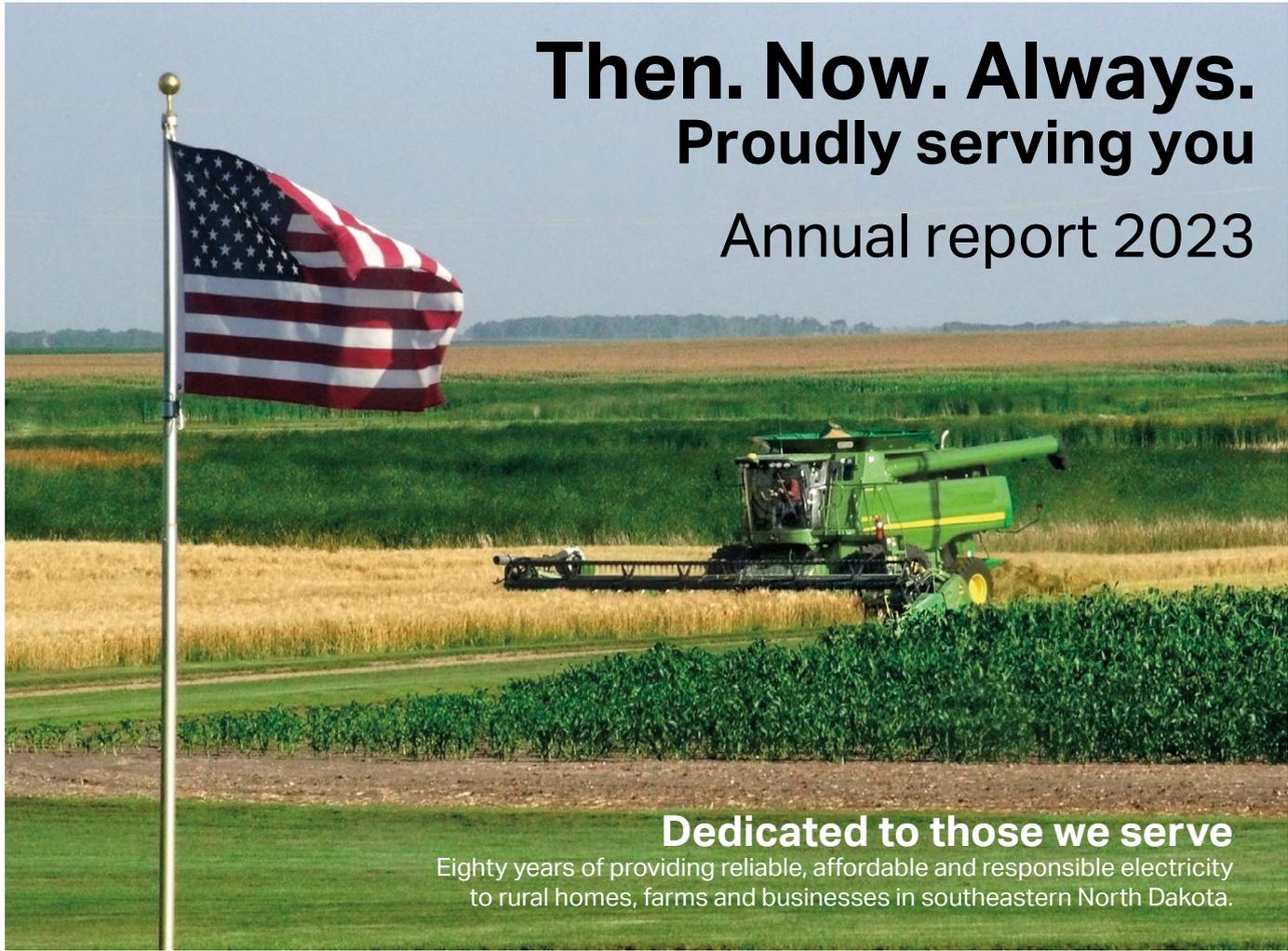




DAKOTA VALLEY NEWS

Your Touchstone Energy® Cooperative



Then. Now. Always. Proudly serving you Annual report 2023

PHOTO BY DAKOTA VALLEY MEMBER KATHERINE PLESSNER AT THEIR FAMILY FARM NEAR VERONA.

Dedicated to those we serve

Eighty years of providing reliable, affordable and responsible electricity to rural homes, farms and businesses in southeastern North Dakota.

