



Minnesota Valley Cooperative  
Light & Power Association

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# 2015

## Annual Report

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# 78<sup>th</sup> Annual Meeting Notice

**Saturday, March 19<sup>th</sup> at Prairie's Edge Casino Resort:**

Doors open for registration and breakfast buffet at 8:30 a.m., which continues until 10:00 a.m. The meeting will be called to order at 10:30 a.m.

**Capital Credits Refunds:** The balance of 2002 and 65% of 2003, for a total of \$1,257,917, will be refunded.

**Operation Round Up:** New and current members can sign up for Operation Round Up to receive a chance to win a Basin Tour trip and an opportunity for a \$25 credit on their energy bill. Also, if you signed up through our March bill stuffer, bring in your slip for another chance to win a \$25 credit.

**Director Elections:** Elections will be held for four directors. Directors from Districts 2, 4 and 6 will be elected to serve a 3-year term. The director from District 1 will be elected to serve the remaining 2 years of a 3-year term.

**Nominees for Each District:**

*District 1:* Don Fernholz

*District 2:* Gary Groothuis

*District 4:* Steve Norman

*District 6:* Tim Velde

**Reports:** Reports will be made on the cooperative's finances, operations and future plans.

**Kids Room and Prize Drawings:** Bring your kids for a fun morning of supervised activities and a chance to win prizes!

**Basin Tour Drawing:** Drawings will be held for the annual Basin Tour scheduled for July 19<sup>th</sup>-21<sup>st</sup>, 2016.



# Board of Directors



**Don Fernholz**  
District 1



**Gary Groothuis**  
District 2



**Mark Peterson**  
District 3



**Steve Norman**  
District 4



**Darryl Bursack**  
District 5



**Tim Velde**  
District 6



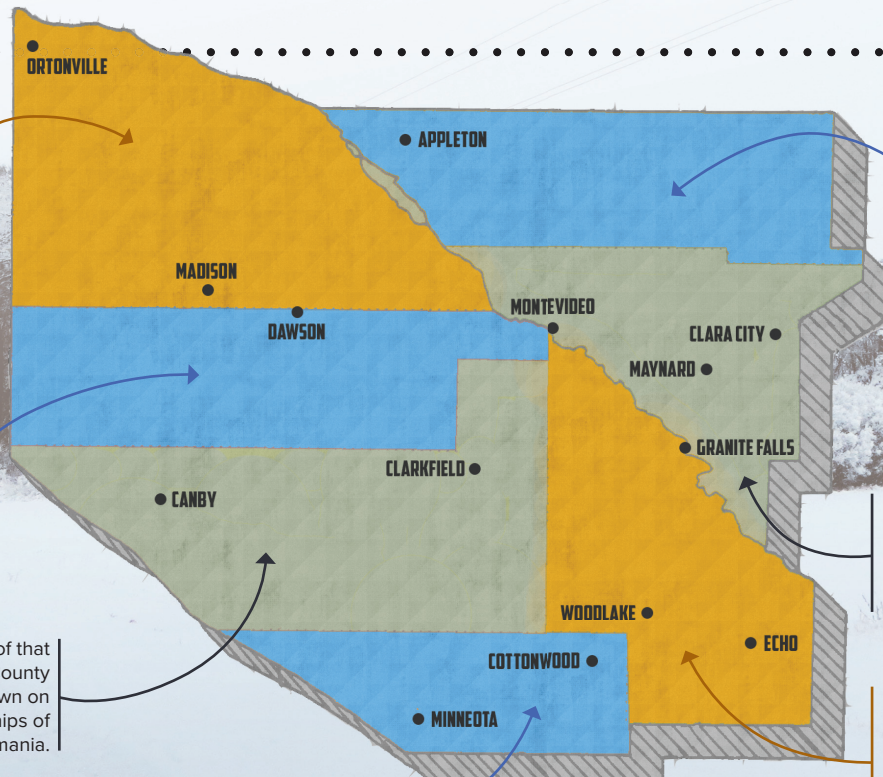
**Wayne Peltier**  
District 7

## Director's Responsibilities

According to information compiled by the National Rural Electric Cooperative Association (NRECA) in Washington, D.C., a director's responsibility consists of having the ability and knowledge to set policy and approve programs that are the basis for operating the association.

