electrified by public (city-owned) and private (corporate-owned) electric companies, but rural areas were left in the dark. In response, rural communities formed rural electric co-ops that now provide electricity to over 70% of the geographic area and over 12% of the people in the United States (and 35% of Minnesotans) through cooperative rural utilities.
- In the 1960s and 1970s, a growing interest in sustainable, local, and healthy food was not being met by major grocery retailers. In response, communities nationwide formed grocery cooperatives that sparked a national movement towards local and healthy food.

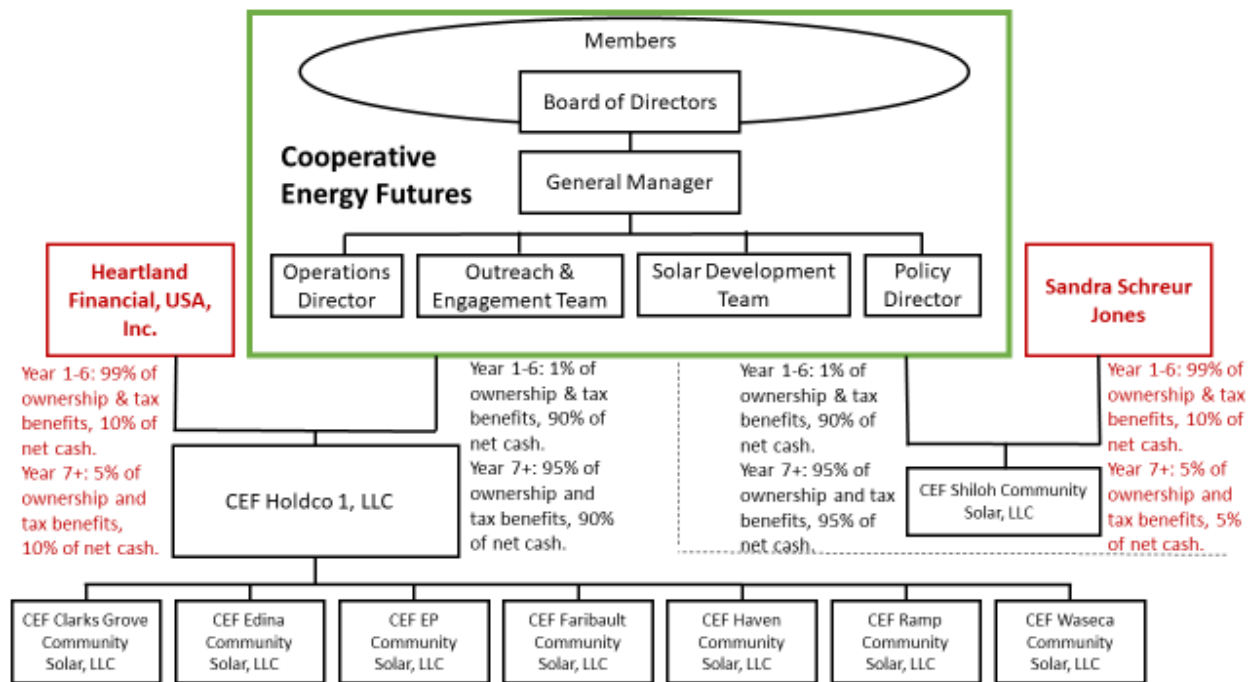
Cooperatives have been used by a vast range of communities all across the world, both in formal cooperative structure and in informal shared enterprises where everyone votes and everyone shares in the benefits. From cooperatives of black farmers in Georgia to cooperatives of coffee growers and garment workers in Latin America, to worker co-ops in Spain and Italy with thousands of workers and billions in revenue, cooperatives have helped people build a better world and confront long-standing injustices by working together.

By being a part of Cooperative Energy Futures, you are helping prove that this same approach can address the urgent crises of climate change and energy insecurity. Our communities face rising energy bills, monopoly energy companies that are moving too slowly to shift away from polluting energy sources, and a mainstream approach to clean energy development that leaves those without wealth or property out in the cold.

As members across Minnesota, we know we can do better, and by working together, we are.

As a cooperative, CEF enables community members to participate in and benefit from local renewable energy. We ensure that people without the economic means to invest can nevertheless share in the wealth built through clean energy by subscribing to offset their utility bills. We ensure that decision-making power and wealth from our energy system stays in the hands of people who use the energy – all of us. We invite you to join us in the next stages of the conversation: what should we do next to build an energy future that works for all of us?

Organizational Chart:



As subscribers, members are customers with a contractual relationship to their project company. By since subscribers are also members, they are joint owners of Cooperative Energy Futures, which owns the project company through a partnership. These partnerships allow an outside investor (red in the above chart) to use the federal solar tax credits that CEF cannot. The Shiloh project is owned directly through a stand-alone investor partnership, while the other 7 projects are owned through a holding company (CEF Holdco 1, LLC) with an investor partner. Both investment partnerships are structured so that CEF maintains majority cash benefits from the first year and majority legal ownership starting in year 7. Future projects will include additional similar partnerships. This design maintains cooperative control and builds member wealth.

2020 Member Dividends (paid in 2021):

CEF distributes its profits to members based on each member's share of the sales that created those profits. CEF makes profit distributions to members in any year in which it:

- Has net income (profit) to distribute
- Has also paid any expected dividends to Preferred Stock investors

2020 was the first year in which CEF generated distributable profits and in 2021, CEF distributed \$235,000 to members from 2020 net income. This distribution was made:

- 20% in cash, which was paid as a credit on monthly subscription bills for active subscribers with monthly credits, a credit on annual fees for upfront subscribers, and direct payments to all members who purchased services in 2020 but no longer had active subscriptions.
- 80% in equity; beginning to build members capital accounts with the co-op.

Members who did not purchase any services during 2020 did not receive a dividend.

CEF is still awaiting IRS response to our application for exemption from filing 1099-PATR forms for member dividends, which are usually granted to consumer co-ops who are providing a majority of their services to individuals or residential households for personal use. The IRS has been extensively backlogged on a number of fronts and has processing wait times for many filings stretching many months or years. Assuming this exemption is approved:

1. CEF will not be required to deliver 1099-PATR forms to our members.
2. **Members who are individuals/residential households, or non-profit/ public entities** will not need to count their dividend (cash and equity portions) as taxable income, as it reflects a price reduction in services used for personal benefit.
3. **Any member that is a taxable/for profit entity** will need to count the entire dividend (cash and equity portions) as taxable income and must be reported on your income taxes. We would not be required to provide a 1099-DIV, but the dividend that we provide with a notice should still be reported as taxable income.

CEF did not have net income in 2021, so we do not expect to make a member distribution in 2022, but we expect to resume distributions in future years with positive net income.




