



Join us for the 2018 Annual Meeting

Thursday, June 7, 2018

*Hakuna Matata
Edgeley, ND*

Agenda

5 p.m.

Registration opens

5 p.m. to 6:15 p.m.

Complimentary meal

Entertainment by Pau Hana

6:30 p.m.

Annual meeting and election

Door prizes



dakotavalley.com
800-342-4671





A message from the president & manager



President **Richard Schlosser** and
General Manager **Bruce Garber**

BY PRESIDENT RICHARD SCHLOSSER
AND GENERAL MANAGER BRUCE GARBER

Dakota Valley Electric Cooperative is in a strong financial condition and was able to hold its 2018 electrical rates stable due to its strong financial position and the availability of its deferred revenue program. This program was put in place to help offset future rate increases to the members due to future increases in wholesale power costs.

Dakota Valley recognizes that energy costs are a significant part of your operational costs, and while Dakota

Valley takes every step it can to hold the line on operational expenses, the real dollars are to be found in the cost of the wholesale power it purchases. In 2017, this amounted to 85.6 percent of the total cost of service.

With this in mind, let us review some of the cost-cutting measures our wholesale power suppliers have taken to hold down the cost of wholesale electric power.

Wholesale rate 'drivers'

One of the most likely drivers of future power supply rate increases is the Environmental Protection Agency's (EPA) Clean Power Plan, which will raise electric rates.

The Trump administration has started the process for replacing the Clean Power Plan. In December 2017, the EPA asked the public for input on how to replace the Clean Power Plan.

In an "advanced notice of proposed

rulemaking” – a first step in the long process of crafting regulation – the EPA said it is “soliciting information on the proper and respective roles of the state and federal governments” in setting emission limits on greenhouse gases.

EPA Administrator Scott Pruitt has said he wants to repeal the Obama current plan, but it’s clear the agency is also weighing replacement options – options that would weaken onerous regulations.

Committed to a clean environment

Basin Electric Power Cooperative is committed to a clean environment and understands that the cooperative must evolve to continue growing in a carbon-constrained world. As a result, it has been working on several projects designed to capture a portion of the carbon emissions generated by its lignite-fired generating plants. They are as follows:

ALLAM CYCLE: One technology that has great potential for economical carbon reduction is called the Allam Cycle. North Dakota coal companies continue to eye a natural gas power plant being built in Texas, which is expected to be fully operational by the spring of 2018.

The pilot plant is about a year behind schedule, most recently because of shipping delays caused by Hurricane Harvey, but also for a plant redesign that brought in a second, larger combustor to meet the needs of a commercial-sized plant.

The plant uses pressurized carbon dioxide rather than steam to generate power.

The system in Texas is fired on natural gas, but a consortium of North Dakota companies has been testing material with the aim of creating a similar plant fired by synthetic natural gas from lignite.

If successful, this new program would be good for all aspects of North

Dakota’s energy industry, and would allow wholesale power producers, like Basin, to continue using North Dakota’s plentiful lignite deposits to generate power.

PROJECT TUNDRA: Project Tundra would retrofit the older Milton R. Young Station near Center with a system to capture a portion of the plant’s carbon emissions. This project started about two years ago and is expected to be completed in 2024.

UREA PROJECT: This \$740 million project, which has been in the works for the last four years, produced its first urea in January. The plant will eventually ramp up to 1,100 tons per day.

Urea is the third fertilizer produced at the plant, with ammonium sulfate and anhydrous ammonia being the other two. These projects have a double mission: They reduce carbon dioxide emissions and directly serve the farming community in our area..

WIND ENERGY: At the end of 2017, more than 21 percent of the resources Basin Electric owns or purchases to fulfill its energy obligations came from renewable sources like wind and waste heat.

This compares to coal-fired production which is now about 44.7 percent of the mix. The balance is generated with natural gas, oil, nuclear, hydro or recovered energy.

Basin has committed to an additional 200 megawatts of wind generation, which will be located in Burke County, and is expected to come online in late 2019.

