



MANAGER'S MESSAGE • PAT CARRUTH



General Manager

Board to Meet with State Legislators

Next month our board, along with representatives from all of the electric cooperatives in Minnesota, will be meeting with our respective state legislators to discuss electric energy policy, as well as other rural issues. The main issue this year is an effort to reestablish some of our local cooperative control that has slipped a bit over the past 30 years. Currently, the Public Utilities Commission (PUC) has a legislatively approved very narrow band of jurisdiction in our electric cooperative's business. That narrow band is limited to how we handle distributed renewable energy generation under 40 kW.

We feel as of late, the PUC has not followed the legislative intent of the law and has overextended its legislated authority. Local cooperative directors know their area community better than regulators in St. Paul. Member-owner-directors should have control of their own electric cooperative's energy policy. The local board is the member-owner-elected democratic regulator for the membership and it should always remain that way. Duplicative regulation by the PUC is costly and unnecessary. The member-owners of electric cooperatives pay for this duplicative regulation in their rates and in fees further assessed by the PUC. Member-owners should be allowed to develop their regulations for what is best for their owners without being required to pay regulators in St. Paul to second guess them. We will be pushing legislation to fix this.

District Caucus Meetings

Those of you in Districts 5 and 7 will be holding your Caucus Meetings next month. District 7 will meet at 10:30 a.m. on Thursday, February 9th at the Cottonwood Community Center in Cottonwood. District 5 will meet at 1:30 p.m. on Thursday, February 9th at Clarkfield City Hall in Clarkfield. If you are a member in one of those districts, you will also be getting a notice by postcard.

Your District Caucus Meetings are run by you, the member-owners. We simply set up a time and place for you to meet. The member-owners who show up run the meeting. The first thing they do is nominate a Caucus Chairperson. The chairperson is then the facilitator of the District Caucus Meeting. The members present can talk about anything they feel is important to talk about. Once all new and old business is discussed and a name or names are put forth for a full district vote at the Annual Meeting, the Caucus Meeting is adjourned for a light lunch.

If you are in District 5 or 7 and have never been to one of these, I hope you can take time to attend this year. Caucus meetings are where you, as member-owners, nominate people to represent you on the cooperative board. This is where local control starts. Members nominated for the board at the Caucus

Meeting have their names put on the ballot to be voted on at the Annual Meeting on March 25th at Lakeview High School in Cottonwood. We will also have staff and board members at these meetings to discuss issues that you may want to visit about. We also draw for some door prizes and a Basin Tour Trip at each meeting. Hope to see you there!

Closing out 2016

We had a couple of wild storms this past year, the wind and hail storm on July 16th and the ice storm on November 18th. Other than those two events throughout the year, as far as getting our work done, the weather treated us alright. As you know, our energy sales are very weather dependent. The summer weather produced more than usual heat units meaning the corn came out of the field pretty dry. We had normal air conditioning and our heating was light until we got into December when it got really cold. The electric heat cranked up and we ended the year with overall energy sales ahead of the previous year. We ended the year financially in great shape and ahead of budget.

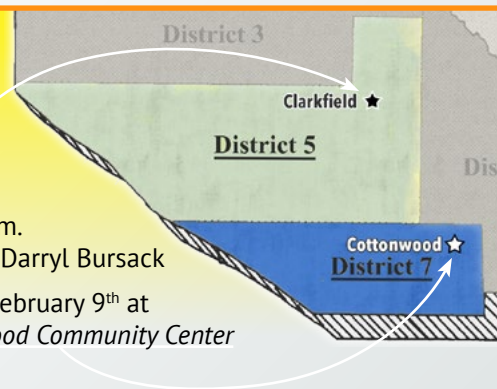
Happy New Year

On behalf of Minnesota Valley, we thank you, the member-owners, for the privilege of working with and for you this past year. We look forward to working with and for you again this year and wish you all a happy and prosperous 2017!

Caucus Meetings

District 5: Thursday, February 9th at 1:30 p.m. at *Clarkfield City Hall*—Darryl Bursack

District 7: Thursday, February 9th at 10:30 a.m. at *Cottonwood Community Center* — Wayne Peltier



Save the Date! 2017 Annual Meeting

The Annual Meeting will be held on **Saturday, March 25th, 2017** at the *Lakeview School* in Cottonwood.



BUSINESS OFFICE • CANDICE JAENISCH

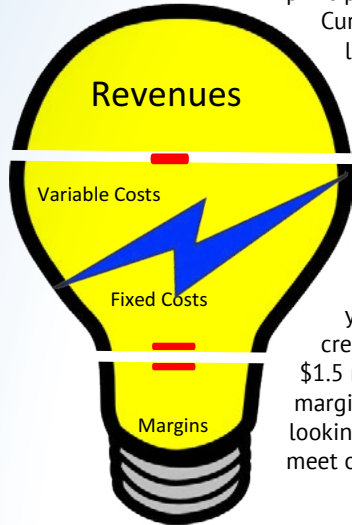


Office Manager

Margins - What Are They and How Much is Enough?