Annual meeting - June 13 Edgeley School Multipurpose Room

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

Complimentary meal – Attendance gifts – Door prizes

Manager's report



Mark Kinzler
General manager

On Jan. 1, Dakota Valley Electric Cooperative's (DVEC) board of directors implemented its first comprehensive rate adjustment since 2018.

This was not a choice your board takes lightly.

Virtually all aspects of today's cost of doing business have continued to rise, including the cost of line materials and transformers, which skyrocketed after the

COVID-19 outbreak and the worldwide supply issues it caused.

It is not unusual to see increases of 50% – sometimes up to 300% – in these line material costs.

While there were adjustments across all types of electric rates, the majority of DVEC members, about 90%, who receive single-phase farm and residential service, saw an increase in the monthly service charge – from \$42 to \$49 per month.

Members with single-phase services also saw a half-cent increase in the kilowatt-hour (kWh) rate – from 9.75 cents to 10.25 cents.

As a result, an average farm or residential account using 2,000 kWh per month, saw an increase of \$17.

What does the future hold?

We see definite signs our wholesale power producer, Basin Electric Power Cooperative, will be forced to increase its rates in the near future, probably as early as 2025.

The same inflationary costs that affect you and me also affect Basin Electric. Plus, Basin Electric is faced with the regulatory costs of complying with increasingly stringent federal renewable energy and environmental standards.

While wind and sun may be free, the costs of building these facilities or integrating intermittent sources of power, such as wind and solar, into an electric system that must deliver reliable power 24/7/365 – no matter how bad the weather may be – is not cheap.

These factors, coupled with the recent rulings from the Environmental Protection Agency (EPA) that basically will force the shutdown of our baseload (coal) electric generating plants by 2039, cause extreme concern.

Overhead vs. underground

In the aftermath of the record-setting Christmas 2023 ice storm that left some of our members without power for days and others relying on standby generators to get by, we've been asked: "Why don't you just put all the lines underground?"

The first answer relates to an onerous environmental review process, which applies even if the lines are down and need to be rebuilt immediately. Any line changes must undergo state and federal environmental review, a process that takes months.

About 2,070 miles, or 45% of DVEC's distribution system, is underground cable. Over the years, these underground lines have been installed to new services and for system improvements to increase the electric capacity and reliability our members need.

These investments have averaged about \$6 million a year and total nearly \$73 million since RSR and James Valley consolidated to become DVEC 23 years ago. Our members are paying for these investments in their electric rates.

Currently, we have 50,600 poles along about 2,550 miles of overhead line.

If DVEC had the manpower and equipment and could get the material inventory to convert all of its overhead lines to underground cable, the cost of this conversion – estimated at \$175 million – would be reflected on our members' power bills.

A "very rough" calculation shows the investment would increase the monthly service charge an additional \$200 per month for every member account.

That's a number no one wants to see.

Our engineering department has worked to identify areas where older lines are beginning to cause problems. Replacements of these critical lines continue to be included in the co-op's four-year work plans, for U.S. Department of Agriculture Rural Utilities Service approval, on an ongoing basis.

So, it's a delicate balance of the cost of system improvements and overall reliability, against the effect on members' electric rates, which are already under pressure from outside forces.

DVEC members: the best!

In closing, I want to say how much we appreciate your patience, understanding and willingness to help during the Christmas 2023 ice storm and its aftermath.

We know living without electricity is not easy, and your commitment made restoring electricity go faster.

Despite the hardship, members were more than willing to use their tractors to pull trucks out of the mud, offer cleanup assistance and help in myriad ways large and small.

Day in and day out, we experience the best side of our members. Not just during storms and after storms, but every day! And we appreciate that! ■

UNREALISTIC REGULATIONS: The most pressing issue we face



Arden Fuher
Board President

Dakota Valley Electric Cooperative (DVEC) takes its commitment to provide abundant, affordable and reliable electricity for your family, farm or business seriously.

Of course, some things are out of our control. The devastating Christmas 2023 ice storm is a prime example.

But there are other issues that also have an enormous impact on electric

cooperatives and their member-owners. Issues we cannot control, but may be able to influence.

What are we talking about? Energy policy. Legislation. Regulation.

Unrealistic regulations create problems

In April, the Environmental Protection Agency (EPA) released new power plant rules.

This unfortunate ruling threatens U.S. electric reliability and would force the early retirement of reliable, dispatchable, baseload electric generating plants – like the coal-fired generating plants in western North Dakota.