2021 Project Profiles

The following section includes performance profiles for all eight operating Cooperative Energy Futures community solar gardens. Performance for these community solar gardens includes:

Garden	Date Operational	2021 Production	Bill Credits Earned	Subscribers
Shiloh	June 6 th , 2018	218,447 kWh	\$34,703	31
Edina	November 28 th , 2018	761,461 kWh	\$120,168	76
Clarks Grove	June 18 th , 2019	433,809 kWh	\$72,187	33
Pax Christi	July 30 th , 2019	173,076 kWh	\$26,963	20
Haven	July 31 st , 2019	1,832,832 kWh	\$279,849	137
Ramp A	September 19 th , 2019	1,458,723 kWh	\$226,043	138
Waseca	November 18 th , 2019	1,622,749 kWh	\$226,628	131
Faribault	May 1 st , 2020	1,636,896 kWh	\$253,628	77
TOTAL		8,137,993 kWh	\$1,261,797	643

Solar energy production is highly seasonal and can be substantially restricted during snowy winter months both due to low sunlight and potential snow cover. The impact of snow cover is usually especially pronounced on rooftop projects that have a lower panel mounting angle for structural reasons (usually 10° for rooftop systems versus 30° for ground mounts). Since winter is the lowest production time of year regardless of snow cover, it is rarely cost effective to clear panels of snow, especially given that subsequent snowfalls are unpredictable. The performance of a solar array will vary widely year to year (up to 20% variation from average is normal) based on the amount of cloud cover and snow cover. During 2021, CEF also experienced unusually high wildfire smoke during July, reducing production slightly during that month – this is a climate impact we will be monitoring in the years ahead. Some projects, most notably Waseca and Clarks Grove, also lost some production due to Xcel Energy power outages and intentional shutdowns.

For each project profile that follows, a month-by-month production chart compares:

-  Actual monthly energy production
-  Expected production based on the irradiance sensor on site that detects the amount of sunlight to the site over the year
-  Projected production based on sunlight for the average year in historical weather conditions.

Put another way, the gray line in these charts represents the energy production that would be expected if the panels were not obstructed by snow, with no malfunctions and the weather for each month of the year was as sunny as the historical average. The orange bars in these charts represent the amount of energy production that would be expected from the solar array if the panels were not obstructed by snow, with no malfunctions based on the actual amount of sunlight received by the system in that month. The blue bars represent how much energy was actually produced. The impact of cloudier than average weather can be seen when the orange bar is substantially below the gray line. Snow cover or other disruptions such as Xcel Energy grid shutdowns or equipment malfunctions can be seen when the blue bar is substantially below the orange bar.

Shiloh Community Solar Garden (2021)



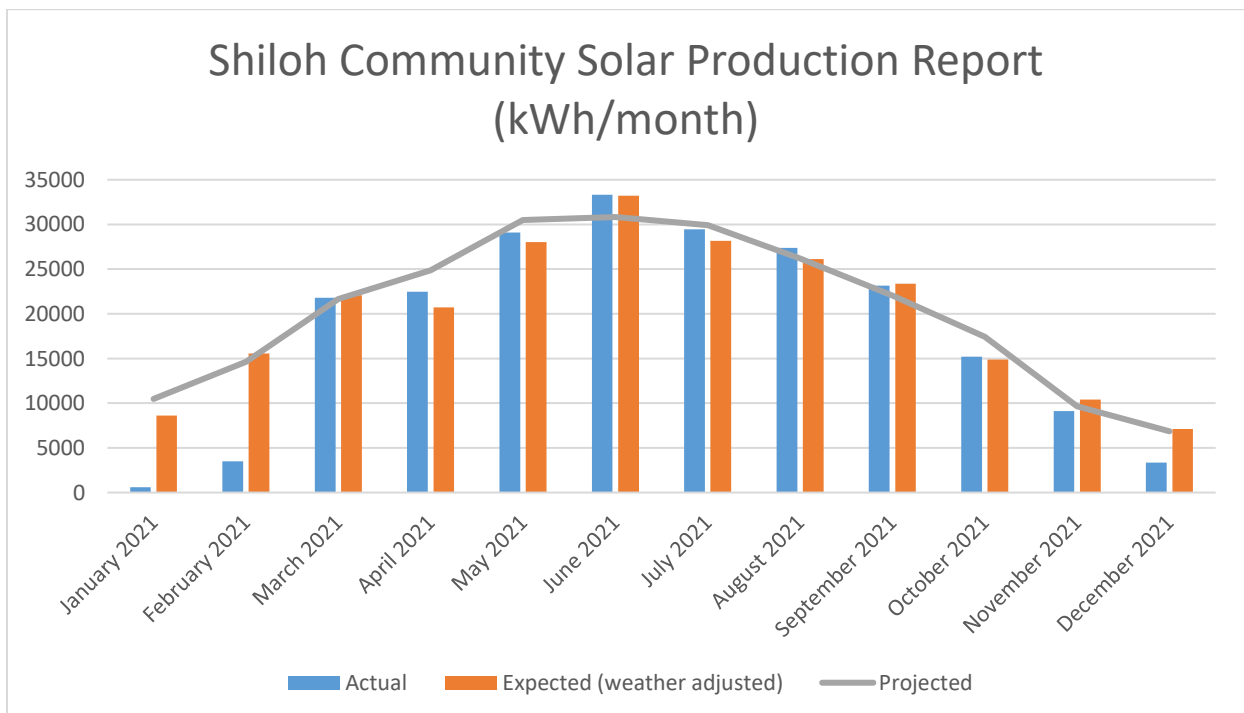
Shiloh Project Production	
Month / Year	kWh
January 2021	608
February 2021	3,497
March 2021	21,809
April 2021	22,477
May 2021	29,099
June 2021	33,305
July 2021	29,455
August 2021	27,394
September 2021	23,152
October 2021	15,192
November 2021	9,113
December 2021	3,346
TOTAL	218,447

2021 Key Performance Metrics		
Weather-adjusted performance	2021 est. sun vs. average year	Actual Energy vs. Projected
91.7%	97.2%*	89.1%

*On-site weather monitoring was offline for most of the year at the Shiloh project, so we do not have site-specific weather data. Sunshine at the Ramp A community solar garden, about a mile and a half away, was 97.2% of an average year. We used this weather data to compare to actual and projected energy production to estimate project performance since weather is likely to be extremely similar at two sites so close together.

