



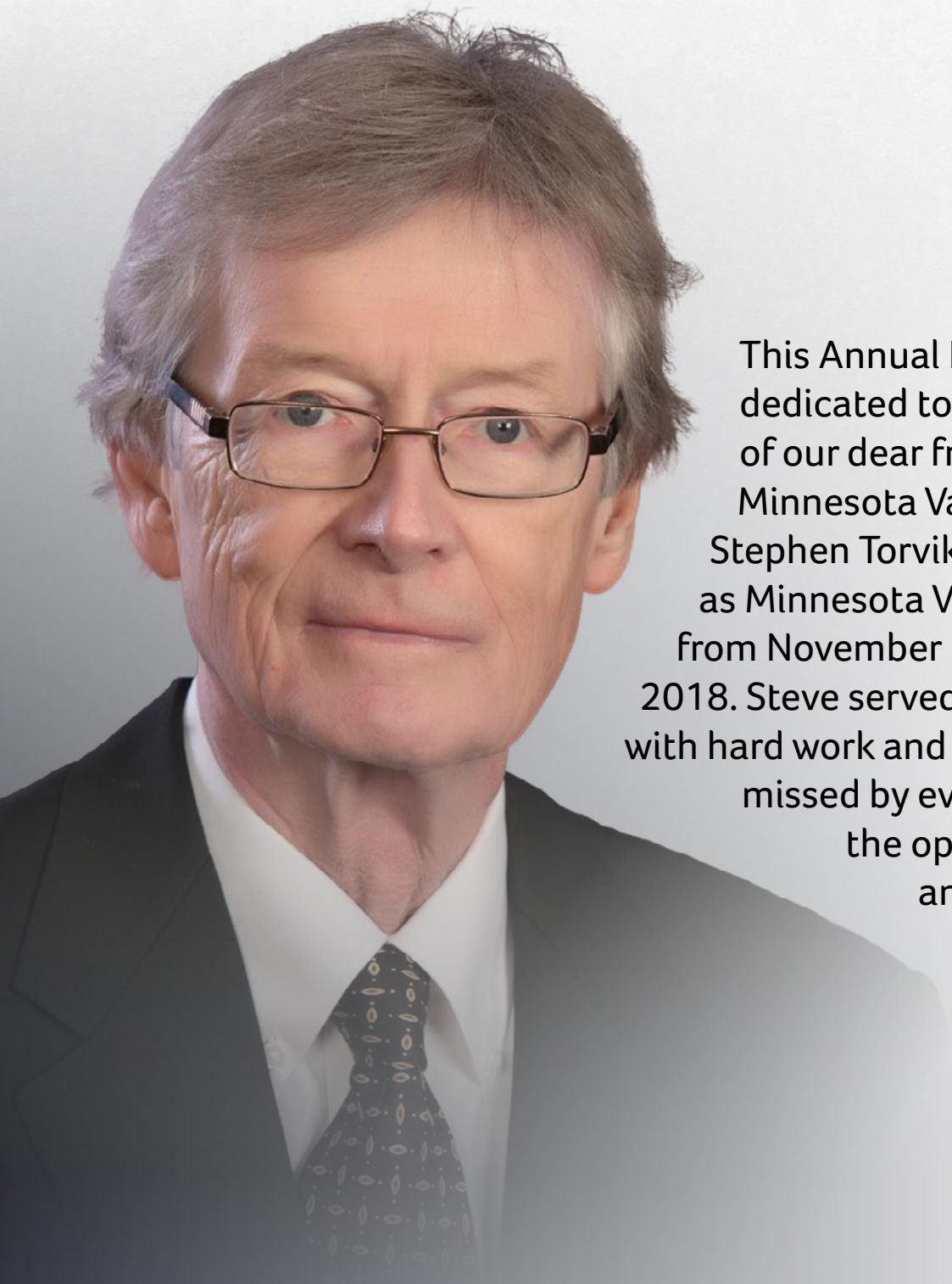
Minnesota Valley Cooperative
Light & Power Association

Annual Report



2
0
1
8





This Annual Report is dedicated to the memory of our dear friend and Minnesota Valley Attorney, Stephen Torvik. Steve served as Minnesota Valley's Attorney from November 1992 until March 2018. Steve served the cooperative with hard work and dedication. He is missed by everyone who had the opportunity to know and work with him.