These new EPA regulations aim to cut emissions from power plants by imposing unrealistic timelines and relying on technology not yet proven or available.

The new regulations would require existing coal power plants to reduce carbon dioxide emissions by 90% by 2032. Generating plants unable to meet the new emission standards would be forced to shut down by early 2039.

To meet this requirement, it appears existing coal and new natural gas-fired plants will be forced to deploy carbon capture and sequestration (CCS)

technologies. The problem? CCS is not yet proven or commercially available.

How this affects you

If implemented, these new EPA power plant rules will jeopardize our ability to keep the lights on.

Fortunately, our power supplier, Basin Electric Power Cooperative, has a diverse energy portfolio – wind and solar, hydro, natural gas and coal – that helps keep our electric supply system reliable.

But the sad reality is even with this diversity, these new EPA regulations will severely damage Basin Electric's longstanding efforts to provide electric reliability.

By eliminating reliable coal and natural gas baseload plants capable of generating electricity 24/7/365, the ruling will lead to more blackouts, higher costs and uncertainty.

Your voice can make a difference

As an electric cooperative, we do our best to avoid political talk, but sometimes critical national or state issues arise that can't – and shouldn't – be avoided.

DVEC is a member of national and statewide electric cooperative associations, which advocate for policies that benefit electric cooperatives.

The National Rural Electric Cooperative Association is our voice in Washington, D.C., and the North Dakota Association of Rural Electric Cooperatives is our advocate in North Dakota.

We will continue to push back on these problematic regulations and seek realistic solutions, but we can use your help.

We invite you to join this network of electric co-op members working together to influence elected officials who are making energy policy decisions that impact our rural way of life. Sign up at www.voicesforcooperativepower.com. ■

2023 financial report

BY DAVE PAULSON, TREASURER



Dave Paulson

Dakota Valley Electric Cooperative (DVEC) was fortunate to have a successful year, closing the year with operating margins of just over \$2.3 million, meeting the margin level required by our lender, the Rural Utilities Service (RUS).

Compared to 2022, the cooperative saw a decrease in kilowatt-hour

(kWh) sales. DVEC member-consumers purchased 665.5 million kWh, a drop of 20 million from 2022 sales.

The decrease in energy sales was primarily reflected in sales to large industrial accounts, as they took their plants down for scheduled maintenance.

Energy sales to rural residential, farm and business accounts were also down about 3.3% or 4.27 million kWh in 2023. These reduced sales were primarily due to a drier than normal fall and unusually mild winter temperatures that reduced the need for grain drying and electric heating.

These reduced kWh sales were partially offset by a nearly 1 million kWh increase in irrigation sales, also

influenced by the hotter, drier weather.

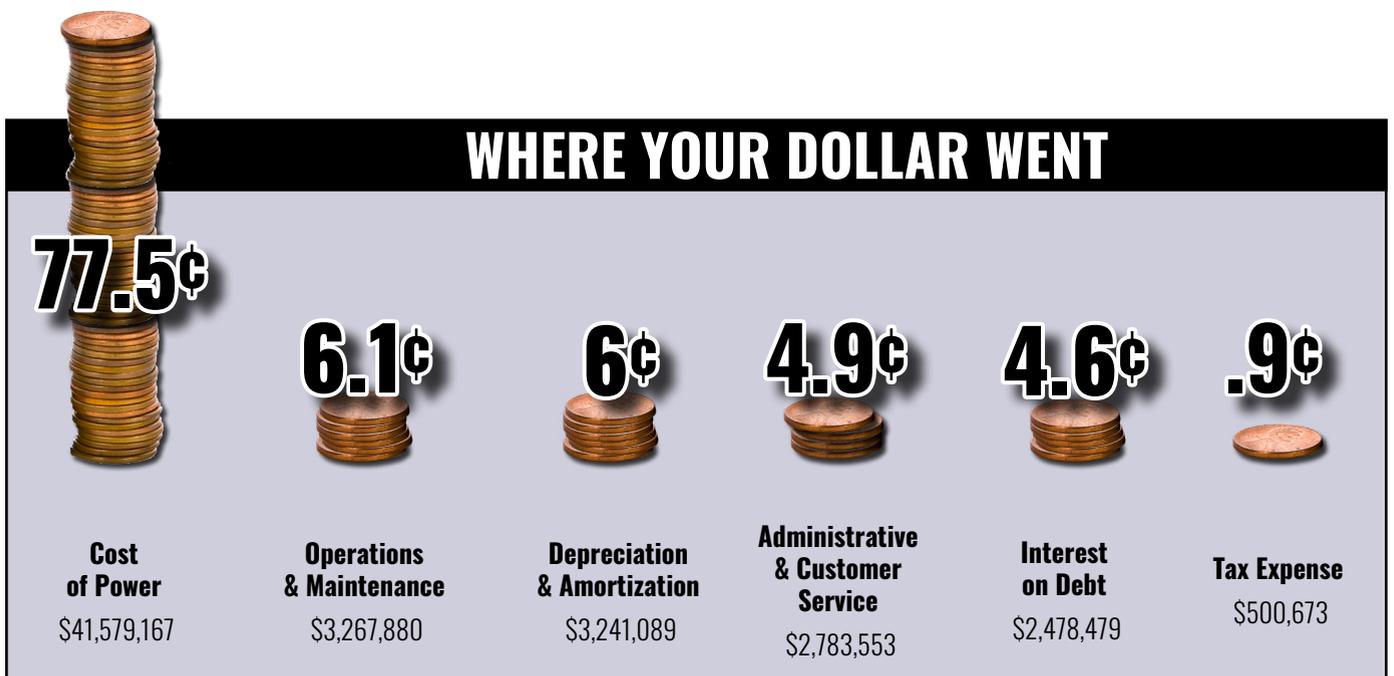
In summary:

