



2019 ANNUAL REPORT



Minnesota Valley Cooperative Light & Power Association



82nd Annual Meeting Notice



Saturday April 4th 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 2006 and 2007, a total of \$1,557,064.

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 to the cooperative's finances, operations and future plans.

Operation Round Up: New and current members can sign up for Operation Round Up and receive a chance to win a Basin Tour trip or a \$50 cash prize.

Nominees for Each District:

District 5:	District 7:
Darryl Bursack	Wayne Peltier
Ross Eischens	

Basin Tour Drawing: Drawings will be held for the annual Basin Tour scheduled for July 21st-23rd, 2020.



Board of Directors



Don Fernholz
District 1



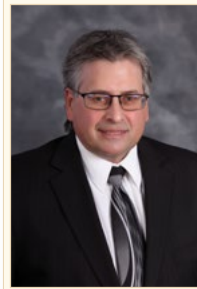
Gary Groothuis
District 2



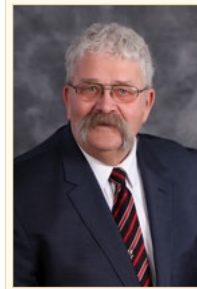
Mark Peterson
District 3



Steve Norman
District 4



Darryl Bursack
District 5



Tim Velde
District 6



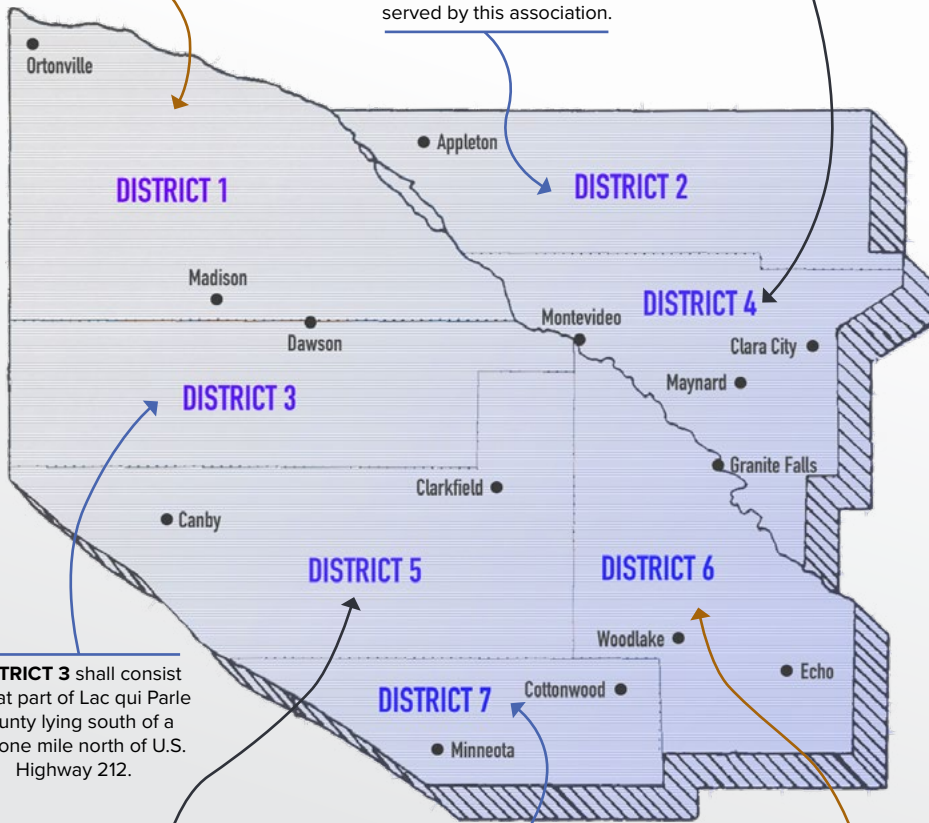
Wayne Peltier
District 7

District Map Definitions

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.

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



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

We are pleased to report to you another year of financial and operational success for your cooperative. The year 2019 was very similar to 2018, in terms of weather. Rain, rain and more rain. We had a late spring extended by the April 10th storm that brought over 20 inches of snow and ice. This was followed up by a rainy summer and a wet fall.

