



Minnesota Valley Cooperative Light & Power Association

2016

Annual Report

79th Annual Meeting Notice



Saturday, March 25th at the Lakeview School in Cottonwood:

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 2003 and 35% of 2004, for a total of \$1,045,000, 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, new members who sign up have a chance to win \$50 cash.

Director Elections:

Elections will be held for two directors to serve 3-year terms.

Nominees for Each District:

District 5: *Darryl Bursack*
District 7: *Wayne Peltier*

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 18th-20th, 2017.

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.
- ◆ 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.

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.

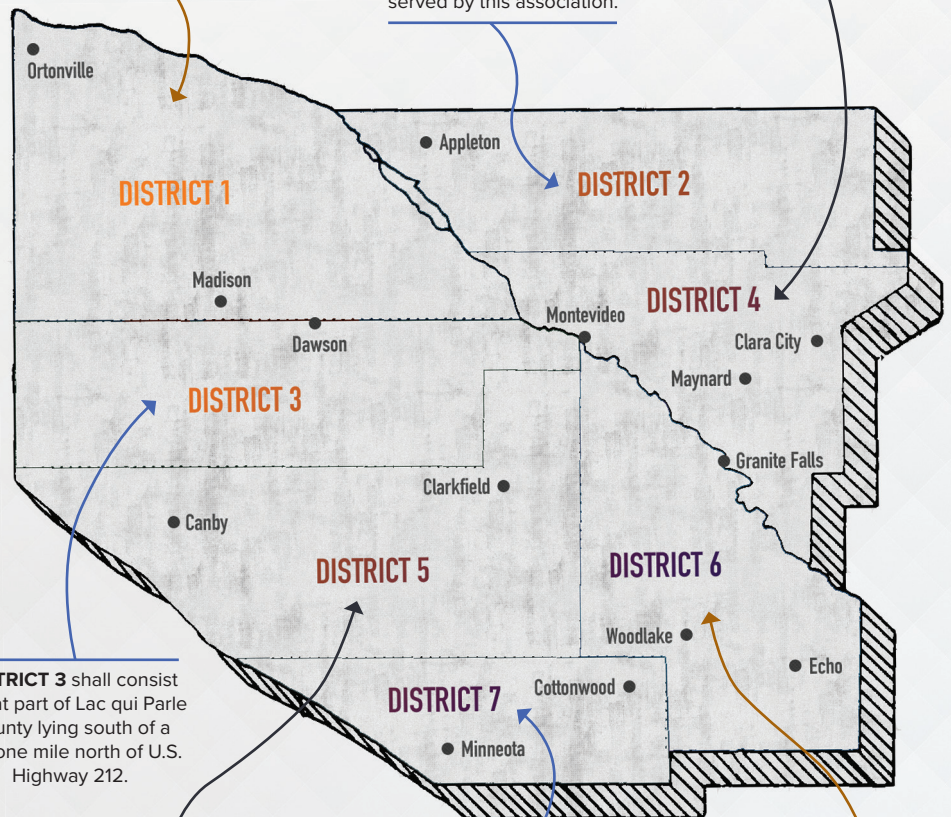
DISTRICT 4 shall consist of that part of Chippewa County lying south of County Road No. 13 and that portion of Renville County served by this association.

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

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.



Board and Manager's Report to the Members

We are pleased to report to you another year of operational and financial success at your cooperative. Operationally, we again completed the ongoing maintenance processes and scheduled system improvement projects. This took some extra effort because we had at least three major weather events to deal with. We had heavy wind damage with the July 16th storm, the ice storms on November 18th and Christmas Day. In July alone, we had storms causing widespread outages three weekends in a row. Anyway, in spite of the weather, we were able to get all of the planned projects done to keep your system in good operating condition.