- Total electric revenue received was just over \$56 million, a slight decrease of \$500,000 from 2022 revenue.
- Total cost of power was \$41.6 million, a decrease of \$747,745 compared to 2022 power costs.
- Other operating expenses, totaling \$12.2 million, were also lower by about 4% compared to 2022. This decrease was primarily due to the fact 2022 was higher than normal.

I am pleased to report DVEC's application for Federal Emergency Management Agency (FEMA) assistance to partially cover costs of the November 2022 ice storm affecting eastern Dickey County and most of Sargent and Ransom counties, was finalized, and the \$1,561,782 reimbursement from FEMA and the N.D. Department of Emergency Services is included in this year's financial report.

All in all, even with lower sales this past year, DVEC ended the year in a very good financial position.

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>2023</u>	<u>2022</u>
Revenue from Energy Sales	56,148,073	56,687,125
COST OF ELECTRIC SERVICE		
Cost of Power	41,579,167	42,306,912
Operations & Maintenance	3,257,880	4,290,879
Customer Accounts	493,684	474,185
Customer Service & Information	276,049	263,171
Administrative & General	2,013,820	1,942,136
Depreciation & Amortization	3,241,089	3,099,520
Taxes	500,673	521,939
Interest on Debt	<u>2,478,479</u>	<u>2,141,858</u>
Total Cost of Electric Service	53,840,841	55,040,600
Operating Margins	2,307,232	1,646,525
Interest Income	842,503	306,032
Subsidiary Income	87,320	69,466
Non-Operating Margins	29,730	104,607
Capital Credits / G&T and Other	<u>4,056,453</u>	<u>4,680,892</u>
Net Patronage and Margins	7,323,238	6,807,522

ASSETS AND OTHER DEBITS

Utility Plant in Service	131,457,270	124,306,301
Construction Work in Progress	7,221,399	4,920,964
Accum Provision for Depreciation	<u>(36,194,394)</u>	<u>(34,714,662)</u>
Net Utility in Plant	102,483,275	94,512,603
Other Properties & Investments	51,547,863	48,760,612

Cash & Investments	6,400,956	6,885,641
Accounts Receivable	6,222,599	4,302,936
Notes Receivable	1,758,157	1,853,290
Material & Supplies	4,957,185	4,277,505
Prepaid Expenses	37,437	34,551
Interest Receivable	126,364	49,925
Other Deferred Debits	<u>886,600</u>	<u>664,669</u>
Current & Other Assets	20,389,298	18,068,517