Total 2021 Bill Credit Benefit for 31 subscribers:

\$34,703



Edina Community Solar Garden (2021)



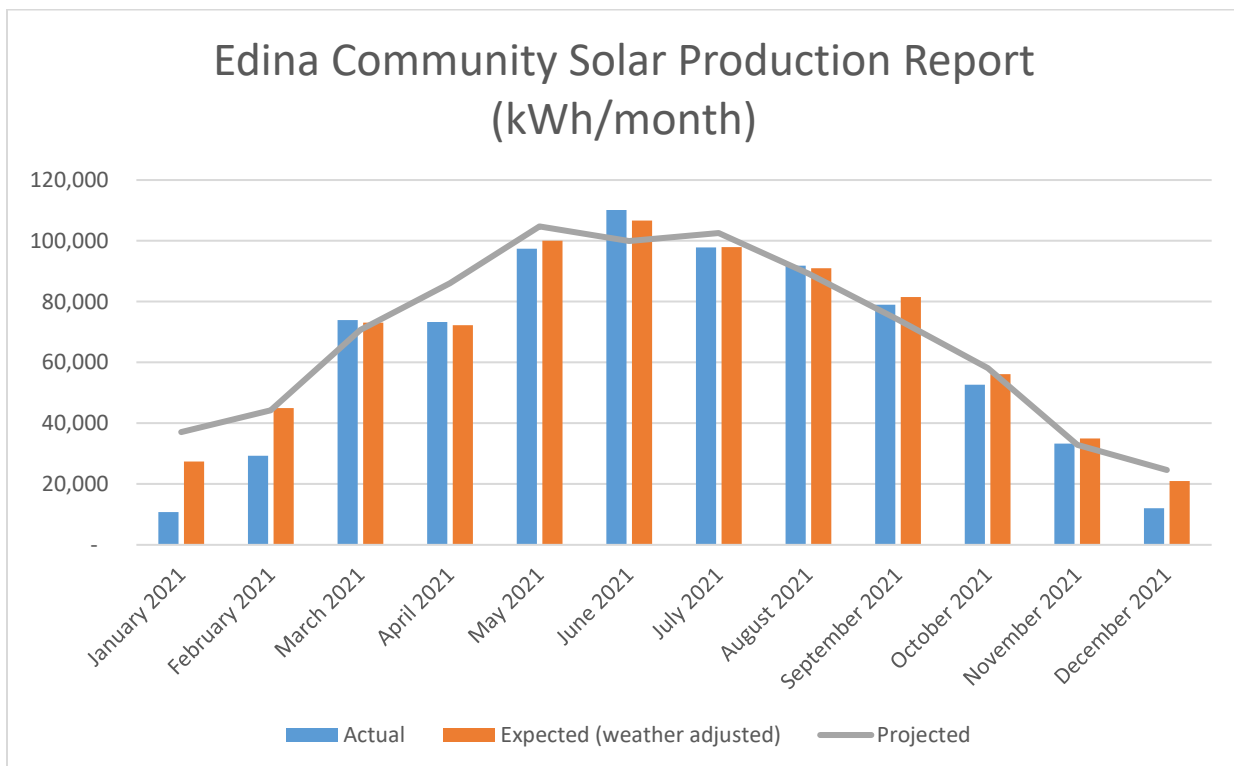
Edina Project Production	
Month / Year	kWh
January 2021	10,766
February 2021	29,284
March 2021	73,986
April 2021	73,259
May 2021	97,461
June 2021	110,113
July 2021	97,865
August 2021	91,813
September 2021	78,976
October 2021	52,644
November 2021	33,270
December 2021	12,024
TOTAL	761,461

2021 Key Performance Metrics		
Weather-adjusted performance	2021 sunshine vs. average year	Actual Energy vs. Projected
94.3%	97.9%	92.4%

2021 was a slightly less sunny year than average at the Edina site (about 2% below average). Based on the amount of sunshine at the site, the Edina project produced 94.3% of the expected energy, with the primary losses created by higher than expected snow cover in January, February, October, and December.

Total 2021 Bill Credit Benefit for 76 subscribers:

\$120,168



Clarks Grove Community Solar Garden (2021)



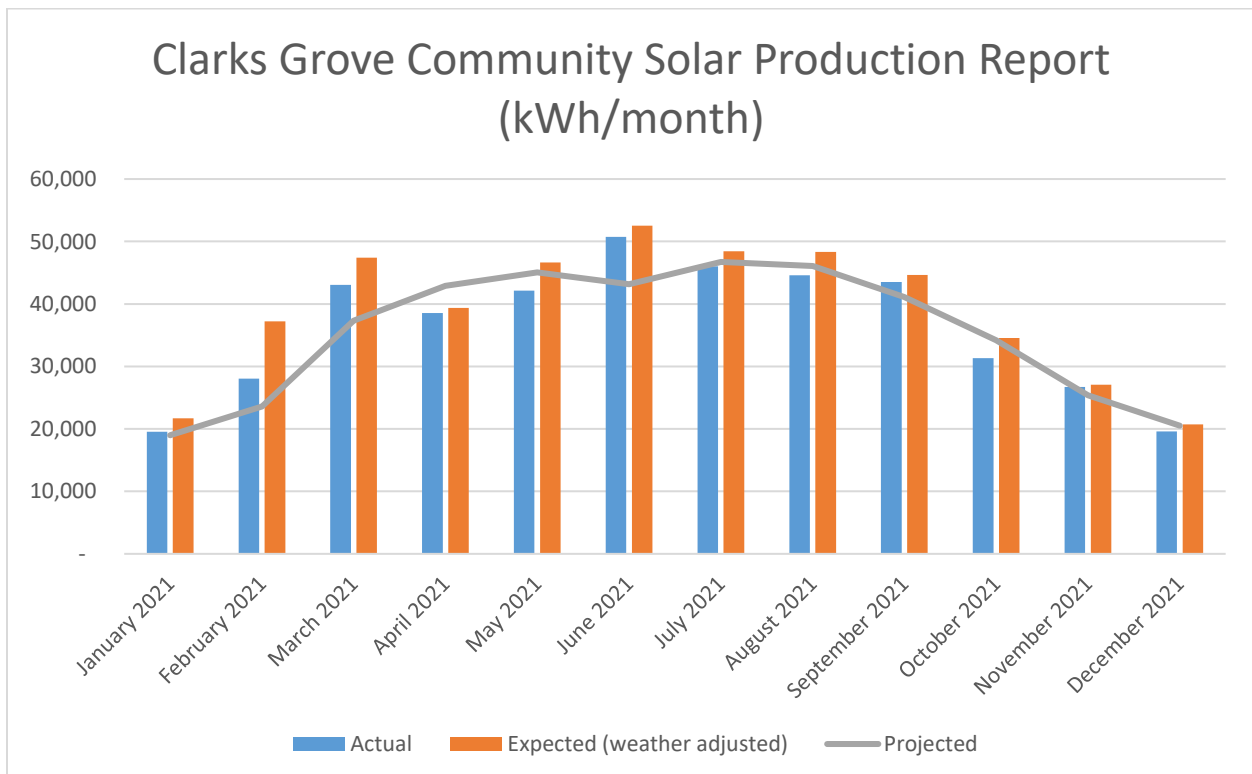
Clarks Grove Project Production	
Month / Year	kWh
January 2021	19,531
February 2021	28,029
March 2021	43,072
April 2021	38,538
May 2021	42,148
June 2021	50,720
July 2021	46,029
August 2021	44,582
September 2021	43,514
October 2021	31,309
November 2021	26,726
December 2021	19,611
TOTAL	433,809

2021 Key Performance Metrics		
Weather-adjusted performance	2021 sunshine vs. average year	Actual Energy vs. Projected
92.6%	110.3%	102.1%

The Clarks Grove project experienced excellent production conditions in 2021, with the amount of sun over 10% above an average year. Multiple short power outages due to severe storms and planned utility shutdowns minorly impacted production in January, May, and December, though the project still produced more energy than projected over the course of the year.

