



ANNUAL REPORT 2020



Minnesota Valley Cooperative
Light & Power Association

GH SCHOOL HOME OF



83rd Annual Meeting Notice

Saturday, March 20th at Lac qui Parle High School: Doors open at 10:00 a.m. The meeting will be called to order at 10:30 a.m. We will be serving coffee, water and a donut.

Capital Credit Refunds: 80% of 2008, a total of \$1,605,000. We will be mailing all capital credit checks prior to the meeting. We will not be handing out checks at the meeting.

Prize Drawings: We will be having a prize drawing at the end of the business meeting. There will not be a *Kids Room* this year.

Nominees for Each District:

District 1: Don Fernholz

District 3: Mark Peterson

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 cooperater.*
- ◆ *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 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.

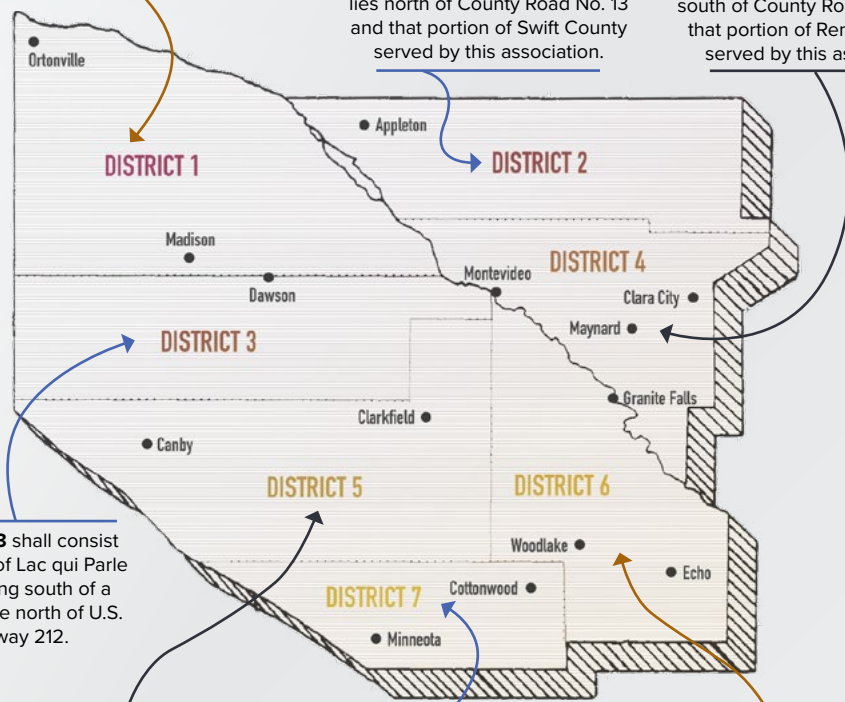
DISTRICT 4 shall consist of that part of Chippewa County lying south of County Road No. 13 and that portion of Renville County served by this association.

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.



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. Good weather conditions all year long allowed us to knock out much more work than we had planned on. We also were spared, for the most part, from any severe storms causing widespread damage to our power lines.

Financially, we had a better than expected year at the cooperative—especially considering our sales were down by almost 8%. We ended the year with a total margin of \$2,742,685, which includes an operating margin of \$1,638,020. 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 \$420,056, which of course, is not cash. Anyway, we ended the year in good financial shape, so the board approved retiring 80% of 2008 capital credits of \$1,605,000. This year all checks will be sent out in the mail just ahead of the Annual Meeting on March 20th.

Operationally, it was a great year for us. We completed all planned construction projects ahead of schedule and were able to roll right into work scheduled for 2021. We finished about half of the 18 miles of transmission line rebuild between our Watson Substation and the City of Madison. Karian Peterson Power Line Contracting of Montevideo is building that line. They will complete that in 2021. We made good progress on right-of-way clearing. We expect to complete the northwest quadrant of our system by the end of the



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

first quarter of 2021 and will be moving to the southwest quadrant of our project. All of our right-of-way clearing is, of course, done by our Minnesota Valley Tree Service out of Granite Falls. We have owned and operated Minnesota Valley Tree Service since 1999. Minnesota Valley Tree Service had a successful year financially and operationally, as well. They produced a margin of \$131,489. In addition to clearing trees from our power lines, they trim trees for other utilities and private parties. Minnesota Valley accounted for about 75% of their total revenue for 2020.

