The 7 Cooperative Principles

Electric cooperatives are private, independent electric utilities, owned by the members they serve. Democratically governed businesses, electric cooperatives are organized under the Cooperative (Rochdale) Principles, anchoring them firmly in the communities they serve and ensuring that they are closely regulated by their consumers.

1st Principle: 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.

2nd Principle: Democratic Member Control - Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies. Men and women serving as elected representatives are accountable to the membership. Most cooperatives continue to have equal voting rights - one member, one vote.

3rd Principle: Member Economic Participation - Members contribute equally to and democratically control the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. The member-elected directors allocate that capital to maintaining and improving the business.

4th Principle: Autonomy and Independence - Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

5th Principle: 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 cooperatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of cooperation.

6th Principle: Cooperation Among Cooperatives - Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7th Principle: Concern for the Community - While focusing on members' needs, cooperatives work for the sustainable development of their communities through policies accepted by the members.

Looking back at 75 years

Hopes of having electricity on their farms began to grow for rural residents in the early 1930s. As they watched their city counterparts enjoy the luxury and time saving advantages of having electricity in their homes, they became ever more passionate about attaining the same opportunity.

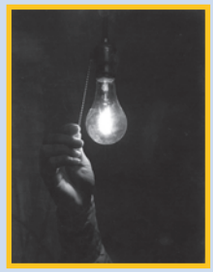
1935 - In May of 1935, President Franklin D. Roosevelt signed an Executive Order creating the Rural Electrification Administration (REA) to make loans available to power companies to extend lines into rural areas. But the private power companies for which this program was originally intended, did not apply for REA loans since they still did not think it was profitable to serve farmers. Leading farmers in our area held a meeting and voted overwhelmingly in favor of forming an electric cooperative.

The struggle to bring electricity to rural people was long and bitter. Many people were skeptical, including many farmers. They didn't think farm people could run an electric cooperative successfully. Nevertheless, electricity was a dream and a promise of a better future. It became a movement of the rural people.

1936 - A second meeting of area farmers was held at which the cooperative was organized and the articles of incorporation signed on March 12, 1936. The name of the new organization: Minnesota Valley Cooperative Light and Power Association. There was now an organization, a purpose and a goal. On May 20, 1936, with city utilities still not convinced it would be profitable to serve farmers, President Roosevelt signed the 2nd Executive Order. This order authorized people in rural areas to organize cooperatives and to apply for REA loans to build their own power lines and substations and serve themselves.

On April 11, 1936, a special meeting was held in Montevideo with representatives of the power companies including: Northern States Power Co.; Union Public Service Co.; Otter Tail Light and Power Co.; and the City of Granite Falls. They didn't get anywhere with them. The situation looked very bleak for the farmers. It was beginning to look as though the skeptics were right in saying the organizers were only "spinning their wheels."

Looking back at 75 years



By the mid 1930s, the determination of a group of area farmers to bring electricity to their rural areas brought about a first meeting in an attempt to form a rural electric cooperative. The meeting was attended by people on both sides of the fence - those who believed they could make their dream a reality and those who refused to believe that a group of farmers could operate an electric cooperative.

As the months sped past and the promised poles failed to go up along the roadsides, the "persons of little faith" were inclined to join the ranks of the scoffers. The board held another meeting on August 11, 1936, to discuss the power supply problem. After a lengthy discussion, the directors told a large assemblage of supporters that all attempts to get energy from the power companies had failed. The audience listened attentively.

Then Rev. Bouman of Posen Township offered a resolution which was unanimously adopted. It read that "whereas all efforts have failed to obtain power from the private companies, our board be empowered and is hereby authorized to make application to REA for a loan to build and erect a generating plant at a centrally located point in our area." This proved to be a turning point. Before REA could approve a loan, Northern States Power Co., offered the fledgling cooperative a one-year contract at one cent per kWh. This was accepted by the board of directors of Minnesota Valley Cooperative Light and Power Association.

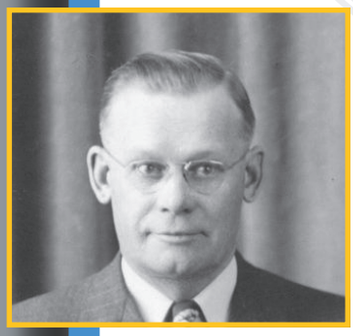
1937 - The board at that time consisted of fifteen members: five each from Lac qui Parle, Yellow Medicine and Chippewa counties. REA requested the number of directors be reduced to seven. This resulted in a new board being chosen consisting of E. L. Smith (President) and Norman Nelson of Chippewa County; C. A. Winslow (Vice President) and Oscar Torstenson of Lac qui Parle County; Ludwig Hanson (Secretary-Treasurer) and George Timm of Yellow Medicine County; and J. B. Gislason of Lyon County.

Looking back at 75 years

1938 – In July of 1938, a telegram was delivered to Ludwig Hanson. “The telegram was from U. S. Senator Henrik Shipstead,” Mr. Hanson recalled. “It stated a loan of $238,000 had been granted to our cooperative by REA.” Quietly rejoicing, the officers and directors went to work with renewed enthusiasm. The little nucleus of dedicated workers now was increased by volunteers from all parts of the three-county area. The skeptics quietly disappeared and in their place came men who were willing to go out in the country and sign up new members.

In July of 1938, a telegram was delivered to Ludwig Hanson. “The telegram was from U. S. Senator Henrik Shipstead,” Mr. Hanson recalled. “It stated a loan of $238,000 had been granted to our cooperative by REA.”

The first Minnesota Valley headquarters office was located in Granite Falls in an empty storage room at the Keegan Hotel. One of the first tasks facing the directors was to hire a project superintendent. They also had to rent a suitable office and let the contract for construction of the power lines. It was in this hotel room that the directors executed the mortgage loan contracts and advertised for bids for construction of the first section of line. Franzen Brothers of Palisade, MN, were the successful bidders.



A Swede Prairie Township farmer, Oscar W. Swanson, was chosen to manage the new operation. A farmer, Mr. Swanson had no previous experience in managing an electric cooperative but he proved to be a capable administrator. He held the job from 1938 until his death on May 23, 1956, for a total of 18 years.

The farm of Mr. and Mrs. Max Timm of Posen Township was the first to receive electricity on December 23, 1938. After the first section was energized, more and more farmers wanted electricity. New lines were constructed and new members signed up at a rapid pace until World War II halted large scale construction.

Looking back at 75 years

Radio helped bring the 20th century into the lives of rural Americans and, next to the iron, was the most popular and often the earliest purchase after the lights came on.

1942 – The co-op office was moved from Granite Falls to Montevideo.

1948 – When rural electric cooperatives were first organized, their directors and managers wondered greatly how they and their neighbors were going to use all the electricity the lines were built to carry. Forty kilowatt-hours (kWh) a month seemed impossible. Their apprehensions were short-lived. Ten years after the program "took off" in 1938, usage had risen to an average of more than 120 kWh per month.

A new Minnesota Valley headquarters building was constructed in 1948 on the south end of Main Street in Montevideo.

1950 – REA celebrates its 15th birthday on May 11, 1950. An impressive 85% of American farms have been electrified since 1935. At your Minnesota Valley REA, in spite of the many problems that had to be overcome, the co-op expanded by adding 893 consumers and 606 miles of line in the past year. The system has grown to where it now consists of 2,604 miles of line serving 4,912 farms and rural homes.

Each month, the number of new consumers and their names were published in "The REA News". The newsletter also reported on every appliance that was bought, who bought it, what brand they bought and where it was purchased. One month it reported that "Glenn Nelson of Louisburg decided to buy some appliances the other day and he really did a good job of it. He purchased an 8 cu. ft. refrigerator, console radio-phonograph combination, apartment size electric range, vacuum cleaner and a toaster. All five were General Electric appliances and were purchased from Ronglien Electric, Madison."

Looking back at 75 years

1951 – Minnesota Valley linemen played Santa Claus just a day or two before Christmas Day, bringing lights to members in the Canby area for the first time. It was a very cold day, but the men didn't mind. Following the cold, snowy winter, flooding affected the "REA" building on Main Street in Montevideo. Close to two feet of water surrounded the cooperative headquarters building.

Willie Wiredhand became the rural electric cooperative symbol. He was created by Andrew McLay, a National Rural Electric Cooperative Association (NRECA) freelance artist at the time, and adopted by NRECA's membership in 1951. Willie came along when hundreds of advertising characters, promoting everything from bleaches to stomach antacids, already were in the marketplace. For whatever reason, people connected and responded to these characters. Reddy Kilowatt, Willie Wiredhand, Katie Cord, Handy Heat and Miss Flame were among the many characters created to answer the challenge of personifying a very intangible product. The quest for an answer led to a court battle between Willie and Reddy Kilowatt, spokes character of investor owned utilities. The creator of Reddy, Ashton Collins, who licensed his character to private power companies, had refused to let co-ops use the symbol. NRECA countered by developing its own symbol, Willie. Collins and a coalition of 109 IOUs sued young Willie on July 24, 1953, accusing co-ops of infringing on

Outage troubles? What do you do?

Published in May, 1951 issue of "The REC News"

Cases have arisen where members have waited all day for the power to come back on, then called in the evening to report an outage. Now perhaps these people just don't want to be bothersome, or perhaps they leave it for their neighbor to do the reporting.

Others think the line crew can tell when the power is off. Let's take a hint from your school fire drills and go through a short OUTAGE DRILL.

When the power goes off:

(1) Check your fuses and yard pole switches. It would be mighty embarrassing to have linemen drive miles to find that the trouble is only a fuse or switch.

(2) Listen to the meter. Put your ear to the meter and listen for a hum. If there is a hum, the trouble is on your farm and your responsibility. If there is no hum, then you have an outage.