Total Assets & Other Debits	174,421,436	161,341,732
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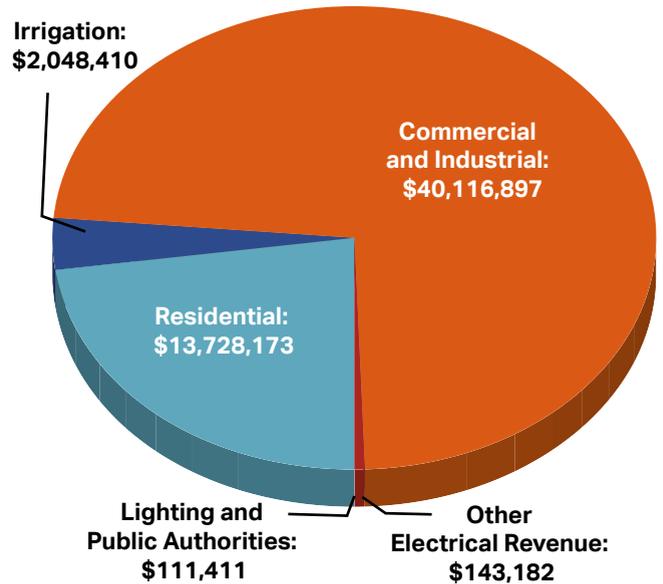
LIABILITIES AND OTHER CREDITS

Long Term Debt	78,149,601	71,107,712
Accounts Payable	5,612,993	4,806,592
Consumer Deposits	585,650	572,720
Current Maturities - Long Term Debt	2,655,055	2,692,931
Accrued Taxes & Liabilities	1,705,007	1,758,496
Regulatory Liabilities	5,100,000	5,100,000
Customers' Energy Prepayments	<u>340,790</u>	<u>533,169</u>
Other Liabilities	15,999,495	15,463,908

Member Patronage Equity	55,881,867	51,916,493
Current Year Margins	7,323,238	6,807,521
Other Margins and Equities	<u>17,067,235</u>	<u>16,046,098</u>
Total Member Equity	80,272,340	74,770,112

Total Liabilities and Other Credits	174,421,436	161,341,732
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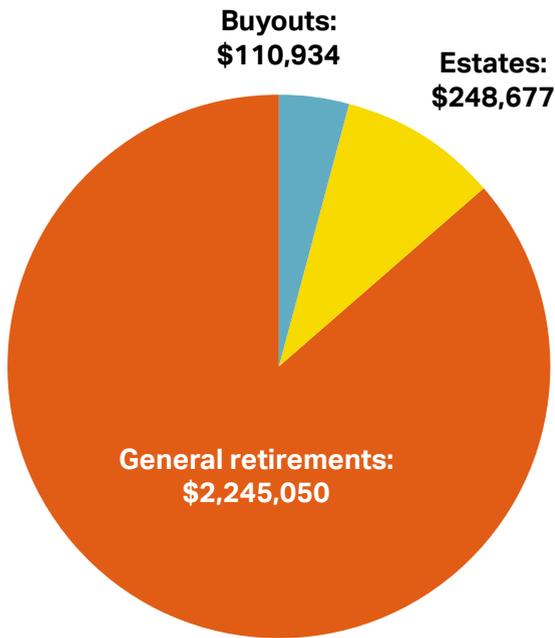
SOURCES OF OPERATING REVENUE (energy sales)



2023 Cooperative Statistics

Consumers	6,945
Miles of line	4,611
Customers per mile	1.51
KWH sold	665,422,873
Revenue	\$56,004,890
Power costs	\$41,579,167
All other costs	\$12,261,674
Total equity	\$71,937,161
Net plant	\$102,484,275
Total assets	\$174,421,436
Equity ratio	41.2%
Total employees	43
Members	4,197

Capital credits paid in 2023



Capital credits: \$2.2 million returned to members

In December, the Dakota Valley Electric Cooperative's (DVEC) board of directors approved a 2023 general retirement of \$1,885,439 in capital credits to current and former members of the cooperative.

In addition, during the year, an additional \$248,677 was retired to estates of deceased members and \$110,934 to members who left the system and requested a buyout of their capital credits at that time.

"The retirement of capital credits is one of the most fundamental cooperative principles in action," Board President Arden Fuher said.

"Capital credits are unique to cooperatives. Being able to provide this benefit to our members is just one of the many ways Dakota Valley serves the needs of its member-owners," he said. ■

Dakota Valley Electric board of directors



Arden Fuher, Pres.
West - District 3



Mike Hauschild, Vice Pres.
East - District 2



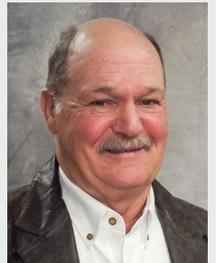
Connie Bitz, Secretary
Central - District 1



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 \$20 million in capital credits
to its members since 2010.