Minnesota Valley became the sole owner of Karian Peterson Power Line Contracting of Montevideo at year end 2019. In August of 2000, Minnesota Valley and six other rural electrics bought two small contractors, Karian of Lakeville and Peterson of Montevideo and put them together. Karian Peterson Power Line Contracting employs 50, of which most are linemen, and builds distribution and transmission line for electric utilities in the Dakotas, Iowa and, of course, Minnesota. We, the seven cooperatives, ran the business together for 19 years until some of the owning cooperatives expressed interest in getting out. We made that happen for them. This cooperative, Minnesota Valley, is different from any other distribution cooperative in the state in the fact that we are the only one that owns and operates our own transmission line. That differentiation brings more risk and responsibility than a typical electric distribution cooperative and your board understands that. The decision to keep Karian Peterson Power Line Contracting was an easy one for your board. The board understands we need access to men and equipment, not

only for helping to build our distribution and transmission line, but for power restoration when storms hit. In addition to building line for use, they build line for many other cooperatives, municipals and investor-owned utilities. They produced a margin of \$1,257,961. Minnesota Valley accounted for about 18% of their total revenue.

For 2021, we have another busy year planned. The Work Plan calls for about \$5.5 million in system improvements or new construction projects in 2021. Over \$2 million of these construction projects will be transmission line rebuilding. This will be the first year of our next four-year \$23 million Construction Work Plan. The next several Four-Year Construction Work Plans will include reconstruction of our 243-mile transmission system. After the Watson to Madison line is rebuilt this year, 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 25 years.

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 the 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 2021 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)

	2020	2019
Electric Plant		
Investment in Utility Plant	\$81,436,917	\$77,633,008
Less: Accumulated Depreciation	(29,235,800)	(27,691,363)
Net Utility Plant	52,201,117	49,941,645
Investments		
Loans to Members <i>(energy conservation, wiring, central air systems and electric heating)</i>	294,661	317,643
Capital Credits from Basin	8,448,471	8,408,559
Memberships in and capital credits from other associated organizations	560,149	544,641
National Rural Utilities Cooperative Finance Corporation	1,695,578	1,691,464
Other Investments	4,442,481	3,464,952
Total Investments	15,441,340	14,427,259
Current Assets		
Cash and Cash Equivalents	1,904,514	1,066,982
Members/others owe us for electrical energy service, etc.	2,138,046	2,495,037
Contracts Receivable	388,137	541,113
Costs/estimated earnings in excess of billings on uncompleted contracts	18,330	145,950
Materials for line construction and maintenance	2,000,876	1,357,709
Prepaid Expenses and Accrued Assets	332,066	249,475
Total Current Assets	6,781,969	5,856,266
Deferred Debits	457,064	651,212
TOTAL ASSETS	\$74,881,490	\$70,876,382

Liabilities (what we owe)

Long-term Debt		
Rural Utilities Service & Federal Financing Bank	\$30,823,955	\$23,981,373
Cooperative Finance Corporation (CFC)	1,752,487	1,929,071
National Cooperative Service Corporation (NCSC)	1,513,065	
Co-Bank	7,580,031	8,716,021
Current Maturities of Long-term Debt	(3,354,520)	(2,458,569)
Total Long-term Debt Less Current Maturities	38,315,018	32,167,896
Current Liabilities		
Current Maturities of Long-term Debt	3,354,520	2,458,569
Notes Payable	1,000,000	5,546,604
Accounts payable <i>(power, materials, etc.)</i>	1,140,534	1,324,653
Other Current Liabilities	1,085,128	908,575
Security Deposits	54,220	53,620
Total Current Liabilities	6,634,402	10,292,021
Deferred Credits & Other Liabilities	2,033,478	1,626,611
TOTAL LIABILITIES	\$46,982,898	\$44,086,528
MEMBERS' EQUITY	27,864,034	26,809,369
Other Equities	\$34,558	\$(19,515)
TOTAL LIABILITIES & MEMBERS' EQUITY	\$74,881,490	\$70,876,382