STEPHEN TORVIK | 1942-2018

Board of Directors



Don Fernholz
District 1



Gary Groothuis
District 2



Mark Peterson
District 3



Steve Norman
District 4



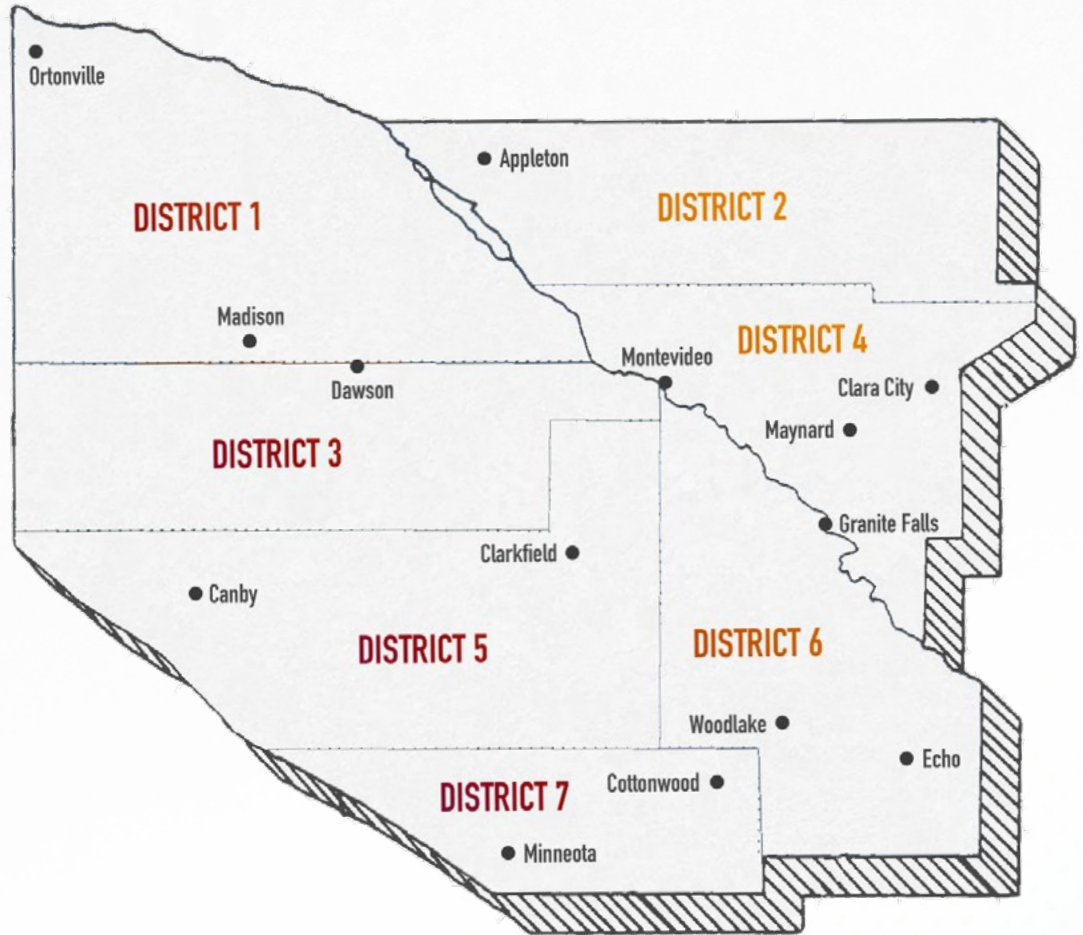
Darryl Bursack
District 5



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 favorably 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.

Board and Manager's Report to the Members

We are pleased to report to you another year of financial and operational success for your cooperative. The year 2018 will be remembered for rain, rain and more rain. We had a late spring, rainy summer followed by an early wet fall. Fortunately, we did not experience any severe weather events causing extensive damage to our system.

Financially, we had a good year at the cooperative. We ended the year with a total margin of \$3,494,868, which includes an operating margin of \$1,127,003. Both are strong numbers for our cooperative. Of course, the important number is the operating margin. The operating margin tells us if this year's revenue is covering this year's expenses. The total margin includes an allocation from our power supplier of \$1,496,749, which of course is not cash. Anyway, we ended the year in good financial shape, so the board approved retiring the balance of 2005 and 25% of 2006 patronage for

a total of \$1,571,611. This will be paid out at the Annual Meeting on March 30th.

