



DAKOTA VALLEY NEWS

Your Touchstone Energy® Cooperative



Join us for the **2021 Annual Meeting**

Thursday, June 10, 2021
Milnor Area Community Center



Agenda: **Registration: 5:00 p.m.**
 Annual meeting & election: 6:30 p.m.

Complimentary meal — Attendance gifts — Door prizes

A message from the president and manager

ARDEN FUHER AND MARK KINZLER



Arden Fuher
Board president



Mark Kinzler
General manager

Keeping calm and carrying on

At the beginning of 2020, as rumors of an unknown disease, causing severe illness and sometimes death, began to filter into the news, we took little notice. After all, the problem was happening in a country far away and with the blessings of modern medicine to protect us, we expected little effect.

We were wrong.

Before the winter snow had melted, we were facing events that had not occurred in more than 100 years. Words like lockdown, quarantine, sanitizer and pandemic became part of our everyday life and conversations. Other words – Zoom, Teams, mask, remote learning and social distancing – took on new significance.

Events were canceled, businesses shutdown and schools closed to protect our health and safety.

Even so, by year's end, nearly 1,400 in North Dakota had succumbed to the disease. They were our neighbors, acquaintances, friends and beloved family members. They were men and women who made vital contributions to our North Dakota way of life.

We mourn their loss.

Yes, 2020 was a challenging year. But, at a time when bad news was everywhere, we, like you, relied on inner strength. We stayed calm and carried on.

Our commitment remains strong

Our commitment to serving you has never been stronger. You can be confident we will continue to monitor the situation and make changes needed to deliver the safe and reliable electricity and services you need.

In recent years, Dakota Valley Electric Cooperative has primarily focused on construction projects designed to meet members' needs for increased capacity, and to the extent possible, provide trouble-free electric service. Despite all its challenges, 2020 was no exception.

In 2020, Dakota Valley invested nearly \$5.95 million to upgrade existing power lines and other equipment. Most of these dollars were spent converting overhead lines to underground. This investment also included \$995,000 to upgrade overhead lines to increase capacity, and \$1.47 million to create tie lines between substations, allowing power to flow from more than one direction, to reduce outage times in case of storm damage or necessary maintenance.

The value of these improvements became even more obvious during the frost and ice storm that struck the western third of Dakota Valley's system in early February 2021.

After a week of fog and freezing mist, many overhead lines were heavily laden with rime ice as thick as a quart jar. As the wind speed increased, some lines and poles

went down, causing outages. Yet, the overall system maintained its resiliency, mostly due to the conversions of primary feeder lines and circuits to underground cable that had been completed in recent years

Financial condition remains solid

While 2020 was an extremely trying time, the summer and fall weather was nearly perfect. Rain, when we needed it, resulted in good crop yields. A warm dry fall eased harvest stress and reduced the need for aeration and grain drying. Mild winter temperatures reduced heating loads.

Unfortunately, however, because of the pandemic slowdown and other economic developments, many rural businesses were forced to reduce hours or shut down, at least temporarily.

These factors resulted in 2020 electric sales of 638.5 million kilowatt-hours (kWh), compared to 671.4 million kWh sold in 2019 – a drop of just over 32.9 million kWh.

Despite seeing a nearly 5 percent drop in kWh sales, Dakota Valley ended the year with operating margins of \$1,437,538. The cooperative's financial position remained strong, because the reduced sales were offset by a corresponding reduction in purchased power and operating costs.

In addition, our wholesale

power providers – Central Power Electric Cooperative and Basin Electric Power Cooperative – were able to maintain stable rates. Since wholesale power purchases represent about 78 percent of Dakota Valley's total cost of operation, this was very good news.

\$2.89 million returned to members

In May, to help ease the far-reaching financial effects the COVID-19 slowdown was having on our local economy, Dakota Valley's board approved a \$750,000 special early capital credit retirement.

This was possible because of an early retirement received from the cooperative's wholesale power suppliers, and was applied directly to members' June electric bills.

In mid-December, because of the cooperative's strong financial position, the board approved a capital credit general retirement of \$2.14 million to current and former members. Current members received a credit to their December bill, while checks were mailed to former members. The general retirement represented a portion of the capital credits allocated to members who received electrical service in 2001, 2002 and 2004.