Statement of Operations & Patronage Capital

	2020	2019
Operating Revenues		
Electric	\$19,832,582	\$21,058,989
Other	7,052,983	235,169
Total Operating Revenues	\$26,885,565	\$21,294,158
Operating Expenses		
Cost of Power	\$10,091,568	\$11,451,894
Transmission-Operations	31,537	48,874
Transmission-Maintenance	263,567	258,603
Distribution-Operations	1,495,548	1,537,304
Distribution-Maintenance	942,569	874,095
Customer Accounts	281,802	268,141
Customer Service and Informational	628,536	628,625
Administrative and General	1,942,582	1,563,296
Depreciation and Amortization	2,742,257	2,135,606
Interest on Long-term Debt	1,007,491	1,282,972
Other	5,820,088	833,649
Total Operating Expenses	\$25,247,545	\$20,883,059
Operating Margin	\$1,638,020	\$411,099
Generation and Transmission and Other Cooperative Capital Credits	522,628	475,977
Net Operating Margin	\$2,160,648	\$887,076
Non-Operating Margin		
Interest Income	593,712	697,446
Other	(11,675)	2,334,601
Total Non-Operating Margin	582,037	3,032,047
Net Margin	\$2,742,685	\$3,919,123
Patronage Capital- Beginning of Year	26,808,622	24,555,842
Retirement of Capital Credits	(1,687,273)	(1,666,343)
Patronage Capital- End of Year	\$27,864,034	\$26,808,622

This institution is an equal opportunity provider and employer.

Cooperative Statistics

HEADQUARTERS

Montevideo, MN

YEAR FOUNDED

1937

NUMBER OF MEMBERS

4,436

NUMBER OF ACTIVE SERVICES

5,474

NUMBER OF SUBSTATIONS

16

MILES OF LINE

Total: 3,282

Transmission: 243

Overhead: 2,665

Underground: 374

DENSITY

1.8 Services Per Mile

WHOLESALE POWER SOURCES

Basin Electric

Western Area Power

Administration (WAPA)



Minnesota Valley Cooperative Construction Projects

At Minnesota Valley Cooperative, our main purpose is to provide affordable, safe and reliable electricity to our members. We continually work to maintain and improve our system in order to provide our mem-

bers with the best service now and in the future. With every project we plan, we look at bringing value to our members through choosing cost-effective solutions that reduce system losses and increase reliability.

Delivery Points

We have three transmission delivery points that split our system into thirds. Blair Substation near Gary, SD, Granite Falls Substation north of Granite Falls and Appeldorn Substation west of Boyd. These three delivery points feed our 243 miles of transmission line, 16 distribution substations and 3,039 miles of distribution

line. Most recently, in 2019, we rebuilt the Blair Substation, which we own 50/50 with East River Electric. In 2016, we replaced the transformer at our Granite Falls delivery point. Our Appeldorn delivery point came online in 2012. We now have three delivery points to serve our membership well for several decades.

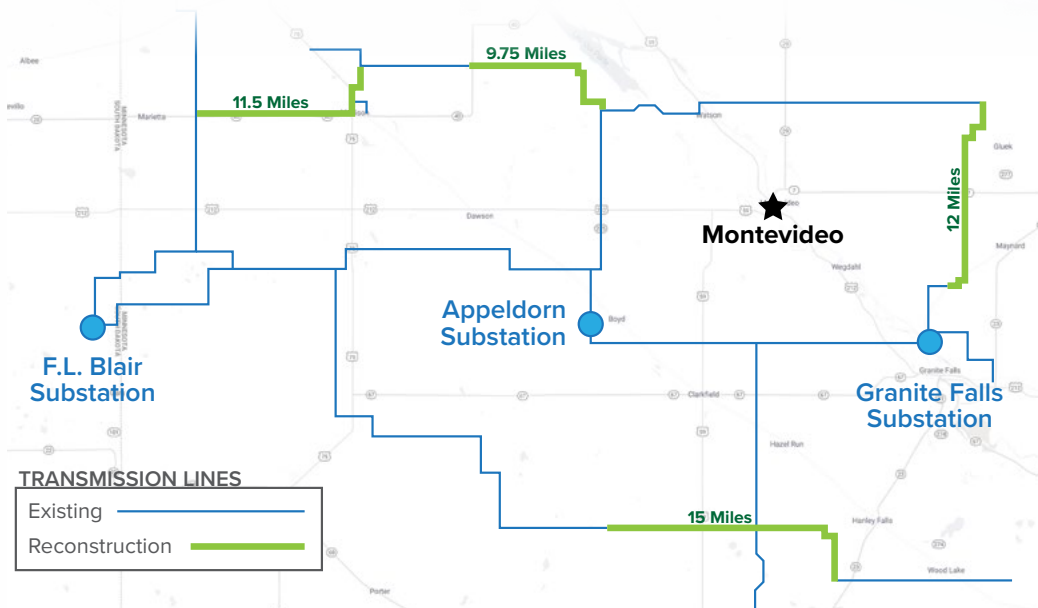


Transmission Line

Minnesota Valley owns and operates 243 miles of 69 kV transmission line. Over the next several Four-Year Construction Work Plans, we will be reconstructing our transmission line. We will be addressing aging sections and will be able to provide more reliable service to our distribution substations. In 2020, Karian Peterson rebuilt 9 miles of our transmission line from Watson to Madison. Our current Four-Year Construction Work Plan, from 2021-2024, has just over 48 miles of transmission line being rebuilt. Over the next 25 years, we will continue to systematically rebuild the rest of our aging transmis-

