



# DAKOTA VALLEY NEWS

Your Touchstone Energy® Cooperative



## Annual report 2022

Then. Now. Always.  
Proudly serving you!



## Annual meeting - June 8, 2023 Milnor Area Community Center

Registration and meal: 5:30 p.m. to 6:30 p.m.

Annual meeting and election: 6:30 p.m.

Complimentary meal — Attendance gifts — Door prizes

# Manager's report

BY MARK KINZLER



**Mark Kinzler**  
General manager

All in all, 2022 was a good year for your cooperative.

Yes, there were challenges. Like our members and other businesses across the country, Dakota Valley Electric Cooperative (DVEC) faced significant pressure from every part of the supply chain, including increasing inflation, higher interest rates and delayed delivery of

needed materials and equipment.

Then in November, parts of DVEC's service area in Dickey, Ransom and Sargent counties were hit by a severe ice storm.

Because of the ice and wind, the co-op lost 466 poles, plus had broken crossarms, wire breaks and downed conductors. Other equipment, such as transformers, was also damaged.

Outages were widespread.

Despite the hardship caused by extended outages, DVEC experienced the best side of our members, who were more than willing to use their tractors and snow removal equipment to clean a path through blocked roads and pull trucks out of snowbanks.

We know living without electricity is not easy, and your assistance made restoration efforts go much faster.

Because of the extent of the storm damage, DVEC called for mutual aid from other North Dakota electric cooperatives.

In all, more than 70 lineworkers, plus other DVEC employees, worked to survey the damage and restore electricity as quickly as possible. Even so, some members were out of power for most of the week.

Back-to-back snowstorms in December, plus three storms in February, slowed our restoration and cleanup progress. And I don't even want to talk about March and April weather. Let's just say we were all happy to see spring.

If there is any good news about the November ice storm and its aftermath, it is that President Joe Biden declared a major disaster existed in North Dakota, which made Federal Emergency Management Agency (FEMA) funding available to help offset the ice storm restoration costs.

Since FEMA funds may reimburse up to 75% of eligible costs, and the N.D. Department of Emergency Services will cover another 10%, the disaster

**"In the midst of making major improvements, we continued to install new services, exchange old poles and power lines for new, and maintain 4,623 miles of overhead and underground line that serve you."**

declaration was very important to the co-op.

We have identified almost \$1.6 million in costs directly attributed to the storm damage recovery and restoration efforts, which we believe are eligible for FEMA and state cost-sharing.

Proving eligibility is a complicated and tedious process, with detailing all expenses and requiring that we submit photos of each damaged pole or piece of equipment.

But we understand these requirements are designed to prevent abuse of these very important federal and state programs.

I want to acknowledge and thank the N.D. Department of Emergency Services for its help through this process. It has guided our efforts and has been a good partner for DVEC.

## Reliable, safe, affordable

DVEC has one primary goal: to deliver reliable, safe and affordable power to the end of the line.

It's always a delicate balancing act between the cost of the investments needed to achieve this goal and the effect it will have on your electric rates.

Currently, about 55% of DVEC's power lines are still above ground, so making a complete transition to underground cable would be economically prohibitive.

However, over the past 16 years, DVEC's board of directors has approved power line and equipment upgrade investments totaling more than \$71 million.

Most recently, these investments have averaged about \$6 million per year. These system upgrades have focused on providing the capacity to meet our members' growing need for electricity and have targeted underground line conversions based on outage statistics.

Numerous tie-lines have been installed between substations, allowing us to reduce outage times by rerouting the flow of electricity from a different direction.

Overall, we have seen the fruit of this strategy.

We recognize that DVEC, like all utilities, is vulnerable to outages caused by severe weather. The November ice storm is proof of that.

Even so, DVEC was able to maintain service to its

members 99.96% of the year, with members averaging a power interruption of only 3 hours and 15 minutes during the entire year.

Across the system, your co-op had a good year from a power quality and operations perspective.

