



# DAKOTA VALLEY NEWS

Your Touchstone Energy® Cooperative 



# Annual Report 2020

**Because of the serious health risks associated with COVID-19 infections linked to close contact exposure in large groups of people, Dakota Valley Electric Cooperative's board of directors has determined that the cooperative WILL NOT HOLD a traditional annual meeting on June 4, 2020**

**THE ELECTION OF DIRECTORS WILL BE CONDUCTED BY MAIL-IN BALLOT ONLY - THERE WILL BE NO IN-PERSON VOTING.**

*The only persons in attendance will be the tellers, the cooperative attorney and limited office staff.*

## JUNE 2020 INSIDE

- **Message from the president**
- **Financial report**
- **Planning now and for the future**

## A message from the president

# A DIFFICULT BUT

BY PRESIDENT RICHARD SCHLOSSER



**President  
Richard Schlosser**

**F**irst, please let me assure you, on behalf of myself and the board of directors, that Dakota Valley Electric Cooperative is closely monitoring the COVID-19 pandemic and wants to assure you that we are taking measures to protect your health and safety while making sure we keep the lights on.

For that reason, the board of directors has determined Dakota Valley will not hold its traditional annual meeting scheduled for June 4.

Because of the serious health risk of in-person attendance, there will be no complementary meal, no in-person voting, no financial reports presented, nor any other business conducted.

The meeting will be called to order **ONLY** for the purpose of counting mail-in ballots for the election of directors.

No other business will be – or can be – conducted, since the mail-in ballots count for a quorum for the purpose of the director election only.

The counting of the mail-in ballots will take place at the cooperative's boardroom at the Edgeley office. The only people physically in attendance will be the tellers counting the mail-in ballots, the cooperative attorney and limited office staff.

Current directors and director candidates will be attending via conference call, and following the announcement of the election results, the meeting will be suspended.

As you can imagine, this was not an easy decision. Like you, we look forward to the annual meeting as an opportunity to share information about the co-op's operations, elect the directors who will represent our interests, share a meal and visit with friends and neighbors we haven't seen for a while, and maybe, even win a door prize.

This year, for the first time in the more than 75-year history of Dakota Valley Electric Cooperative and its two founding cooperatives, RSR Electric Cooperative, Milnor, and James Valley Electric Cooperative, Edgeley, that will not be possible.

### **Our commitment to you has never been stronger**

While the COVID-19 pandemic is unique from other emergencies, Dakota Valley has a strong track record of preparing, planning and responding to emergency situations for storms and other natural disasters.

Our commitment to our consumer-members has never been stronger, and we will continue to monitor the situation and make changes as needed to deliver the safe and reliable electricity and services you need.

For many years, Dakota Valley has focused its attention on power line construction projects to meet its members' needs for increased capacity, and to the extent possible, provide trouble-free

# NECESSARY DECISION

electric service.

Over the past 12 years, in its efforts to achieve these goals, Dakota Valley's investment in power lines and other equipment has grown from \$56.3 million to \$109.9 million, while the number of members has remained steady at just over 4,000 members.

During 2019, Dakota Valley invested nearly \$5.8 million to upgrade its existing power lines and other equipment to meet its members' needs. This included \$865,565 to build new services requested by members, such as new bin sites, grain dryers, farm residences, drain tile systems and pasture wells.

2020 is the final year of Dakota Valley's Rural Utilities Service four-year construction work plan, which included \$23.9 million in needed improvements.

Construction projects to be completed this summer and fall total just under \$6 million. Again, they are focused primarily on improvements to strengthen our power line distribution system and provide needed capacity and reliability to meet our members' needs.

## Financial condition remains solid

2019 was an extremely trying time for most people living in this area – too much rain, summer temperatures too cool to bring crops to maturity, an early, heavy snowstorm in October disrupted

fall work and harvest, and another storm just before the end of the year caused widespread outages for up to two days in some places.

Dakota Valley understands that the strength of our cooperative is heavily dependent on the financial strength of the farmers, small businesses and communities it serves. We understand that depressed grain and cattle prices are having a serious negative impact on members across our service area.