(3) Wait one hour. Very seldom is the line being worked on for over an hour at a time. (And you can't blame the linemen for turning it off to work on it.)

(4) Call the REA office or your member of the board of directors. If it has been reported already, they will tell you.

If you follow the above rules, you are doing much to give yourself better service.

Looking back at 75 years

Reddy's registered trademarks and practicing unfair competition.

1954 – Hubert H. Humphrey spoke at Minnesota Valley REA's Annual Meeting on June 9, 1954, which was attended by 1,000 members and their guests.

1955 – The Minneota Substation, located in the southwest corner of section 10 of Swede Prairie Township, was energized on March 1, 1955. Co-op membership has reached 5,365 at the present time. The average power consumption has increased from 47 kWh per month the first year to 341 kWh per month today.

1956 – Minnesota Valley REA General Manager, Oscar Swanson, passed away on May 23, 1956.

Eddie H. Lake was hired as the new Manager at Minnesota Valley Cooperative Light and Power Association effective November 1, 1956.

1957 - From Manager Lake's column: "I was just studying the results of a recent survey we made on quantity of electrical appliances and equipment used by our members. Results are quite interesting. Out of the 5,500 members, 4,948 answered the survey. Of the members reporting, the list shows 2,756 have an electric range; 1,068 have electric clothes dryers; 2,983 freezers; 2,756 electric water heaters; 4,792 refrigerators; 3,331 pressure water systems; 349 automatic clothes washers; and 2,833 television sets. These figures indicate 50 percent of the members are cooking and heating water electrically. The other 50 percent are using either bottle gas or wood. I would like to see this 50 percent group convert to using their own

Willie Wiredhand beats Reddy Kilowatt in civil court battle

- July, 1956

U.S. Federal Judge Harry E. Watkins awarded a clear-cut victory to the rural electric's Willie Wiredhand in his legal battle for survival instigated by the power companies' Reddy Kilowatt. The judge compared the physical anatomy of the two characters, concluding a lack of similarity and added, "The names of the two characters are entirely different in spelling, appearance and sound, and the meaning is about as different as could be imagined." Continuing, he said, "The name Reddy Kilowatt suggests the idea of electric energy which is always ready. The name Willie Wirehand is a play on the conventional term used in rural communities to designate a farm worker, namely the 'hired hand' and suggests electricity through the substitution of the Wired for Hired. The two figures are not confusingly similar." Congratulations, Willie!

Looking back at 75 years

product - electricity - for which they so strongly fought for in the early years when they considered buying new equipment. Patronizing your own cooperative, buying from your own co-op, will make your organization stronger."

Minnesota Valley Co-op Light and Power Association and 18 other western and southwestern Minnesota electric cooperatives started receiving hydroelectric power on December 20, 1957 from the Federal dams in the Missouri Basin hydro projects. This earmarks a very significant step forward in that the co-op's wholesale power costs will be decreased somewhat. The cost of Bureau power to the co-op is five and one half mills, plus one and one half mills charged by Northern States Power Co. for standby services, making our cost of Bureau power delivered to our substation a total of seven mills. NSP Co. also received one mill from the Bureau for wheeling this same power. Savings to the cooperative affected in the wholesale power cost, from the present 2,900 kw allotment, will average somewhat over $4,000 per month. Although this is a substantial savings for the co-op, it will not warrant reduction in retail rates. It will help to meet the increased operating costs caused by heavy pole replacements and increased material and labor costs during the recent years. In the case of your REA Co-op, there has only been a 9 percent increase in rates since 1938, while most of their expense items have gone up over 100 percent or more.

1958 - Manager Lake said in his monthly report to members, "It's much easier and cheaper to maintain service in urban areas. You are not faced with a lot of travel time and long distances to travel. In comparison, our co-op has 1.9 members per mile of line, whereas in Montevideo, Dawson and Granite Falls, the density is very easily from 50 to 100 consumers per mile. Still, by our careful operating methods, the co-op is able to deliver energy to you at costs comparable and cheaper than the private utilities in the area charge."

1960 - May 1960 marks the 25th anniversary of Franklin D. Roosevelt's signing of the order that electrified rural America.

During the early morning of December 24th, the new 69 KV Asbury Substation located four miles north of Granite Falls was energized.

Looking back at 75 years

At the time the Rural Electrification Administration (REA) was created on May 11, 1935, only 13,783 (6.8 percent) farms in Minnesota were receiving central station electric service. Current REA estimates show that 162,950 farms in the state, or 98.6 percent of all farms recorded in the 1954 Census, were being served by June 30, 1959. REA borrowers serve about 83.4 percent of these electrified farms.

1961 – Rural electric leaders from a six-state area met in Bismarck, North Dakota, to formally organize Basin Electric Power Cooperative and to ratify and adopt a resolution requesting a loan of $114 million from REA. Basin Electric was incorporated as a North Dakota corporation on May 5, 1961, in the governor's office.

The first automatic yard lights were installed for co-op members in March of 1961.

At the end of 1961, the co-op had 5,810 services, 420 of which are idle. Net revenue for the year, or operating margins left over and above expenses, amounts to $323,692.

1962 - At ceremonies in REA Administrator Norman Clapp's office on May 10, REA formalized the granting of a $36,000,000 loan to Basin Electric for building a 200,000 kilowatt lignite burning thermal electric plant in North Dakota. The ceremony was attended by a group from southwest Minnesota and Basin Electric president Art Jones. Minnesota Valley Cooperative Light and Power Association was represented by Eddie Lake, Manager, and Oscar Torstenson from the board of directors. Approval of the Basin Electric proposal is a culmination of work begun by the Department a year ago to meet a critical power shortage for preference customers in the Missouri River Basin in 1965.

The Board of Directors of Minnesota Valley, at their June meeting, signed the $755,000 loan documents with REA for additional funds to make additions and "heavying up" improvements in the distribution system. To date, including this loan, the cooperative has received Section 4 loans in the amount of $5,354,000, and of this total, $4,446,701 is for construction of 2,978 miles of distribution line to serve 5,878 consumers and $907,299 for the construction of 114 miles of 69,000 volt transmission line and equipment.

Looking back at 75 years

As time went on, rural electrics often had to defend their status and success. This article was written in the September 1962 co-op newsletter. “Recently, considerable propaganda has been distributed implying that Rural Electric borrowers and Public Power projects are about to take over the power industry in the U.S. Facts show that this is not true. The facts are gathered by the Federal Power Commission and REA’s Annual Statistical Report. The facts are that REA borrowers do only 4.8% and Public Power projects only 6.1% of the total volume of business of the U.S. power industry. Thus, the privately owned electric utilities do 89% of the electrical business in the U.S. The facts are that REA borrowers and Public Power projects are not about to take over the majority of the electric power supply business and propaganda to the effect that they will, is absurd.”

1963 - **Basin Plant ceremony held:** Ground breaking ceremonies were held on June 22nd at the site where the $36.6 million, 200,000 kilowatt Leland Olds Plant of Basin Electric Power Cooperative, Inc., will be built. Hundreds of people from several states and the nation’s capital came to visit the stretch of rolling land, adjoining the Missouri River, five miles southeast of Stanton, ND. Representing Minnesota Valley Cooperative Light & Power Ass’n. were: Eddie H. Lake, Manager; Donald Sundin, Secretary; Orville Kompelien, Treasurer; and directors Andy Grimm and Henry Hanson.
The plant, scheduled to go into operation in 1964, will generate low cost electric power for nearly 250,000 consumers of about 115 rural electric cooperatives in eight Missouri Basin states.

1964 - In June, Minnesota Valley announced that it will add 29.9 miles of 69 KV transmission line to its present 74.4 miles of 69 KV line. The new transmission line will make it possible for the cooperative to receive direct delivery of power from the Bureau of Reclamation. This direct delivery of power will eliminate wheeling agents and excessive fees and make it possible to obtain power in the future from the 200,000 KW Basin Electric Power Cooperative plant located near Bismarck, ND. It is expected that the line and facilities will be built and ready for connection to the Bureau of Reclamation Substation near Granite Falls by November 1964.

Lisbon Substation located three miles east and three miles north of Clarkfield is expected to be completed late this fall.

Looking back at 75 years

1965 - Construction on the Basin Electric Power Cooperative Leland Olds Power Station near Stanton, ND, 45 miles northwest of Bismarck, was well past the half-way mark as of April 1965. The plant will be the largest lignite-fueled power station in the Western Hemisphere. Full commercial operation of the plant is planned for December. The plant's location gives it access to water, fuel and a transmission grid - three essentials for a steam generating plant. Water is taken from the Missouri River at a point about 12 miles below the Garrison Dam. Western North Dakota is underlaid with lignite coal - and the mine which serves the Leland Olds Plant is adjacent to the site. The plant has its own transmission line of 9.9 miles to Washburn, where it hooks onto the Bureau of Reclamation's transmission grid. The Bureau will wheel the power to Basin Electric's cooperative members. Plans are already underway for a second unit for the plant, to be of 400,000 kilowatt capacity. A study by the Missouri Basin Systems Group, an operating power pool of Missouri River Basin consumer-owned power systems, indicates that by 1980 the region will require 3.4 million kilowatts of additional thermal generating capacity. Given present costs, the most economical place to build the generation is on the lignite fields of North Dakota.

Beginning in September of this year, there will be a Lineman Electrician course offered at both Jackson and Wadena Vocational Schools. The course will consist of two years of training in the use of tools and equipment, the art of climbing, pole setting, line construction, map reading, mathematics and many other related subjects. This is an excellent opportunity for any young man who would like to become trained for a highly skilled, well paid and very secure job.

1966 - Basin Electric's Leland Olds Unit 1 generation plant, after several months of testing, went into commercial operation on January 10, 1966, when it began feeding the regional transmission grid. Approximately 20% of Minnesota Valley's monthly power requirement is purchased from Basin.