Shared-services agreement dissolved

You may recall back in 2005, Dakota Valley Electric Cooperative and Northern Plains Electric Cooperative entered into an agreement for shared services to provide management services between cooperatives. The agreement also called for the sharing of employees and equipment where appropriate.

After much study and months of discussion, Dakota Valley Electric Cooperative and Northern Plains Electric Cooperative have mutually agreed to dissolve the shared services agreement effective Sept. 1, 2018.

To sum it up

Over the past year, Dakota Valley Electric has invested more than \$6.5 million to upgrade power lines and services to enhance reliability and meet the needs of its members.

During the year, the cooperative began the process of installing new Verizon remote-reporting meters, which offer increased load data and reduced maintenance costs.

Our cooperative is continually changing to become more efficient and, as it becomes available, to implement more efficient, cost-saving technologies into its operation.

Be assured, Dakota Valley Electric Cooperative remains steadfast in its dedication to bringing reliable, reasonably priced electricity to you, the member-owners, now and in the future. ■



**DAKOTA VALLEY
ELECTRIC COOPERATIVE**

Your Touchstone Energy® Cooperative 

2017 Financial report

In 2017, Dakota Valley Electric Cooperative (DVEC) was fortunate to see a substantial increase in kilowatt-hour (KWH) sales, an increase of about 25.9 million KWH, compared to 2016. The majority of these increased sales were from our industrial accounts, with the largest increase coming from sales to the TransCanada pipeline.

We were also fortunate to see a substantial increase in our residential sales in 2017. Dual-heat sales increased 1.3 million KWH, or 7 percent in 2017, and electric heat sales increased just over 600,000 KWH, or 8 percent.

Sales for storage heat, primarily radiant floor heat in farm shops and homes, increased by almost 1.4 million KWH, or 15 percent over 2016 sales.

Electric revenue for 2017 amounted to an increase of \$5.5 million, compared to 2016. About 75 percent of the increase comes from our industrial loads, which accounted for \$4.4 million. The balance comes from farm and residential electric heat sales. Electric heat, dual-heat and storage heat sales were about 8 percent, or \$3.1 million KWH, over 2016.

In 2017, commercial and industrial sales accounted for 80 percent of all KWH sales, followed by residential sales at 18 percent and irrigation at 2 percent of sales made to Dakota Valley members.

The drier, hotter summer weather allowed DVEC crews to continue building new line, and replacing and retiring old line to homes and businesses from early spring through the winter months. This meant the co-op experienced reduced operations and maintenance expense in 2017.

Rate modification

In 2017, Dakota Valley's board of directors authorized modifications to the cooperative's electric rates, which went into effect Jan. 1, 2018

While the modifications were not the same for every rate class, the majority of Dakota Valley members – who are on the single-phase rural farm and residential rate –



saw changes in the rate structure which were designed to simplify the rate and be revenue neutral.

Previously, members with farm and residential accounts paid 10.47 cents per KWH for the first 1,000 KWH used each month, and 9.46 cents per KWH for all electrical use over the first 1,000 KWH. Since Jan. 1, all electricity used is priced at 9.75 cents per KWH.

Similar structural changes were made to the cooperative's other rates, including three-phase and irrigation accounts.

No changes were made to the fees for security lights, or to the credits or reduced rates received by members participating in the cooperative's off-peak or special electric heating rates.

Strong margins in 2017

Dakota Valley Electric ended 2017 with assets of \$124.9 million, debt and liabilities of \$71.6 million, and member equity of \$53.3 million. The cooperative showed year-end gross margins of \$6,846,393.

Gross margins are allocated each year, in the spring, to our members in the form of capital credits. These allocations are your equity in Dakota Valley Electric Cooperative. They are retained to self-fund a portion of the system's future improvements and replacement costs.

Eventually, these retained margins – capital credits – will be returned to members through the cooperative's normal rotation of capital credit payments, or in some cases, to the estates.