Despite the challenges faced during 2022, energy sales were good, finances were on budget and our construction projects, primarily targeted at converting aging overhead lines to underground cable, were completed on schedule.

We experienced modest growth in 2022, as evidenced by the 2.2% increase in kilowatt-hour (kWh) electric sales to members. We anticipate this steady growth will continue as we meet the growing needs of

our farming and business economies.

In 2022, DVEC purchased just under 700 million kWh to meet its members' needs, which is an increase of nearly 129 million kWh in just 10 years.

DVEC remains focused on investments in power line improvements that will serve our members' growing needs, while increasing overall system reliability.

The co-op's 2023 construction projects, part of its four-year Rural Utilities Service work plan, continue to focus on strategies that promote resiliency, innovation and member engagement to achieve this goal.

You can remain confident we will continue to deliver the safe, reliable and affordable electricity and services you need and deserve. ■

## President's report

BY ARDEN FUHER



**Arden Fuher**  
Board president

2022 has been a time of change for Dakota Valley Electric Cooperative (DVEC) and its members.

We are not alone in experiencing this change.

Across our nation, cooperatives and their member-owners are facing pressure from every part of the supply chain – increasing input prices, delayed delivery of vital equipment and supplies, rising interest rates

and inflation.

We also face emerging challenges to maintaining the vitality of our service area through sustainable rural economic development and to our continuing tradition of environmental and fiscal responsibility.

Because of the interconnected nature of the electric grid, federal and state policies are increasingly affecting reliability as the system undergoes its transition toward renewable energy.

For instance, in February 2021, an intense winter storm affected states from the Canadian border to the Gulf Coast.

For the first time in 40 years, the regional electrical grid became severely overloaded, and electric service was curtailed to prevent an uncontrolled blackout.

This unprecedented shutdown by the grid operator affected two substations in DVEC's service area and a number of other substations around the state.

Some DVEC members were left without power for

most of an hour in freezing weather..

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

Your board 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.

From time to time, usually this time of the year, people have asked me, "What does it take to be a board member?"

My answer:

A board member is part of a team, who takes the time to learn about the cooperative business model and understands how important that is to the co-op's member-owners.

A board member cannot shrink from facing the challenges of a changing utility industry and will put time into individual study of the complex and ongoing industry issues the co-op must deal with on a regular basis.

Board members attend monthly board meetings and other training classes that can add up to spending 25 to 30 days on co-op business each year – time spent away from their families, jobs, businesses and farms.

Over its 83-year history, DVEC has been blessed with board members who have accepted these challenges and remained focused on the needs of the member-owners, always putting the long-range success of the cooperative and its members first.

They are the common thread woven through the history of our cooperative. ■

# 2022 financial report

BY DAVE PAULSON, TREASURER



*Dave Paulson*

In 2022, Dakota Valley Electric Cooperative was fortunate to have a successful year, closing the year with operating margins of just over \$1.6 million, meeting the margin level required by our lender, the Rural Utilities Service (RUS).

Compared to 2021, the cooperative saw an increase in its kilowatt-

hour (kWh) sales. During the year, we sold a total of 685.5 million kWh, or about 15.3 million more than 2021.

The increase in energy sales was caused by a combination of factors.