Looking back at 75 years

July 1, 1966 was another milestone in the history of Minnesota Valley Cooperative. It was on that date that the cooperative achieved two long sought goals: (1) Completion of a transmission loop which interconnects its nine substations, and (2) Direct delivery of power from the Bureau of Reclamation's substation at Granite Falls. The idea of a transmission loop connecting the substations was first envisioned about 12 years ago at the time the Bureau started building a substation near Granite Falls in the middle of our system area.

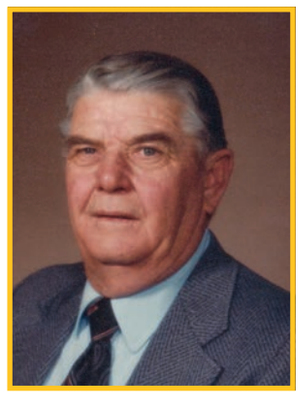
1972 - The F. L. Blair Substation, located five miles northwest of Gary, SD, was dedicated on June 30, 1972, by Minnesota Valley and East River Electric Power Cooperative who each own one half of the substation. It taps the U.S. Bureau of Reclamation line at 230,000 volts and reduces the voltage to 69,000 volts for use on the cooperatives' transmission systems. Minnesota Valley's transmission lines extend from the substation eastward and connect into its transmission loop.

1974 - Site dedication ceremonies for the new Basin Electric Power Cooperative headquarters building were held on July 11, 1974. Completion of the building is targeted for October 1975.

1975 - In December 1975 the Basin Electric headquarters building was completed and occupied. It houses the regional cooperative's staff which is engaged in the planning, design and construction management of future power supply projects currently underway to meet the growing power needs of Basin Electric's member systems.

1978 - Basin Electric announced that construction of their 880,000 kilowatt lignite fired Antelope Valley Station, located six miles south of Beulah, ND, started on June 14th. The first of the 440,000 KW units is scheduled to be on line and in operation in 1982 and the second 440,000 KW unit by 1983.

1979 - Minnesota Valley is now offering free energy audits of members' home to improve energy efficiency and save on heating and cooling costs.



1980 - Minnesota Valley Manager Eddie Lake retired on January 4th. Willard Freeman, co-op Line Superintendent, has been appointed Acting Manager. Mr. Freeman was later named Manager.

Looking back at 75 years

1984 - In April of 1984, a flyer was sent out in the Minnesota Valley Co-op News announcing the new Dual Heat Rate available to members of the co-op through Basin Electric. Qualifications and requirements were explained in the flyer. Almost any heating system could be converted to dual heat, with electricity being the primary heat source and oil, gas or wood as the backup source. Energy loans of up to $2,500 at 5% interest were available on a first come, first served basis to eligible consumers. The rate for dual heat was 1.5 cents below the low step in Schedule A. (Example: .0477 - .015 = .0327, or 3.27 cents per kWh.) The Dual Heat Rate (adjusted) and an Electric Heat Rate added later, are still available today.

1986 - Manager Bill Freeman has decided to retire. Replacing him in the position of General Manager will be Leroy Schecher. Schecher has had a long relationship with the rural electric program. He was hired by Grand Electric Co-op in Bison, SD, following college and remained there for the next 31 plus years. He became the General Manager in 1961 and took an early retirement in 1984. After a short time, he realized that he missed the rural electric organization and was hired by Minnesota Valley in March 1986.

In June, the co-op began a pilot pole testing program. Random samples on poles were taken across our system from poles that were installed in the late 1930s to 1950s. In this trial period, sample tests of different species of poles, different treatments and different manufacturers were taken. In the end, the co-op had a good idea of the condition of these poles. The object of the pole testing is to keep the cost of pole maintenance as low as possible and to be able to replace rotting poles before they become a safety hazard or cause outages. The program was very successful and continues today.

1987 - The way Minnesota Valley members have paid their monthly energy bills since the beginning of time, changed in November. No more figuring their own bills and

Looking back at 75 years

keeping track of billing supplies. Instead of figuring their own bill, all members need to do is send the co-op their meter reading on both the regular meter and the dual heat meter, if they have one. A computer generated itemized bill will then be sent showing kWh usage, the charge for those kWhs, sales tax, security light charge and tax, any other charges or credits and the total amount due. After the bugs were worked out and everyone adjusted to the change, it has proven to be an appreciated and easier system for our members.

1988 - Minnesota Valley was deeply saddened by the loss of lineman Doug Chapman. He died in an electrocution accident on February 26th at the Minneota Substation southwest of Clarkfield, while repairing apparatus at the substation.

A Service Technician has been added to the Member Services Department. The technician will offer preventative maintenance of all types of heating systems, be it gas, oil, electric or heat pump; service and inspect central air conditioning units; install electric water heaters; assist members in the planning and decision making process regarding the purchase of heating and cooling equipment, water heaters and other electric equipment and discuss their usage; arrange for member purchase and financing of such equipment through the co-op's low interest loan program; conduct energy audits; and answer energy questions.

An Electric Heat Rate was implemented on November 1st, while the Dual Heat Rate still remains in effect. The Dual Heat Rate has not changed and the new Electric Heat Rate means a lower rate for members using any amount of electric, without needing a backup heat system.

In December of 1988, legislation was adopted requiring anyone digging to a depth of 18 inches or greater by any means, to notify Minnesota's statewide notification center, Gopher State One-Call, at least 48-hours in advance of beginning any digging, for underground utility locations.

1989 – An addition and remodeling project was completed on the Minnesota Valley headquarters building located on South 1st Street in Montevideo, doubling the size of

Looking back at 75 years

the office space. Along with the building addition, a drive-up payment box was added on the driveway in front of the main office entrance.

At the Annual Meeting, members approved amendments to the Articles of Incorporation and Bylaws that will no longer require a $3.00 membership fee. Membership will still be required, but not the $3.00.

Minnesota Valley began selling, installing and financing the purchase of a window, wall or central air conditioner. This complemented the co-op's line of electric heating equipment, electric water heaters and electric barbecue grills.

1992 - Power plants operated by Basin Electric Power Cooperative ranked among the top six in low-cost power production in the U.S. for 1991. Laramie River Station (LRS) near Wheatland, WY, was rated Number 1 and the Antelope Valley Station (AVS) near Beulah, ND, Number 6, in the rankings by the Utility Data Institute (UDI). UDI, a data base and directory publisher in Washington, D.C., compiles electricity production costs of all U.S. power plants. There were 796 plants included in the 1991 survey.

1993 - Minnesota Valley became a founding member of the Cooperative Response Center (CRC) located in Austin, MN. CRC is now up and running. We were part of incorporating CRC for the sole purpose of answering our after-hours calls and serving as an answering center for our new First Call program (explained on next page). Dispatchers are at the call center 24 hours a day, every day of the year. They are knowledgeable about our business and its operating procedures so they can answer member questions or have someone from our office contact them the next business day. The CRC is equipped to handle a tremendous volume of calls at one time, which makes it easier for members to get through to let us know when they're out of power. CRC

Looking back at 75 years

then contacts our co-op line crews for them so service can be restored in a quick and organized manner.

Minnesota Valley began offering the ***First Call*** service in the beginning of 1993. First Call is an in-home emergency response telephone system available to members and non-members in the co-op's service territory that is easily installed in any home and will summon help within minutes, day or night. Simply by pressing the button on a pendant worn around the wrist or neck, the user is in two-way voice contact with a dispatcher at CRC. The dispatcher will talk to them or listen at the residence through a high quality speakerphone built into the system. The dispatcher can then summon appropriate help immediately - family, a neighbor or medical personnel - whatever the need may be. Minnesota Valley will work with area hospitals and health care professionals to make this service available to those who need it. First Call offers help to anyone who wishes to maintain their independence and yet have the security of knowing that help is just a push of the button away and provides peace of mind for everyone.

1994 - Environmental monitoring for power, temperature and motion has also been added to the list of things we use the CRC for. If a call comes in from the monitoring system, the CRC dispatcher immediately calls someone on a prearranged list to take care of the problem. This service can be very important for confinement hog producers or members who are gone from their homes for long periods of time. Premises can also be monitored for fire or water intrusion.

A new service called "Automatic Payment Plan" is now offered to members. This plan allows members to have payment of their electric bill automatically deducted from their bank account on the 27th of each month. A monthly statement will continue to be sent out to the member for their review.

Another new program began called "Operation Round Up". This program allows members to choose to have their monthly energy bills rounded up to the nearest dollar.

Looking back at 75 years

For example, if your bill is $84.65, we automatically round it up to $85.00. The additional $.35 goes into the Operation Round Up Trust Fund. The trust fund makes donations to community projects such as area volunteer fire departments; ambulance or rescue squads; hospice services; educational scholarships; youth programs; emergency energy assistance; financial help to families following medical emergencies, serious accidents, etc.; or other needs in our area communities. The trust fund is administered by a group of Minnesota Valley members appointed by the co-op's board of directors. They meet quarterly to review and evaluate funding requests and determine how the funds will be distributed.

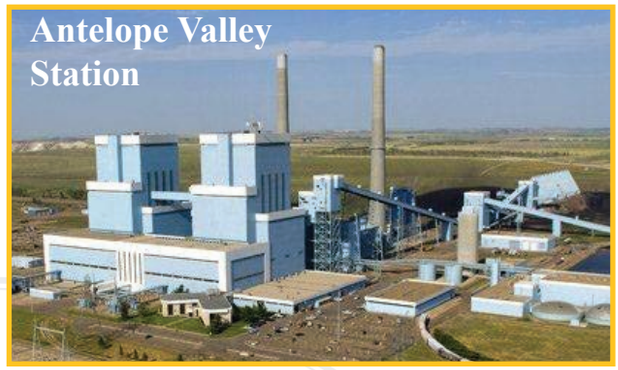
Minnesota Valley hosted four foreign visitors from the Rural Electrification Board (REB) in Bangladesh. They spent a week with the co-op's staff observing day to day functions and management practices. The group is sponsored by the National Rural Electric Cooperative Association (NRECA) for the purpose of introducing them to a program of rural electrification modeled after the network of cooperatives that has worked so well in the U.S. While here, they worked with Minnesota Valley staff to obtain practical knowledge on the management, operation and maintenance of our rural electric system in hopes that they will take the knowledge they gain in the U.S. and apply it to their own situation in Bangladesh. It was an interesting, educational and rewarding experience for both them and Minnesota Valley.