In December, the capital credit checks mailed to current and former members totaled \$678,562. These checks represented refunds from allocations made in 2002. Additional retirements of \$194,148 were made to estates and former members. ■

2016-2017 Operations Statement & Balance Sheet

	2017	2016
Revenue from Energy Sales	54,542,444	48,968,436
COST OF ELECTRIC SERVICE:		
Cost of Power	43,413,395	38,717,642
Operations & Maintenance	823,540	2,685,652
Customer Accounts	311,281	284,724
Customer Service & Information	162,714	202,157
Administrative & General	1,269,604	1,303,403
Depreciation & Amortization	2,331,434	2,164,117
Taxes	520,163	449,066
Interest on Debt	1,892,686	1,803,394
Total Cost of Electric Service	50,724,817	47,610,155
Operating Margins	3,817,627	1,358,281
Interest Income	311,576	244,383
Subsidiary Income	33,889	(28,408)
Non-Operating Margins	37,909	152,306
Capital Credits / G&T and Other	2,645,392	3,873,998
Net Patronage and Margins	6,846,393	5,600,560

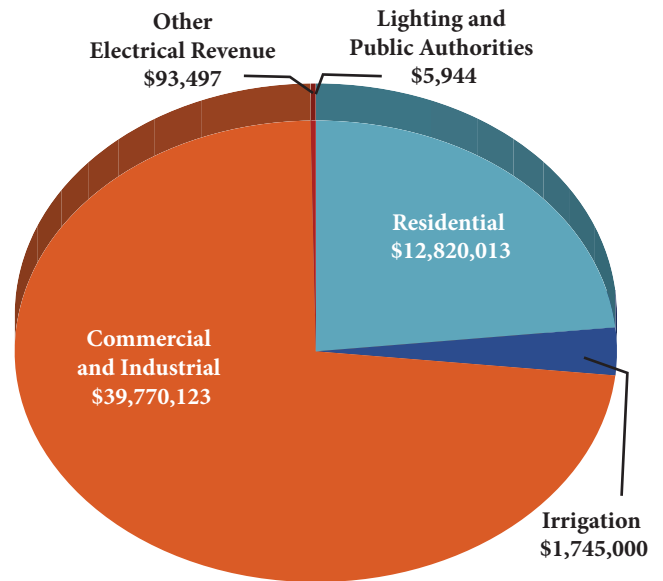
ASSETS AND OTHER DEBITS

Utility Plant in Service	99,763,328	93,453,123
Construction Work in Progress	1,731,084	1,514,968
Accum Provision for Depreciation	(30,188,017)	(29,856,032)
Net Utility in Plant	71,306,395	65,112,059
Other Properties & Investments	36,789,453	35,745,723
Cash & Investments	6,856,324	4,150,868
Accounts Receivable	5,056,241	5,114,803
Notes Receivable	2,645,739	3,566,099
Material & Supplies	1,084,254	1,192,641
Prepaid Expenses	26,003	23,394
Interest Receivable	47,059	30,952
Other Deferred Debits	1,119,462	1,183,992
Current & Other Assets	16,835,082	15,262,749
Total Assets & Other Debits	124,930,930	116,120,531

LIABILITIES AND OTHER CREDITS

Long Term Debt	56,290,611	52,982,475
Accounts Payable	4,858,190	5,510,109
Consumer Deposits	566,285	558,065
Current Maturities - Long Term Debt	2,527,101	2,395,390
Accrued Taxes & Liabilities	1,592,537	1,521,537
Regulatory Liabilities	5,100,000	5,100,000
Customers' Energy Prepayments	624,452	755,830
Other Liabilities	15,268,565	15,840,931
Member Patronage Equity	35,149,862	31,187,887
Current Year Margins	6,463,019	5,232,279
Other Margins and Equities	11,758,873	10,876,959
Total Member Equity	53,371,754	47,297,125
Total Liabilities and Other Credits	124,930,930	116,120,531