A director must have the time to attend monthly board meetings and other special meetings and seminars. These special sessions are necessary to keep directors informed on the various aspects of the cooperative and the electric utility industry. Other criteria of a board member as identified by NRECA include:

- ◆ *Be an independent thinker, but a cooperator.*
- ◆ *Be capable of acquiring the knowledge necessary to cope with the issues of a modern electric utility, including finances, management and public issues.*
- ◆ *Possess the character and demeanor that will reflect favorable on behalf of the cooperative.*
- ◆ *Have the willingness to listen and learn.*
- ◆ *Be one who can accept and direct change.*
- ◆ *Be of sufficient stature to command the respect of management, employees, fellow board members, cooperative members and the public.*
- ◆ *Be willing to commit adequate time to the work of the board to be an effective member and properly discharge the duties of the board.*
- ◆ *Subordinate personal and other business interests to the needs of the cooperative when making a decision.*
- ◆ *Be willing to accept the unpleasant moments of a director's experience.*
- ◆ *Let management manage.*



**DISTRICT 1** shall consist of that part of Lac qui Parle County which lies north of a line one mile north of U.S. Highway 212 and that portion of Big Stone County served by the association.

**DISTRICT 2** shall consist of that part of Chippewa County which lies north of County Road No. 13 and that portion of Swift County served by this association.

**DISTRICT 3** shall consist of that part of Lac qui Parle County lying south of a line one mile north of U.S. Highway 212.

**DISTRICT 4** shall consist of that part of Chippewa County lying south of County Road No. 13 and that portion of Renville County served by this association.

**DISTRICT 5** shall consist of that part of Yellow Medicine County lying west of the line drawn on the east borders of Townships of Friendship, Lisbon and Normania.

**DISTRICT 6** shall consist of that part of Yellow Medicine County lying east of the east borders of Townships of Friendship, Lisbon and Normania and that portion of Redwood County served by this association.

**DISTRICT 7** shall consist of that portion of Lincoln and Lyon Counties served by this association.



# Board & Manager's Report

**Back Row:**

Gary Groothuis, Mark Peterson,  
Pat Carruth, *General Manager*,  
Steve Torvik, *Attorney*,  
Tim Velde

**Front Row:** Steve Norman,  
Wayne Peltier, Darryl Bursack,  
Don Fernholz



We were again fortunate to close 2015 in good shape both operationally and financially. We had super weather the whole year through which made for a very productive year for the many construction and on-going maintenance projects. Even though energy sales were off over 5% for the year over the previous year, we ended the year ahead of budget projections. We ended the year with a total margin of \$2,179,160. The board also decided late in the year to hold rates steady again for 2016. This will be our fourth year without a rate increase, barring anything unforeseen.

At the April board meeting, the board signed a new contract to purchase power from the Western Area Power Administration, or WAPA, through 2050. WAPA provides us with hydropower and they meet about 23% of our annual requirements of wholesale power. At the May board meeting, the board signed a new contract to purchase power from our Basin Electric

Power Cooperative, or Basin, through 2075. The Basin contract is what is called an “all requirements” contract. This means that, by contract, we must buy all of our electricity over and above what WAPA provides from Basin Electric for the next 60 years.

This past year, we continued to sell electric heating systems at a good pace in spite of much cheaper gas. With air source and ground source heat pumps and even electric resistance heat, we are still a better value than gas. We have had reduced electric rates for heating since the early 80's and do not see that going away for the foreseeable future. Almost half of our member-owners have some electric heat on a reduced rate. Keep electric in mind for your heating needs, even with cheap gas.

Probably the biggest challenge put forth in the electric power industry this past year was the Federal Administration's roll out of the so-called *Clean Power Plan*. The work-



ing part of the Clean Power Plan is the EPA rolling out rules under what is called 111d. This rule is designed to systematically shut down coal-fired generation by restricting CO<sub>2</sub> emissions. The only viable alternative to coal at this point is natural gas. But if we were to gear up our baseload generating capacity with natural gas, it will be short lived. Natural gas emits 80% of the CO<sub>2</sub> that coal does. The EPA, being driven by environmentalist organizations, will require further reductions shutting gas down. The only solution at this point is to have the Courts or Congress rein in the EPA. We, the electric power industry, are working hard at both solutions.

The Supreme Court on February 9<sup>th</sup>, 2016 issued a stay on the Clean Power Plan. The stay means the EPA cannot enforce any part of their plan until all litigation is over. This is a major victory which buys us some time to hopefully get a legislative fix.

