



# DAKOTA VALLEY NEWS

JUNE 2022

Your Touchstone Energy® Cooperative 

## Annual report | 2022

Join us for the annual meeting  
Thursday, June 9  
Edgeley Public School, Edgeley

*Proudly serving you!*

**Agenda:** Registration and meal: 5:30 p.m. to 6:30 p.m.  
Annual meeting and election: 6:30 p.m.

**Complementary meal — Attendance gifts — Door prizes**



**Arden Fuher**  
Board president



**Mark Kinzler**  
General manager

## Embracing change, while serving our member-owners

**2**021 has been a time of change, not only for Dakota Valley Electric Cooperative (DVEC) and its members, but also the entire electric utility industry.

As a result of ongoing COVID-19 pandemic impacts, a severe drought impacting most of the United States, shipping bottlenecks at ports around the country, and other world events, DVEC and its member-owners are facing pressure from every part of the supply chain – increasing input prices, delayed delivery of vital equipment, increasing interest rates and price inflation.

We, at DVEC, also face emerging challenges in maintaining the vitality of our service area through sustainable rural economic development and in continuing our tradition of environmental and fiscal responsibility while integrating new technologies into our operations.

We recognize change is not always easy. Even so, people and organizations have options on how they deal with challenges.

Accordingly, your board and management has spent many hours reviewing current conditions and anticipating future events that may impact the electric utility industry, in their effort to determine the best long-range outcomes for Dakota Valley.

By focusing on their mission of putting member-owners' needs first, your board has aggressively approved investments in power line improvements that will serve the members' growing needs for electricity, while increasing overall system reliability.

### Targeted replacements improve reliability

DVEC remains focused on effectively managing its electric service infrastructure by strategically converting overhead to underground where warranted, as well as maintaining overhead lines. The goal is simple: reduce power interruptions through programs that prevent outages from happening.

Currently, 60% of DVEC's lines are above ground – making a complete transition to underground cable economically not feasible. But targeted replacements based on outage statistics and close coordination between the engineering and operations departments have made a noticeable impact in reliability.

We continue to see the fruit of this strategy with fewer outages overall across the system. While ice and severe weather are the primary culprits, animals, dig-ins, agricultural and vehicular impacts, and material failures are also concerns. That said, your co-op has had a good year overall from an operations perspective.

Thankfully, we avoided major summer and winter storm related outages. We experienced a few wire breaks due to icing and a few underground faults, but survived the winter pretty well – and were able to assist our sister cooperatives in the northwestern part of the state repair their spring storm damage.

Even so, all utilities are vulnerable to outages caused by bad weather. To reduce this exposure, DVEC has invested nearly \$65 million

in power line improvements and equipment in the past 15 years. These improvements were designed to bolster capacity and, to the extent possible, ensure members experience fewer annoying power blinks, and fewer and shorter power outages.

Last year, DVEC invested \$1.54 million in line upgrades that involved the conversion of 25.5 miles of aging overhead power lines to new, heavier underground cable.

Power lines were rerouted to avoid difficult terrain, sloughs or other problem areas, where power lines were difficult to access for repair.

Also, new tie lines have been installed between substations to reduce outage times, by redirecting power to homes that are in the dark. DVEC's investment for tie line projects totals \$6 million since 2017.

## Our commitment remains stronger than ever

In January, DVEC received notice that its \$22.3 million loan request to cover additional line upgrades outlined in its 2022-25 workplan has been approved.

This four-year workplan includes the conversion of an additional 108 miles of overhead power lines to underground cable.

All the projects included in the workplan are designed to bolster system reliability for our members and ensure our distribution system will be able to handle growth as more people and businesses expand their electric loads.

As we move into our summer construction season, we have been experiencing more challenges than normal. Materials, from transformers, switches and enclosures to cable have been

difficult to obtain. All too often, delivery lead times extend out to one to two years, and we have been seeing price increases of 1.5 to 3 times what we paid last year.