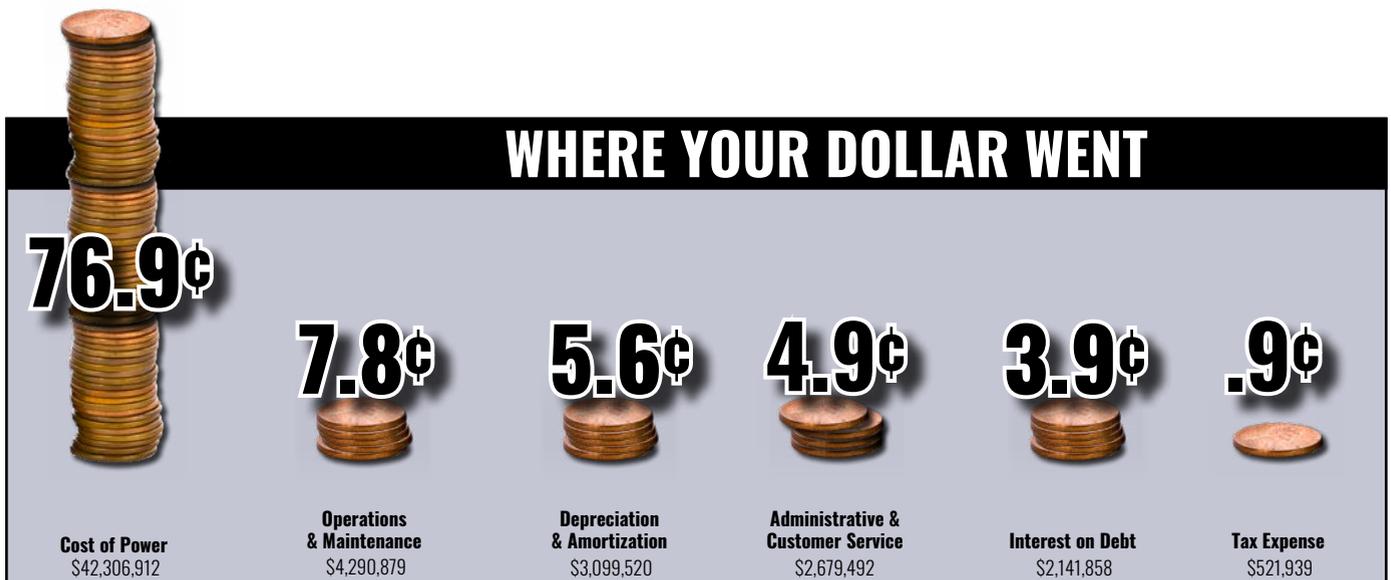
The first being a 13.4% increase in energy sales to rural residential, farm and business accounts due to hot, dry summer weather and colder than normal winter temperatures. The extreme weather increased the energy needed for air conditioning and home heating.

Secondly, because of the easing of the pandemic restrictions, many commercial businesses were able to return to more normal operations, which resulted in increased energy use of about 1.6 million kWh.

The cooperative's financial position remained steady, because the decrease in the cost of wholesale power purchased (our largest expense, accounting for 76.9% of total costs) was offset by a 2.3% increase in kWh sales.

- Total electric revenue received was nearly \$56.7 million, an increase of \$1.3 million over 2021 revenue.
- Total cost of power was \$42.3 million, a decrease of \$440,348 compared to 2021 power costs.
- Other operating expenses, totaling \$12.7 million, were 10% higher than 2021. This increase was due to inflationary costs experienced in operations and maintenance expenses, and in increased depreciation expense, as the co-op continues its focus on the investments needed to sustain a reliable electric distribution system.

On behalf of the directors of DVEC, 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>2022</u>	<u>2021</u>
<b>Revenue</b>	<b>56,687,125</b>	<b>55,396,722</b>
<b>COST OF ELECTRIC SERVICE:</b>		
Cost of Power	42,306,912	42,747,296
Operations & Maintenance	4,290,879	3,394,469
Customer Accounts	474,185	472,445
Customer Service & Information	263,171	250,826
Administrative & General	1,942,136	1,920,354
Depreciation & Amortization	3,099,520	3,000,897
Taxes	521,939	508,777
Interest on Debt	<u>2,141,858</u>	<u>2,011,107</u>
<b>Total Cost of Electric Service</b>	<b>55,040,600</b>	<b>54,306,171</b>
<b>Operating Margins</b>	<b>1,646,525</b>	<b>1,090,551</b>
Interest Income	306,032	130,051
Subsidiary Income	69,466	109,248
Non-Operating Margins	104,607	779,487
Capital Credits / G&T and Other	<u>4,680,892</u>	<u>2,324,425</u>
<b>Net Patronage and Margins</b>	<b>6,807,522</b>	<b>4,433,762</b>