We did have some success at the Federal Legislative level this year. We did get a legislative override to a Department of Energy ban on large capacity electric water heaters over 55 gallons. Almost 90% of our members use electric water heaters. These days, when their water heater fails and needs to be replaced, many opt for the 85 gallon or 105 gallon lifetime warranty electric water heaters.

On a State Legislative level this past year, we also had some success. We had some improvements to some of the net-metering inequities that have been around for decades. Going forward, if your neighbor puts in a wind turbine, you won't have to directly subsidize them as much through the electric rates you pay to your cooperative. We also made good progress on bringing some electric industry and producer stakeholder agreed upon

procedures and solutions to any future stray voltage situations. We expect these to be finalized into law in the next couple of years to protect all parties involved.

The board and staff spent a couple of days doing some long range planning early this past year. It had been awhile since we had gone through this exercise. We were trying to take a good look at the way we do business around here and make sure that the way we do it aligns with what you, the member-owners, want and expect. We also wanted to make sure we are not missing anything and have hopefully set ourselves up to not miss anything going forward.

This past year we had our trade organization, the National Rural Electric Cooperative Association (NRECA), perform a member survey. We do this about every five years to help us in having some confidence that we are doing what we are supposed to do for you, the member-owners. We also look for any areas of concern where we might need to make some adjustments. For the most part, what we think you are telling us is that things are going pretty well.

In closing, we want to thank the employees for another year of hard work for the member-owners. They all know their jobs well and perform them with duty and dedication. We also want to thank the board for their dedication and thoughtful oversight to this cooperative. Most importantly, we want to thank you, the member-owners, for your patronage and faith in us to keep your electric cooperative operating well for you. With all of us working together, Minnesota Valley Cooperative Light and Power Association will meet whatever challenges we face going forward with great success. We will continue providing our member-owners with reliable and affordable electric power.



**Steve Norman**  
Board President

*Steve Norman*



**Pat Carruth**  
General Manager

*Pat C. Carruth*



# Cooperative Statistics

## HEADQUARTERS

Montevideo, MN

## YEAR FOUNDED

1937

## NUMBER OF ACTIVE SERVICES

5,257

## NUMBER OF EMPLOYEES

29

## NUMBER OF SUBSTATIONS

16

## MILES OF LINE

3,270 Total  
242 Transmission  
2,700 Overhead  
328 Underground

## DENSITY

1.74 services per mile

## WHOLESALE POWER SOURCES

Basin Electric  
Western Area Power  
Administration (WAPA)

# Balance Sheets

## Assets (what we own)

	2015	2014
Electric Plant		
Investment in Utility Plant	\$66,230,868	\$63,829,957
Less: Accumulated Depreciation	\$(22,303,163)	\$(21,559,504)
<b>Net Electric Plant</b>	<b>\$43,927,705</b>	<b>\$42,270,453</b>

## Investments

Loans to Members (energy conservation wiring, central air systems and electric heating)	\$154,768	\$213,317
Capital Credits from Basin	\$6,189,236	\$5,879,213
Memberships in and capital credits from other associated organizations	\$651,942	\$622,713
National Rural Utilities Cooperative Finance Corp.	\$1,587,965	\$1,587,965
Other Investments	\$800,271	\$835,095
<b>Total Investments</b>	<b>\$9,384,182</b>	<b>\$9,138,303</b>

## Current Assets

Cash and Cash Equivalents	\$244,611	\$288,215
Members/others owe us for electrical energy service, etc.	\$1,973,353	\$2,325,461
Materials for line construction and maintenance	\$914,694	\$867,625
Prepaid Expenses and Accrued Assets	\$217,649	\$156,170
<b>Total Current Assets</b>	<b>\$3,350,307</b>	<b>\$3,637,471</b>
<b>Deferred Debits</b>	<b>\$1,325,692</b>	<b>\$1,512,685</b>
<b>Total Assets</b>	<b>\$57,987,886</b>	<b>\$56,558,912</b>