In addition, during the year, \$381,012 was retired to member estates and to former members who requested early buyout at the time they left the system.

In the past 11 years, the Dakota

Valley has returned more than \$13 million in capital credits to its members, thus benefiting our rural economy.

Quoting from this year's Basin Electric scholarship winner Alayna Pausch's insightful essay: "(Capital credits) are likely to be spent in the local community, generating revenue for other businesses in the area, such as grocery stores, gas stations and restaurants, to name a few. The cycle continues on, with cooperatives spreading money throughout the community."

Proudly serving your future

Like all cooperatives, Dakota Valley is not in the business to make a profit for out-of-state shareholders and whose decisions are often made to maximize profits, not for what is best for the consumers.

Dakota Valley is in business to serve its member-owners – local people, like you, as reliably and cost effectively as possible.

To accomplish this goal, Dakota Valley is continually seeking ways to become more efficient and implementing efficient, cost-saving technologies into its operations.

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. ■

2020 financial report



Treasurer
Richard Johnson

In 2020, Dakota Valley Electric Cooperative was fortunate to have a successful year, closing the year with operating margins of just over \$1.4 million, meeting the margin level required by our lender, the USDA-Rural Utilities Service (RUS).

For the second year in a row, the cooperative saw a decrease in its kilowatt-hour (kWh) sales. During the year, we sold a total of 638.5 million kWh, or about 32.9 million less than 2019. The decrease in energy sales was caused by a combination of factors.

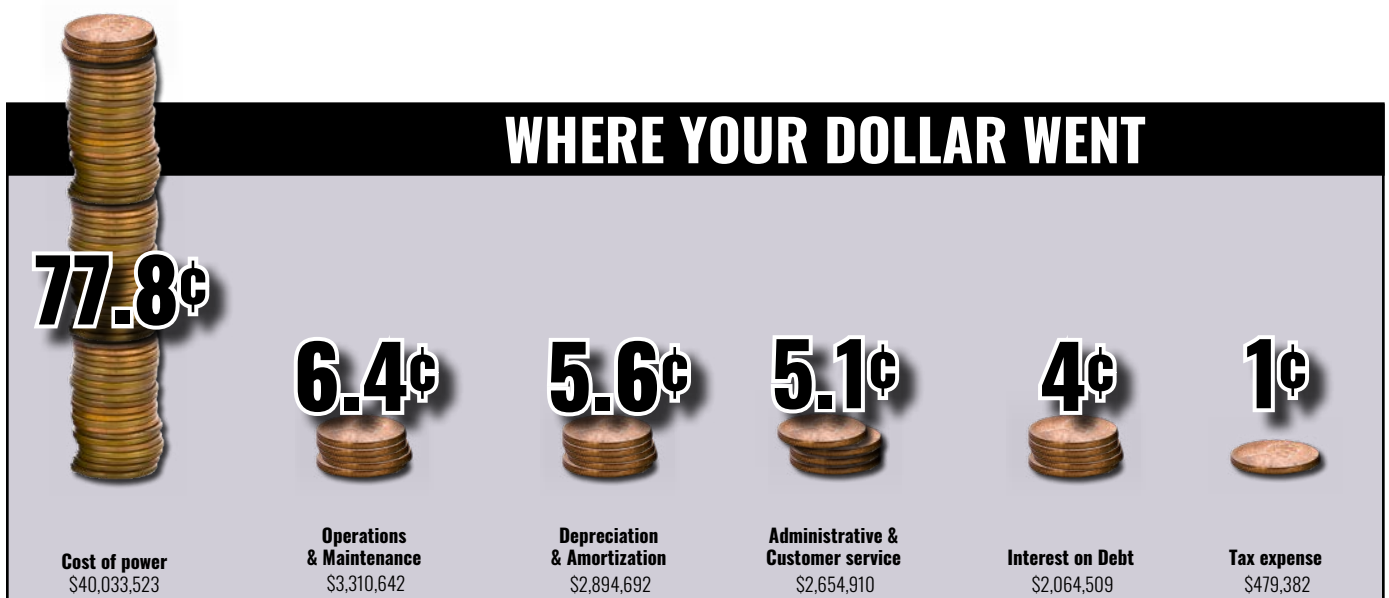
The first factor was favorable weather for our members. A warm, dry fall was followed by mild winter temperatures, reducing the energy used for aeration and grain drying and for home heating.