Operationally, it was a pretty typical year. All construction projects scheduled in 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 reclosers and maintaining the equipment in each of our 16 distribution substations. We also completed right-of-way clearing in the northeast quadrant of our project. We will be clearing line in the northwest quadrant for all of 2020. The April storm took down one of our 3 phase feeders which crosses the river

southeast of Granite Falls. High water all year prevented us from making permanent repairs until December. We also had to deal with a flooded distribution substation. Our Riverside Substation southwest of Dawson flooded after the April storm and water levels simply would not drop. Our transformer, regulators and control building were sitting in water. We pumped the substation out in July and replaced our control building, which was flooded, with a new one. The new building was put up on cement pillars should this substation flood again.

The rebuild of the Blair Delivery Point Substation near Gary, SD was completed in 2019. We own that substation 50/50 with East River Electric Cooperative. Our share of the cost was just over \$2.2 million. With the Blair rebuild complete, you now have three transmission delivery points that are in good overall shape, which should serve you well 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.

As we closed 2019, Minnesota Valley became the sole owner of our Karian Peterson Power Line Contracting, LLC of Montevideo. Back in 2000, Minnesota Valley and six other distribution cooperatives bought two small contractors, Karian and Peterson, and put them together as one business. Karian Peterson presently has about 50 employees, mostly linemen, that build and repair distribution and transmission line for cooperatives and municipals in Minnesota, Iowa and the Dakotas. This past year, the other six partners decided to exit the business for various and individual reasons and Minnesota Valley assumed their shares of the business. Minnesota Valley has always used Karian Peterson as our main contractor even when it was just Peterson Electric before 2000. Anyway, we are excited to continue moving forward with our Karian Peterson Power Line Contracting of Montevideo. Steady as she goes.

Financially, we had a good year at the cooperative. We ended the year an operating margin of \$411,099. 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 and it is. The net margin or total margin of \$3,919,123 was unusually large this year because of the Karian Peterson Power Line Contracting transaction. Our financials needed to recognize or account for a gain of \$2,261,523. The total margin also includes an allocation from our power supplier of \$475,977 which, of course, is not cash. Our power supplier, Basin Electric, did retire patronage this past year getting partially into the year 2003. Our share was \$395,063 and this, of course, was cash. Anyway, we ended the year in good financial shape, so the board approved retiring the balance of 2006 and all of 2007 patronage for a total of \$1,557,064. This will be paid out at the Annual Meeting on April 4th.

For 2020, we have again a busy year planned. We have about 20 miles of distribution line scheduled to be rebuilt along with all of the routine maintenance tasks that must be completed to keep the system operating properly. We are 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. We will begin work on the next 4-Year Construction Work Plan, which will include more reconstruction of our 243 mile transmission system. After the Watson to Madison line is rebuilt, we will have 165 miles of line older than 25 years. Most of that remaining line is 50 to 60 years old. We have made the decision to work towards systematically rebuilding that last 165 miles over the next 20 years or so.

You will notice in this report we give you a brief overview of the power pool that we are part of, Southwest Power Pool or SPP. The organization is basically a clearinghouse for generation sources from everyone that is part of the pool. They also coordinate the transmission for those in the power pool. Members in the pool still own their individual generation and transmission assets. They simply choose to coordinate them as a group for the benefit of all involved. You will notice the generation makeup of the of the entire SPP group is a bit different than our Basin Electric. Our Basin Electric has more affordable and reliable coal-fired power plants in our generation portfolio. That is a good thing.

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 2020 another successful year for Minnesota Valley Cooperative Light and Power Association.