Even so, some things did go right in 2019. We are not anticipating a general rate increase this year.

We at Dakota Valley have been working hard – thinking outside the box – to improve efficiency and contain costs. And most importantly, our wholesale power suppliers – Central Power and Basin Electric Power Cooperative – are both projecting stable rates. Since wholesale electric power accounts for nearly 80 percent of our costs, that is very good news.

Nevertheless, it is a constant struggle to maintain stable rates, as costs of equipment and supplies continue to rise. We know you are seeing this in your operations, too.

What do things look like in the long run? Probably the most significant issue is keeping the low-cost Rural Utilities Service loans available to us. These low-cost loans are particularly important as we borrow money to upgrade our older facilities.

## \$2.58 million refunded to members

Because of the cooperative's strong financial position, as evidenced by 2019 operating margins of nearly \$2.7 million, the board of directors approved a general retirement exceeding \$2.28 million to members who earned capital credits by doing business with the cooperative.

Capital credit retirement checks were mailed to just over 3,800 members and former members in mid-December.

In addition, during the year, Dakota Valley refunded an additional \$298,565 to member estates and to former members who requested early buyout at the time they left the system.

## Dedicated to serving you

Co-ops are about people who pull together for a common purpose to make life better for one another.

Cooperatives are not in business to make a profit; we are in the business to serve our members as reliably and cost effectively as we can.

We serve our members, whether it is easy or difficult.

Be assured, Dakota Valley Electric Cooperative is dedicated to bringing efficient, reliable, reasonably priced electricity to you, the member-owners, now and in the future. ■

# 2019 **FINANCIAL REPORT**



**Treasurer  
Richard Johnson**

**I**n 2019, Dakota Valley was fortunate to have a successful fiscal year, ending the year with operating margins of nearly \$2.7 million, even though the cooperative saw a decrease in its kilowatt hour (kWh) sales.

During the year, we sold a total of 671.4 million kilowatt hours, or about 7.3 million less than 2018.

The largest decrease, about 15.3 million kWh, was in the amount of electricity used by large industrial loads. This loss was partially offset by an increase of almost 8.0 million kWh sales in other loads; primarily farm and residential sales that increased 6.2 million.

Electric revenue for 2019 was just over \$56 million, a slight increase of \$700,000 compared to 2018.

Since large commercial and industrial accounts recorded a large decrease of 15.3 million in kWh sales, you might expect to see a corresponding decrease in revenue. However, even though the large industrial loads purchased fewer kWh, some had higher demand charges compared to last year. This, combined with the increase in farm and residential sales, resulted in very little change in revenue.

Total Expenses for 2019 totaled \$53.4 million. This is an increase of \$1.4 million over 2018. Most of this increase is on distribution operations & maintenance expenses, as the co-op focused on the repairs and upkeep needed to sustain a reliable electrical delivery system.

We would like to point out the increase of about \$8.6 million in cash investments. Rural Utilities Service/RUS interest rates have been very favorable recently; and the cooperative took advantage of that to finance construction expenses. Any funds not needed to pay 2019 construction expenses were invested and will be used to cover future construction expenses.

This year's Farm Bill included a program that allowed the co-op to pay off high interest loans without incurring a pre-payment penalty. Dakota Valley used this program and paid off two of our highest interest rate loans.

On behalf of the Directors of Dakota Valley Electric Cooperative, I would like to thank you for your patronage during the year. We wish you and your loved ones a safe and healthy summer, and we hope to see you at next year's annual meeting. ■