Operationally, it was a pretty typical year. All construction projects in the first year of our 4-Year Construction Work Plan were completed. We also worked through all of the maintenance projects planned for the year such as testing and treating poles, changing oil in our oil circuit reclosures and maintaining the equipment in each of our 16 distribution substations. We also made good progress on right-of-way clearing in the northeast quadrant of our project. When that quadrant is finished, we will move to the northwest quadrant early in 2019. In 2018, we completed our conversion in most of our computerized systems to the National Information Solutions Cooperative out of Mandan, ND. This software conversion included everything from billing and accounting to staking and inventory. Changing software is always a big deal no matter



Back Row: Steve Norman, Tim Velde, Don Fernholz, Gary Groothuis

Middle Row: Matt Haugen, *Attorney*; Pat Carruth, *General Manager*

Front Row: Darryl Bursack, Wayne Peltier, Mark Peterson

what business you are in. This was a big project and took all employees working hard to work through all of the bugs to get the entire system functionally operational. If you have not been on our website lately, you should give it a whirl. You can visit our SmartHub and find a lot of helpful information about your account and manage your account. You can also learn more about SmartHub on pages 8 and 9 of this report.

For 2019, we again have a busy year planned. We are in the second year of our new 4-Year Construction Work Plan of about \$11,000,000. We will be starting some easement work for rebuilding the last 18 miles of transmission on our circuit from Appeldorn Delivery Point Substation west of Boyd to the City of Madison. The actual segment is just west of the Watson Substation going west to Madison. We plan to rebuild that in two sections in 2020 and 2021.

The rebuild of the Blair Delivery Point Substation near Gary, SD was pushed off until 2019. We expect this project to start in March and be finished up by year end. We own that substation 50/50 with East River Electric Cooperative. Our share of the cost is estimated to be about \$2.1 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 installed in 2016.

In 2018, we mourned the loss of our good friend and co-op Attorney, Stephen Torvik. Steve became our attorney in November of 1992 and served us and the area community with distinction up until his passing on March 21st. Being a cooperative attorney was naturally easy for Steve because he believed completely in the cooperative business model. In addition to being a hard worker, he had great common sense and a quick wit. He was a good listener and counselor. After he gave you a good listening to, he would give you his two cents if that's what you were looking for. Most of the time, it was good advice. Steve is sorely missed by Minnesota Valley and the area community. He was a friend. Blessed be his memory.

In closing, we want to thank the employees for the dedicated work they do. They are always ready to step up to the task no matter what comes our way. We want to thank the Board for the time they put in governing and overseeing your electric cooperative power system from mine mouth to meter in your yard. Most importantly, we want to thank you, the member-owners, for your support and patronage. Thank you! We are looking forward to all working together to make 2019 another successful year for Minnesota Valley Cooperative Light and Power Association.

Sincerely,



A handwritten signature in black ink that reads "Steve Norman".

Steve Norman
Board President



A handwritten signature in black ink that reads "Pat Carruth".

Pat Carruth
General Manager

Balance Sheet

Assets (what we own)

	2018	2017
Electric Plant		
Investment in Utility Plant	\$73,684,463	\$71,470,939
Less: Accumulated Depreciation	(26,044,421)	(24,669,331)
Net Utility Plant	47,640,042	46,801,608
Investments		
Loans to Members <i>(energy conservation, wiring, central air systems and electric heating)</i>	330,387	307,678
Capital Credits from Basin	8,429,078	7,328,198
Memberships in and capital credits from other associated organizations	511,508	699,957
National Rural Utilities Cooperative Finance Corporation	1,685,735	1,586,075
Other Investments	832,429	804,697
Total Investments	11,789,137	10,726,605
Current Assets		
Cash and Cash Equivalents	842,806	379,216
Members/others owe us for electrical energy service, etc.	2,405,568	2,605,638
Materials for line construction and maintenance	990,026	1,181,635
Prepaid Expenses and Accrued Assets	160,508	122,552
Total Current Assets	4,398,908	4,289,041
Deferred Debits	851,941	1,046,086
TOTAL ASSETS	\$64,680,028	\$62,863,340
Liabilities (what we owe)		
Long-term Debt		
Rural Utilities Service & Federal Financing Bank	\$22,743,671	\$19,632,587
Cooperative Finance Corporation (CFC)	2,298,545	2,669,994
National Cooperative Service Corporation (NCSC)	320,976	734,934
Co-Bank	8,921,901	9,311,584
Current Maturities of Long-term Debt	(2,110,976)	(2,167,958)
Total Long-term Debt Less Current Maturities	32,174,117	30,181,141
Current Liabilities		
Current Maturities of Long-term Debt	2,110,976	2,167,958
Notes Payable	2,566,133	4,654,378
Accounts payable <i>(power, materials, etc.)</i>	1,077,331	1,420,531
Other Current Liabilities	724,507	874,523
Security Deposits	54,960	56,520
Total Current Liabilities	6,533,907	9,173,910
Deferred Credits & Other Liabilities	1,485,675	861,243
TOTAL LIABILITIES	\$40,193,699	\$40,216,294
MEMBERS' EQUITY	24,555,842	22,647,047
Other Equities	\$(69,513)	
TOTAL LIABILITIES & MEMBERS' EQUITY	\$64,680,028	\$62,863,341