#### ASSETS AND OTHER DEBITS

Utility Plant in Service	124,306,301	119,065,208
Construction Work in Progress	4,920,964	1,642,646
Accum Provision for Depreciation	<u>(34,714,662)</u>	<u>(32,129,113)</u>
<b>Net Utility in Plant</b>	<b>94,512,603</b>	<b>88,578,741</b>
<b>Other Properties &amp; Investments</b>	<b>48,760,612</b>	<b>45,594,302</b>
Cash & Investments	6,885,641	6,052,964
Accounts Receivable	4,302,936	4,806,506
Notes Receivable	1,853,290	1,330,240
Material & Supplies	4,277,505	1,707,137
Prepaid Expenses	34,551	35,098
Interest Receivable	49,925	7,263
Other Deferred Debits	<u>664,669</u>	<u>558,472</u>
<b>Current &amp; Other Assets</b>	<b>18,068,517</b>	<b>14,497,680</b>

**Total Assets & Other Debits**      **161,341,732**      **148,670,723**

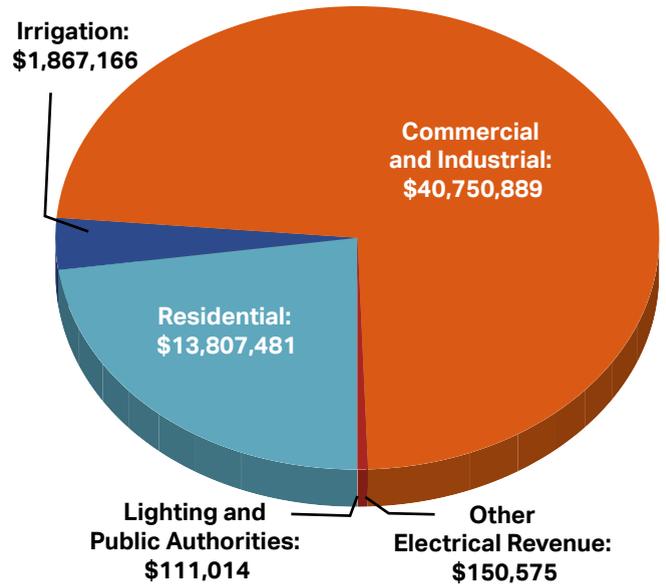
#### LIABILITIES AND OTHER CREDITS

<b>Long Term Debt</b>	<b>71,107,712</b>	<b>63,397,187</b>
Accounts Payable	4,806,592	4,313,205
Consumer Deposits	572,720	571,470
Current Maturities - Long Term Debt	2,692,931	2,857,108
Accrued Taxes & Liabilities	1,758,496	1,597,416
Regulatory Liabilities	5,100,000	5,100,000
Customers' Energy Prepayments	<u>533,169</u>	<u>514,127</u>
<b>Other Liabilities</b>	<b>15,463,908</b>	<b>14,953,326</b>

Member Patronage Equity	51,916,493	51,152,851
Current Year Margins	6,807,522	3,414,976
Other Margins and Equities	<u>16,046,097</u>	<u>15,752,383</u>
<b>Total Member Equity</b>	<b>74,770,112</b>	<b>70,320,210</b>