Secondly, because of the pandemic slowdown and other economic developments, many rural businesses were forced to reduce hours or shutdown, at least temporarily, which also reduced energy use. Sales to industrial loads were down 17.9 million kWh.

The cooperative's financial position remained strong, because the reduced energy sales were offset by a corresponding reductions in purchased wholesale power and in operating expense. In summary:

- Electric revenue received was just over \$53.1 million, a decrease of \$2.9 million from 2019 revenue.
- Total cost of power totaled \$40 million, a decrease of \$2.4 million compared to 2019 power costs. This decrease was due to the drop in energy sales.
- Other operating expenses, which totaled \$11.4 million, were slightly higher than 2019. Most of this change is reflected in operations and maintenance and depreciation expenses, as the co-op continues its focus on the investments, repairs and upkeep needed to sustain a reliable electric distribution system.

On behalf of the directors of Dakota Valley Electric Cooperative, we would like to thank you for your patronage during the past year. We wish you and your loved ones a safe and healthy summer. ■



	<u>2020</u>	<u>2019</u>
Revenue	53,137,204	56,090,080
COST OF ELECTRIC SERVICE:		
Cost of Power	40,033,523	42,505,563
Operations & Maintenance	3,310,642	2,949,013
Customer Accounts	527,080	563,245
Customer Service & Information	300,342	218,193
Administrative & General	1,827,488	1,857,489
Depreciation & Amortization	2,894,692	2,766,295
Taxes	479,382	505,059
Interest on Debt	2,064,509	2,038,220
Total Cost of Electric Service	51,437,658	53,403,077
Operating Margins	1,699,546	2,687,003
Interest Income	379,999	579,850
Subsidiary Income	83,536	(50,120)
Non-Operating Margins	60,737	44,436
Capital Credits / G&T and Other	2,555,425	2,794,296
Net Patronage and Margins	4,779,243	6,055,465

ASSETS AND OTHER DEBITS

Utility Plant in Service	113,610,540	107,879,972
Construction Work in Progress	2,186,937	2,005,693
Accum Provision for Depreciation	(31,134,645)	(30,025,510)
Net Utility in Plant	84,662,832	79,860,155
Other Properties & Investments	44,011,811	42,495,462
Cash & Investments	11,790,241	13,903,801
Accounts Receivable	4,528,078	4,575,101
Notes Receivable	1,609,589	2,172,341
Material & Supplies	1,702,002	1,242,052
Prepaid Expenses	8,852	10,563
Interest Receivable	83,650	169,443
Other Deferred Debits	624,332	794,850
Current & Other Assets	20,346,744	22,868,151

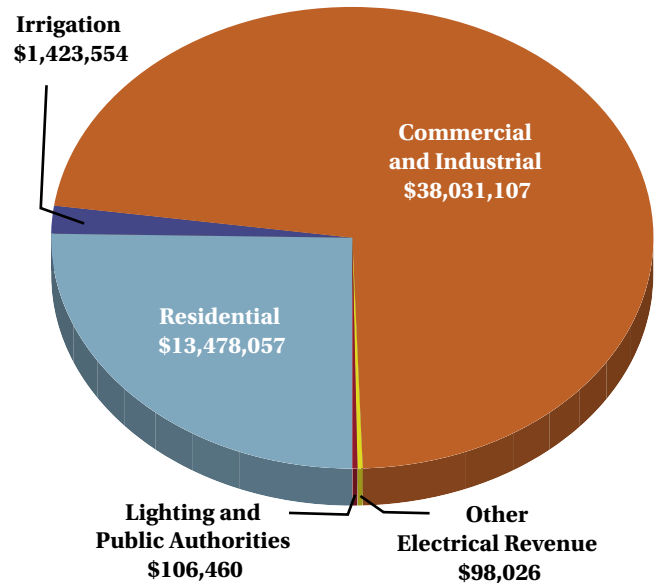
Total Assets & Other Debits	149,021,387	145,223,768
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LIABILITIES AND OTHER CREDITS