These supply line bottlenecks will affect our construction work plans for years to come. We will be revising our projects to stay within budget and work around material shortages and delays.

DVEC has one overarching goal: to deliver power to the end of the line that is reliable, safe, and affordable. DVEC is not here to make a profit; we are here to serve you, while making our communities better for the next generation.

We are more excited than ever about the future and more confident than ever in our ability to seize that future. You can remain confident we will continue to deliver the safe, reliable and affordable electricity and services you need. ■

## IN MEMORIAM



**Johnson**



**Lundgren**

On behalf of the entire Dakota Valley Electric Cooperative (DVEC) family and board of directors, we are deeply saddened by the unexpected loss of two sitting directors, each of whom had served Dakota Valley Electric Cooperative (DVEC) members since June 2012.

Both men were strong cooperative supporters and active volunteers in many local and state organizations, in addition to their service on DVEC's board of directors.

Our sympathies go out to their families and friends. Their commitment and dedication to service will be missed.

Director **Richard "Dick" Johnson**, 74, died unexpectedly at his home near Brampton on March 8.

Dick was elected to the board from Central Region, District 3, and he currently served as treasurer.

Dick and Jill, his wife of 51 years, raised their family, including daughters, Amanda and Meagan, and son, Chad, on the family farm Dick's great-

grandfather "trued up" with a 10-acre tree claim in 1886. The couple has eight grandchildren.

Director **Blaine Lundgren**, 62, died unexpectedly at his farm near Kulm on March 13.

Blaine was elected to the board from West Region, District 1. He served on the cooperative's policy and labor committees and previously as its treasurer.

He is survived by his daughters, Amanda, Hannah and Kaisa, son, Egan, and seven grandchildren. Blaine always felt his greatest accomplishment was his legacy that will continue to live on through his family farm with his children and cherished grandchildren. ■



**David Paulson**  
Treasurer

## 2021 FINANCIAL REPORT

In 2021, Dakota Valley Electric Cooperative (DVEC) 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 Rural Utilities Service (RUS).

Compared to 2020, the cooperative saw an increase in its kilowatt-hour (kWh) sales. During the year, we sold a total of 638.5 million kWh, or about 31.7 million more than 2020.

The increase in energy sales was caused by a combination of factors. The first being increased energy sales to rural residential, farm, business and irrigation accounts due to the extremely hot, dry summer weather, followed by colder than normal winter temperatures. The extreme weather increased the energy needed for air conditioning, irrigation and for home heating.

Secondly, because of the easing of the pandemic restrictions, many rural businesses, including the cooperative's large industrial loads, were able to resume normal operations, resulting in increased energy use.

The cooperative's financial position remained strong because the increased cost of wholesale power purchased was offset by a corresponding increase in energy sales and the cooperative was able to keep its operating expenses stable. In summary:

- Electric revenue received was nearly \$55.4 million, an increase of \$2.3 million over 2020 revenue.
- Cost of power totaled \$42.7 million, an increase of \$2.7 million, compared to 2020 power costs.
- Other operating expenses, totaling \$11.6 million, were only slightly (1.4%) higher than 2020. This was 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>2021</u>	<u>2020</u>
<b>Revenue</b>	<b>55,396,722</b>	<b>53,137,204</b>
<b>COST OF ELECTRIC SERVICE:</b>		
Cost of Power	42,747,296	40,033,523
Operations & Maintenance	3,394,469	3,310,642
Customer Accounts	472,445	527,080
Customer Service & Information	250,826	300,342
Administrative & General	1,920,354	1,827,488
Depreciation & Amortization	3,000,897	2,894,692
Taxes	508,777	479,382
Interest on Debt	<u>2,011,107</u>	<u>2,064,509</u>
<b>Total Cost of Electric Service</b>	<b>54,306,171</b>	<b>51,437,658</b>
<b>Operating Margins</b>	<b>1,090,551</b>	<b>1,699,546</b>
Interest Income	130,051	379,999
Subsidiary Income	109,248	83,536
Non-Operating Margins	779,487	60,737
Capital Credits / G&T and Other	<u>2,324,425</u>	<u>2,555,425</u>
<b>Net Patronage and Margins</b>	<b>4,433,762</b>	<b>4,779,243</b>