Sincerely,



Steve Norman
Board President



Pat Carruth
General Manager

Balance Sheet

Assets (what we own)

	2019	2018
Electric Plant		
Investment in Utility Plant	\$77,633,008	\$73,684,463
Less: Accumulated Depreciation	(27,691,363)	(26,044,421)
Net Utility Plant	49,941,645	47,640,042
Investments		
Loans to Members <i>(energy conservation, wiring, central air systems and electric heating)</i>	317,643	330,387
Capital Credits from Basin	8,408,559	8,429,078
Memberships in and capital credits from other associated organizations	544,641	511,508
National Rural Utilities Cooperative Finance Corporation	1,691,464	1,685,735
Other Investments	3,464,952	832,429
Total Investments	14,427,259	11,789,137
Current Assets		
Cash and Cash Equivalents	1,066,982	842,806
Members/others owe us for electrical energy service, etc.	2,495,037	2,405,568
Contracts Receivable	541,113	-
Costs/estimated earnings in excess of billings on uncompleted contracts	145,950	-
Materials for line construction and maintenance	1,357,709	990,026
Prepaid Expenses and Accrued Assets	249,475	160,508
Total Current Assets	5,856,266	4,398,908
Deferred Debits	651,212	851,941
TOTAL ASSETS	\$70,876,382	\$64,680,028
Long-term Debt		
Rural Utilities Service & Federal Financing Bank	\$23,981,373	\$22,743,671
Cooperative Finance Corporation (CFC)	1,929,071	2,298,545
National Cooperative Service Corporation (NCSC)		320,976
Co-Bank	8,716,021	8,921,901
Current Maturities of Long-term Debt	(2,458,569)	(2,110,976)
Total Long-term Debt Less Current Maturities	32,167,896	32,174,117
Current Liabilities		
Current Maturities of Long-term Debt	2,458,569	2,110,976
Notes Payable	5,546,604	2,566,133
Accounts payable <i>(power, materials, etc.)</i>	1,325,400	1,077,331
Other Current Liabilities	908,575	724,507
Security Deposits	53,620	54,960
Total Current Liabilities	10,292,768	6,533,907
Deferred Credits & Other Liabilities	1,626,611	1,485,675
TOTAL LIABILITIES	\$44,087,275	\$40,193,699
MEMBERS' EQUITY	26,808,622	24,555,842
Other Equities	\$(19,515)	\$(69,513)
TOTAL LIABILITIES & MEMBERS' EQUITY	\$70,876,382	\$64,680,028

Liabilities (what we owe)

Statement of Operations & Patronage Capital

	2019	2018
Operating Revenues		
Electric	\$21,058,989	\$21,201,718
Other	235,169	315,655
Total Operating Revenues	\$21,294,158	\$21,517,373
Operating Expenses		
Cost of Power	\$11,451,894	\$11,299,392
Transmission-Operations	48,874	36,815
Transmission-Maintenance	258,603	272,694
Distribution-Operations	1,537,304	1,415,227
Distribution-Maintenance	874,095	764,624
Customer Accounts	268,141	250,153
Customer Service and Informational	628,625	581,165
Administrative and General	1,563,296	1,644,378
Depreciation and Amortization	2,135,606	2,059,171
Interest on Long-term Debt	1,282,972	1,234,127
Other	833,649	851,209
Total Operating Expenses	\$20,883,059	\$20,408,955
Operating Margin	\$411,099	\$1,108,418
Generation and Transmission and Other Cooperative Capital Credits	475,977	1,598,633
Net Operating Margin	\$887,076	\$2,707,051
Non-Operating Margin		
Interest Income	697,446	755,976
Other	2,334,601	31,839
Total Non-Operating Margin	3,032,047	787,815
Net Margin	\$3,919,123	\$3,494,866
Patronage Capital- Beginning of Year	24,555,842	22,148,544
Retirement of Capital Credits	(1,666,343)	(1,087,568)
Patronage Capital- End of Year	\$26,808,622	\$24,555,842

SUBSIDIARIES

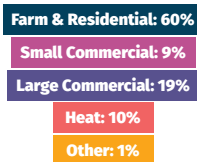
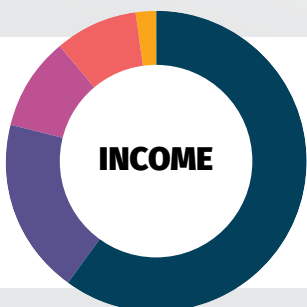


Minnesota Valley Cooperative is sole owner of Minnesota Valley Tree Service located in Granite Falls. The primary purpose of the tree service is right-of-way clearing for power lines.