Long Term Debt	67,161,487	64,798,828
Accounts Payable	4,086,298	4,496,176
Consumer Deposits	569,820	352,270
Current Maturities - Long Term Debt	2,679,297	2,669,306
Accrued Taxes & Liabilities	1,581,862	1,579,805
Regulatory Liabilities	5,100,000	5,100,000
Customers' Energy Prepayments	586,024	510,306
Other Liabilities	14,603,301	14,707,863
Member Patronage Equity	48,460,987	46,198,490
Current Year Margins	4,779,243	6,055,465
Other Margins and Equities	14,016,369	13,263,122
Total Member Equity	67,256,599	65,517,077

Total Liabilities and Other Credits	149,021,387	145,023,768
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SOURCES OF OPERATING REVENUE



2020 Cooperative Statistics

Consumers	6,718
Miles of line	4,665
Customers per mile	1.44
KWH sold	638,535,019
Revenue	53,137,204
Power costs	40,033,523
All other costs	11,404,135
Total equity	67,256,599
Net plant	84,662,832
Total assets	149,021,387
Equity ratio	45.1%
Total employees	46
Members	4,195

Dakota Valley Electric board of directors



Arden Fuher



Connie Bitz



Kim Rasmussen



Richard Johnson



Blaine Lundgren



David Paulson



Neil Olerud



Mike Hauschild



Trish Gehlhar

Capital credits: The co-op difference \$3.27 million returned to members

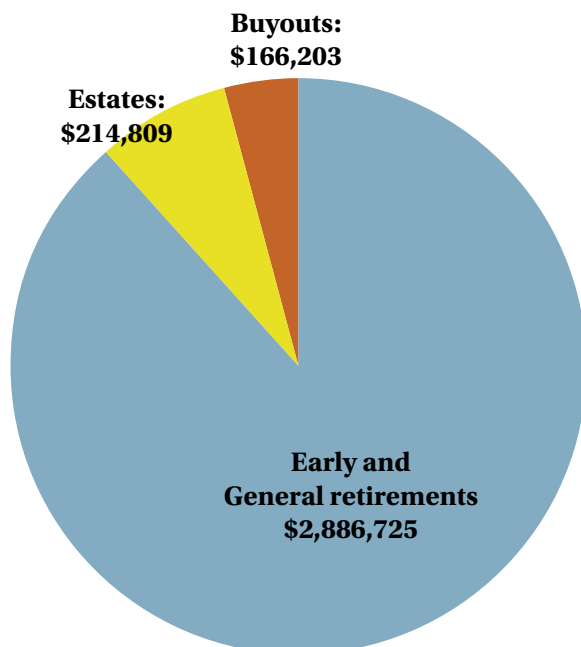
In June 2020, Dakota Valley Electric Cooperative (DVEC) members received a special early capital credit retirement of \$750,000, followed by a \$2.14 million general retirement in December.

“We felt it was important to get this money back into the hands of members, who have been affected by the far-reaching effects of the Covid-19 pandemic, as quickly as possible,” said board president Arden Fuher.

During the year, an additional \$381,013 was retired on buyouts and to estates.

“The retirement of capital credits is one of the most fundamental cooperative principles in action,” Fuher added. “Being able to provide this benefit to our members when it is most needed, is just one of the many ways the cooperative serves the needs of its member-owners.” ■

Capital credits paid in 2020





Kulm firefighters train with the "jaws of life" tool purchased, in part, with a \$1,300 Operation Round Up grant.

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 (DVEC) service area.

Participating members agree to have their monthly electric bills rounded up to the next whole dollar. In addition, DVEC contributes resources to administer the program.

A board of directors, comprised of DVEC members representing each of the cooperative's nine districts, oversees the ORU fund. The board meets twice each year, in May and November, to review grant applications.

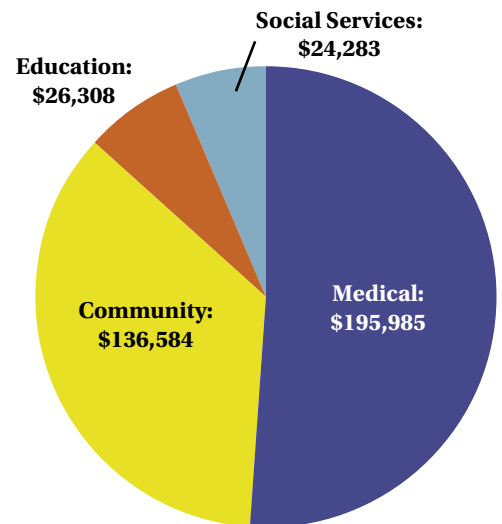
Over the years, ORU has assisted local nonprofit organizations, such as food pantries, volunteer fire departments, rural ambulance services, schools and other community projects. It has also helped people with health care expenses.