2017 Operating Revenue



2017 Cost of Service

85.6% Cost of Power:	\$43,413,395
1.6% Operations & Maintenance:	\$823,540
4.6% Depreciation & Amortization:	\$2,331,434
3.8% Interest on Debt:	\$1,892,686
2.5% Administrative & General:	\$1,269,604
1.0% Tax Expense:	\$520,163
0.6% Customer Accounts:	\$311,281
0.3% Customer Service & Information:	\$162,714

2017 Cooperative Statistics

Consumers	6,597
Miles of Line	4,687
Customers per mile	1.41
KWH sold	663,532,877
Revenue	54,542,444
Power Costs	43,413,395
All other costs	4,196,760
Total Equity	53,371,754
Net Plant	71,306,395
Total Assets	124,930,930
Equity Ratio	42.7%
Total Employess	40

Dakota Valley Electric Board of Directors



Richard Schlosser



Arden Fuher



Connie Bitz



John Hauschild



Kim Rasmussen



Neil Olerud



David Paulson



Richard Johnson



Blaine Lundgren

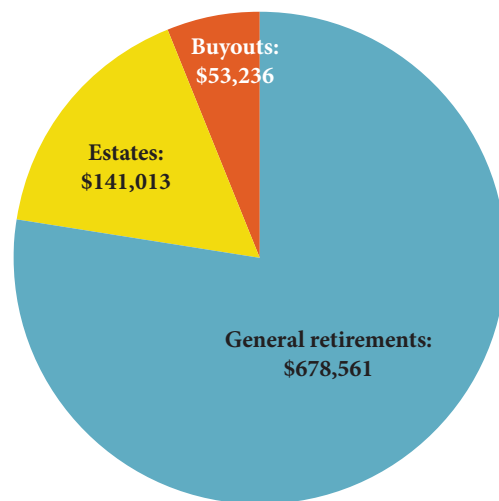
Capital Credits

What are capital credits?

Dakota Valley Electric is a cooperative, owned by its members. That means the co-op doesn't earn profits. If the co-op earns more revenue than it needs to do business, the co-op returns that money to its members.

Who receives capital credits?

This year's capital credit checks were paid to members who purchased electricity from the co-op in 2002. The amount of the check depends on how much electricity the member purchased.



Capital credits paid in 2017

General retirements	\$678,561
Estates.....	\$141,013
Buyouts	\$53,236
Total Retired	\$872,810



Operation Round Up director **Linda Wagner** presents \$500 check to **Ryan Wagner** and **Craig Bierman**, right. The funds were combined with money from other fundraising projects to benefit the LaMoure Community Volunteer Ambulance Service.

Operation Round Up

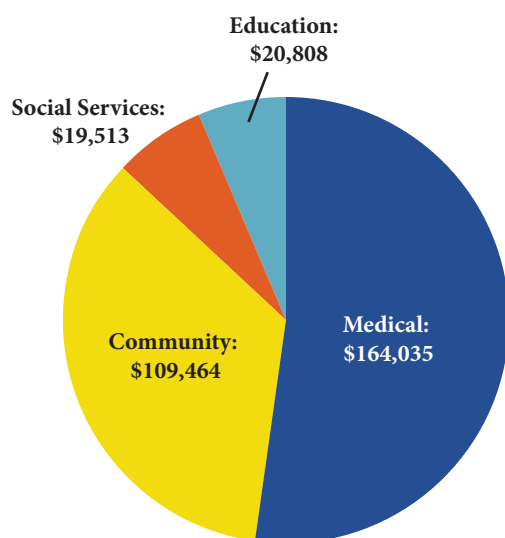
Grant program assists area individuals, organizations Operation Round Up

Premature babies, people with cancer, victims of fire – all are possible Operation Round Up (ORU) recipients. ORU is a grant program for individuals and organizations. It provides funds so food pantries can buy groceries, libraries can buy books and first responders can buy equipment.

Nearly 80 percent of the Dakota Valley Electric membership participates in the program. Those members “round up” their monthly electric bill to the nearest whole dollar, donating an average of 50 cents a month.