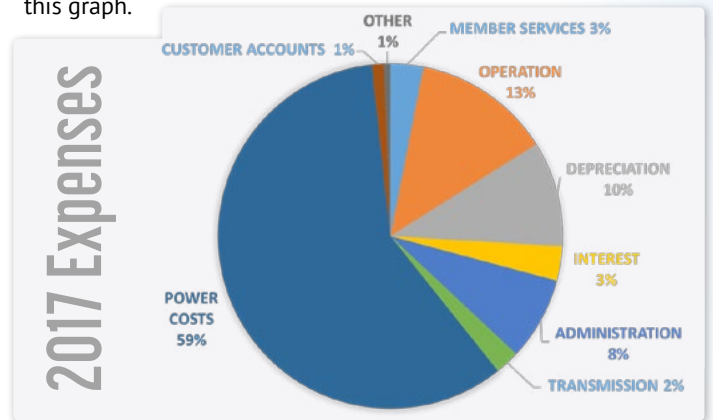
Margins in its simplest definition is revenues less expenses. However, in a cooperative, it's not necessarily about maximizing our margins but about finding a delicate balance in setting our rates to cover our operating expenses and to meet our financial obligations. One of our financial obligations includes making principle payments on our long term debt.

Currently, we service \$44 million in long term debt with \$2.2 million in principle payments due annually. Another financial obligation for Minnesota Valley is retiring capital credits to you, the member-owners. We continue to be aggressive with our retirements with only a 13 - 14 year rotation on capital credits. The past few years we have targeted our capital credit retirements from \$1.1 million to \$1.5 million. Thus, when we project our margins of the upcoming year, we will be looking for about \$3.4 million in cash to meet our financial obligations for 2017.



2017 Budget Approved

The budget for 2017 was approved by the Board of Directors in November. Revenues are basically static as we were able to keep rates steady again for now. Expenses consists of fixed and variable costs and are categorized into major categories. Fixed costs generally include labor and depreciation, while variable costs include materials purchased to build or replace power lines, fuel and interest expense. While the power costs rate is fixed, the amount of power we need is based on energy consumption which can vary substantially from month to month. The breakdown on where your dollar is spent is illustrated in this graph.



ENGINEERING & OPERATIONS • JOHN WILLIAMSON



Manager of Engineering & Operations

We knew winter was coming and it sure came in a hurry. Just before the "big freeze", our crews were dealing with some strong winds, which took out a couple distribution poles.

High water and winds created the situation to the right. This was a township road under water. Crews used two pieces of off road equipment to reach the location.

When the weather is favorable, we are reconstructing a two mile stretch of line southwest of Montevideo in Lisbon Township. That entails replacing old conductors and poles to handle more load.

Now is a good time to let us know about your planned electrical improvements at your homesteads, so stop on in for a visit.



Director Wayne Peltier Re-Elected Board President of Basin Electric



At the December Basin Electric Board Meeting, Minnesota Valley Director, Wayne Peltier, was re-elected Board President.

Wayne was first elected to the Basin Board in 2008. Wayne represents the cooperatives that make up District 9 which include: *Grand of Bison, SD; Rosebud of Gregory, SD; KEM of Linton, ND; Mor-Gran-Sou of Mandan, ND; Crow Wing of Brainerd, MN; Wright-Hennepin of Rockford, MN; Minnesota Valley of Jordan, MN; Flathead of Kalispell, MT;* and us here at *Minnesota Valley.*

Wayne lives west of Cottonwood and has 17 years of experience on the Minnesota Valley Board representing the members of District 7. We are confident that he will continue to represent Minnesota Valley, District 9 and all of the owners of Basin Electric well and with a strong voice.

Basin Electric Power Cooperative is a consumer-owned, regional generation and transmission (G&T) cooperative providing wholesale power to 137 member rural electric systems in nine states.



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Co-op Principle One: Voluntary & Open Membership

Over the next year, we will be featuring the seven different cooperative principles. Minnesota Valley Cooperative Light & Power Association adheres to these seven principles when making decisions that impact your cooperative. This month we are featuring co-op principle number one – **voluntary and open membership**.

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination. Back when rural electric cooperatives were first being formed across our state, every potential member had the option to not receive service. As years passed and the value of electricity was recognized, more and more people elected to become co-op members.

The second part of the principle, open membership, means that all residences and businesses in Minnesota Valley's service territory are welcome to receive power. Being a locally owned and controlled utility gives Minnesota Valley a unique advantage in understanding the needs of members and being able to quickly respond to those needs, providing the best service possible.

As a member-owner of the business, you also have the right to participate in the governance of the organization. I two thirty one zero two The cooperative's board of directors is established through a democratic election process. Members are encouraged to attend and vote at the cooperative's annual meeting and district caucus meetings.

This February, members in Districts 5 and 7 will have an opportunity to participate in the election of directors at the district caucus meetings. Cooperative business is discussed at these member-led meetings and then people are nominated to represent the membership on the cooperative board. In the next article, we will touch on how this also relates to the annual meeting as we look at *cooperative principle number two* – **Democratic Member Control**.