In 2020, the ORU board approved charitable grants totaling \$25,640 bringing the total, since the program was started in 2002, to \$383,160 – proof that even pennies can make a big difference. ■



Where the funds went

**\$383,160
donated since
2002
to causes
in our
communities**



2020 ORU financial report

Beginning Balance (January 1, 2020).....	\$3,521.46
INCOME:	
Round Up contributions	\$20,750.20
Memorials	\$200.00
Donations.....	\$3,244.88
Interest.....	\$2.36
Total Income.....	\$24,197.44
EXPENSES:	
Grants awarded in 2020	\$25,640.00
Total expenses	\$25,640.00
Ending balance (December 31, 2020).....	\$2,078.90

Co-op tax payments help local schools, fire districts and ambulance services

In February, Dakota Valley Electric Cooperative paid \$499,532.08 in taxes to the state of North Dakota.

The tax money comes from North Dakota's electric distribution tax, which taxes the electricity Dakota Valley's members use. The electric distribution taxes are paid in lieu of property taxes on the cooperative's overhead and underground power lines.

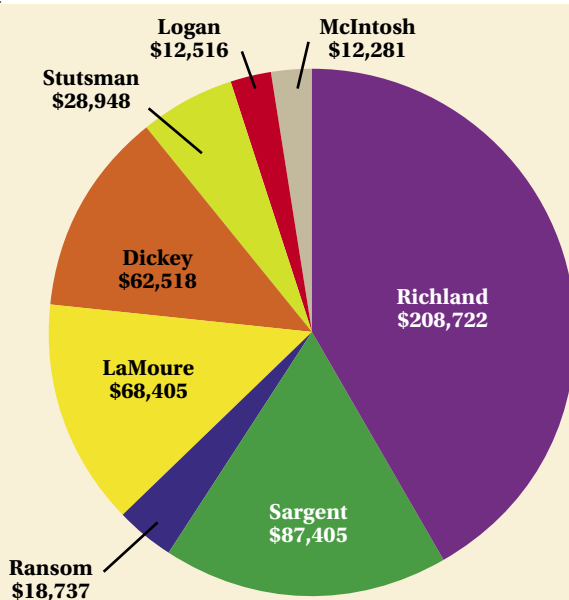
Although Dakota Valley sends just one check to the state, the tax revenue flows back to counties based on the number of miles of power line and kilowatt-hours sold in each county. Eight counties served in all, or in part, by Dakota Valley Electric Cooperative are beneficiaries of taxes the co-op pays.

Counties receiving tax money from the co-op include:

• Richland	\$208,722
• Sargent	\$ 87,405
• Ransom	\$ 18,737
• LaMoure	\$ 68,405
• Dickey	\$ 62,518
• Stutsman	\$ 28,948
• Logan	\$ 12,516
• McIntosh	\$ 12,281

In addition, Dakota Valley pays property taxes on the headquarters and outpost buildings it owns in Milnor, Edgeley, Wahpeton, Oakes, Hankinson and Gackle. ■

Taxes paid in 2020



www.dakotavalley.com
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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:

Arden Fuher, PresidentEdgeley
Kim Rasmussen, Vice President Havana
Richard Johnson, Treasurer.....Cogswell
Connie Bitz, Secretary.....LaMoure
Blaine LundgrenKulm
Dave Paulson Hankinson
Neil Olerud.....McLeod
Mike Hauschild..... Wahpeton
Patricia "Trish" Gehlhar..... Ypsilanti
General Manager Mark Kinzler
Manager of Engineering.. Brandon Giesler
Operations Manager..... Brad Lunneborg
Business Manager..... Kelly Wald
Member Service and Rates Mgr.....Michelle Berry
Communications Manager..... Pat Schaffer

**ELECTRIC WIRING, PLUMBING
& HEATING SERVICES:**
Dakota Valley Services-Edgeley
1-800-726-8056 or 701-493-2283