Total 2021 Bill Credit Benefit for 33 subscribers:

\$72,187



Pax Christi Community Solar Garden (2021)



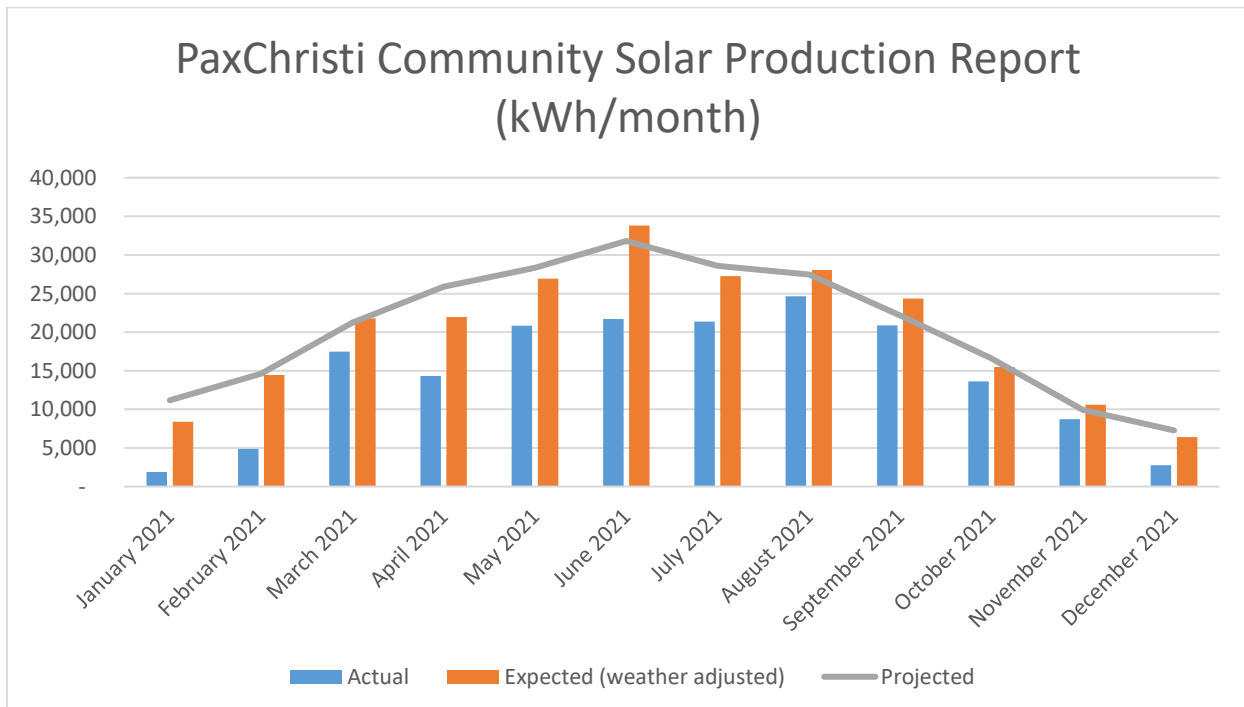
Pax Christi Project Production	
Month / Year	kWh
January 2021	1,875
February 2021	4,877
March 2021	17,474
April 2021	14,332
May 2021	20,820
June 2021	21,705
July 2021	21,381
August 2021	24,651
September 2021	20,857
October 2021	13,605
November 2021	8,734
December 2021	2,765
TOTAL	173,076

2021 Key Performance Metrics		
Weather-adjusted performance	2021 sunshine vs. average year	Actual Energy vs. Projected
72.3%	97.7%	70.6%

The Pax Christi project continued to experience low production in 2021, primarily due to wiring and inverter issues identified by our Operations and Maintenance provider, Energy Support Services, addressed under workmanship warranty by the installer, Impact Power Solutions. Repairs, completed in June 2021 have dramatically improved performance, but we continue to see somewhat lower than expected energy production and will be working to identify remaining fixes.

Total 2021 Bill Credit Benefit for 20 subscribers:

\$26,963



Haven Community Solar Garden (2021)



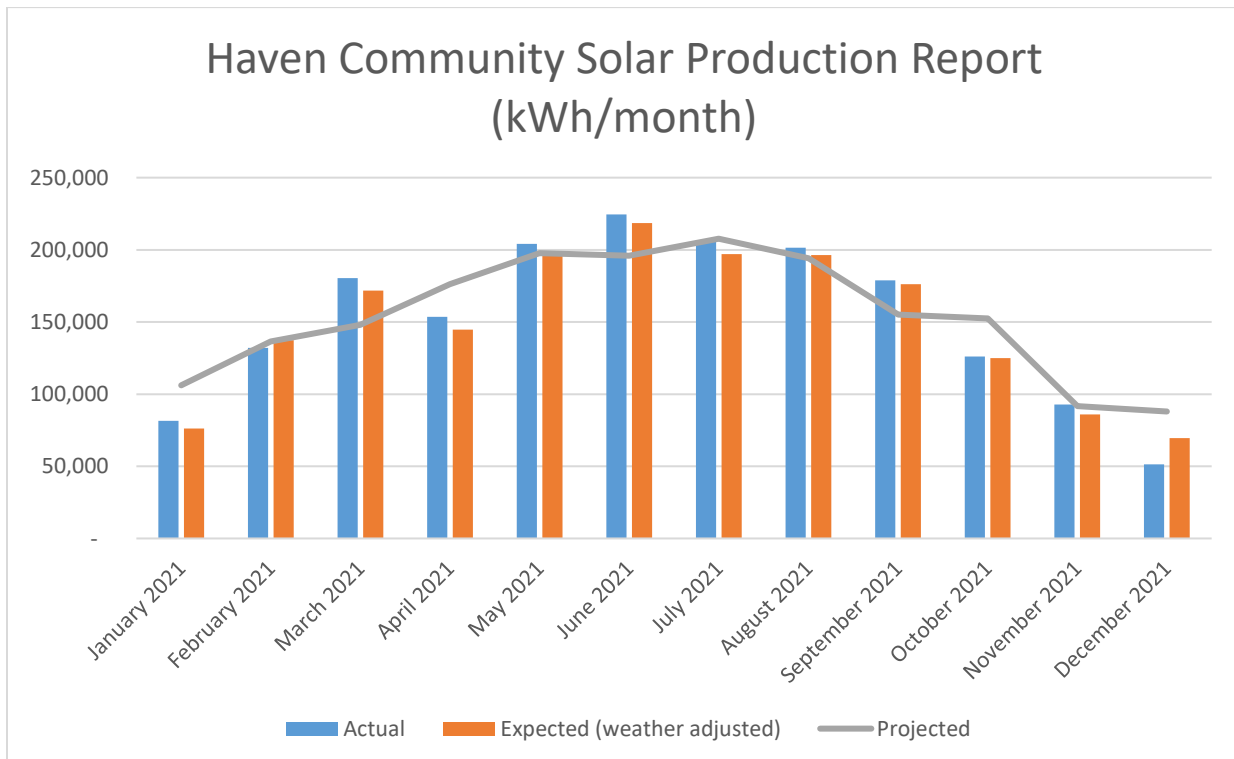
Haven Project Production	
Month / Year	kWh
January 2021	81,522
February 2021	132,095
March 2021	180,483
April 2021	153,462
May 2021	204,157
June 2021	224,417
July 2021	206,254
August 2021	201,488
September 2021	178,773
October 2021	125,978
November 2021	92,915
December 2021	51,288
TOTAL	1,832,832