Dakota Valley Electric Cooperative contributes a small amount of resources each year to administer the program. ORU’s nine directors oversee the fund. They meet twice each year to disburse the funds.

In 2017, the board awarded \$17,950 to individuals and organizations, all located within the Dakota Valley service area. Since 2002, Operation Round Up has donated more than \$313,000. For more information or to download an application, visit dakotavalley.com. ■



2017 ORU financial report

Beginning Balance (Jan. 1, 2017)	\$3,483.47
Income:	
Round Up Contributions	\$20,655.63
Interest	\$3.45
Total Income	\$20,659.08
Expenses:	
Grants awarded in 2017	\$17,950.00
Bank charges	\$67.35
Total Expenses	\$18,017.35
Ending Balance (Dec. 31, 2017)	\$6,125.20

Dakota Valley upgrades to new meter technology



Nick Bollinger, Meter Technician, Edgeley, with new Aclera meters.

If one thing is constant, it is change.

The electric meter is an example of this change. To today's member, a meter is just another tool.

- We no longer have to read it.
- We probably don't even think about it.
- It's just there.

But, 75 years ago, when RSR Electric at Milnor and James Valley Electric at Edgeley first started energizing farms and homes, the first sign that blessings of electricity could soon be enjoyed was the installation of an electric meter.

Of course, the new power lines were essential, but even if the lines ran right by the farm, it didn't mean anything unless you had a meter to make that final connection.

Those first meters were reliable, mechanical workhorses. They almost never wore out, and when they did, they just slowed down or quit.

For the next 50 years, or so, co-op members were asked to read the meter on a monthly basis. Sometimes this meter

reading task was forgotten, or the member was away from home, so the billing was estimated. This meant that some of the electricity on the bill was used at least two month, or more, earlier.

In 2000, after the two cooperatives had consolidated into what is now known as Dakota Valley Electric, one of the first things the cooperative did was make the switch to new, modern meters that would report meter readings back to the office.

Gone was that monthly meter reading task!

Those electronic devices, called TURTLES, which were installed into regular meters, would send signals – very slowly – over the electric power lines from your home to the substation and then to the office.

The TURTLE meters, in some cases, are now nearly 17 years old, and were starting to fail. In addition, this old technology is no longer supported – so repairs are not available.

At some locations, electronic Cannon Eaton meters with two-way communication capability were installed to replace the failing TURTLE meters. But, that technology is now also not being supported into the future.

This situation, after much study, involving eight different metering technologies, led to the selection of new meter technology that uses Verizon 4G cellular communications to report meter readings.

These new Aclera meters are able to talk to each other and find secure new paths to get the readings back to the office. Plus, technological support is guaranteed for 10 years.

Deployment started in the Gackle area on Aug. 14 and will continue until all meters – approximately 9,000 – have been converted to this new, improved technology. ■



www.dakotavalley.com
dvec@dakotavalley.com
800-342-4671

Edgeley Office:
 7296 HWY 281, Edgeley, ND 58433

Milnor Office:
 14051 HWY 13, Milnor, ND 58060

OFFICE HOURS:
 Mon.-Fri. 8 a.m. to 4:30 p.m.

BOARD & MANAGEMENT:

Richard Schlosser, President Edgeley
 Arden Fuher, Vice President Edgeley
 John Hauschild, Treasurer Wahpeton
 Connie Bitz, Secretary LaMoure
 Richard Johnson Cogswell
 Kim Rasmussen Havana
 Dave Paulson Hankinson
 Neil Olerud McLeod
 Blaine Lundgren Kulm
 General Manager Bruce Garber
 Manager of Engineering Seth Syverson
 IT Manager Scott Buchholtz

Operations Manager Craig Rysavy
 Business Manager Kelly Wald
 Staff Assistant Michelle Berry
 News Editor
 and Services Manager Pat Schaffer



**ELECTRIC WIRING, PLUMBING
 & HEATING SERVICES:**
 Dakota Valley Services-Edgeley
 800-726-8056 or 701-493-2283