Ellendale Community Food Pantry volunteers prepared holiday food baskets. In November, the group received an ORU grant to expand its building.

Operation Round Up assists area individuals, organizations

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 fund. The board meets twice a 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 2023, the ORU board of directors approved charitable grants totaling \$20,700, bringing the total since the program was started in 2002 to \$443,760. ■

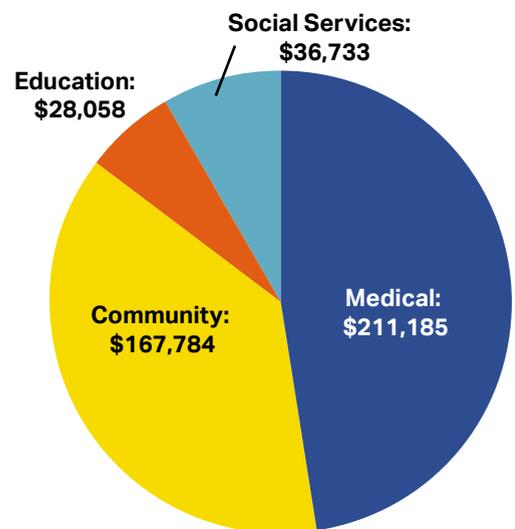
\$443,760 donated since 2002 to worthy causes in our communities



2023 ORU financial report

Beginning Balance (Jan. 1, 2023).....	\$ 3,543.20
INCOME:	
Operation Round Up contributions	\$ 20,766.19
Donations.....	\$ 100.00
Interest.....	\$ 1.35
Total Income	\$ 20,867.54
EXPENSES:	
Grants awarded in 2023	\$ 20,700.00
Total expenses	\$ 20,700.00
Ending balance (Dec. 31, 2023)	\$ 3,710.74

Where the funds went



Dakota Valley pays \$510,674 in taxes

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

In February, DVEC paid \$510,674 in electric distribution taxes. These taxes support local school districts, fire departments and ambulance services.

The cooperative pays the electric distribution tax in lieu of property tax on overhead and underground power lines and other equipment it has installed to deliver electricity to its members.

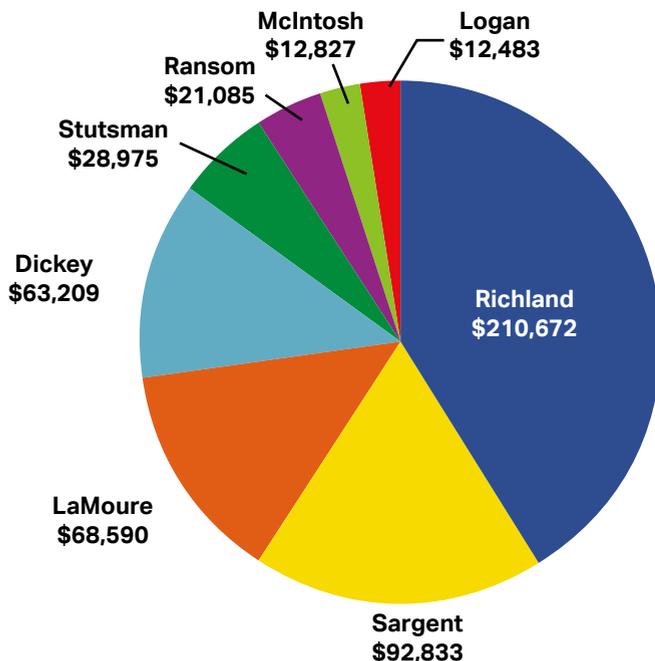
Although DVEC sends just one check to the state, the money flows back to counties and is calculated on the number of miles of electric power lines installed in each county where DVEC delivers electricity to its members and the amount of electricity sold to its members living in that county.

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

Richland	\$210,672
Sargent	\$ 92,833
LaMoure.....	\$ 68,590
Dickey.....	\$ 63,209
Stutsman.....	\$ 28,975
Ransom.....	\$ 21,085
McIntosh.....	\$ 12,827
Logan.....	\$ 12,483

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 tax paid in 2024



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 OlerudMcLeod
- Patricia "Trish" GehlharYpsilanti
- Bruce Bosse..... Cogswell
- Jeremy Nitschke..... Jud
- General ManagerMark Kinzler
- Manager of Engineering...Brandon Giesler
- Operations ManagerBrad Lunneborg
- Business ManagerKelly 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