## Liabilities (what we owe)

	2015	2014
Long-Term Debt		
Rural Utilities Service & Federal Financing Bank	\$21,693,143	\$23,282,539
Cooperative Finance Corporation (CFC)	\$3,390,355	\$3,739,696
National Cooperative Service Corporation (NCSC)	\$3,117,644	\$3,490,843
Co-Bank	\$2,000,000	\$2,000,000
<b>Total Long-Term Debt</b>	<b>\$30,201,142</b>	<b>\$32,513,078</b>
<b>Accumulated Operating Provisions</b>	<b>\$464,800</b>	<b>\$452,800</b>
Current Liabilities		
Notes Payable	\$3,550,000	\$600,000
Accounts Payable (power, materials, etc)	\$1,055,384	\$1,025,785
Accrued Expenses (taxes, interest, etc)	\$838,902	\$825,233
Security Deposits	\$51,540	\$54,440
<b>Total Current Liabilities</b>	<b>\$5,495,826</b>	<b>\$2,505,458</b>
<b>Deferred Credits</b>	<b>\$78,563</b>	<b>\$63,974</b>
<b>TOTAL LIABILITIES</b>	<b>\$36,240,331</b>	<b>\$35,535,310</b>
<b>MEMBERS' EQUITY</b>	<b>\$21,747,555</b>	<b>\$21,023,602</b>
<b>Total Liabilities &amp; Members' Equity</b>	<b>\$57,987,886</b>	<b>\$56,558,912</b>



# Statements of Revenue & Expenses

Revenue	2015	2014
Sales of electric energy to consumers	\$18,019,187	\$18,945,401
Miscellaneous electric revenues and fees	\$237,234	\$256,085
Non-operating and other income, etc. <i>(interest income, mdse sales &amp; miscellaneous items)</i>	\$962,996	\$705,677
<b>TOTAL REVENUE</b>	<b>\$19,219,417</b>	<b>\$19,907,163</b>

Expenses	2015	2014
Wholesale Power	\$9,690,640	\$10,567,466
Other operating expenses <i>(administration, sales, maintenance, taxes, etc.)</i>	\$5,352,782	\$4,906,517
Depreciation of utility plant	\$1,773,289	\$1,701,809
Interest expense on long-term debt	\$706,925	\$715,499
<b>TOTAL EXPENSES</b>	<b>\$17,523,636</b>	<b>\$17,891,291</b>

Patronage Capital	2015	2014
Patronage capital income before generation and transmission capital credits	\$1,695,781	\$2,015,872
Patronage capital from Basin Electric	\$310,023	\$359,451
Patronage from other cooperatives	\$173,356	\$100,246
<b>Total Year End Margin</b>	<b>\$2,179,160</b>	<b>\$2,475,569</b>
Accumulated patronage capital <i>(January 1<sup>st</sup>)</i>	\$21,023,602	\$19,928,307
Retirement of patronage capital	\$(1,476,418)	\$(1,411,263)
Estate patronage capital retained	\$21,211	\$30,989
<b>TOTAL PATRONAGE CAPITAL</b>	<b>\$21,747,555</b>	<b>\$21,023,602</b>



**Basin Electric Power Cooperative** is a consumer-owned, regional generation and transmission (G&T) cooperative providing wholesale power to member rural electric systems in nine states. Minnesota Valley is one of 138 member cooperative systems who together serve 2.9 million electric customers. Minnesota Valley Board Member, **Wayne Peltier**, is currently serving as Board President at Basin Electric.



**BASIN ELECTRIC POWER COOPERATIVE**

## Subsidiaries



### Minnesota Valley Tree Service

Minnesota Valley Cooperative is sole owner of Minnesota Valley Tree Service located in Granite Falls. The primary purpose of the tree service is right-of-way clearing for power lines.



### Karian Peterson Power Line Contractors, LLC

Minnesota Valley Cooperative, along with six other co-ops, owns Karian Peterson located in Montevideo. The business specializes in construction and maintenance of distribution and transmission power lines.