#### ASSETS AND OTHER DEBITS

Utility Plant in Service	119,065,208	113,610,540
Construction Work in Progress	1,642,646	2,186,937
Accum Provision for Depreciation	<u>(32,129,113)</u>	<u>(31,134,645)</u>
<b>Net Utility in Plant</b>	<b>88,578,741</b>	<b>84,662,832</b>
<b>Other Properties &amp; Investments</b>	<b>45,594,302</b>	<b>44,011,811</b>

Cash & Investments	6,052,964	11,790,241
Accounts Receivable	4,806,506	4,528,078
Notes Receivable	1,330,240	1,609,589
Material & Supplies	1,707,137	1,702,002
Prepaid Expenses	35,098	8,852
Interest Receivable	7,263	83,650
Other Deferred Debits	<u>558,472</u>	<u>624,332</u>
<b>Current &amp; Other Assets</b>	<b>14,497,680</b>	<b>20,346,744</b>

**Total Assets & Other Debits**    **148,670,723**    **149,021,387**

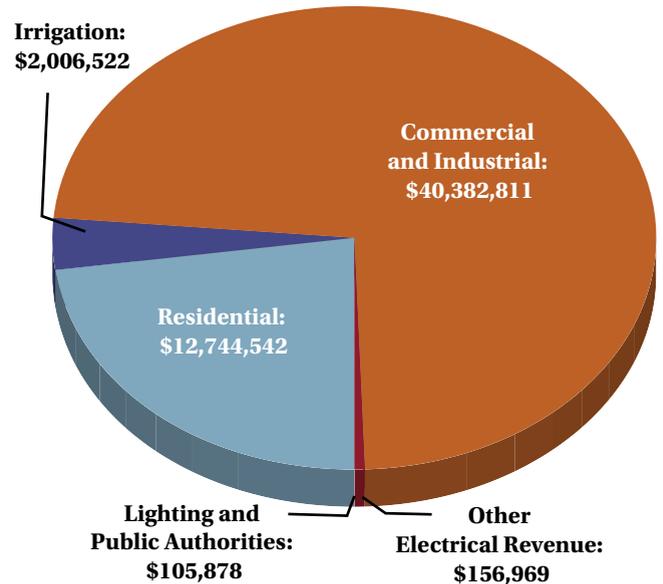
#### LIABILITIES AND OTHER CREDITS

<b>Long Term Debt</b>	<b>63,397,187</b>	<b>67,161,487</b>
Accounts Payable	4,313,205	4,086,298
Consumer Deposits	571,470	569,820
Current Maturities - Long Term Debt	2,857,108	2,679,297
Accrued Taxes & Liabilities	1,597,416	1,581,862
Regulatory Liabilities	5,100,000	5,100,000
Customers' Energy Prepayments	<u>514,127</u>	<u>586,024</u>
<b>Other Liabilities</b>	<b>14,953,326</b>	<b>14,603,301</b>

Member Patronage Equity	51,152,851	48,460,987
Current Year Margins	3,414,976	4,779,243
Other Margins and Equities	<u>15,752,383</u>	<u>14,016,369</u>
<b>Total Member Equity</b>	<b>70,320,210</b>	<b>67,256,599</b>