Statement of Operations & Patronage Capital

	2018	2017
Operating Revenues		
Electric	\$21,201,718	\$19,411,082
Other	228,269	85,371
Total Operating Revenues	\$21,429,987	\$19,496,453
Operating Expenses		
Cost of Power	\$11,299,392	\$11,580,334
Transmission-Operations	36,815	23,875
Transmission-Maintenance	272,694	288,351
Distribution-Operations	1,415,227	1,232,148
Distribution-Maintenance	764,624	757,968
Customer Accounts	250,153	197,284
Customer Service and Informational	581,165	586,559
Administrative and General	1,644,378	1,615,135
Depreciation and Amortization	2,059,171	1,942,995
Interest on Long-term Debt	1,234,127	1,000,333
Other	851,209	798,472
Total Operating Expenses	\$20,408,955	\$20,023,454
Operating Margin	\$1,021,032	\$(527,001)
Generation and Transmission and Other Operative Capital Credits	1,598,633	609,102
Net Operating Margin	\$2,619,665	\$82,101
Non-Operating Margin		
Interest Income	755,976	793,156
Other	119,225	183,651
Total Non-Operating Margin	875,201	976,807
Net Margin	\$3,494,866	\$1,058,908
Patronage Capital- Beginning of Year	22,148,544	22,259,276
Retirement of Capital Credits	(1,087,568)	(1,169,640)
Patronage Capital- End of Year	\$24,555,842	\$22,148,544

Become a Participant in Operation Round Up!

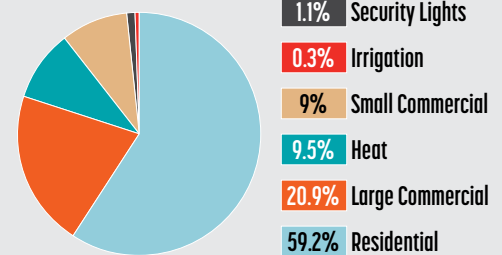


By participating in Operation Round Up, members allow the cooperative to round up their monthly bill to the nearest dollar. For example, if your actual electric bill is \$72.40, we will round it up to \$73.00 and the extra 60¢ goes into the Operation Round Up Trust Fund.

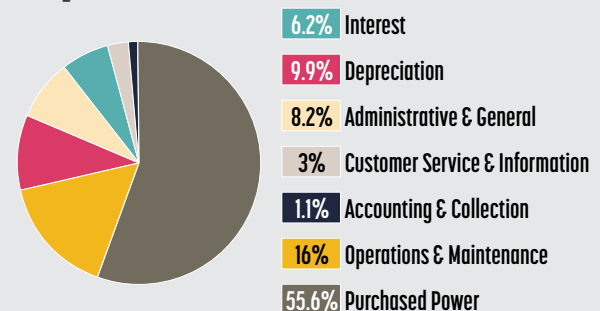
It's easy to join. Call the office at 320.269.2163 or 800.247.5051 or send a note with your next energy payment telling us you want to start contributing.

Although your monthly contribution may not seem like much, the combined contributions of all participating members adds up to a big help for those in need. So join now to partner with us to help our area communities.