Comparative Report

	Jan-Nov 2016	Jan-Nov 2015	Jan-Nov 1996
Kwh Purchased	188,441,077	187,880,385	131,912,594
Kwh Sold	178,494,530	178,018,122	122,866,050
Cost Of Purchased Power	\$9,479,242	\$8,752,234	\$4,210,789
Patronage Capital Margins	\$1,117,114	\$1,649,879	\$172,664
Reserve For Taxes	\$252,083	\$259,302	\$295,000
Cost Per Kwh Purchased (mills)	50.30	46.58	31.92

	November '16	November '15	November '96
Total Plant	\$68,854,016	\$66,202,136	\$28,983,337
# Of Members Receiving Service	5,270	5,262	5,167
Avg. Residential Bill	\$256.88	\$213.16	\$161.40
Avg. Residential Kwh Consumption	2,493	2,103	2,252
Avg. Kwh Usage All Consumers	3,571	3,147	2,995
Peak Kw Demand (Peak Load)	37,276	32,609	36,499

Find Your Location for a \$10 or \$20 Bill Credit!

There are two hidden account numbers in this newsletter. If one of them is your number, you will receive a \$10 energy credit or \$20 if you are an Operation Round Up participant. Keep looking each month—it could be your number! If you find your number in the newsletter, call the office at 320.269.2163 or 800.247.5051.

Congratulations to Mark Schutte of Dawson who identified his location and received a \$20 credit to his energy bill for being an Operation Round Up member!

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
- Let management manage
- 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





Member Services Manager

Resolve to Save Money

As we say goodbye to 2016, we usher in a new year with singing “Auld Lang Syne” and – of course – resolutions. Why not make 2017 the year you resolve to take simple steps to save energy? Here are a few ideas to help get you started:

2017

1. UNPLUG THOSE UNUSED ELECTRONICS.

We all do it. We leave electronics and equipment like cell phone chargers constantly plugged in, even when not in use. These “energy vampires” (or phantom loads) can suck a lot of power, so unplugging unused electronics can save on your electricity bill.

While a single device consumes very little in annual electricity use, when multiplied by several dozen products, you’re no longer talking about chump change. An individual product draws relatively little standby power, but a typical U.S. home has 40 products constantly drawing power. Together these electronics amount to almost 7% of national residential electricity use. Altogether, standby power use is roughly responsible for 1% of global energy consumption.

2. SEAL UP PESKY HOME AIR LEAKS.

Air leaking from windows, doors and other parts of your home can waste a lot of energy and money. Caulking, sealing and weather stripping keeps cold air out and warm air in, saving you energy and money.

- Find air leaks inside and around the exterior of the home. Check around fixtures that penetrate walls, such as exhaust fans and electrical outlets. Check three things: Look for unfilled gaps and cracks near dryer vents, chimneys and faucet pipes.
- Seal leaks between moving parts with weather stripping, such as between a door and its frame. Caulk cracks between windows and walls, as well as around door frames.
- Replace your screens with storm windows and doors. If you have older or leaky windows that you can’t replace, consider doing temporary fixes, such as plastic film kits that create the effect of an interior storm window.
- If you are shopping for new windows, doors or skylights, look for ones with the Energy Star label.
- Make sure attics and flooring above unheated areas, such as crawl spaces and the garage, are properly insulated.

3. MAKE THE SWITCH TO LEDS.

If you are thinking of switching to LED (light emitting diode) lighting in 2017, you aren’t alone. From 2012 to 2014, home LED installations increased six-fold from 13 million to 78 million, for good reason: Energy Star-rated LEDs use at least 75 percent less energy and last 25 times longer than incandescent bulbs. Thanks to continued research and development, LEDs are expected to get even more affordable and energy efficient. Learn about LED lighting and find out which option is right for you.

4. GIVE YOUR HEATING AND COOLING SYSTEM A CHECK-UP.

Properly maintaining your heating and cooling system will extend its life and save you energy and money. For instance, replacing dirty filters with new ones can lower your air conditioner’s energy use 5 to 15 percent. Technicians can also help ensure your heating and cooling system is in tip-top shape by checking refrigerant levels, testing for system leaks, inspecting belts and other parts for wear and tear, making sure air is flowing throughout your home properly, checking the accuracy of your thermostat and more.

Your furnace had to work pretty hard during the air conditioning season this year and it probably could use a little attention now that we’ve entered the heating season. Minnesota Valley offers a furnace inspection program to check your HVAC system. This preventative measure helps ensure that your heating system is ready for the long winter ahead. Call the Member Services Department to schedule your furnace inspection today.

5. SCHEDULE A HOME ENERGY AUDIT.

A home energy professional can help you fully understand your home’s energy use. A comprehensive home energy audit (also called a home energy assessment) helps determine how much energy your home uses and loses and identifies fixes for problem areas. As part of the energy audit, home energy pros examine each room and use special techniques to find opportunities for savings of up to 30 percent on energy bills.

Please contact Minnesota Valley’s Member Service Department for help in understanding your total energy usage and ideas on how you can save energy dollars.

Office Hours

8:00 a.m. - 4:30 p.m.
Monday through Friday

24-Hour Telephone Answering

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