**Total Liabilities and Other Credits**    **148,670,723**    **149,021,387**

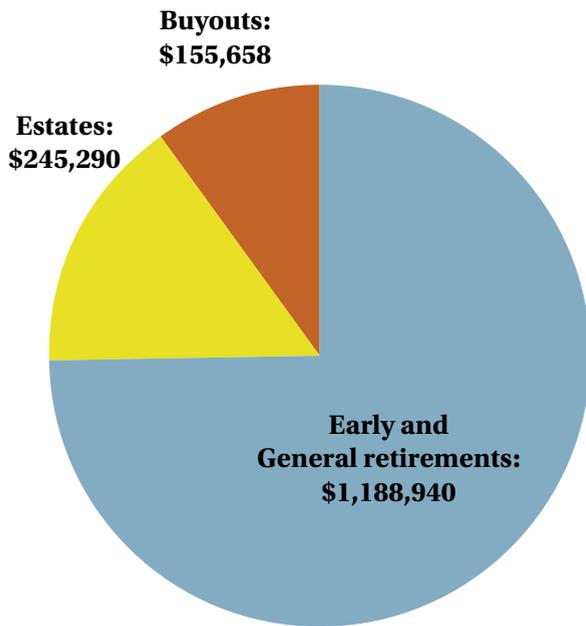
## SOURCES OF OPERATING REVENUE



### 2021 Cooperative Statistics

Consumers	6,779
Miles of line	4,637
Customers per mile	1.46
KWH sold	670,226,657
Revenue	55,396,722
Power costs	42,747,296
All other costs	11,550,875
Total equity	70,320,210
Net plant	88,578,741
Total assets	148,670,723
Equity ratio	47.3%
Total employees	43
Members	4,176

## Capital credits paid in 2021



## Capital credits: The co-op difference **\$1.59 million returned to members**

In December, the Dakota Valley Electric Cooperative (DVEC) board of directors approved a 2021 general retirement of \$1,188,940 in capital credits to current and former members of the cooperative.

In addition, during the year, an additional \$400,948 was retired to estates of deceased members and to members who had left the system and requested a buyout of their capital credits at that time.

“The retirement of capital credits to members is unique to cooperatives and is one of the most fundamental cooperative principles in action,” Board President Arden Fuher said.

“In view of the drought conditions experienced across most of our service areas, the board felt it was important to get this money back into the hands of members as quickly as possible,” he explained.

“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,” he added. ■

## Dakota Valley Electric board of directors



*Arden Fuher*



*Kim Rasmussen*



*Connie Bitz*



*David Paulson*



*Neil Olerud*



*Mike Hauschild*



*Trish Gehlhar*



Lidgerwood's community-owned grocery store received a grant for an electric shopping cart.

## Operation Round Up

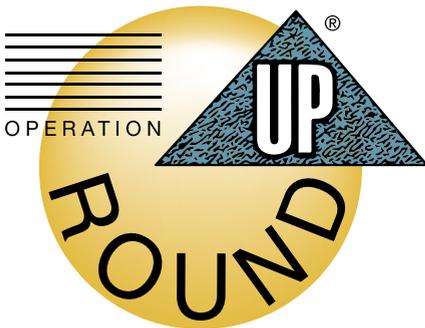
**O**peration Round Up (ORU) is a charitable program designed to provide financial assistance to community projects and individuals located within Dakota Valley Electric Cooperative's (DVEC) service area.

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.

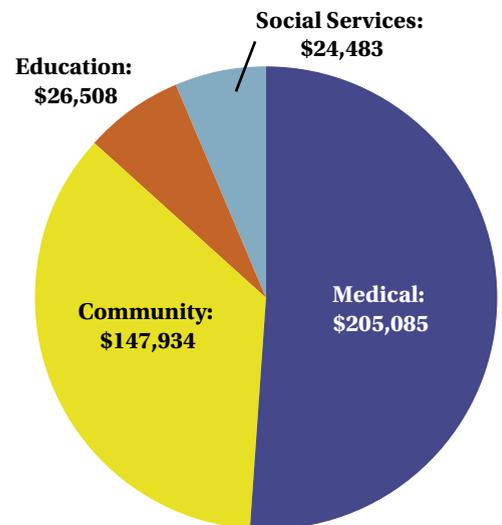
Over the years, ORU has assisted local nonprofit organizations, such as food pantries, volunteer fire departments, rural ambulance services, schools and other community projects. It has also helped people with health care expenses.