One of the proposals in the reorganization of the USDA was to do away with the Rural Electrification Administration (REA) as a separate agency and combine it with a new one called Rural Utilities Service (RUS) that will be responsible for water and waste water in rural areas as well as electrification and telecommunications. So from now on, it will be RUS instead of REA. According to the plan, nothing should change except for the name.

Revenue from the sale of electricity for November set a record. At $1.046 million, this is the first time that revenue in any month has ever exceeded the million dollar mark. This relates directly to the corn drying season. In contrast to this, the revenue for June 1994 was only $545,000, or only about half of November.

Looking back at 75 years

1995 - It was announced that all three of Basin Electric's coal fired power plants reduced their production costs, placing them among the best in the country for 1994. Laramie River Station (LRS), Wheatland, WY, remained at Number 1 for being the lowest cost producer of electricity in the country. The Antelope Valley Station (AVS) Beulah, ND, ranked 11th and the Leland Olds Station (LOS), Stanton, ND, ranked 28th. The study is conducted by the Utility Data Institute (UDI) in Washington, D.C.



1996 - General Manager Leroy Schecher has announced that he will retire on January 5, 1996. In turn, Minnesota Valley's current Member Services Manager, Patrick Carruth, will assume the position of the co-op's General Manager. Pat is a native of Danvers, MN, and holds a Bachelor of Science degree in Agricultural Economics from NDSU. In his first year out of college, he worked as an Extension Fellow for the University of Minnesota Extension Service through the Swift County Extension Office, where he helped prepare farmers and lenders for Farmer-Lender Mediation. Pat came to Minnesota Valley in August of 1987 as a Member Services Representative and was promoted to Member Services Manager in 1990.

1997 - Kris Sanda, Commissioner of the Minnesota Department of Public Service sent out a request inviting all municipal and cooperative utilities to review their best energy conservation project and submit it to her for presentation of the first *Commissioner's Award for Excellence in Energy Conservation*. Curt Pearson of Basin Electric nominated Minnesota Valley's Heating and Cooling System Maintenance Program, which is in its 10th year of being offered to members. As a result, Minnesota Valley received the award. Commissioner Sanda cited the co-op for the program which ensures its customers have clean and well maintained furnaces

Looking back at 75 years

and air conditioners that operate at the peak of their efficiency. She said, "This program serves all customers, regardless of the kind of fuel their systems use, and is particularly valuable for low-income households. More than 500 of Minnesota Valley's customers participated in the program this season." It is an honor to be recognized for offering our members a program as beneficial to them as this program.

Pictured at top right, Don Snell and Bob Walsh accept the 1997 Commissioner's Award for Excellence in Energy Conservation from Minnesota Dept. of Public Service Commissioner, Kris Sanda.

At lower right are Chuck Blom and Duane O'Malley, co-op technicians who carry out the furnace inspection program at Minnesota Valley.

1998 - Minnesota Valley has been experimenting with some automatic meter reading devices (AMRs) called "Turtles". The decision has been made to convert our entire system over to automatic meter reading. Replacement will take time and installations will be made by substation. The entire process will take up to four years. Upon completion of the total project, hopefully by the winter of 2001, Minnesota Valley members should no longer have to read their meters. We will then be able to get a meter reading from any meter on any given day through our main computer in the office. These AMR devices will help us in many ways by: allowing us to get a reading the same day a renter moves on or off; assist members with high energy usage concerns; eliminate the need for employees to go out and read meters when we have not received monthly readings; and notify us that there is a problem on the line such as service interruption, low/high voltage or power surge.

Looking back at 75 years

Heat pumps are catching on with members. A few years back, Minnesota Valley didn't receive a lot of inquiries about heat pumps. Today, our Member Services Technicians can barely keep up with the requests for heat pump installations. There are two types of heat pumps: Air to Air and Ground Source, with many variations of each type. What a welcome spurt of interest in this product that can both heat and cool a home with one unit!

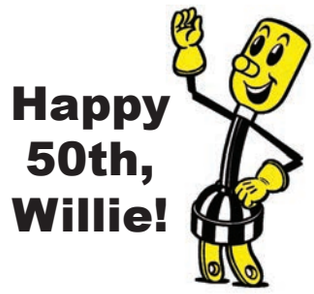
1999 - As the millennium (Y2K) approaches, the threats of extensive power outages, computer failures and countless other scenarios continued to increase. "Please be assured that Minnesota Valley is as prepared as we can be for the year 2000. Although we cannot offer an ironclad guarantee at any given time for any given year that you will have electric service, we are confident that your chances of a power outage on January 1, 2000, are no greater than on any other day of any other year. What we can say is we have taken the Y2K issue very seriously. Our entire system has been evaluated for Y2K readiness." And guess what? Nothing at all happened when the clock struck midnight!

2000 - Seven Minnesota rural electric cooperatives partnered in the purchase of two smaller power line construction companies, Karian of Lakeville and Peterson of Montevideo. The Peterson portion of the business has done contracting for Minnesota Valley since the late 1960s. The name of the new company is Karian Peterson Power Line Contracting, LLC. The purpose of being involved with a contract construction company was simple. We felt, as owners, we would have better control over timing and cost of our contract construction projects. More important, we would have direct access to additional men and equipment during storm situations. The new company will be based out of Montevideo and will continue to work for cooperatives and municipals around Minnesota and neighboring states as they always have. The cooperative partners with us in this venture include: PKM of Warren, Wild Rice of Mahnomen, Stearns of Melrose, Minnesota Valley of Jordan, South Central of St. James and Federated of Jackson.

2001 - Minnesota Valley launched its new website at *www.mnvalleyrec.com*. For those members who go "online" occasionally, we hope we have provided you with good

Looking back at 75 years

information related to energy use, services that we provide and general information about Minnesota Valley.



"Willie Wiredhand" celebrates 50 years as the co-op spokes character and mascot in April. Though his presence on both the local and national stage has diminished in recent years, our symbol of friendly, dependable, local, consumer-owned electricity remains a viable and valuable conduit of information between us and our consumers. Though Willie symbolizes co-op friendliness, he also embodies co-op spunk. "He's small, but he's wirey," became part of Willie's trademark, granted by the U.S. Patent Office in 1957. As a plug, Willie still personifies electric power to this day. As a spokes character, he has come to represent a "brand" of reliable electric power.

It was very hot during the first part of August and, as a result, our wholesale power supplier, Basin Electric, set a new demand record. The new record was set for sales to members of 1,400 megawatts on August 8, 2001. The previous member sales record was 1,250 megawatts which was set during the summer of 2000. Basin had plenty of capacity available for members, however, as more than half of our generating capacity is sold to power companies who are not members of Basin. Basin Electric operates 3,323 megawatts (MW) of electric generating capacity. The cooperative owns 2,370 MW of this capacity for its 118 member systems in nine states. At Minnesota Valley, we typically peak during corn drying or the heating season. Our record use of 36.5 megawatts happened in November of 1996. This was a combination of grain drying and electric heating. Our typical "air conditioning" or summer peak will only reach about 25 or 26 MW during a hot summer. The balance of power companies operating in the state found enough generation to meet the needs of their customers even though many experienced record peaks, as well. Obviously, this calmed recent concerns about Minnesota being short of generating capacity as early as this summer. However, new generation will need to come online in this region at a more accelerated pace to keep up with the demand for electricity. All utilities recognize this and are taking the appropriate steps to meet this growth.

Looking back at 75 years

2002 - As has been done for many years in the past, Minnesota Valley continues to offer its electrical safety demonstrations free of charge. Whenever invited by a school classroom, 4-H club, scout troop or to any other group, the Member Services Department at the co-op willing obliges. In the classroom, the main target is 3rd and 4th grade classes, but the program can be varied according to age group. After a short explanation of what we do at Minnesota Valley and what our purpose is for being at the event, a short video is shown called “Playing it safe around electricity.” After the video, the electrical safety demonstration board is used to show the many hazards of electricity and what can happen if safety rules are not followed. The group is shown how things such as ladders, augers, vehicles, kite strings, trees and even people can become conductors of electricity. The presenter helps the kids understand what conductors and insulators are; explains basic circuit paths and laws of electricity such as the fact that electricity always wants to flow to the ground; gives safety tips on using electricity around the house; talks about what to do in an electrical storm; and educates children to respect the power of electricity and to exercise caution when working, playing and living around it. This demonstration has proven to be a very effective tool in teaching audiences that even though electricity is one of the greatest discoveries ever made, it can also be very dangerous.

Basin Electric built and began operating four new wind turbines. Co-op officials say North Dakota has the best available wind resources in the nation, with South Dakota ranking second. By 2010, Basin Electric will have added almost 140 wind turbines to the landscape of North Dakota.

Looking back at 75 years

2004 - A project we are working on is the procurement of a System Control and Data Acquisition (SCADA) system. A SCADA system consists of Remote Terminal Units (RTUs) located in the field to monitor equipment and, in some circumstances, to operate the equipment. The SCADA system will allow us to monitor real time load data on our four transmission feeds; monitor faults on the transmission line; enable us to remotely switch feeds to substations to accommodate maintenance or restore power; enable us to more precisely pinpoint an outage on the transmission system; and help us restore power faster. This new SCADA system will enable Minnesota Valley to better serve your needs today and into the future.