2021 Key Performance Metrics		
Weather-adjusted performance	2021 sunshine vs. average year	Actual Energy vs. Projected
102.1%	97.1%	99.1%

The Haven project experienced slightly below average sunshine (lower by almost 3%), but outperformed its expectations given the weather by around 2%, resulting in an overall output around 99% of expected energy. Snow coverage was also minimal, primarily impacting the project in December as several major snowstorms passed to the south of the site in early 2021.

Total 2021 Bill Credit Benefit for 137 subscribers:

\$279,849



Ramp A Community Solar Garden (2021)



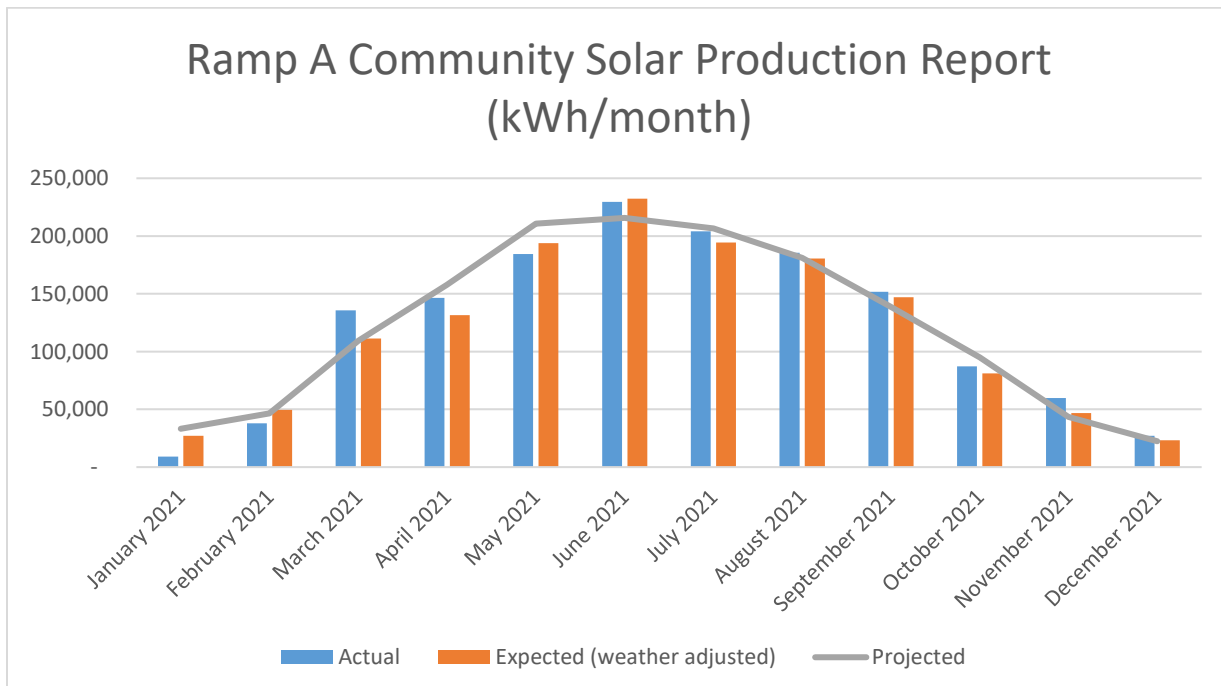
Ramp Project Production	
Month / Year	kWh
January 2021	9,182
February 2021	37,815
March 2021	135,776
April 2021	146,546
May 2021	184,384
June 2021	229,583
July 2021	204,114
August 2021	185,517
September 2021	151,842
October 2021	87,106
November 2021	59,703
December 2021	27,155
TOTAL	1,458,723

2021 Key Performance Metrics		
Weather-adjusted performance	2021 sunshine vs. average year	Actual Energy vs. Projected
102.8%	97.1%	99.9%

The Ramp A project experienced a near-normal sun year and less snow cover than in 2020. Inverter-level faults we experienced in 2020 have also largely been corrected, and no significant maintenance or repairs were needed this year. The site did experience several Xcel Energy shutdowns, which meaningfully reduced production in May. Nevertheless, overall, the project out-produced expectations given the slightly lower than normal sun.

Total 2021 Bill Credit Benefit for 138 subscribers:

\$226,043



Waseca Community Solar Garden (2021)



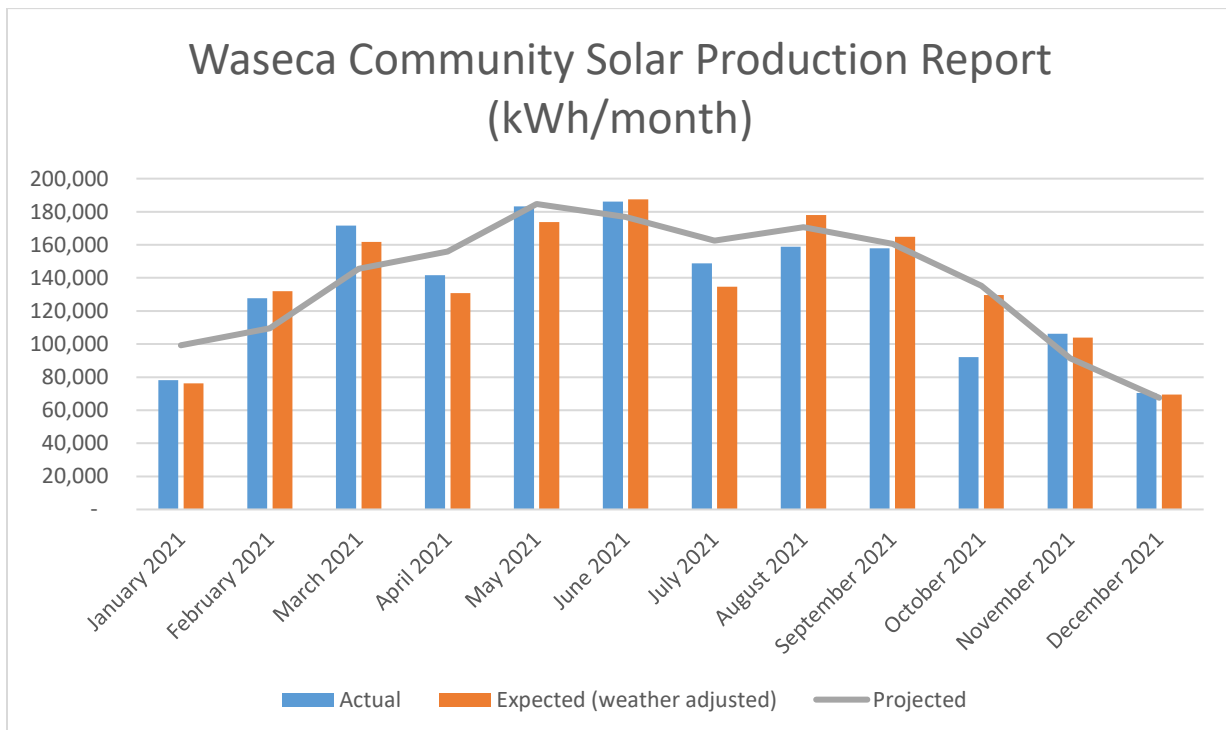
Waseca Project Production	
Month / Year	kWh
January 2021	78,128
February 2021	127,647
March 2021	171,615
April 2021	141,625
May 2021	183,243
June 2021	186,169
July 2021	148,816
August 2021	158,776
September 2021	157,965
October 2021	92,080
November 2021	106,289
December 2021	70,396
TOTAL	1,622,749