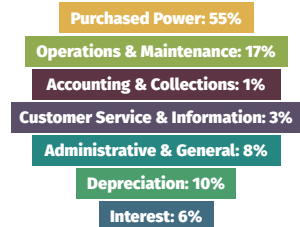
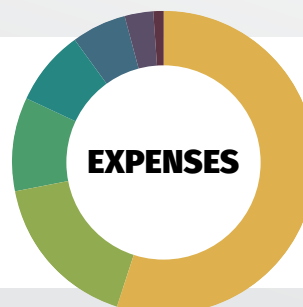


Minnesota Valley Cooperative is sole owner of Karian Peterson located in Montevideo. The business specializes in construction and maintenance of distribution and transmission power lines.

INCOME



EXPENSES

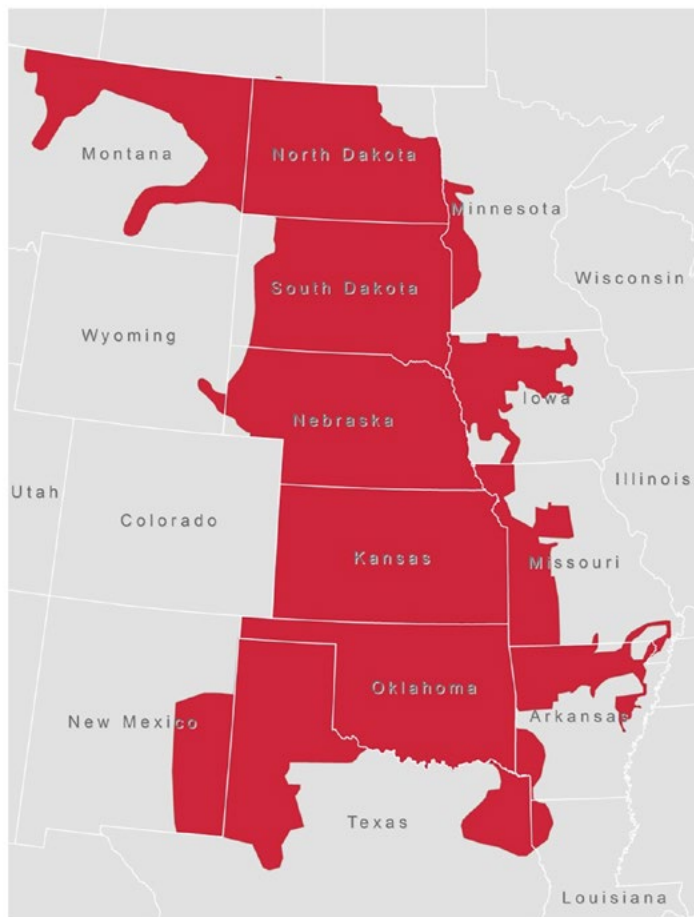


Minnesota Valley Cooperative's Relationship with Southwest Power Pool

Over the years, our industry has seen many changes to the way we generate and move electricity. The electrical grid and wholesale power market has become much more integrated. With these changes, comes an increased complexity in operating both the generation and transmission of power across the region. This has led many utilities to join different Independent System Operators to ensure the reliable supply of power, adequate transmission infrastructure and competitive wholesale electricity prices.

Back in 2015, our power supplier, Basin Electric, entered into a partnership with Southwest Power Pool (SPP). SPP was founded in 1941 by eleven regional companies in Arkansas. In 2004, The Federal Energy Regulatory Commission (FERC) approved SPP as a Regional Transmission Organization. Today, SPP covers a 546,000 square-mile region including more than 66,000 miles of high-voltage transmission power lines.

SPP is one of nine independent system operators/regional transmission organizations (ISOs/RTOs). SPP acts as an "air-traffic controller" of the electric grid. SPP does not own the generation feeding into the power grid or the transmission lines that make up the grid; they independently operate the grid minute-by-minute. Basin Electric continues to own and operate its own generation facilities, according to the needs of the grid under SPP direction. SPP takes the electricity generated from Basin and 97 other members and facilitates the sale and purchase of the electricity to ensure cost-effective electric reliability across their territory.