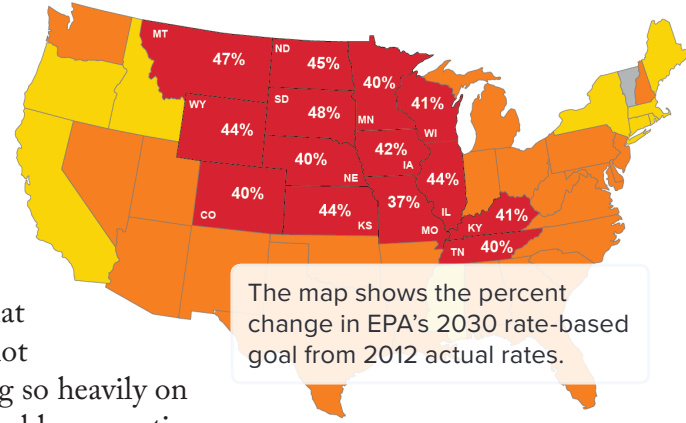


# EPA's Clean Power Plan: More Harm than Good

The Environmental Protection Agency (EPA) recently released its final rule to address carbon dioxide (CO<sub>2</sub>) emissions, entitled the *Clean Power Plan*. The electric industry has started reviewing the 2,000+ page document and initial reactions are that the rule is plagued by unintended consequences, unproven assumptions and extreme complexity. EPA's shift from the proposed rule to the final is drastic. The Midwest is facing the brunt of the change from the proposed to the final ruling. For example, North Dakota is facing a reduction upwards of 45% in CO<sub>2</sub> in the final ruling. This compares to an 11% reduction EPA proposed just 2 years ago. The rule seeks to slash greenhouse emissions by nearly a third in just 15 years.

However, EPA is giving no credit to utilities that have invested billions to build renewable generation before 2012. Our own Basin Electric invested in building more than 800 megawatts of renewables

that cannot be counted towards the reduction goals. Basin Electric has been a pioneer in renewable energy and knows first-hand that what EPA proposes is not reasonable. Relying so heavily on intermittent renewable generation ignores the reality that the sun does not always shine and the wind does not always blow. Coal is used as a baseload resource to make sure we are able to provide electricity any time. With these new regulations, natural gas will have to play a bigger role in baseload generation and put a higher demand on this resource. EPA's final plan will harm opportunities for innovation of new technologies, economies, power supply and reliability and decrease the quality of life for our members.



The map shows the percent change in EPA's 2030 rate-based goal from 2012 actual rates.

## LATEST UPDATE

On February 9<sup>th</sup>, 2016 the U.S. Supreme Court granted a motion to stay the EPA's *Clean Power Plan*. This stay halts implementation of the rule until litigation is concluded. A total of 29 states and dozens of corporations and industry groups have sent in challenges to the EPA's plan. The ruling by the Supreme Court is a positive step in the right direction. We hope that this extra time will help create a viable future for ALL energy sources.



# The Real Impacts of the Clean Power Plan

## Compliance Costs

- ◆ NERA Economic Consulting estimates compliance costs total \$366 billion to \$479 billion over 2017-2031.
- ◆ These estimates do not even include the new transmission needed to support the increased load during peak production of the added generation. This means that actual costs could be even higher.
- ◆ This plan will lead to a higher demand for natural gas. As we know from basic economics, when demand goes up, the price will follow. Early estimates by NERA project a 29% increase in natural gas prices.
- ◆ This rule will disproportionately affect people served by electric co-ops, increasing electricity prices and jeopardizing reliability. Co-ops serve 93% of the nation's persistent poverty counties as determined by the USDA.

## Stranded Assets

- ◆ Electric utilities have invested in coal-fired generation as a baseload to provide reasonable and reliable electricity. Co-ops have steadily reduced the environmental impact of their power plants, reducing emissions and improving the safety of their facilities. Decisions were made to invest in these efforts with the understanding that these improvements would have a useful lifetime. According to the EPA's own estimate, the rule would prematurely shut down more than one quarter of electric co-ops' coal-fired generation capacity.
- ◆ The burden of paying off the remaining debt on those plants and paying for electricity from other sources would fall to our member-consumers, not shareholders.
- ◆ The forced shut down of co-op power plants before their financial obligations are met means co-op member-owners will be paying twice for their electricity: once for the shuttered plant and again for power from somewhere else.

## Decreased Reliability

- ◆ Under the final plan, EPA is forcing utilities to rely heavily on renewable resources. Although Minnesota Valley supports renewables as part of an all-of-the-above strategy, relying on intermittent renewable resources as a baseload to provide reliable electricity is far from reasonable.
- ◆ Electric utilities will have to construct new transmission to support the increased load of new generation facilities. The increase of transmission miles will lead to more areas where problems could occur and ultimately lead to decreased reliability.
- ◆ Coal-fired power plants are designed to be run at maximum output. Under the new regulations utilities would have to decrease the output of these plants, which would lead to engineering problems created by the decreased operation.