**80¢**

**Cost of power**

\$42,505,563



**5¢**

**Depreciation**

\$2,766,295



**5¢**

**Line operation  
and maintenance**

\$2,949,013



**5¢**

**Administrative and  
customer service**

\$2,638,927



**4¢**

**Interest**

\$2,038,220



**1¢**

**Tax expense**

\$505,059

## WHERE YOUR DOLLAR WENT

	<u>2019</u>	<u>2018</u>
<b>Revenue</b>	<b>56,090,080</b>	<b>55,353,498</b>
<b>COST OF ELECTRIC SERVICE:</b>		
Cost of Power	42,505,563	42,592,279
Operations & Maintenance	2,949,013	1,808,552
Customer Accounts	563,245	505,410
Customer Service & Information	218,193	188,139
Administrative & General	1,857,489	1,670,132
Depreciation & Amortization	2,766,295	2,652,614
Taxes	505,059	549,283
Interest on Debt	<u>2,038,220</u>	<u>1,963,021</u>
<b>Total Cost of Electric Service</b>	<b>53,403,077</b>	<b>51,929,430</b>
<b>Operating Margins</b>	<b>2,687,003</b>	<b>3,424,068</b>
Interest Income	579,850	388,248
Subsidiary Income	(50,120)	(13,994)
Non-Operating Margins	44,436	57,209
Capital Credits / G&T and Other	<u>2,794,296</u>	<u>6,274,742</u>
<b>Net Patronage and Margins</b>	<b>6,055,465</b>	<b>10,130,273</b>

**ASSETS AND OTHER DEBITS**

Utility Plant in Service	107,879,972	104,923,894
Construction Work in Progress	2,005,693	1,610,662
Accum Provision for Depreciation	<u>(30,025,510)</u>	<u>(30,317,052)</u>
<b>Net Utility in Plant</b>	<b>79,860,155</b>	<b>76,217,504</b>
<b>Other Properties &amp; Investments</b>	<b>42,495,462</b>	<b>41,127,461</b>

Cash & Investments	13,903,801	5,264,889
Accounts Receivable	4,575,101	5,359,178
Notes Receivable	2,172,341	1,930,002
Material & Supplies	1,242,052	1,639,732
Prepaid Expenses	10,563	4,942
Interest Receivable	169,443	66,955
Other Deferred Debits	<u>794,850</u>	<u>949,234</u>
<b>Current &amp; Other Assets</b>	<b>22,868,151</b>	<b>15,214,932</b>

<b>Total Assets &amp; Other Debits</b>	<b>145,223,768</b>	<b>132,559,897</b>
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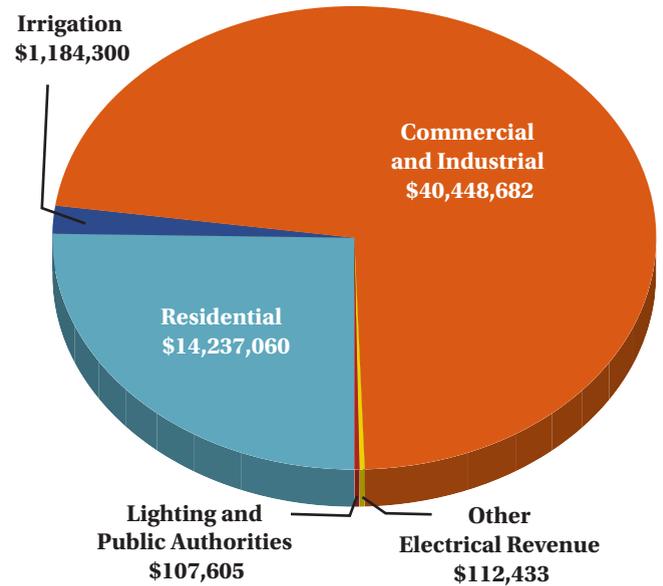
**LIABILITIES AND OTHER CREDITS**

<b>Long Term Debt</b>	<b>64,798,828</b>	<b>55,747,729</b>
Accounts Payable	4,496,176	4,417,340
Consumer Deposits	552,270	563,095
Current Maturities - Long Term Debt	2,669,306	2,733,469
Accrued Taxes & Liabilities	1,579,805	1,576,738
Regulatory Liabilities	5,100,000	5,100,000
Customers' Energy Prepayments	<u>510,306</u>	<u>538,590</u>
<b>Other Liabilities</b>	<b>14,907,863</b>	<b>14,929,232</b>

Member Patronage Equity	46,198,490	39,720,492
Current Year Margins	5,481,300	9,698,811
Other Margins and Equities	<u>13,837,287</u>	<u>12,463,633</u>
<b>Total Member Equity</b>	<b>65,517,077</b>	<b>61,882,936</b>