2005 - Our latest new service makes it possible for members to pay their Minnesota Valley electric bill with a credit card. You can do that by calling our office directly or on our website at *www.mnvalleyrec.com*.

Everything is coming together in the final weeks of construction of a new substation at the Granite Falls Energy Plant, east of Granite Falls. This is the first substation Minnesota Valley has built since 1985. We have 15 other substations in our service territory. We hope to finish up distribution work at the site with a test run planned for the first week in August. It is named the Chapman Substation in memory of our linemen, Doug Chapman, who lost his life while working in another of our substations in February of 1988. The ethanol plant will be going fully online by November 1st.

2006 - Minnesota Valley parked a bucket truck donning a “Welcome Home Troops” sign and an American flag in front of the co-op headquarters building greeting the members of Alpha and Charlie Companies back home following their tour of duty in Iraq.

Basin Electric, of which you are a member-owner, is in a building phase. We need 1,200 MWs of capacity to meet our projected growth up to the year 2025. Since it takes about ten years from inception to throwing the switch, the

Looking back at 75 years

Basin staff has been working hard for years on the initial phases of bringing these new plants on line, with such things as land acquisition and permitting. The new plants, of course, will be coal fired and will include the latest technology available for cleaning up emissions. Some of this growth will be met with investments in renewables where we can. Basin has set a goal of 10% of our energy sales to be renewable by 2010.

2007 - We will now be operating our tree service under the new name of Minnesota Valley Tree Service. The business is a wholly-owned subsidiary of the cooperative. The primary work of the Minnesota Valley Tree Service is power line right-of-way clearing for us, as well as many other electric cooperatives and some investor-owned and municipal utilities. They also provide professional tree trimming and removal service for townships, counties, municipals and private individuals. Maintaining proper right-of-way clearance is one of the most effective steps we can take to keep your power reliable. We try to rotate through our project every three to four years.

2008 - Construction is moving forward on the Dry Fork Station, a coal-based electric generation power plant being built by Basin Electric. The plant site is located seven miles north of Gillette, WY. Once built, Basin claims the power plant will be one of the cleanest in the nation in terms of emissions. Although construction at Dry Fork will be complete by 2011, the plant site has space reserved for the carbon dioxide capture system. Work to make it one of the nation's cleanest will continue for years.

2009 - Coal is on the rise and likely to remain the chief power source globally well into the 21st century, according to a new study released by the International Energy Agency (IEA). Appropriately titled, "World Energy Outlook 2008," the IEA also estimates that coal generated power will rise to

Looking back at 75 years

44 percent by 2015. “Clearly, we are seeing the benefits that coal provides by being a reliable, cost effective energy source,” said Joe Lucas, Vice-President of the American Coalition for Clean Coal Electricity. “As we move deeper into the 21st century, it is important that continued investment in clean coal technology be a central issue of the world’s energy diagram.” The study goes on to support the notion that future technological developments will help reduce emissions.

Karian Peterson Power Line Contracting, LLC, of Montevideo will be moving into their new shop and office this next month. The shop is located just west of Montevideo on the south side of Hwy. 212. Karian Peterson is equally owned by the following seven electric

distribution cooperatives: Minnesota Valley of Montevideo, Minnesota Valley of Jordan, South Central of St. James, PKM of Warren, Wild Rice of Mahnomen, Federated of Jackson and Stearns of Melrose. The cooperatives bought and combined two small construction companies, Karian of Lakeville and Peterson of Montevideo, in August of 2000. The company works primarily on overhead transmission and distribution power line construction, but has expanded into underground over the past couple of years. They assist in contract construction and storm repair work for the owning cooperatives, as well as other cooperatives. They also do construction work for investor owned utilities, municipal utilities and other private projects. When in full swing, the company employs as many as 60 people. We are hopeful that this latest move will serve the business’s needs for many years. For Minnesota Valley, we feel this has been a great partnership among the owning

Looking back at 75 years

cooperatives and will help to keep construction costs competitive and reliability high for our members.

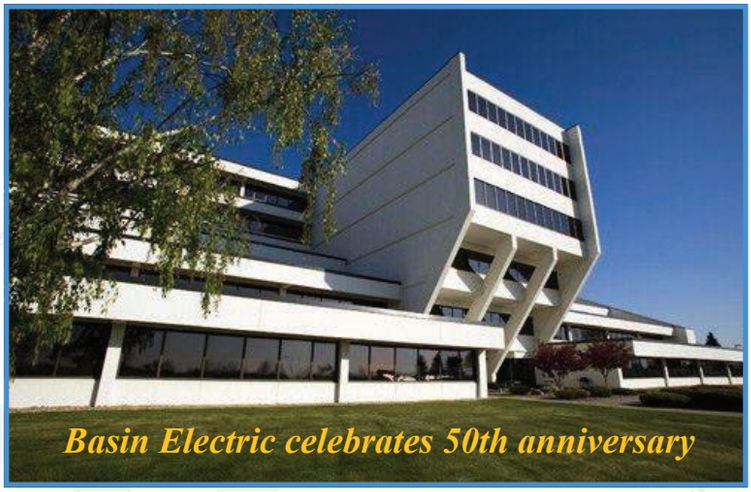
Minnesota Valley hosted a group of students from an area high school on a tour of the Big Stone Power Plant. Power plant employees began the tour with an introduction to how electricity is produced, followed by a video explaining the operation of the Big Stone Plant. The group then donned hard hats and safety glasses and began the walking tour. The students split into two groups, each with a plant employee keeping them informed with an explanation of each building and piece of equipment as they walked through the entire process of producing electricity with coal. The tour was very successful and teachers appreciated the involvement and interest their students showed while on the tour. We will continue offering it to any area high school science classes who are interested.

2010 - Minnesota Valley had a record demand on our system in November of almost 47 megawatts (MW). This is over 3MWs more than the previous record in October 2008.

A year ago this September, we planted the first poles on our new 28-mile transmission line project in the heart of our system. The project will be completed this month - on time and under budget. This project had been in the making for several years and is primarily for long-term voltage support. The 230/69 kv delivery point substation which will support this line will be built next summer. We expect the entire project, transmission and substation, to be complete a year from now on time and just in time for corn drying. Our transmission system presently is designed to handle about 40 MWs of load under normal operating conditions. The past several years, we have had quite a few periods where we have run well over that. Last year we peaked at over 49 MWs, which creates voltage concerns in certain substations. A year from now, when this entire project is

Looking back at 75 years

complete, we should be able to go well over 100 MWs on our system under normal operating conditions. Our distribution system will be fed from three delivery points instead of two. This improvement should provide members with continued high quality power and improved reliability well into the future.



Basin Electric celebrates 50th anniversary

2011 - Basin Electric Power Cooperative, Minnesota Valley's main power supplier, celebrated their 50th anniversary.

Dry Fork Station, the country's newest coal based electric generation power plant, held a dedication ceremony in August 2011. Basin Electric owns 92.9 percent of the plant and the Wyoming Municipal Power Agency owns the other 7.1 percent. Great news for the member owners of Basin Electric. This was a big project. The last coal fired plant for Basin was Antelope Valley Station, of which Unit 2 came online in the mid-1980s. That's almost 30 years since we've built a coal fired plant.

2012 - Deer Creek Station, located near Elkton, SD, is the newest member of Basin Electric Power Cooperative's fleet of power plants which serve the needs of 134 member cooperatives in nine states. These cooperatives serve about 2.8 million consumers. The plant was built in order to meet projected future growth. The generation station went into commercial operation in August 2012, after several years of planning and two years of construction. Deer Creek represents a $405-million investment in the energy security of the region. By the end of the year 2012, Basin Electric will have 5,153 megawatts of capacity within its generation portfolio, including the Deer Creek Station. One megawatt is roughly enough capacity to serve the electric energy needs of about 800 average homes.

Looking back at 75 years

Our new delivery point, the Appeldorn Substation west of Boyd, came on line in 2012. This was a joint effort for Minnesota Valley (42%) and Western Area Power Administration (WAPA - 58%). WAPA was the general contractor and lead on this project. Our system is now able to handle over 100 MWs, which should serve you well for many years to come. We have been chipping away in earnest for this new delivery point substation for about seven years. It is a big deal for us and our ability to provide reliable and good quality power for the members of Minnesota Valley and also for the City of Madison, who we haul or “wheel” power for over our transmission system. The new delivery point has been named the Appeldorn Substation in memory of former Minnesota Valley Director Gene Appeldorn. Gene was also a director for Basin Electric and passed away unexpectedly in February 2008.

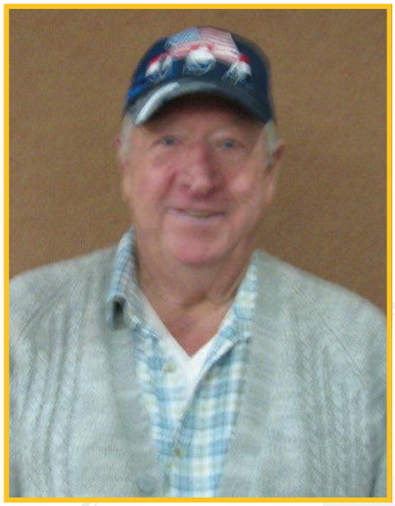
Employee Tour of Appeldorn Sub

Looking back at 75 years

In 2012, we reached the benchmark of 75 years in operation. We owe a deep debt of gratitude and appreciation to the visionaries who worked tirelessly over 75 years ago to provide power to our rural areas. They stuck with their goal of electrifying their farms despite opposition from many sources, sometimes including their friends and neighbors. It is good for us to recall the struggles that those who came before us endured. It helps to remind us that we need to look forward with reflection and work diligently to set a successful course for the next 75 years. Thank you for being a part of the first 75 years.