Financially, buoyed by energy sales ahead of the previous year, we ended the year with a better operating margin than what was budgeted for. Our operating margin really tells us if today's revenue is covering today's cost. Our total margin, which includes all of the non-operating revenue, was much more than planned. Most of this is due to a

much larger than usual patronage allocation from our power supplier Basin Electric. But some of the non-operating margin reflects actual revenue from areas other than your light bill, such as interest income, member services heating and cooling installation and cash dividends paid from other organizations that we do business with. Anyway, we ended the year in good financial condition which allowed the board to again retire patronage capital. We are retiring the balance of 2003 and part of 2004, which amounts to about \$1,045,000. The number is not exact as we obviously cannot account exactly for estates, which are paid out during the year.

The board decided to hold rates steady again for 2017. This is the 5th year without a rate increase if we can hold it through. In addition to the inflationary increases in our general operating costs over the past 5 years, we are dealing with a noticeable increase in our wholesale power cost late



Back Row: Gary Groothuis, Steve Norman, Tim Velde

Front Row: Wayne Peltier, Don Fernholz, Pat Carruth, *General Manager*, Steve Torvik, *Attorney*, Darryl Bursack, Mark Peterson

in 2016. Like us, our wholesale power supplier, Basin Electric, put off an increase as long as they could before making an adjustment. Wholesale Power Cost is of course, our biggest expense. We have reduced expenses for 2017 where we felt we could without compromising your system. This coupled with consistent management of the cost of our debt portfolio should allow us to hold rates through the year especially if we get some help on the energy sales side. Anyway, we are hopeful for a financially successful year without a rate increase.

By second quarter of 2017, we should have a Four Year Construction Work Plan to our board for their consideration. We expect it to come in about the same in total dollars as the previous plan was. The next plan will include dollars for rebuilding our Blair Delivery Point Substation near Gary, SD. We jointly own that substation with East River Electric Cooperative. That station came online in 1972 and has served us extremely well over the years, but is showing its age primarily in the concrete supporting the transformers and other gear. In addition to the new cement, we will be upgrading the transformer size. Our share of the cost is estimated to be \$1.75 million.

Once Blair is completed in 2019, our three transmission delivery points should be in good overall shape for several decades. In addition to Blair, we have the Appeldorn Substation west of Boyd, which came online in 2012 and the Western Area Power Administration Granite Falls Substation just north of Granite Falls, in which we had our

transformer replaced with a new and increased size transformer in 2016. We have made substantial investments in your delivery points since we started on Appeldorn. Before Appeldorn our transmission system, as designed, could only haul 40 MW's under normal conditions and we were routinely running over that. Today, we can haul over 100 MW's under normal conditions with all three delivery points operating normally.

The backbone of your power delivery points and associated transmission line, which hauls that power to your local deliver point substations, is ready for your future growth. When you expand your farm, business or start a new business or even put electric heat in your home on our system, know that the backbone system to get power to you is ready to meet your power needs.

In closing, we want to thank the employees for always getting the job done. They do their jobs with a strong sense of duty and purpose and we appreciate that. We want to thank the board for all of the time they put in, not just at Minnesota Valley, but in all of the related organizations that we need to be involved in to keep rural electrics and Minnesota Valley strong. Most importantly, we want to thank you, the member-owners of Minnesota Valley, for your support. We appreciate your support of patronage in the light bill you pay. We also appreciate your support and understanding when our line crews are out working a storm to put your lights back on. Thank You!

Sincerely,



Steve Norman
Board President

Steve Norman



Pat Carruth
General Manager

Pat C. Carruth

Balance Sheets

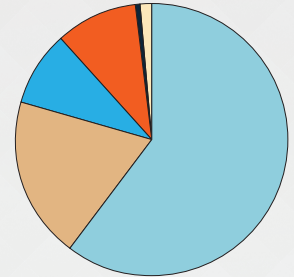
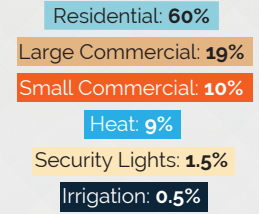
..... Assets (what we own)