<b>Total Liabilities and Other Credits</b>	<b>145,223,768</b>	<b>132,559,897</b>
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## SOURCES OF OPERATING REVENUE



## 2019 COOPERATIVE STATISTICS

Consumers	6,638
Miles of Line	4,673
Customers per mile	1.42
KWH sold	671,486,425
Revenue	56,090,080
Power Costs	42,505,563
All other costs	10,897,514
Total Equity	65,517,077
Net Plant	79,860,155
Total Assets	145,223,768
Equity Ratio	45.0%
Total Employees	42
Members	4,162

## Dakota Valley Electric board of directors



*Richard Schlosser*



*Arden Fuher*



*Connie Bitz*



*Richard Johnson*



*Kim Rasmussen*



*Neil Olerud*



*David Paulson*



*Blaine Lundgren*



*Mike Hauschild*

## CAPITAL CREDITS

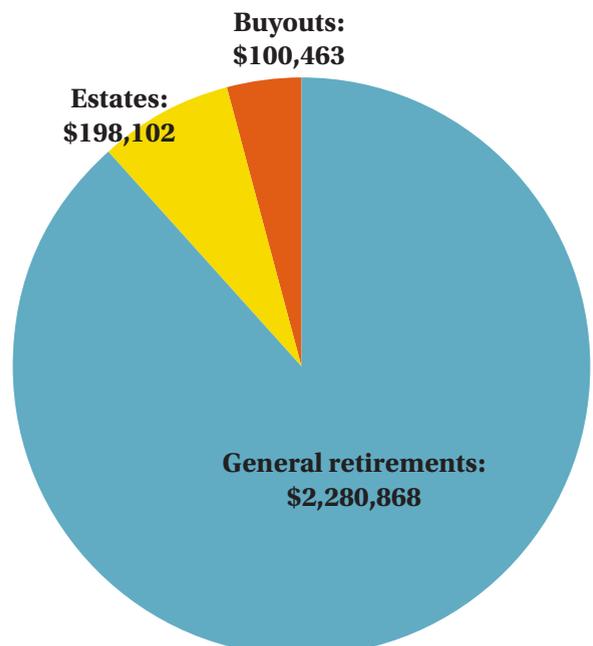
### What are capital credits?

Since Dakota Valley is a non-profit cooperative, any amounts over the cost of doing business are considered “margins.” Margins are allocated to members in proportion to how much electricity they purchased during the year. These allocations, called capital credits, are a source of equity and are used to help meet the expenses of the cooperative.

### Who receives capital credits?

This year’s capital credit checks were paid to members who purchased electricity from the co-op in 2003 and prior years. The amount each person received depends on how much electricity they purchased in those years.

### Capital credits paid in 2019





Operation Round Up board member **Dave Gackle**, right, presents a \$1,200 grant to **Andrew McDermid**, president of the Kulm Community Development Corporation. The funds were used to help finance Kulm's new community laundromat

## Grant program assists area individuals, organizations Operation Round Up

Operation Round Up (ORU) is a charitable program designed to provide financial assistance to community projects and individuals located within Dakota Valley Electric Cooperative's service area.

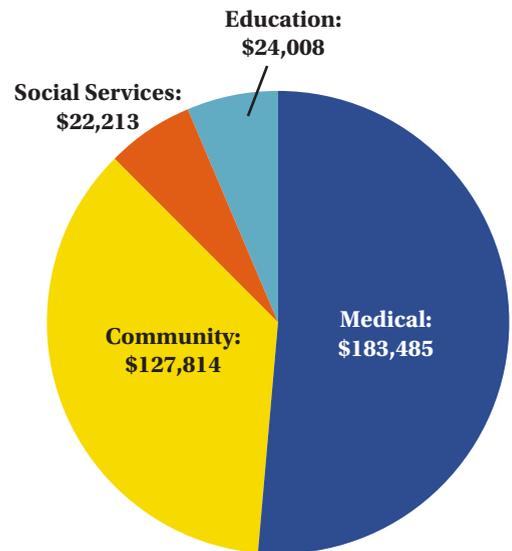
Nearly 80 percent of Dakota Valley's membership participates in the program. Participating members agree to have their monthly electric bills to be rounded up to the next whole dollar. The average donation is 50 cents a month. In addition, Dakota Valley Electric Cooperative contributes resources to administer the program.