Memories of getting electricity for the first time ... one of the greatest things on earth!

Don Bangsund grew up on a farm near Clarkfield. He doesn't remember the exact year they got electricity, but believes that it was in the mid to late 1940s. Don



was in high school at the time. The most vivid memory in Don's mind of their time before electricity, is that there were always three kerosene lanterns hung in the barn. When they finished milking the cows (by hand, of course), one of boys would go up in the hay loft to throw down more hay. After they had climbed the ladder, his Dad would hand them a lantern and always remind them to be sure to hang the lantern up so that it wouldn't tip over and burn the barn down! Another lantern went with one of the brothers who was in charge of turning the cream separator in the milk house that day. The third lantern stayed in the barn to light the way for other chores that needed to be done.

Don remembers well the day they got electricity on their farm. Both the barn and house had been wired ahead of time so that when the big day came, all they had to do was flip the switch. That morning, it was still dark when they made the trip to the barn to begin their day. When the lights were turned on it was just like daylight. What a difference it was going from the light of three lanterns to a whole barn full of lights. He described it as "breathtaking". It is one of those memories that he will never forget.

The next several months were filled with installing new appliances and equipment to make their lives on the farm much more convenient. His mother was so excited to go from an old wood cook stove to her new electric range. It was an adjustment, however, to learn how to cook and bake while being able to control the temperature by simply turning a knob. A refrigerator was also one of the first items to be purchased. He remembers his mother getting a mixer for Christmas that first year. That, too, was a time saver. The next summer she got a washing machine. They had mostly bare bulbs for a while, but then his mother bought some kind of a shade to cover the bulbs. The family

Memories of getting electricity for the first time ... one of the greatest things on earth!

had a radio in the house and also one in the barn. The kids listened in awe to their favorite radio program, the “Lone Ranger”. However, they never did have electricity in their country schoolhouse. Another long-awaited convenience was digging trenches for pipes to give them the convenience of having running water in their home. How nice it was to have an indoor bathroom!

The whole neighborhood got electricity at the same time so it was a big day for everyone. As Don said, it was just like going from horse and buggy to a Cadillac. For Don, getting electricity was the best memory of his childhood.

Don was Minnesota Valley’s Custodian from August 1988 until May of 1998.

Karen Kleene grew up on a farm southeast of Maynard and remembers the excitement of getting electricity on their farm in the late 1940s. She was around ten years old at the time and her favorite thing about getting electric lights was the round fluorescent light fixture on the kitchen ceiling. Karen recalls that it had something that looked like crystals in the center. She thought it was the most beautiful thing she had ever seen! The rest of the house had only one light bulb in each room.

Electricity made quite a difference in their lifestyle, improving life on the farm so very much. Before getting electricity, they had a combination gas/wood stove so it was a thrill for her mother to have an electric stove/oven, a refrigerator and a toaster. Her dad farmed and milked one cow, but it was good to have a light in the barn even if it was only light from one bulb. They also had a yard light that was on a switch. Karen remembers how dark the countryside used to be before electricity, and afterwards how it seemed so lit up when neighbors had their yard lights on at night. They didn’t have

Memories of getting electricity for the first time ... one of the greatest things on earth!

running water or an indoor bathroom in their house either. They soon moved to another house that had all of those modern conveniences. Karen and her husband, Gerald, still live in that house. They are attempting to preserve some of the original things, one of them being the push button light switches. When they remodeled part of the house, they ordered new “old” push button switches to keep it as original as possible. The one thing Karen wishes was still in this house is the round fluorescent light fixture on the kitchen ceiling she loved as a child.

Karen was the General Clerk at Minnesota Valley from December of 1972 until her retirement in March of 1999.

When Harold Jaenisch, 94, was a young man of 18, he went to work for a few months digging holes for power poles that were being erected by Minnesota Valley Cooperative Light and Power Association. Harold worked for a contractor from northern Minnesota who got the low bid to do the digging of the holes so poles could be put in for area farmers who wanted power. His father, Fred Jaenisch, served as a director in the early years of the cooperative, so Harold figures that’s why he got the job. Since all the digging was done by hand it was very hard work, and some of the men hired didn’t even last an hour. Harold made 35 cents an hour, which went up to 45 cents if an employee stayed with the job - that was very good pay in those days.

Harold was still living with his parents two miles north of Gluek when the family got electricity at their farm in 1938. He recalls that the linemen had been working on the line in the area that day, but the family didn’t know the surprise that awaited them when they returned home from Christmas services at church that night. They were amazed to find that when they flipped the switch, they had power. Since the home had already been

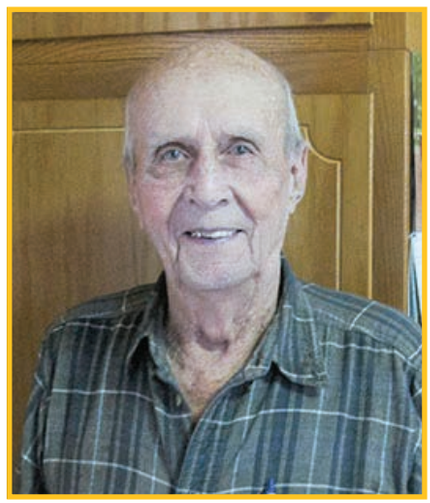
Memories of getting electricity for the first time ... one of the greatest things on earth!

wired and had the light fixtures in place, their whole house was lit up like a Christmas tree. What a nice Christmas present!

Their lives were made easier once electricity was available to them. Besides the lights, the water could now be pumped with electricity, the washing machine motor was changed from gas to electric, his mother got an electric iron to replace her gas iron and, later on, an electric clothes dryer. She kept her stove since it was a combination gas and wood stove and worked very well for her. Another great thing was the yard light that lit up the whole yard. While they used to go out to the barn to milk cows with only the dim light of a kerosene lantern, they now just flipped a switch and the yard was lit up. And, best of all, they no longer had to carry kerosene lanterns around in the barn - there were electric lights in there, too.

When Harold married, they moved about a mile away from his parents, but their farm did not yet have electricity. So once again, Harold dug holes so power poles could be erected. It was 1951 when they got electricity in their home. He said that Sears and Roebuck actually employed electricians who came out to wire the farm and then the family purchased their new fixtures and appliances there. So Harold experienced the joy of getting electricity twice in his lifetime!

Harold has had a lot of connections with Minnesota Valley over the years. First his father; then his brother Gordon served on the Board of Directors; and now his daughter-in-law, Candice Jaenisch, is the current Office Manager. And, of course, Harold himself dug lots of holes for the power poles that brought electricity to his family, friends and neighbors.



Orice Larson is a young 93 and loves to tell stories of days gone by. He grew up on a farm about 15 miles northeast of Montevideo. He says he learned a deep work ethic from his parents and is very thankful to them for that. He remembers his father,

Memories of getting electricity for the first time ... one of the greatest things on earth!

Ludwig, going out in the dead of winter in Minnesota Valley's formative years to visit with neighbors, asking them to sign up to become members of the cooperative at the cost of $3.00. Some neighbors were hesitant to part with the money and some were reluctant to believe that the cooperative would succeed. Ludwig borrowed the $3.00 to several of those neighbors with the understanding that they would repay him when Minnesota Valley brought electricity to their homes.

Orice graduated from high school in 1938 and remained on the family farm until he went into the army in 1941. The family got electricity from Minnesota Valley in June of 1939. One of the first things the family bought was a pump jack on the water tanks for the cattle. The house was soon lit with bulbs hanging from the ceiling and operated with pull cords. It was a wonderful thing to be able to see things so brightly in the house when it was dark outside. Orice has an original kerosene lamp from his childhood home hanging on the wall of his dining room. He remembers that his father purchased a refrigerator soon after they got electricity. They also got lights in the barn, which made their chores much easier.

When Orice and his wife, Vivian, moved back to Montevideo after his military service came to an end in 1945, they became members of Minnesota Valley. They moved into Montevideo in 1969, but there is still power at the farm in Orice's name today. Orice was a part of Minnesota Valley as an employee when he served as the cooperative's mechanic from 1977 until his retirement in 1985.

Our thanks to these early members for sharing their memories of getting electricity and all the events that led up to it. Their recollections and reflections will bring back a flood of memories to many of you.