	2016	2015
ELECTRIC PLANT		
Investment in Utility Plant	\$68,863,461	\$66,230,868
Less: Accumulated Depreciation	(23,455,556)	(22,303,163)
Net Utility Plant	45,407,905	43,927,705
INVESTMENTS		
Loans to Members <i>(energy conservation, wiring, central air systems and electric heating)</i>	384,967	154,768
Capital Credits from Basin	7,170,185	6,189,236
Memberships in and capital credits from other associated organizations	677,620	651,942
National Rural Utilities Cooperative Finance Corp.	1,586,716	1,587,965
Other Investments	830,063	800,271
Total Investments	10,649,551	9,384,182
CURRENT ASSETS		
Cash and Cash Equivalents	407,482	244,611
Members/others owe us for electrical energy service, etc.	2,286,780	1,973,353
Materials for line construction and maintenance	973,754	914,694
Prepaid Expenses and Accrued Assets	254,362	217,649
Total Current Assets	3,922,378	3,350,307
Deferred Debits	1,145,547	1,325,692
TOTAL ASSETS	\$61,125,381	\$57,987,886

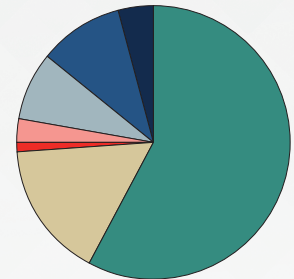
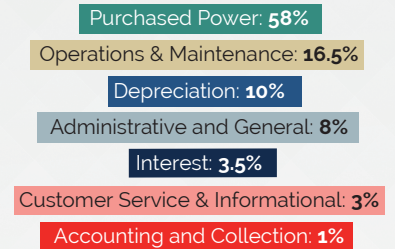
..... Liabilities (what we owe)

LONG-TERM DEBT:		
Rural Utilities Service & Federal Financing Bank	\$16,601,945	\$21,693,143
Cooperative Finance Corporation (CFC)	3,034,319	3,390,355
National Cooperative Service Corporation (NCSC)	2,731,909	3,117,644
Co-Bank	8,095,501	2,000,000
Total long-term debt	30,463,674	30,201,142
Accumulated Operating Provisions	494,800	464,800
CURRENT LIABILITIES		
Notes Payable	5,000,000	3,550,000
Accounts payable <i>(power, materials, etc)</i>	1,406,431	1,055,384
Accrued Expenses <i>(taxes, interest, etc)</i>	888,674	838,902
Security Deposits	51,920	51,540
Total Current Liabilities	7,347,025	5,495,826
Deferred Credits	89,057	78,563
TOTAL LIABILITIES	\$38,394,556	\$36,240,331
MEMBERS' EQUITY	\$22,730,825	\$21,747,555
TOTAL LIABILITIES & MEMBERS' EQUITY	\$61,125,381	\$57,987,886

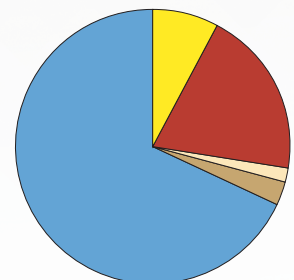
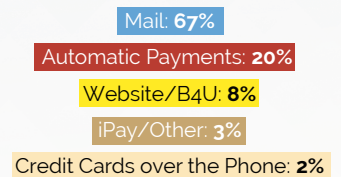
Where it Came From