2021 Key Performance Metrics		
Weather-adjusted performance	2021 sunshine vs. average year	Actual Energy vs. Projected
98.8%	99.0%	97.8%

The Waseca project had a very near average sun year and generally produced well except during August and October when the project experienced shutdowns while Xcel was working on the local electric grid. Other than the shutdown periods, the project outperformed weather-adjusted expectations, though it did have a few months with well-below-normal sun.

Total 2021 Bill Credit Benefit for 131 subscribers:

\$226,628



Faribault Community Solar Garden (2021)



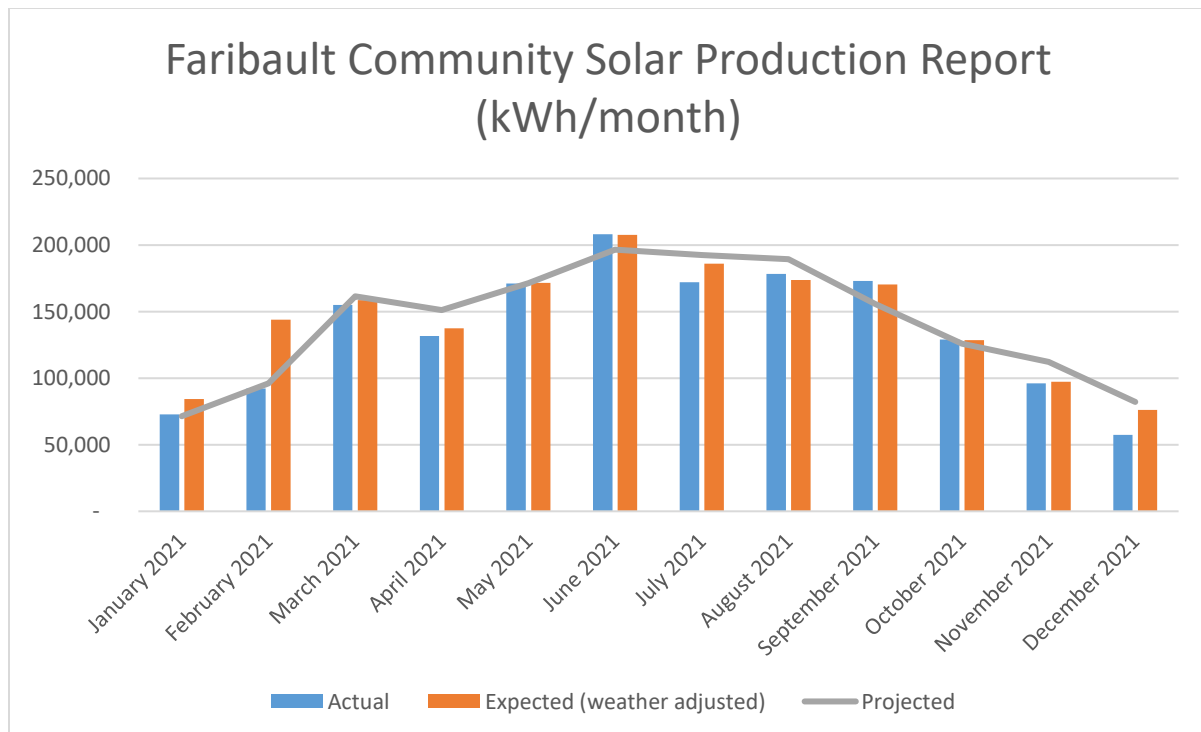
Faribault (kWh/month)	
Month / Year	Production
January 2021	72,737
February 2021	92,298
March 2021	155,106
April 2021	131,659
May 2021	171,086
June 2021	208,200
July 2021	172,030
August 2021	178,253
September 2021	173,006
October 2021	129,043
November 2021	96,014
December 2021	57,464
TOTAL	1,636,896

2021 Key Performance Metrics		
Weather-adjusted performance	2021 sunshine vs. average year	Actual Energy vs. Projected
94.3%	101.7%	95.9%

The Faribault project faced significant snow cover in January, February, and December, slightly reducing annual production. On the other hand, the site had an above-average sun year. The project experienced minor production losses in March due to a 2-day utility shutdown, as well as short-term outages in April and July.

Total 2021 Bill Credit Benefit for 77 subscribers:

\$253,628



Cooperative and Project Financials:

As a member-owned business, CEF is committed to transparency in co-op operations and how money flows through our organization to sustain our clean energy projects and build wealth for members and their communities. Like any other business, CEF and its projects bring in revenue that must cover our expenses and allow us to meet our financing obligations, both repayment of loans and returns to holders of equity. Our key differences as a cooperative:

1. We invite our members to participate as investors for as much of our capital as possible
2. After expenses and financing costs, profits are returned to members based on their use of the co-op, rather than accumulating to the benefit of a business owner or shareholders.

Financial Management Approach

Because CEF develops solar projects alongside an investor partner that can use federal tax credits, our financial operations take place on two separate levels covered in this report:

- **The project level**, where projects receive income from subscriber’s payments, expenses to maintain and operate our solar arrays are paid, financing costs and equity returns are paid, and any remaining project profits are divided between CEF and the investor partner.
- **The cooperative level**, where CEF receives income through contracts to operate each of the projects and its share of profits from the projects and uses that income to pay staff salaries and other operating expenses, invest in future clean energy solutions to benefit our members, and distribute any remaining cooperative profits back to members.

Detailed financial reports are provided at the cooperative level, and summary analyses are also provided for all projects.