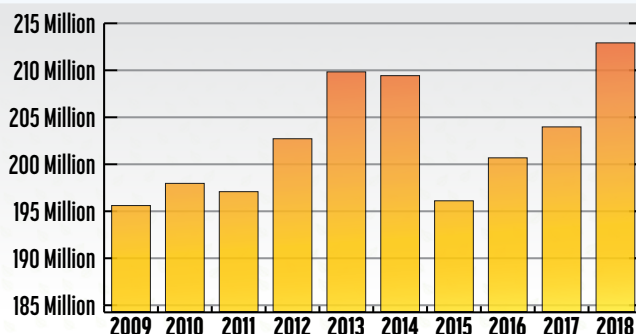
Income



Expenses



KWh Sales Year Over Year



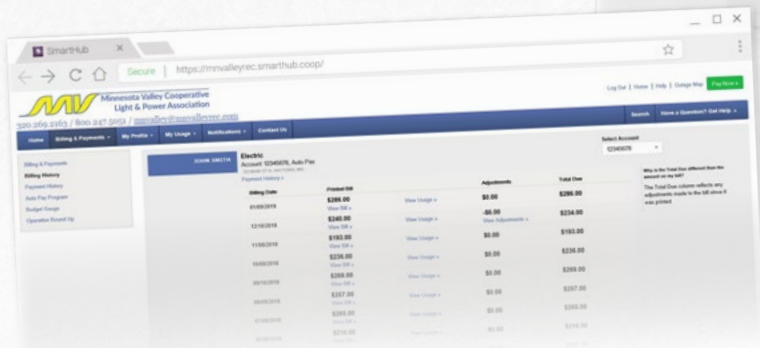
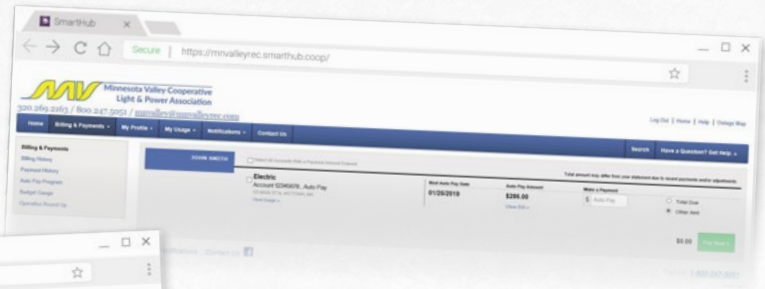
Features of SmartHub

SmartHub is a web and mobile app that allows our members to interact with us like never before. View and pay your bill, monitor usage 24/7, report service issues, get live updates on outages and more.



Make a payment:

Make a one-time payment online or set up auto pay through SmartHub.



View your bill history:

View your billing history to see how this month's bill compares to previous months.

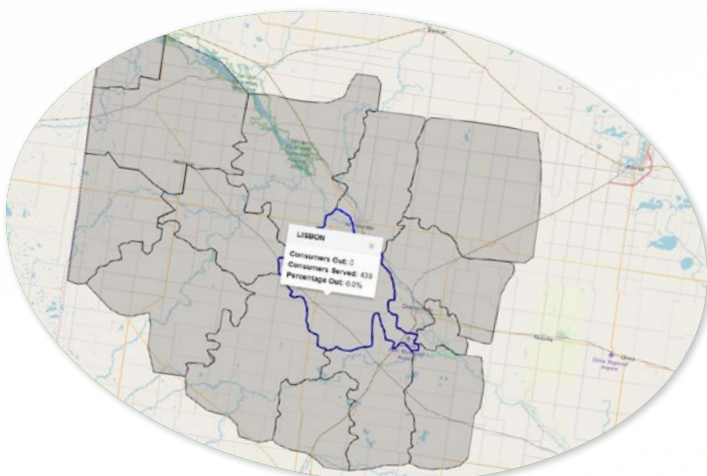
View your usage:

Use the usage explorer feature to find information on your energy usage. SmartHub gives you the ability to view your usage total for the month or day. You also have access to view what your heat meter is using. Curious about how the temperature outside is affecting your usage? SmartHub provides high/low and average temperatures for each day or a monthly average.



See outage map:

Use SmartHub to access our live Outage Map. This interactive map reports if we are experiencing outages. View by substation or by county to see how many of your neighbors are out.



Sign Up for SmartHub Today!