Where It Went



How Members Pay Their Bills

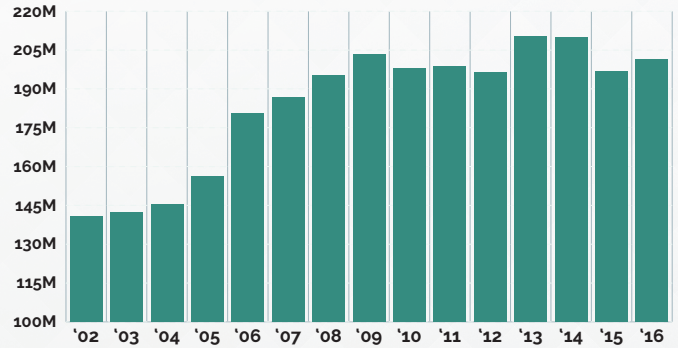


Statements of Revenue & Expenses

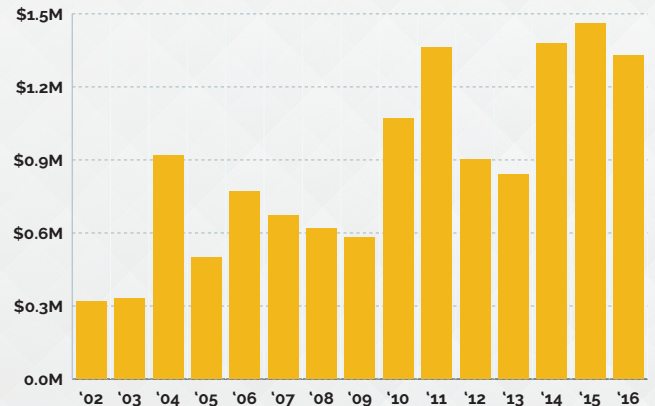
REVENUE	2016	2015
Sales of electric energy to consumers	\$18,589,689	\$18,019,187
Miscellaneous electric revenues and fees	97,002	237,234
Non-operating and other income, etc. (interest income, mdse sales & miscellaneous items)	1,062,203	962,996
Total Revenue	19,748,894	19,219,417
EXPENSES		
Wholesale power	10,717,441	9,690,640
Other operating expenses (administration, sales, maintenance, taxes, etc.)	5,438,313	5,352,782
Depreciation of utility plant	1,822,008	1,773,289
Interest expense on long-term debt	558,264	706,925
Total Expenses	18,536,026	17,523,636

PATRONAGE CAPITAL	2016	2015
Patronage capital income before generation and transmission capital credits	\$1,212,868	\$1,695,781
Patronage capital from Basin Electric	980,949	310,023
Patronage from other cooperatives	121,894	173,356
Total Year End Margin	\$2,315,711	\$2,179,160
Accumulated patronage capital (January 1 st)	\$21,747,555	\$21,023,602
Retirement of patronage capital	(1,332,441)	(1,455,207)
Total Accumulated Patronage Capital (December 31st)	\$22,730,825	\$21,747,555