In 2021, the ORU board approved charitable grants totaling \$20,850, bringing the total since the program was started in 2002 to \$404,010 - proof that even pennies can make a big difference. ■



### Where the funds went

**\$404,010**  
donated since  
2002  
to causes  
in our  
communities



## 2021 ORU financial report

Beginning Balance (January 1, 2021).....	\$2,078.90
<b>INCOME:</b>	
Operation Round Up contributions.....	\$20,643.46
Memorials.....	\$ -
Donations.....	\$15.78
Interest.....	\$1.18
<b>Total Income.....</b>	<b>\$20,660.42</b>
<b>EXPENSES:</b>	
Grants awarded in 2021.....	\$20,850.00
Program expenses (bank charges).....	\$ -
<b>Total expenses.....</b>	<b>\$20,850.00</b>
<b>Ending balance (December 31, 2021).....</b>	<b>\$1,889.32</b>

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

In February, Dakota Valley Electric Cooperative (DVEC) paid \$476,960 in 2021 taxes to the state of North Dakota.

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

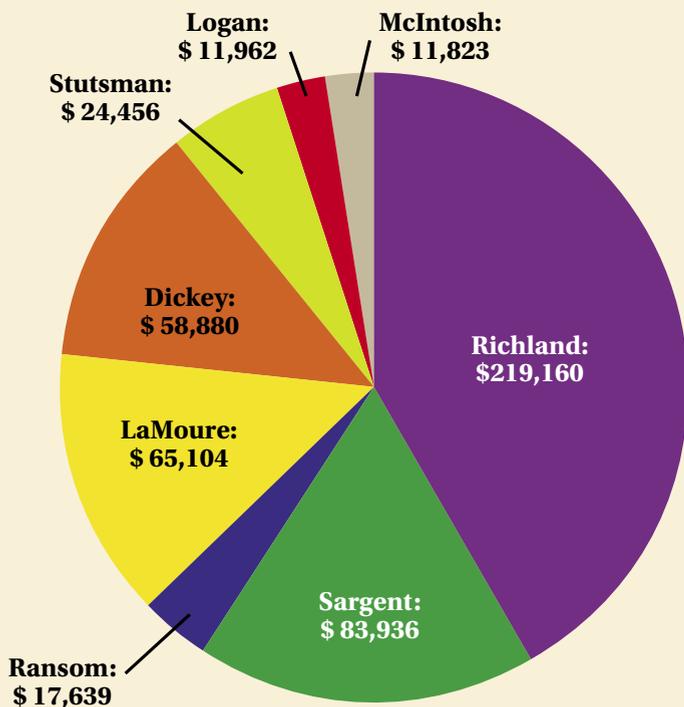
Although DVEC sends just one check to the state, the tax revenue flows back to counties based on the number of miles of power line and kilowatt-hours sold in each county. Eight counties served in all, or in part, by DVEC are beneficiaries of taxes the co-op pays.

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

Counties receiving tax money from the co-op include:

- Richland \$219,160
- Sargent \$ 83,936
- Ransom \$ 17,639
- LaMoure \$ 65,104
- Dickey \$ 58,880
- Stutsman \$ 24,456
- Logan \$ 11,962
- McIntosh \$ 11,823

## Taxes paid



**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:**  
Arden Fuher, President .....Edgeley  
Kim Rasmussen, Vice President.... Havana  
Connie Bitz, Secretary.....LaMoure  
Dave Paulson, Treasurer..... Hankinson  
Neil Olerud..... McLeod  
Mike Hauschild..... Wahpeton  
Patricia “Trish” Gehlhar..... Ypsilanti  
Bruce Bosse.....Cogswell  
Jeremy Nitschke..... Jud  
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