Board of Directors and Management

Mark Peterson
Treasurer

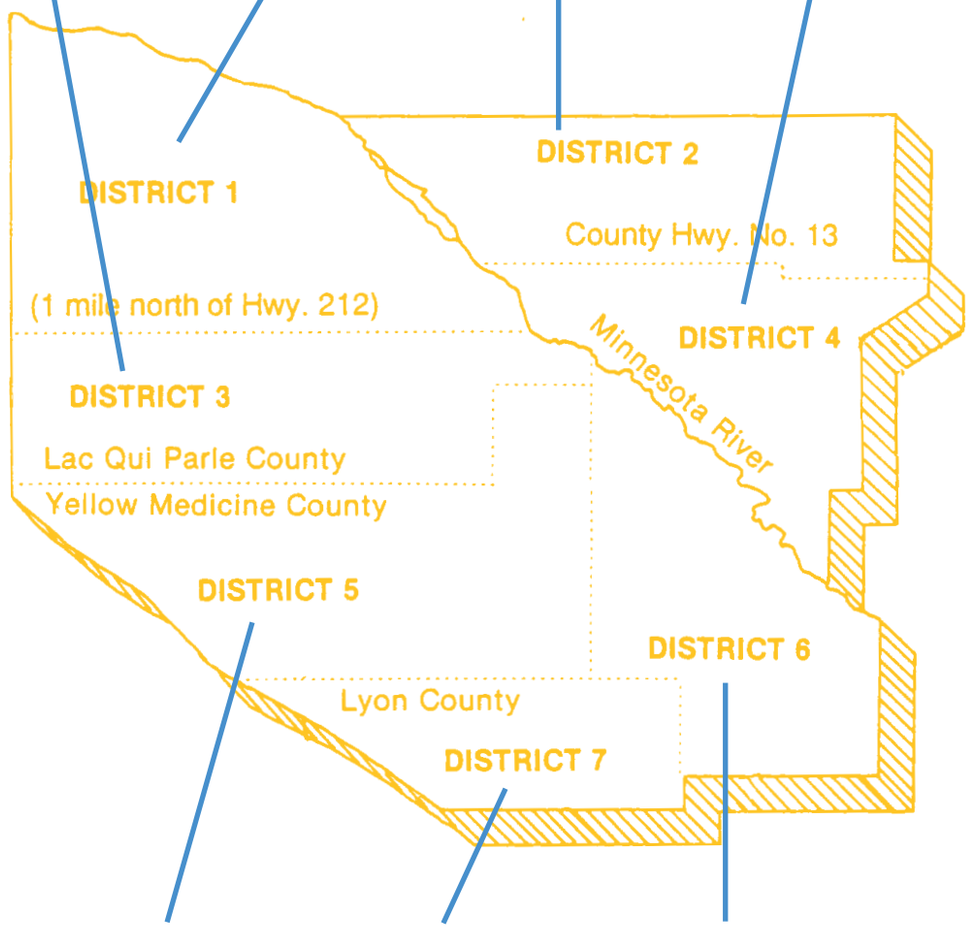
Glen Klefsaas
Director

Larry Halvorson
President

Steve Norman
Vice President

Pat Carruth
General
Manager

Steve Torvik
Attorney



Mike Gunlogson
Secretary

Wayne Peltier
Director

Tim Velde
Director

Board and Manager's Report

Congratulations to the member-owners of Minnesota Valley Cooperative Light and Power Association on 75 years of productive and successful operations. There have been so many dedicated people and important events over the years that have contributed to the overall success of your cooperative. We tried to give you a good flavor of this throughout this Annual Report.

As for this past year of 2012, it was a good and busy year for Minnesota Valley. The year began with a mild winter and spring came around in pretty good shape. The growing season finished early and the weather held mild until the December 9th blizzard. Energy sales for the year were down about 1.2% over the previous year, which was a mild one as well. Operationally, with hard work and good weather, we were able to complete the construction and maintenance projects that we had planned on. We worked well into some of the projects contained in the 2013 Construction Work Plan.

Our big excitement for the year was the commissioning of the Appeldorn Delivery Point Substation. Actual construction on this project started in mid-2011. August 28, 2012, was the day we put actual load on Appeldorn. The 28 miles of additional transmission line to bring this power into our system was completed in 2010. This entire project was kind of a big deal for Minnesota Valley as the last delivery point substation we were part of building was our Blair Substation in 1971.

Now that this project is complete, we have three delivery points. On the west side, our Blair Substation at Gary, SD; on the east side, WAPA's Granite Falls Substation; and in the center of our project at Boyd, our new substation called the Appeldorn Substation. Now we can run our system well over 100 MWs without any voltage problems. Our previous system could only run up to 40 MWs and we have, on occasion, run over that level the past ten years. Anyway, we have your transmission system ready to handle your electric power load for many years.

We ended 2012 financially strong. We ended with a better than expected total margin of just under $1 million. We had budgeted for just over $700,000 in total margin. We had general operating and maintenance costs come in under budget. The board made the

Board and Manager's Report

decision to retire the second half of 1999 and 35% of 2000 patronage capital totaling about $810,000. We continue to be in a good position financially and the board is steady with their commitment to retiring patronage capital.

In closing, we want to congratulate you on 75 years of successfully building, owning and operating your own electric power system. You own and operate it all from the coal mine to the meter in your yard. To some, 75 years may seem a long time, and it is. We think of 75 years as simply a time to mark and reflect on what has contributed to the success of Minnesota Valley and to use that reflection to set the next 75 years for success.

There are many things both tangible and intangible that contribute to the success of an organization. Minnesota Valley is no different in that regard. We do know one of the big drivers in Minnesota Valley's success over the years, of course, is the direct result of hard working and dedicated member-owners, directors and employees who have understood the cooperative model and adhered strictly to the core principles that cooperatives are built on.

On behalf of the board and employees, we want to thank you for your patronage this past year and your confidence in us to be good stewards of your electric cooperative. Together as members, board members and employees, we look forward to the next 75 years of continued success of this cooperative.

Sincerely,

Larry Halvorson
Board President

Patrick C. Carruth
General Manager

Your employees

Over 515 years of experience working for you!

Left to right: Pat Carruth, General Manager; Kathy Christenson, Communications Manager; John Williamson, Manager of Engineering and Operations; Candice Jaenisch, Office Manager; Jill Sand, Executive Assistant; and Bob Walsh, Member Service Manager

Left to right: LaVonne Stegeman, Consumer Accounts Representative; Lacey Wintz, Accountant; and Jill Strand, Consumer Accounts Representative

Your employees

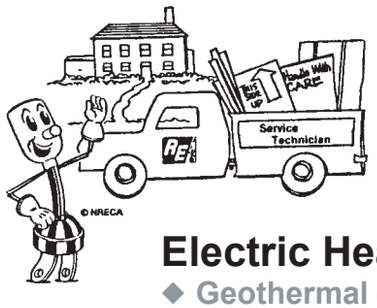
Back: Jerrad Perkins and Scott Kubesh, Member Services Technicians
Front: Duane O'Malley, Member Services Representative and Chuck Blom, Member Services Technician

Back: Scott Monson, Mechanic; Stacey Boike, Operations Assistant; and Bob Kratz, System Coordinator
Front: Mark Sweno, Custodian; Tim Bertrand, Substation/Apparatus Technician; and Don Snell, IT/Communications Technician

Pictured below is the Minnesota Valley line crew who are all Journeymen Linemen:

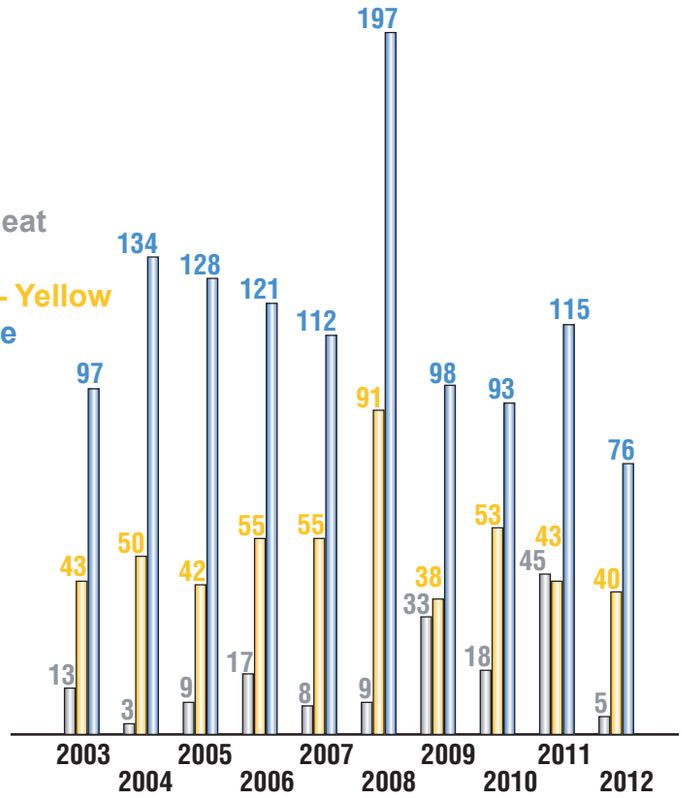
Back: Andy Johnson, Trevor Diggins, James Hughes and Eric Wollschlager
Middle: Dave Dieter, Loyd Canatsey, Joe Schultz and Kent Smith
Front: Blake Lymburner and Brandon Bjelland

Member Services Statistics for 2012



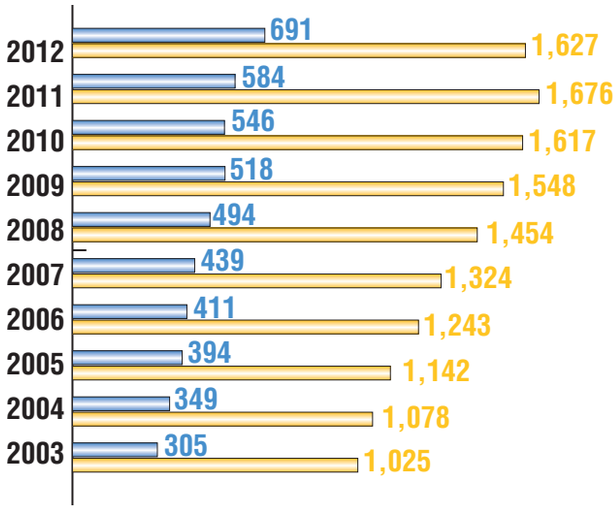
Electric Heat Installed

- Geothermal (Ground Source) Heat Pumps added - Gray
- Air Source Heat Pumps added - Yellow
- Other Electric Heat added - Blue