Community-Sourced Capital Through Preferred Stock (cooperative level):

CEF member-owners have the opportunity to invest in Cooperative Energy Futures Preferred Stock. As of December 31st, 2021, CEF had secured Preferred Stock investments of:

Round	Timeframe Offered	Total Investments	Dividends Paid
Class A (Minnesota)	April 7-December 31, 2017	\$501,000	8% dividend paid annually on 2018-2021 revenue (paid early the following years)
Class A-1 (Minnesota)	March 18 th , 2019- March 31 st , 2021	\$1,021,000 (\$521,500 by 3/31/2020)	6% dividend paid on 2020 revenue in early 2021 for those who invested by 3/31/2020. First dividends to be paid for later investors in early 2022.
Class B (Interstate)	June 10 th , 2019 – Sept. 30 th , 2020	\$153,000	6% dividend paid on 2020 revenue in early 2021.
Class B-1 (National Accredited)	June 28 th , 2021 – May 31 st , 2022	\$1,000,000	First dividends to be paid in 2022.
Total		\$2,675,000	

As of the end of 2021, Preferred Stock investments have been used as follows:

CEF Equity Investment in eight existing projects:	\$1,056,813.00
CEF Loans to eight existing projects due for repayment to CEF:	\$176,673.38
Current Development Expenses convertible to CEF equity in new projects:	\$733,789.36
Capital available for upcoming Development Expenses in new projects:	\$707,724.26
TOTAL:	\$2,675,000.00

Other Capital Obligations Held by Cooperative Energy Futures (cooperative level):

- CEF holds a \$194,845 working capital loan from Shared Capital Cooperative to cover the refundable application deposit for the Midtown and Chisago community solar gardens. This loan is due upon CEF's receipt of the refunded application deposits.
- CEF holds a \$200,000 working capital loan from the People's Solar Energy Fund to enable early stage development expenses of the upcoming set of community solar projects. This loan is due upon receipt of long-term project financing.

Usage of Project Operating Cash (project level):

Project revenue from subscription payments is paid to the individual project companies for each solar garden, and are used to cover the following obligations in order:

1. **Operating Expenses:** including lease payments, project insurance, payments to Operations and Maintenance providers, and payments to Cooperative Energy Futures to manage the project and support and replace subscribers.
2. **Debt Service:** paying down interest and principal on long-term project debt
3. **Tax Investor Priority Return:** Each year, the tax investor must be paid a priority return of roughly 2% of their original investment (varies by project).
4. **CEF Loan Repayments:** Any cash advances that CEF has made to the project companies to cover operating cost shortfalls must be repaid with interest.
5. **Payments of Deferred Developer Fee:** Based on any Deferred Developer Fees that remain owed.
6. **Distributions to CEF and the Investor:** 90% to CEF and 10% to the Investor Member.

Sources of Income and Cash Flow for Cooperative Energy Futures (cooperative level):

CEF received the following sources of income (and repayments of previous income that contribute to cash flow) to enable its ongoing operations:

- **Subscription Management Agreements:** These are contractual payments paid as project operating expenses paid to CEF to manage each solar garden. In 2021, these payments totaled \$112,448.97, and we anticipate these fees will total ~ \$115,000/yr going forward.
- **Repayments of CEF Loans:** To cover early operational costs before projects began producing energy, CEF loaned funds to project companies. \$340,580.47 remained in principal and accrued interest at the end of 2021, which will be repaid in coming years.
- **Deferred Developer Fees:** CEF is still owed over \$666,597.38 in Deferred Developer fees, which are payable out of project revenue over the coming 5 years.

- **Distributions from Project Companies:** While minimal during the next several years as repayments of CEF loans and Deferred Developer Fee payments use most of remaining income, in the long run, CEF will receive 90% of the net cash of project companies.

In addition to cash flow from community solar projects, CEF generates limited additional income through sales of efficiency project and commissions of residential and small commercial solar installations but these are generally minimal.

Uses of Cooperative Energy Futures Income and Cash Flow (cooperative level):

Cash flow received by Cooperative Energy Futures is to cover the following obligations in order:

1. **Operating Expenses:** including salaries and benefits, office expenses, legal, insurance, subscriber management software, and other standard operating expenses.
2. **Any Debt Service at the Cooperative Level:** Currently the co-op holds debt only on refundable application deposit loans and development capital for future solar gardens and makes interest-only payments on these loans. This is separate from project company debt.
3. **Development Expenses:** including initial site lease payments, Xcel Energy application fees, legal costs, permitting costs, and engineering costs needed to prepare future solar projects for financing. These expenses are usually included as part of CEF's equity contribution into future projects for projects that move forward.
4. **Preferred Stock Dividends/ Eventual Redemption:** Paying annual dividends to Preferred Stock holders. Starting about 5 years from now, this will also include redeeming the original value of Preferred Stock investments depending on co-op position and investor needs for stock redemption.
5. **Operating Reserves:** Retained earnings to enable ongoing operations and manage variability in income and expenses.
6. **Distributions to Members:** Paying cash and equity to members based on their share of cooperative business.

How to Read Our Financial Reports:

Appendix A includes detailed financial reports for Cooperative Energy Futures and summarized financial report for project level activities. The project level reports include columns for CEF Shiloh Community Solar, LLC (the Shiloh project), items that are exclusive to CEF Holdco 1, LLC as an entity, items that are exclusive to each of the 7 project companies within CEF Holdco 1, LLC, and a sum total for CEF Holdco 1, LLC, which excludes the Shiloh project because CEF Shiloh Community Solar, LLC is owned separately from the other 7 project companies.

Each level (the Cooperative Energy Futures financials and the project financials) includes:

- A Profit and Loss Sheet, which shows all of the sources of income and expenses for the company over the course of 2021. This does not include any starting balances or financing or capital transactions that affect cash flow.
- A Balance Sheet, which shows the Assets, Liabilities, and Equity for the company as of December 31st, 2021. This provides a clear snapshot of the cash position and long-term liabilities and long-term assets as of the end of the year.

All projects produced energy year-round, resulting in positive net operating income for all of CEF's community solar gardens. Depreciation and Amortization expenses push book net income negative in most cases. The project companies are still paying off initial financing and start-up expenses, which will be repaid over the next few years. Otherwise, the 2021 financial performance generally reflects expected performance over the coming years.

In general, all solar project revenues, operating expenses, and debt service paying off solar projects show up on the project level financials. All staff, organizational operating expenses, and expenses related to developing new projects and new cooperative business opportunities to show up on the cooperative level financials.