ORU's directors, one from each of the cooperative's nine districts, oversee the fund. They meet twice each year, in May and November, to review grant applications.

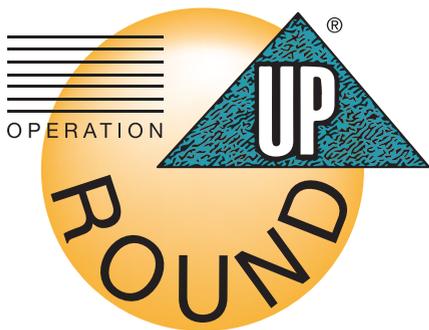
Over the years, ORU has provided funds to assist local nonprofit organizations such as food pantries, volunteer fire departments rural ambulance services, schools and other community projects. It has also helped people, young and old, with health care expense.

In 2019, the board awarded \$18,750 to community projects and individuals. Since its inception in 2002, ORU has disbursed \$357,520 to charitable causes. ■

### Where the funds went



**\$357,520**  
donated since  
**2002**  
to causes  
in our  
communities



## 2019 ORU financial report

<b>Beginning Balance (Jan. 1, 2019)</b> .....	<b>\$1,780.34</b>
<i>Income:</i>	
Round Up Contributions .....	\$20,488.80
Interest .....	\$2.32
<b>Total Income</b> .....	<b>\$20,491.12</b>
<i>Expenses:</i>	
Grants awarded in 2019 .....	\$18,750.00
Bank charges.....	0
<b>Total Expenses</b> .....	<b>\$18,750.00</b>
<b>Ending Balance (Dec. 31, 2019)</b> .....	<b>\$3,521.46</b>



*Dakota Valley linemen complete the connections on a three-phase line improvement in the Forbes area.*

## Planning - now and for the future

For many years, Dakota Valley Electric Cooperative (DVEC) has focused on line construction projects to meet its goal of meeting its members' needs for increased capacity, and to the extent possible, provide trouble-free electric service.

In its efforts to achieve this goal, Dakota Valley's investment in power line, transformers, meters and other equipment needed to serve you, grew from \$56.3 million to \$109.9 million, an increase of 95 percent, over the past 12 years (2007-2019), while the number of members remained steady at just over 4,000 members.

During 2019, as a part of its four-year work plan, Dakota Valley Electric invested \$3.4 million to upgrade its power lines and service equipment.

Working in conjunction with contractors, Dakota Valley lineworkers completed several major projects designed to improve

reliability and better serve our members' needs.

These projects included 5.5 miles in the Geneseo/Milnor area, 3 miles in the Mooreton area; and 5.5 miles northwest of Hankinson. Each of these projects involved converting overhead lines to underground cable.

In the Wahpeton area, DVEC replaced 4.5 miles of existing underground with heavier cable. In addition, a 2.5 mile line was added tying the new Red River substation to the existing Tyler and Dwight substations.

Dakota Valley also converted an additional 18 miles of line in the Millarton, Fredonia, Ellendale and Forbes areas.

These, and other upgrades, were needed to support the delivery of power to our members whose electric use has increased greatly in the past 12 years, and to maintain reliable ties between substations, even though the number of members basically remained the same. ■



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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  
Richard Johnson, Treasurer .....Cogswell  
Connie Bitz, Secretary .....LaMoure  
Blaine Lundgren .....Kulm  
Kim Rasmussen .....Havana  
Dave Paulson .....Hankinson  
Neil Olerud .....McLeod  
Mike Hauschild .....Wahpeton  
General Manager ..... Mark Kinzler  
Manager of Engineering.. Brandon Giesler  
Operations Manager ..... Brad Lunneborg  
Business Manager ..... Kelly Wald  
Staff Assistant ..... Michelle Berry  
News Editor ..... Pat Schaffer

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1-800-726-8056 or 701-493-2283