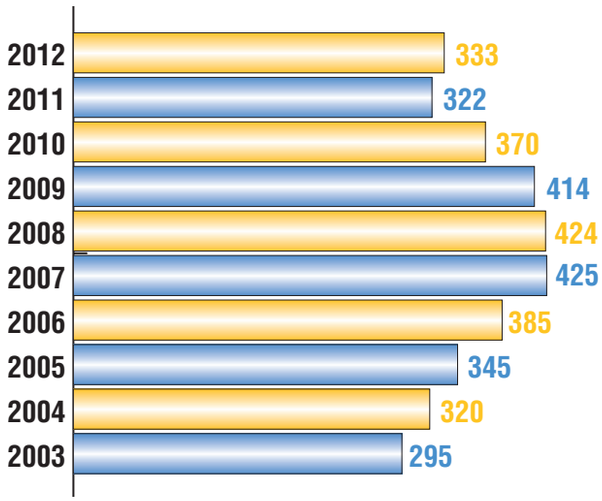


Electric and Dual Heat Meters Installed

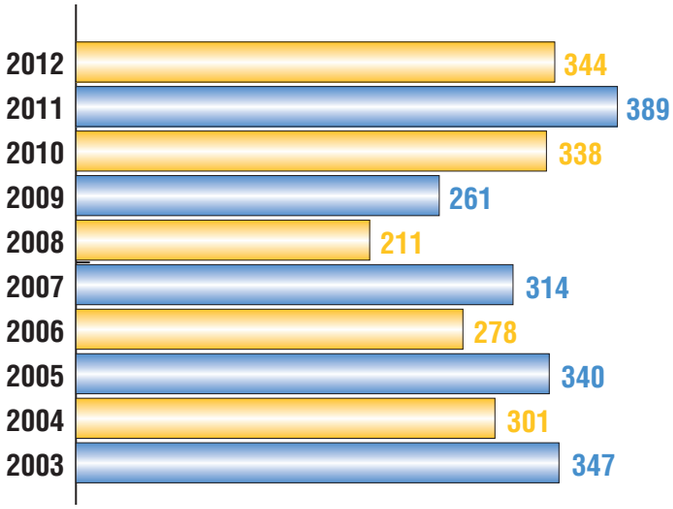
- Dual Heat - Blue
- Electric Heat - Yellow



First Call Installations



Heating System Maintenance Service



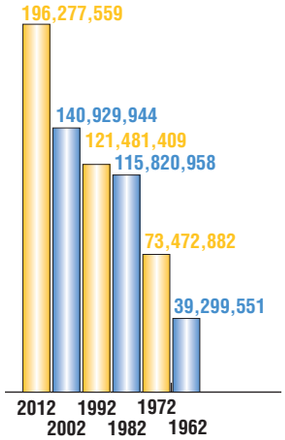
Major activities of Engineering and Operations in 2012

- Maintain 2,755 miles of overhead distribution
- Maintain over 265 miles of underground distribution line
- Maintain 242 miles of transmission line
- Total services in place: 5,515
- Responded to 326 service calls
- Tested and treated 2,456 distribution poles
- Installed 725 new distribution poles due to rot, service changes, road changes, storms and construction
- Responded to 296 Gopher State One-Call line locates
- Upgrades conversions of existing service: 117
- Upgraded 4.0 miles of single-phase line to three-phase line
- Replaced/rebuilt 13 miles of single-phase underground/overhead line
- Replaced/rebuilt 1 mile of three-phase underground/overhead line
- System-wide testing of three-phase meters
- System coordinating of entire co-op project per Construction Work Plan
- Energized the new Appeldorn Substation, our third power delivery point
- Conducted monthly safety meetings through the Minnesota Rural Electric Association

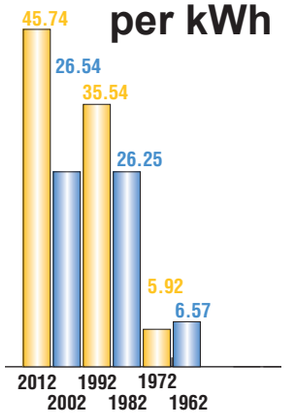
The view of winter in Minnesota doesn't get much better than this!

Minnesota Valley Balance Sheet

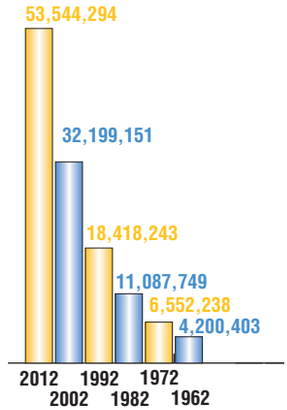
kWhs Sold



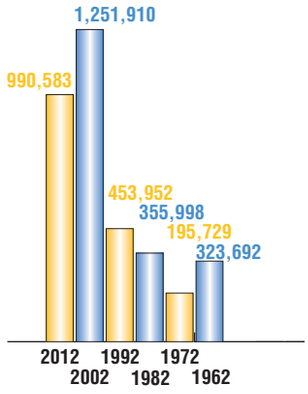
Cost in mills per kWh



Total Assets



Margins



ASSETS (what we own)	2012	2011
Cost of our system:	$60,672,802	$59,337,774
We estimate our system has depreciated	(19,045,386)	(17,938,105)
This gives our system a book value of	**$41,627,416**	**$41,399,669**
We have property and investments:		
Loans to members (energy conservation, wiring, central air systems and electric heating systems)	292,226	401,003
Capital Credits from Basin Electric	5,140,704	4,810,676
Memberships in and capital credits from other associated organizations	232,044	212,684
National Rural Utilities Cooperative Finance Corp. (Investments required for long-term financing)		
Capital term certificates	774,982	774,562
Patronage capital credits	71,310	67,316
Other investments	1,181,759	1,397,953
Total other property and investments	**$7,693,025**	**$7,664,194**
We have these current assets:		
Cash and cash equivalents	324,561	360,799
Members/others owe us for electrical energy, services, etc.	2,541,152	2,001,610
Materials/supplies for line construction and maintenance	1,019,738	702,283
Prepaid expenses	165,376	123,414
Interest receivable on investments	7,096	35,572
Total current assets	**$4,057,923**	**$3,223,678**
We have deferred debits:	$165,930	$254,057
TOTAL ASSETS	**$53,544,294**	**$52,541,598**

LIABILITIES (what we owe)		
Long-term debt:		
We owe Rural Utilities Service (RUS) and Federal Financing Bank (FFB)	$24,330,984	$24,651,758
We owe Cooperative Finance Corporation (CFC) and National Cooperative Services Corp.(NCSC)	6,818,334	7,258,821
Total long-term debt	**$31,149,318**	**$31,910,579**
We owe current liabilities:		
Power, materials, accounts payable, etc.	$1,375,093	$1,165,646
Taxes, interest, etc.	862,632	917,025
Security deposits	52,865	50,905
Line of Credit	1,500,000	0
Total current liabilities:	**$3,790,590**	**$2,133,576**
We have deferred credits	$61,635	$50,047
Total we owe	**$35,001,543**	**$34,094,202**

NET WORTH (member's equity in co-op)		
Your accumulated patronage capital	$18,542,751	$18,447,396
TOTAL LIABILITIES & NET WORTH	**$53,544,294**	**$52,541,598**

Statement of Revenue

REVENUE	2012	2011
Sales of electric energy to consumers	$16,864,699	$15,721,666
Miscellaneous electric revenues and penalties	218,330	234,055
Non-operating and other income, etc. (interest income, miscellaneous items)	210,418	311,799
Total Revenue	**$17,293,447**	**$16,267,520**
WHOLESALE POWER		
Wholesale power	$9,504,059	$8,707,208
Other operating expenses (administration, sales, maintenance, taxes, etc.)	4,762,170	4,458,714
Depreciation of utility plant	1,549,128	1,520,414
Interest expenses on long-term debt	817,535	872,309
Total Expenses	**$16,632,892**	**$15,558,645**
PATRONAGE CAPITAL		
Patronage capital income before generation and transmission capital credits	$660,555	$708,875
Patronage capital from Basin Electric and other associated cooperatives	330,028	449,682
Total year end margin	**$990,583**	**$1,158,557**
Accumulated patronage capital - beginning of year	18,447,396	18,630,303
Retirement of patronage capital	(918,097)	(1,364,212)
Estate patronage capital retained	22,869	22,748
Total Accumulated Patronage Capital	**$18,542,751**	**$18,447,396**

Taxes paid in 2012

County	Real Estate	Transmission Line
Chippewa	$45,372	$59,722
Yellow Medicine	10,866	57,736
Lac qui Parle	11,846	110,514
Lyon	4,978	768
	$73,062	$228,740
Total County Taxes		**$301,802**
State and Federal Unemployment		$ 15,356
Employer's share of Social Security		$ 173,236
Total Payroll Taxes		**$188,592**
Total all Taxes		**$490,394**

2012 Electrical Dollar

2012 Expense Dollar

- Power cost - **57.1**
- Distribution - **13.4**
- Depreciation - **9.3**
- Administration & General - **7.2**
- Interest - **5.2**
- Customer service info/sales - **3.6**
- Transmission - **2.9**
- Customer accounts - **1.3**

2012 Revenue Dollar

- Farm/Residential - **66.6**
- Industrial - **22.9**
- Commercial - **8.7**
- Security lights - **1.3**
- Irrigation - **.5**

Comparison

The financials in the 1963 Annual Report contained some information that dated back to 1940. Here is what was reported through 1963 and updated every five years through 2012

Year	Avg. kWhs used per member per month	Cost in Mills per kWhs purchased
1940	67	13.23
1942	86	13.21
1944	99	13.16
1946	122	13.78
1948	174	14.44
1950	273	13.55
1952	332	13.84
1954	361	12.39
1956	398	12.09
1958	461	9.72
1960	535	9.11
1962	606	6.57
1963	636	6.50
1967	818	5.44
1972	1,161	5.92
1977	1,459	9.42
1982	1,774	26.25
1987	1,897	38.94
1992	1,963	35.54
1997	2,148	30.94
2002	2,247	26.31
2007	2,966	26.24
2008	3,085	29.81
2009	3,205	34.17
2010	3,160	37.60
2011	3,163	41.43
2012	3,118	45.74