To Sign Up Through Our Website:



- 1) Visit www.mnvalleyrec.com and click the button labeled *SmartHub* then select the *New User Sign Up* link
- 2) Click the <https://mnvalleyrec.smarthub.coop> link
- 3) On the SmartHub login page, select *New User*
- 4) Enter your account information and choose *Submit*
- 5) A temporary password will be sent to the email address you provide. When you receive the email, click the login link and use the temporary password.
- 6) Change your password and choose *Confirm* to access SmartHub

To Sign Up Through the App:



- 1) Download the app from the Apple App Store or the Google Play Store by searching for “*SmartHub*”. If duplicates appear, our partner, *National Information Solutions Cooperative*, provides the correct app.
- 2) Find Minnesota Valley Cooperative by location or name and *Confirm*
- 3) Select the *New User* link
- 4) Enter your account information and choose *Register*
- 5) A temporary password will be sent to the email address you provide. When you receive the email, click the login link and use the temporary password.
- 6) Change your password and choose *Continue* to access the SmartHub app

A third option: bring your smartphone to the Annual Meeting and a Minnesota Valley employee will help get you signed up for a SmartHub account!

BACKGROUND

A little over a year ago, we decided to convert our aging accounting and billing system to a new platform. We began implementing the services offered by National Information Solutions Cooperative (NISC). In addition to accounting and billing, we are utilizing NISC’s platform to manage other aspects of our cooperative. We believe that these new software solutions will better serve our members.

2017
OCTOBER 23rd

Accounting and
Business Solutions

2018
JANUARY 15th

Customer Care
& Billing

2018
AUGUST 22nd

Outage Management
& Mapping

Employees

Staff



Back Row: Jill Rothschadl, Jill Sand
Front Row: Pat Carruth, Bob Kratz, Bob Walsh

Operations



Back Row: Stacey Boike, Don Snell
Front Row: Eric Wollschlager, Mark Sweno, Brandon Bjelland, Scott Monson



Linemen

Back Row: James Hughes, Trevor Diggins, Blake Lymburner, Andy Johnson
Middle Row: Mitch Christensen, Kent Smith, Joe Schultz
Front Row: Eric Landmark, Tommy Lee, Dustin Cole

Office Services



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

Member Services



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

Community



Scholarships and Youth Tour

Every year, Minnesota Valley partners with Basin Electric to sponsor educational scholarships for 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. Participating rural electric cooperatives across the country each select a high school student from their service area for the trip. The trip combines leadership opportunities, sight-seeing tours and the opportunity to learn first-hand what it is like to be involved in politics and participate in today's pressing issues in the energy industry.

Electrical Safety

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!



Basin Tour

Make plans to attend this summer's Basin Tour. Minnesota Valley brings a group of co-op members on a tour that includes seeing the inner workings of the Garrison Dam, a visit to Antelope Valley Station and a trip into the world of coal mining at the Co-teau Freedom Coal Mine.



Along with all the fun, traveling and food, tour members will learn *"the story behind the switch"*. Anyone who has ever been there will tell you it's an "enlightening" experience and a great way to spend three days! Take advantage of this unique opportunity to learn what is involved in the process of bringing electricity into our lives.

Also, members will be able to sign up for a chance to win Basin Tour trips at the Annual Meeting!

Big Stone Power Plant Student Tours

Last year Minnesota Valley sponsored two student tours to the Big Stone Power Plant in Big Stone City, South Dakota. Ninth graders from Lakeview Public School in Cottonwood and Montevideo High School toured the coal-fired power plant to learn more about electricity and how it is generated.

"Minnesota Valley is working with the local school systems in educating their students about what it takes to supply power to our consumer-members," explains

Bob Walsh, Member Services Manager at Minnesota Valley. "We also want to show students the things that power companies do to make coal a safe, reliable and clean power source."

The cooperative hopes that by sponsoring these tours, students will understand more about electricity, have an opportunity to see first-hand how a coal plant operates and consider the possibility of a career in the electrical field.



81st Annual Meeting Notice

Saturday, March 30th at Prairie's Edge Casino in Granite Falls: 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 Credit Refunds: The balance of 2005 and 25% of 2006, a total of \$1,571,611.

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

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

Operation Round Up: New and current members can sign up for Operation Round Up to receive a chance to win a Basin Tour trip. Also, new members who sign up have a chance to win two \$50 cash drawings.

Directors: The following Directors will be serving 3-year terms.

- ◆ **District 2:** Gary Groothuis
- ◆ **District 4:** Steve Norman
- ◆ **District 6:** Tim Velde

Basin Tour Drawing: Drawings will be held for the annual Basin Tour scheduled for July 16th-18th, 2019.



New this year! Bring your smartphone to the Annual Meeting and a Minnesota Valley employee will help get you signed up for a SmartHub account!