Kwh Sales



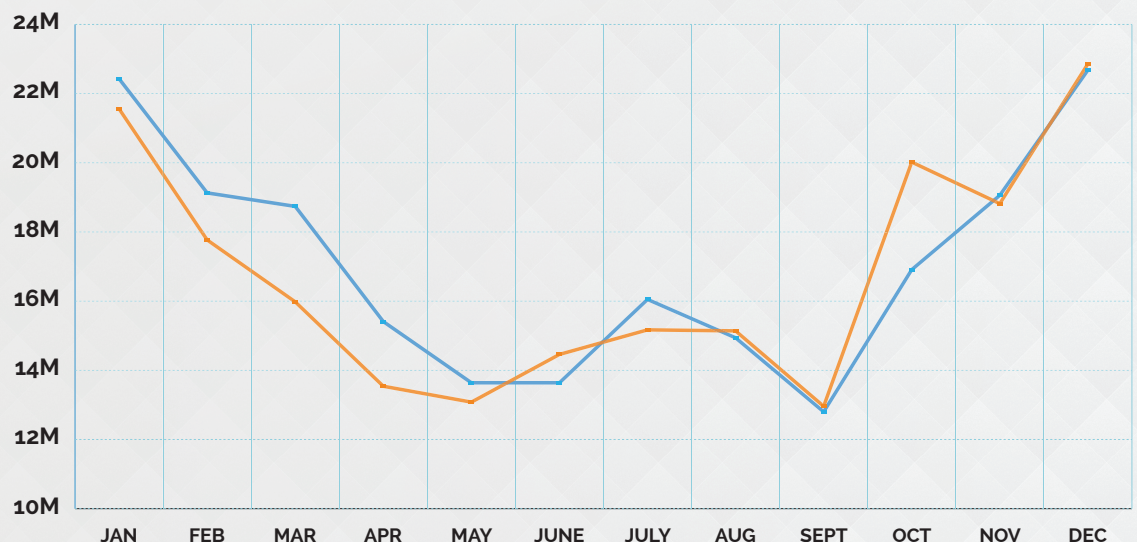
Capital Credits Paid Out



Budget vs Actual kWh Sales 2016

kWh's Sold Actual

kWh's Sold Budget



2016 in Review 2016 in

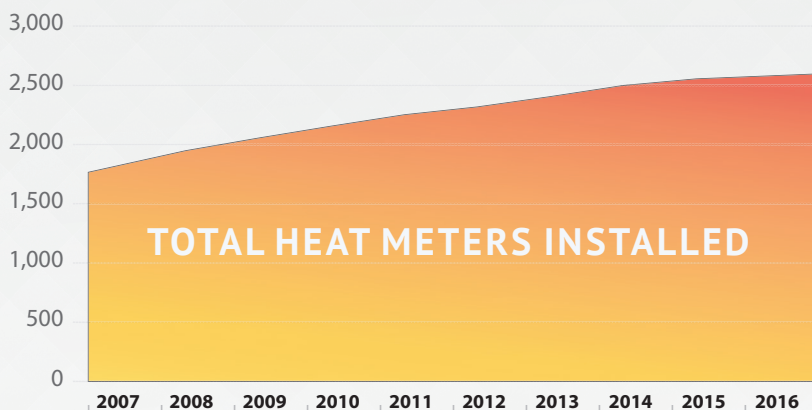
Around the Cooperative

OPERATIONS ACTIVITY

- ✂ Replaced/rebuilt 13.55 miles of underground/overhead line
- ✂ Converted 10.75 miles of single-phase line to three-phase line
- ✂ Installed 1 mile of new underground single-phase line
- ✂ Connected 22 new services
- ✂ Tested and treated 2,500 distribution poles
- ✂ Installed 461 new distribution poles due to rot, service changes, road changes, storms and construction
- ✂ Responded to 458 Service calls
- ✂ Responded to 367 Gopher State One-Call locates

MEMBER SERVICES ACTIVITY

The Member Services Department continues to sell, install and service all different types of electric heat options. From heat pumps, baseboard heaters, under slab radiant heat, cove heaters, furnaces and boilers, they have an option to fit your needs. Members also qualify for a discounted rate on their electricity that is used for heat, as well as, for air conditioning (if a heat pump is installed).



Wes and Sue Erickson recently approached Minnesota Valley looking for assistance with finding the right heating and cooling system for a multipurpose shop on their property. Over the years, the Ericksons have collected a number of different antiques passed down through their families, as well as picking up pieces from around the area. These items include paintings from the late 1800s and early 1900s, old children’s toys, an antique wheelchair, a crutch from Sue’s great-grandfather and many more collectables and pieces of family history.

They decided to build the multipurpose shop so they would have a place to store and display all of this collected history. The shop also includes space for gatherings with family and friends. In 2016, Minnesota Valley worked with Wes and Sue to install a mini split heat pump system to both heat and cool their building. Mini split or ductless heat pumps are appealing because of their high efficiencies and ability to have different rooms at different temperatures.

“We are happy with the installation,” the Ericksons report. “Everything was explained well and done in an orderly fashion.” They are now able to enjoy their new shop with customizable heating and cooling provided by an energy-efficient system.



Review 2016 in Review

In the Community

MILLS CREEK GUN RANGE HELP

In the spring of 2016, Minnesota Valley Crews volunteered some of their own time to help Mills Creek Gun Range. They helped plow in cable, set the transformer and set up lighting.