## Limited Global Reach

- ◆ The Clean Power Plan's goal is to lower carbon emission in the United States. Under the final plan, EPA seeks to slash greenhouse emissions by nearly a third.
- ◆ Currently, the U.S. emits 15% of the world's greenhouse gas. This number is projected to drop as almost every major country increases its use of coal.
- ◆ "The U.S. could cut its CO<sub>2</sub> emissions 100% and it would not make a difference in global warming," states Nicolas Loris from the Heritage Foundation, a research and educational institution based in Washington D.C.

Minnesota Valley supports actions to try and improve power plant emissions and the overall safety of electric generation. However, the EPA's *Clean Power Plan* is not a sensible environmental regulation and does much more harm than good. Please help take a stand, along with millions of other Americans, to make your voice heard at [www.action.coop](http://www.action.coop).



# Employees

## Staff

**Back Row:**  
John Williamson,  
Pat Carruth, Bob Walsh

**Front Row:**  
Candice Jaenisch,  
Jill Sand



## Operations

**Back Row:** Bob Kratz,  
Stacey Boike, Don Snell

**Front Row:** Scott Monson,  
Brandon Bjelland,  
Mark Sweno



## Linemen

**Back Row:** Loyd Canatsey,  
Dave Dieter, Trevor Diggins,  
Joe Schultz

**Middle Row:** Kent Smith,  
Andy Johnson, Eric Wollschlager,  
James Hughes

**Front Row:** Eric Landmark,  
Blake Lymburner, Mitch Christensen





**2015 IN REVIEW**



Trick-or-Treat Street



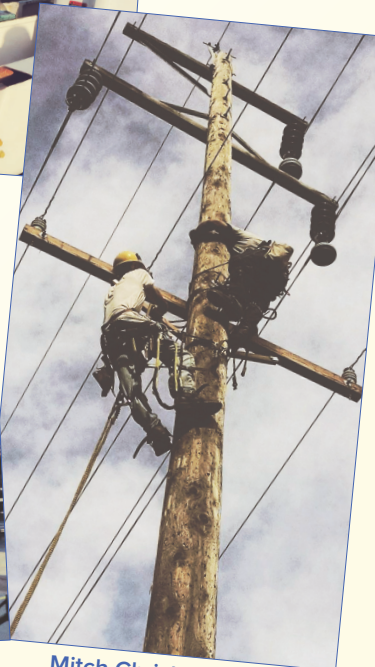
Safety Demo Group



Jerrad Perkins at 2015 Annual Meeting



Andy Johnson giving bucket rides at Annual Meeting



Mitch Christensen & Blake Lymburner climbing

**Office Services**

*Left to Right:*  
Lacey Wintz, Jill Strand, LaVonne Stegeman



**Member Services**

*Back Row:*  
Duane O'Malley, Jerrad Perkins

*Front Row:*  
Mark Johnson, Scott Kubesh



Caucus Meeting in Madison



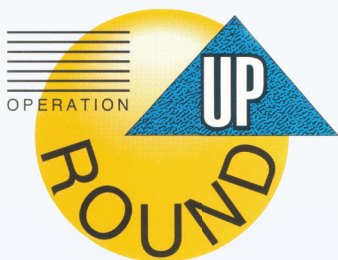
Mark Johnson Safety Demo



2015 Annual Meeting Breakfast Buffet

PRSR STD  
U.S. Postage  
**PAID**  
DPC

# Community Involvement



## Operation Round Up

Since 1995, co-op members, employees and directors have supported many projects, organizations, individuals and families in our area communities with their donations to Operation Round Up. If you have any questions on how to apply for funds, contact Minnesota Valley. Also, make sure to stop by the Operation Round Up booth at the Annual Meeting to sign up and enter yourself into a drawing to win a Basin Tour and two \$25 bill credits!

## Electrical Safety Demonstrations

Minnesota Valley offers free electrical safety demonstrations each year. Many different classrooms across our service territory have taken advantage of this fun and educational opportunity to teach their students about the dangers of electricity. Be sure to have your local teachers and school administration contact Minnesota Valley for more information!



Bob Walsh Safety Demo

## Scholarships and Youth Tour

Every year Minnesota Valley partners with Basin Electric to sponsor educational scholarships to youth across our service territory. Minnesota Valley also sends one high school sophomore or junior on the Electric Cooperative Youth Tour to Washington, D.C. every summer.



2015 Youth Tour

## Economic Development Loans

Minnesota Valley has loaned out \$739,000 to numerous local businesses, which has led to creating over 60 new jobs in our communities. Local businesses success is beneficial to our communities, as well as to Minnesota Valley!