**Total Liabilities and Other Credits**      **161,341,732**      **148,670,723**

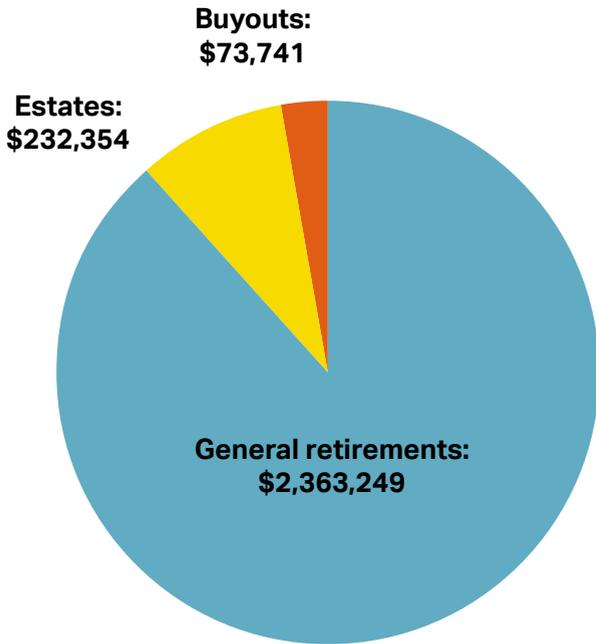
## SOURCES OF OPERATING REVENUE



### 2022 Cooperative Statistics

Consumers	6,885
Miles of line	4,623
Customers per mile	1.49
KWH sold	685,504,642
Revenue	\$56,687,125
Power costs	\$42,306,912
All other costs	\$12,733,688
Total equity	\$74,770,112
Net plant	\$94,512,603
Total assets	\$161,341,732
Equity ratio	46.3%
Total employees	43
Members	4,199

## Capital credits paid in 2022



## Capital credits: \$2.7 million returned to members

In December, the Dakota Valley Electric Cooperative (DVEC) board of directors approved a 2022 general retirement of \$2,363,249 in capital credits to current and former members of the cooperative.

In addition, during the year, an additional \$231,354 was retired to estates of deceased members and \$73,741 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.

"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, Pres.**  
West - District 3



**Mike Hauschild, Vice pres.**  
East - District 2



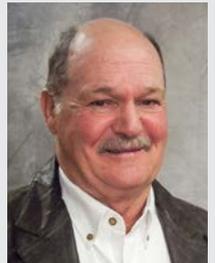
**Connie Bitz, Secretary**  
Central - District 1



**Dave Paulson, Treasurer**  
East - District 3



**Kim Rasmussen**  
Central - District 2



**Neil Olerud**  
East - District 1



**Patricia "Trish" Gehlhar**  
West - District 2



**Bruce Bosse**  
Central - District 3



**Jeremy Nitschke**  
West - District 1

## The Co-op Difference:

**Local. Member-owned. Not for profit.**  
**DVEC has retired nearly \$18 million in capital credits to its members since 2010.**



Ellendale Public Librarian **Janet Peterson** used the ORU grant to purchase books for the library.

## Grant program assists area individuals, organizations

**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.

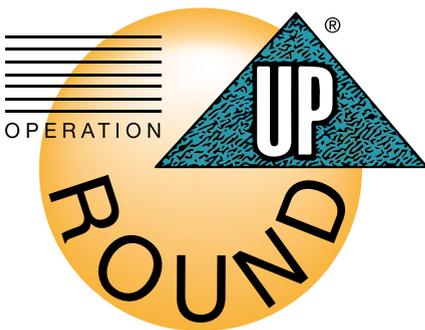
Participating members agree to have their monthly electric bills rounded up to the next whole dollar. In addition, DVEC contributes resources to administer the program.

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

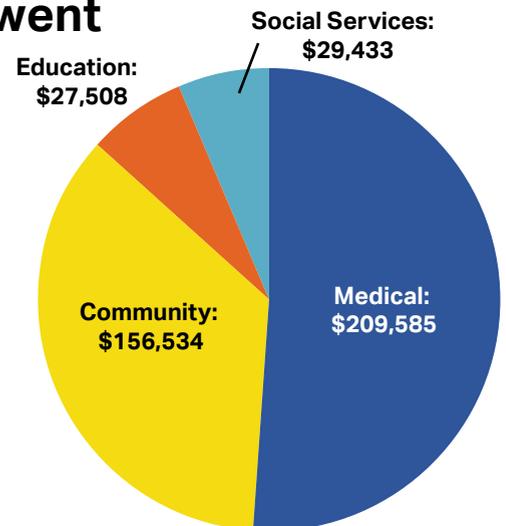
Over the years, ORU has assisted local nonprofit organizations, such as food pantries, volunteer fire departments, rural ambulance services, schools and other community projects. It has also helped people with medical needs.