Glossary of Financial Statement Terms:

- **Accounts Payable** reflects amounts that the company owes and expects to have to pay.
- **Accounts Receivable** reflects amounts owed to the company that we expect to receive.
- **Construction Payables** are amounts still owed to installation contractors for solar garden construction contracts that are not yet fully completed.
- **Current Assets** are either already cash or expected to be converted to cash within 1 year.
- **Deferred Developer Fee** is the portion of the fees due to CEF for developing solar projects that is not paid prior to construction but instead over the subsequent years based on project performance. The full amount is listed as a liability for the project companies, and as both a receivable and a liability (because some portion may not be paid) for CEF.
- **Energy Property and Land Improvements Minus Accumulated Depreciation** is the outstanding value of the solar array and other physical infrastructure built in the construction of the solar garden minus the annual reduction in this value as it ages.
- **Interest Reserve/ Escrow Funds** are reserves required by either financing agreements of county permitting agencies to hold funds in a special account either for operating losses or future decommissioning obligations.
- **K-1 Earnings** are profit distributions of taxable income from project companies. K-1 refers to an IRS form used to report the earnings of each partner in a partnership, in this case, the project companies that own community solar projects.
- **Lease Assets and Interconnection Assets Minus Accumulated Depreciation** are the outstanding value of the lease agreements and Interconnection agreements held by each solar garden minus the annual reduction in this value as it ages.
- **Long-Term Assets** are property or receivables converted to cash over more than 1 year.
- **Long-Term Debt Service** is the outstanding liabilities of debt held on solar projects.
- **Membership Stock** is the value of members' \$25 ownership shares in CEF.
- **Preferred Stock** is the value of members' voluntary purchases of Class A or B stock.
- **Preferred Stock Dividends** are annual dividend payments to holders of Preferred Stock
- **Prepaid Expenses** are assets because they will be owed but we have already paid for.
- **Subscription Deposits** are the value of upfront subscription payments that are theoretically at risk (the portion, which declines each year as projects age) that would be repaid to upfront subscribers who cancelled.

Cooperative Energy Futures

Profit and Loss

January - December 2021

	TOTAL
Income	
44020 Subscriber Management	112,448.97
49100 Consulting Fee Income	16,657.50
Total Income	\$129,106.47
GROSS PROFIT	\$129,106.47
Expenses	
55000 Refundable Deposit Loan Interest Expense	18,806.38
55500 Development Loan Interest	12,449.32
57000 Insurance (Development)	145.29
59100 Translation Services	595.43
60000 Rent Expense	3,234.95
61000 Utilities	1,679.48
62000 Insurance Expense	9,762.42
64000 Computer and Internet Expenses	13,301.56
64400 Phones	2,998.87
65000 Office Supplies	4,248.95
69000 Depreciation Expense	3,296.00
70100 Accountant Fees	21,913.89
70200 Legal Fees	15,331.50
71000 Salaries and Wages	231,305.03
71010 Payroll Tax Expense	20,224.89
71020 Health Benefits	26,138.55
71030 HSA Contributions	3,536.00
71035 Hiring Expense	2,168.67
71040 Professional Development	985.28
72000 Advertising and Promotion	5,585.80
76000 Bank Service Charges	6,524.35
76100 Paypal Fees	90.20
78000 Federal Taxes	-81.47
78100 State Taxes	210.00
79999 Miscellaneous Expense	11,610.07
Total Expenses	\$416,061.41
NET OPERATING INCOME	\$ -286,954.94
Other Income	
80000 Interest Earned	0.02
80100 Interest Income - Promissory Note from CEF Holdco	21,372.99
82000 Shiloh - K1 Income (Loss)	170.00
83000 Loan Forgiveness	31,247.00
Total Other Income	\$52,790.01
NET OTHER INCOME	\$52,790.01
NET INCOME	\$ -234,164.93

Cooperative Energy Futures

Balance Sheet

As of December 31, 2021

	CEF	TOTAL
ASSETS		
Current Assets		
Bank Accounts		
10000 Operating Cash		\$0.00
10100 *9162 CEF Checking	2,501.34	\$2,501.34
11110 Arizona Bank and Trust	810,726.83	\$810,726.83
12000 Petty Cash	213.52	\$213.52
12100 Paypal	3,632.55	\$3,632.55
12999 Cash Account Balances by Class	3,722.56	\$3,722.56
Total 10000 Operating Cash	820,796.80	\$820,796.80
11000 Bremer Savings - CEF	300.75	\$300.75
Total Bank Accounts	\$821,097.55	\$821,097.55
Accounts Receivable	\$28,921.42	\$28,921.42
Other Current Assets		
15375 Receivable from Shiloh	5,236.73	\$5,236.73
16000 Refundable Deposits	189,577.05	\$189,577.05
16300 Stocks Owned by Coop	500.00	\$500.00
17000 Inventory Asset	1,851.90	\$1,851.90
19000 Prepaid Expenditures	5,543.04	\$5,543.04
19100 Future Sites	733,789.36	\$733,789.36
Total Other Current Assets	\$936,498.08	\$936,498.08
Total Current Assets	\$1,786,517.05	\$1,786,517.05
Fixed Assets		
Other Assets	\$9,547.25	\$9,547.25
15500 Long Term Receivables	11,673.95	\$11,673.95
15520 Deferred Developer Fee Receivable	566,597.38	\$566,597.38
17800 Promissory Note from CEF Holdco	332,534.15	\$332,534.15
17801 Accrued Interest - Promissory Note from CEF Holdco	8,046.32	\$8,046.32
Total 17800 Promissory Note from CEF Holdco	340,580.47	\$340,580.47
19955 Investment in Shiloh - K1 Earnings	-4,172.00	\$ -4,172.00
19960 Investment in CEF Holdco	1,056,813.00	\$1,056,813.00
19965 Investment in CEF Holdco - K1 Earnings	-111,196.00	\$ -111,196.00
Total Other Assets	\$1,860,296.80	\$1,860,296.80
TOTAL ASSETS	\$3,656,361.10	\$3,656,361.10
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable	\$8,297.50	\$8,297.50
Other Current Liabilities		
22100 Refundable Deposit Loans	189,577.05	\$189,577.05
26000 Accrued Payroll Expenses	4,669.88	\$4,669.88
26100 Patronage Dividend Payable	582.73	\$582.73

	CEF	TOTAL
Total Other Current Liabilities	\$194,829.66	\$194,829.66
Total Current Liabilities	\$203,127.16	\$203,127.16
Long-Term Liabilities		
23300 People's Solar Energy Loan Payable	200,000.00	\$200,000.00
23350 Accrued Int - People's Solar Loan	12,449.32	\$12,449.32
Total 23300 People's Solar Energy Loan Payable	212,449.32	\$212,449.32
25002 Future Site Contributions	128,246.60	\$128,246.60
25310 Deferred Developer Fee	566,597.38	\$566,597.38
Total Long-Term Liabilities	\$907,293.30	\$907,293.30
Total Liabilities	\$1,110,420.46	\$1,110,420.46
Equity		
30000 Membership Stock	24,275.00	\$24,275.00
31000 Preferred Stock	2,675,000.00	\$2,675,000.00
31100 Preferred Stock Dividends	-159,180.00	\$ -159,180.00
32000 Retained Patronage Dividends	188,000.00	\$188,000.00
39000 Retained Earnings	47,536.62	\$47,536.62
Net Income	-234,164.93	\$ -234,164.93
Total Equity	\$2,541,466.69	\$2,541,466.69
TOTAL LIABILITIES AND EQUITY	\$3,651,887.15	\$3,651,887.15