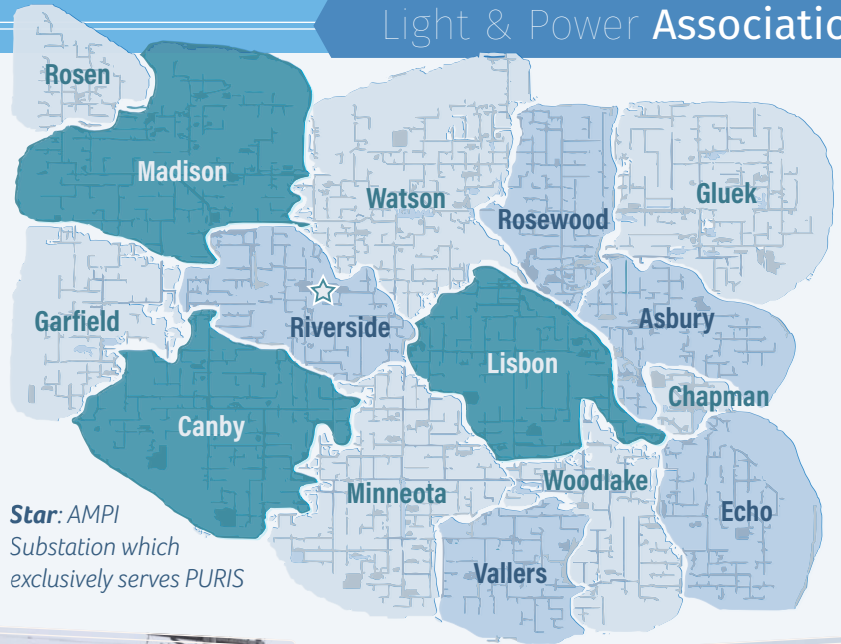
sion line utilizing our subsidiary, Karian Peterson, to do the construction. A total of 165 miles of transmission line will be rebuilt. All of the 165 miles is over 25

years old, with the majority of it being 50 to 60 years old. When completed, our transmission line will be able to serve Minnesota Valley for many decades.



Distribution Substations

Minnesota Valley owns and operates 16 distribution substations across our system. We have been and will continue to work to maintain and improve the capacity and reliability of our distribution substations. In our current work plan, we have budgeted upgrades to transformers and regulators at Rosewood and Asbury Substations.



Star: AMPI Substation which exclusively serves PURIS

Distribution Line

Power is brought to our members with 3,039 miles of distribution power lines across our system. Throughout the year, our crews maintain and improve our distribution power lines. In our current Work Plan, we have numerous sections of distribution line that we will be upgrading. Minnesota Valley crews are also constantly working on maintaining our system.



Karian Peterson

In the summer of 2000, Minnesota Valley and six other Minnesota co-operatives joined together to form Karian Peterson Power Line Contracting. Karian Line Construction of Lakeville and Peterson Power Line Contracting of Montevideo were purchased and merged together to form Karian Peterson. With more than 50 years of combined experience, Karian Peterson specializes in transmission and distribution lines, substations and underground facilities. Karian Peterson is headquartered in Montevideo and has 50 employees.

For 19 years, Minnesota Valley maintained 1/7 ownership of Karian Peterson. Karian Peterson has always been an asset to us with

both construction projects and storm restoration. Having a power line contractor at our disposal means that we have priority when storms roll in and power goes down. At the end of 2019, the board took the opportunity to become the sole owner of Karian Peterson. Minnesota Valley is unique from other distribution co-operatives in the fact that we own and maintain our substations and transmission lines. This added responsibility made the decision to invest in Karian Peterson an easy

one. We will use them on construction projects, including building our new transmission lines. They will continue to work for other electric utilities across the Dakotas, Iowa and Minnesota. In 2020, they had a strong year and produced a margin of \$1,257,961; 18% of their total revenue came from Minnesota Valley. Karian Peterson will continue to be an asset to Minnesota Valley's members for many years to come. This is especially true as we continue to rebuild our transmission line over the next 25 years.