In 2022, the ORU board of directors approved charitable grants totaling \$19,050, bringing the total since the program was started in 2002, to \$423,060. ■

### Where the funds went



**\$423,060**  
donated since  
2002 to  
causes in our  
communities



## 2022 ORU financial report

Beginning Balance (Jan. 1, 2022).....	\$ 1,889.32
<b>INCOME:</b>	
Operation Round Up contributions.....	\$ 20,552.68
Memorials.....	\$ 150.00
Donations.....	\$ -
Interest.....	\$ 1.20
<b>Total Income.....</b>	<b>\$ 20,703.88</b>
<b>EXPENSES:</b>	
Grants awarded in 2022.....	\$ 19,050.00
Program expenses (bank charges).....	\$ -
<b>Total expenses.....</b>	<b>\$ 19,050.00</b>
<b>Ending balance (Dec. 31, 2022).....</b>	<b>\$ 3,543.20</b>

## Dakota Valley pays \$521,939 in taxes

While the Dakota Valley Electric Cooperative (DVEC) is a not-for-profit cooperative, it is not tax exempt.

In February, DVEC paid \$521,939 in 2022 electric distribution and property taxes. These taxes support local school districts, fire departments and ambulance services.

The cooperative pays the electric distribution tax in lieu of property taxes on overhead and underground power lines and other equipment it has installed.

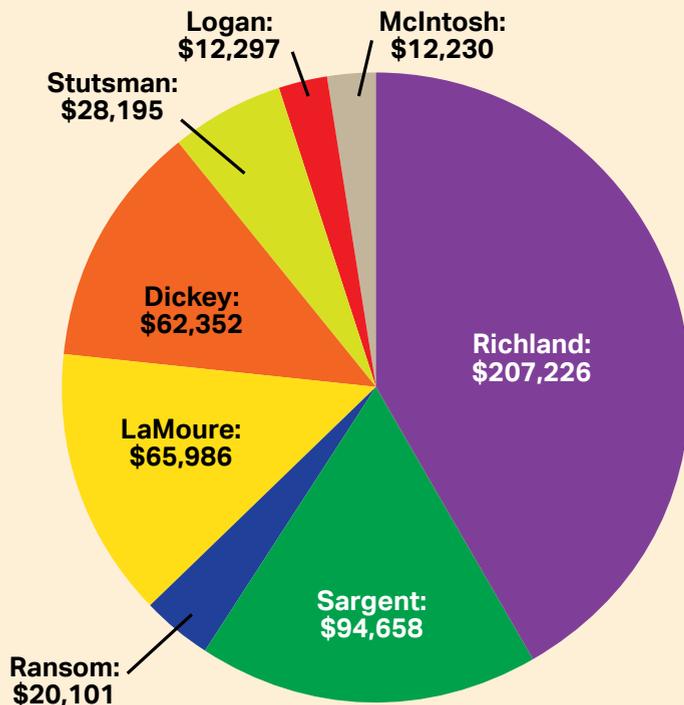
Although DVEC sends just one check to the state, the money flows back to counties based on the number of miles of electric power lines installed in each county where DVEC delivers electricity to its members and the amount of electricity sold to its members living in that county.

The eight counties sharing the electric distribution taxes paid by DVEC include:

• Richland	\$207,226
• Sargent	\$94,658
• LaMoure	\$65,986
• Dickey	\$62,352
• Stutsman	\$28,195
• Ransom	\$20,101
• McIntosh	\$12,230
• Logan	\$12,297

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

### ELECTRIC DISTRIBUTION TAXES BY COUNTY



**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

Mike Hauschild, Vice President.....Wahpeton

Connie Bitz, Secretary.....LaMoure

Dave Paulson, Treasurer ..... Hankinson

Kim Rasmussen.....Havana

Neil Olerud ..... McLeod

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