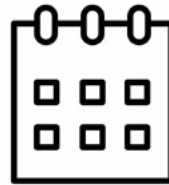
SPP has 98 members in 14 states: Arkansas, Iowa, Kansas, Louisiana, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas and Wyoming.

- ◆ Service territory: 546,000 square miles
- ◆ Substations: 5,003
- ◆ Generation plants: 757
- ◆ Miles of transmission: 66,892

Services Provided by Southwest Power Pool



Reliability Coordination: SPP monitors power flow throughout their footprint and coordinates regional response in emergency situations or blackouts.



Regional Scheduling: SPP ensures that the amount of power sent is coordinated and matched with power received.

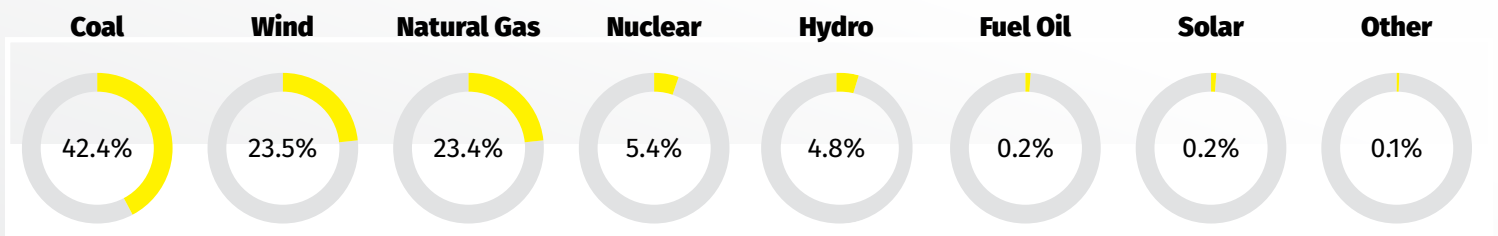


Transmission Expansion Planning: SPP's planning processes seek to identify system limitations, develop transmission upgrade plans and track project progress to ensure timely completion of system reinforcements.

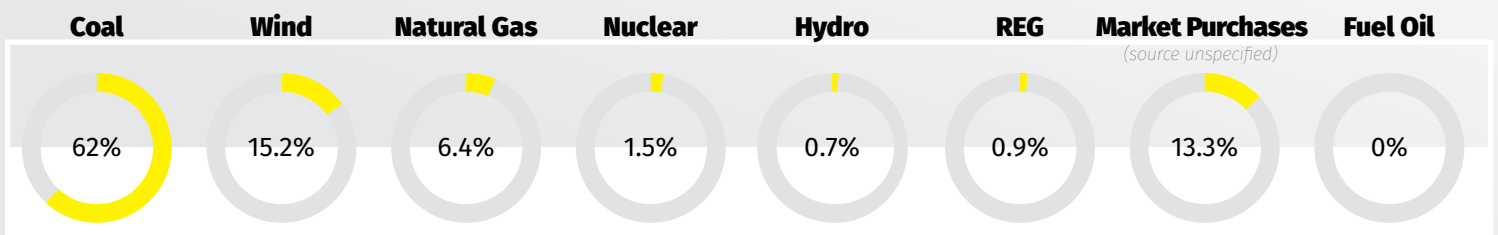


Market Operations: SPP's Integrated Marketplace is the mechanism through which they facilitate the sale and purchase of electricity to ensure cost-effective electric reliability throughout their 14-state region.

Southwest Power Pool Energy Production (based on MWh)



Basin Energy Production (based on MWh)



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 Involvement

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 Demonstration

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!



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 about 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!



Become a Participant!

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. Join now to partner with us to help our area communities!

501 S 1st St • P.O. Box 248
Montevideo, MN 56265

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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 a Basin Tour trip at the annual meeting.

ANNUAL BASIN TOUR
JULY 21ST-23RD, 2020