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



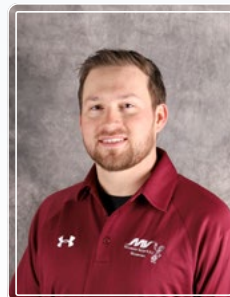
Andy Johnson



Blake Lymburner



Dustin Cole



Eric Landmark

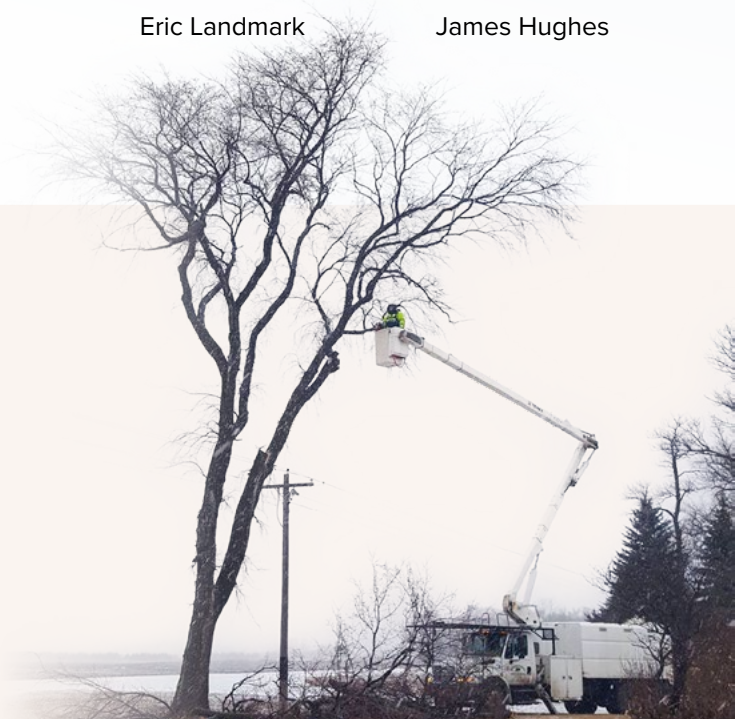


James Hughes

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.



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



Kent Smith



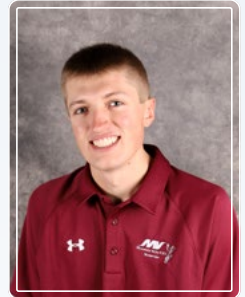
Mitch Christensen



Tommy Lee



Trevor Diggins



Tyler DeZeeuw



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.





Operation Round Up

Since January 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.

How does it work?

Operation Round Up is a Trust Fund set up separately from all other Minnesota Valley business and is used solely for the purpose of helping organizations, service groups and families in our service territory. Members who wish to participate will have their electric bill rounded up to the next highest dollar each month. 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.

How much will I contribute?

With this method of donating, the average annual contribution from a member who participates is \$6.00. The most a member could contribute would be \$.99 per month, or \$11.88 per year. Contributions are tax deductible. You may withdraw from the program at any time simply by

notifying Minnesota Valley. All Minnesota Valley employees contribute to the fund by having their payroll checks rounded down once a month.

What can the money be used for?

Money in the fund has been used to support such programs as: fire fighting equipment for volunteer fire departments; lifesaving and communication equipment for ambulance crews, rescue squads or first responders; hospice programs; respite care, transportation needs and other necessary support for families who have a member with a disability; education scholarships; educational seminars; youth programs; Toys for Tots and similar programs; emergency energy assistance; recovery after natural disasters; clothing, shelter and medical services for families or individuals following an accident, storm or other emergency.

How can I get an application?

If you know of someone or an organization that would benefit from Operation Round Up funds, you can get an application by downloading it from our website at www.mnvalleyrec.com, by calling Minnesota Valley at (320) 269-2163 or (800) 247-5051 or requesting it by mail to *Minnesota Valley R.E.C., P.O. Box 248, Montevideo, MN 56265*.

The Operation Round Up board members are:

- ⊙ Jon Kleven
- ⊙ Wendy VanRavenswaay
- ⊙ Kelly Aalfs
- ⊙ Richard Phinney
- ⊙ Janet Bossuyt
- ⊙ Norman Viken
- ⊙ Yvonne Severson