CONGRATULATIONS TO OUR 2016 SCHOLARSHIP WINNERS



Olivia Bartz



Thomas Froland



Konnor Joseph King



Kelly Kvaal

YOUTH TOUR

Every year Minnesota Valley sends one high school sophomore or junior on the Electric Cooperative Youth Tour to Washington, D.C. On this tour, over 1,000 young people from across rural America are given the opportunity to see American government in action, tour our nation's capital, visit historic places of interest and meet many new friends.

"This trip was an amazing experience and I am so grateful that I was able to be the Youth Tour delegate for this co-op. I'd encourage other eligible youth to apply. It was definitely the trip of a lifetime. Thank you to the Minnesota Valley Cooperative Light and Power Association for making it possible."

~Anna VanRavenswaay (2016 Youth Tour Representative)



OPERATION ROUND UP

Through Operation Round Up, we give our member-owners, employees and directors the opportunity to give back to the community. Since the program's inception in 1995, Operation Round Up has awarded over \$164,000 to approximately 500 local organizations, groups and families. If you know of someone or an organization that would benefit from Operation Round Up funds, go to our website at www.mnvalleyrec.com or contact our office. Be sure that you are an Operation Round Up member by visiting our Operation Round Up booth at the Annual Meeting!

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!



Cooperative Statistics



HEADQUARTERS

Montevideo, MN

YEAR FOUNDED

1937

NUMBER OF ACTIVE SERVICES

5,259

NUMBER OF EMPLOYEES

29

NUMBER OF SUBSTATIONS

16

MILES OF LINE

3,273 Total

242 Transmission

2,688 Overhead

343 Underground

DENSITY

1.74 Services Per Mile

WHOLESALE POWER SOURCES

Basin Electric

Western Area Power

Administration (WAPA)

Employees

Staff



Back Row:
Bob Walsh,
Jill Sand,
Candice Jaenisch

Front Row:
Pat Carruth,
John Williamson

Operations



Back Row:
Bob Kratz,
Stacey Boike,
Don Snell

Front Row:
Brandon Bjelland,
Mark Sweno,
Scott Monson

Linemen



Back Row:
Andy Johnson,
Dave Dieter,
Loyd Canatsey,
Joe Schultz

Middle Row:
Trevor Diggins,
Eric Wollschlager,
Kent Smith,
James Hughes

Front Row:
Eric Landmark,
Blake Lymburner,
Mitch Christensen

The Seven Cooperative Principles

Office Services



Left to Right: Tracie Peterson, Lacey Wintz, Jill Strand

Member Services



Back Row: Jerrad Perkins
Middle Row: Scott Kubesh, Duane O'Malley
Front Row: Mark Johnson

1. 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.

2. Democratic Member Control:

Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions.

3. Members' Economic Participation:

Members contribute to, and democratically control, the capital of their cooperative.

4. Autonomy and Independence:

Cooperatives are autonomous, self-help organizations controlled by their members.

5. Education, Training and Information:

Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperative.

6. Cooperation Among Cooperatives:

Cooperatives serve their members most effectively and strengthen the cooperative by working together.

7. Concern for Community:

While focusing on member needs, cooperatives work for the sustainable development of their communities.

Basin Tour

We all flip a light switch, get a glass of cold milk from the refrigerator, watch TV and do countless other things without even thinking about the electricity that allows us to do them. It's something we have come to take for granted. But co-op members who have attended the annual Basin Tour, stop to think about what they learned each time they use something that uses electricity.

Again in 2017, Minnesota Valley will be sending co-op members on the Basin Tour. This trip includes a tour of the Garrison Dam, a resource used for hydroelectric power production, flood control, irrigation, recreation, municipal and industrial water supply and downstream navigation; a visit to the Antelope Valley Station, where you are able to see the process of generating electricity and a trip into the world of coal mining at the Coteau Freedom Coal Mine, where you see how the over burden is removed in order to get to the coal seam and also viewed land reclamation efforts.

Along with all the fun, traveling and food, tour members learn “the story behind the switch”. It is remarkable to learn what is actually involved in the process of bringing electricity into our lives.

