



DAKOTA VALLEY NEWS

Your Touchstone Energy® Cooperative



PHOTO BY DVEC MEMBER KATHERINE PLESSNER, TAKEN NEAR THE PLESSNER FAMILY FARM AT VERONA

Then. Now. Always. Proudly serving you

Annual Report 2024

FACING THE CHALLENGE OF CHANGE

More than 80 years of providing reliable, safe and affordable electricity to rural farms, homes and businesses in southeastern North Dakota

Annual meeting - June 12 Milnor Area Community Center

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

Complimentary meal-Attendance gifts-Door prizes

A MESSAGE FROM THE PRESIDENT AND MANAGER

Facing the challenges of change

During the past few years and especially in 2024, your cooperative, like so many of us, has faced the challenges of change.

The challenge of having a skilled workforce in place is not new to any employer. But Dakota Valley Electric Cooperative (DVEC) has been blessed in this aspect, as many of the co-ops employees have been with us for years.

Recently, you may have noticed some new faces in the DVEC offices or service trucks.

The reason?

Over the past two years, some of DVEC's longtime and highly experienced employees have retired, some after giving 40 years of dedicated service to the co-op and its members:

- John Krump – Hankinson – 42 years
- Mitch Tompkins – Milnor – 40 years
- Kelly Wald – Edgeley – 29 years

We hated to see them go, but know you will join us in welcoming a new generation of employees to the DVEC family.

Our new lineworkers are Levi Johnson, Edgeley, Matt Meland, Milnor, and Brodie Sanders, Oakes.

And our new business manager, Kristin Syverson, works at DVEC's Edgeley office.

Earlier this winter, DVEC was proud to be recognized by the North Dakota Association of Rural Electric Cooperatives for the cooperative's safety achievements in 2024.

These safety achievements are not possible without the dedicated commitment of our employees, in particular our 16 lineworkers who take safety seriously day in and day out.

They achieved this safety record during a time when they worked to restore power outages and rebuild lines damaged during the Christmas 2023 ice storm that downed more than 1,300 poles across the system.

Inflationary pressures continue

Another challenge facing the co-op, especially during the past four years, is the negative impact of inflationary prices and the pressure it puts on electric rates. This is happening not just at DVEC, but all across the nation.

Virtually all aspects of today's cost of doing business have continued to rise, including the cost of line materials and transformers, which have skyrocketed over the past four years.

It is not unusual to see doubling or even tripling in the cost of essential equipment.

Plus, DVEC is facing rate increases from our power suppliers who are facing the same inflationary pressures.

To address these concerns, DVEC's board launched a



Kim Rasmussen
Board president



Mark Kinzler
General manager

cost-of-service study with an independent firm to determine the level of revenue needed to support the co-op's ongoing investments in the integrity and reliability of its distribution system.

Rate adjustment approved

After many years of nearly flat electric rates, DVEC's board approved adjustments to the co-op's basic service charge and kilowatt-hour rate to begin covering these costs.

This was not an easy decision.

The most recent adjustments were effective for all rate classes for electricity used after Jan. 1.

The majority of DVEC's members – about 90% – who receive single-phase farm and residential service saw an increase of \$3 in the basic service charge, which increased from \$49 to \$52 per month.

The basic service charge covers the cost of delivering electricity and operating the system, including labor, maintenance and repairs to the system.

These costs exist no matter how much, or how little, electricity members may use, which is why the basic service charge is fixed and equal for all members within the rate class.

Members with single-phase services also saw a three-quarter cent increase in the kilowatt-hour (kWh) rate – from 10.25 cents to 11 cents.

For an average single-phase farm or residential account using 1,600 kWh per month, the rate adjustments amount to \$15 per month or about 50 cents per day.

This rate adjustment was tempered by the board's decision to withdraw a portion of the revenue needed to cover the estimated financial shortfall from the cooperative's deferred revenue fund.

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.

What challenges does the future hold?

If the past is any indication, there will be many.

We anticipate our wholesale power suppliers, Basin Electric Power Cooperative, Western Area Power Administration and Central Power Electric Cooperative, will again need to increase their rates, probably as early as next year. The same inflationary costs affecting you also affect them.

Plus, Basin Electric is having to build additional gas-fired generation to support grid reliability and provide capacity for future loads. Basin Electric also faces burdensome regulatory costs of complying with increasingly stringent federal renewable energy and environmental standards.

While wind and sun may be free, the costs of building new generation facilities or integrating intermittent sources of power, such as wind and solar, into an electric system that must deliver reliable power 24/7/365 is not cheap.

More locally, DVEC is still in the process of recovering from the effects of last year's catastrophic Christmas ice storm. The engineering and business departments identified about \$4.7 million in damage that was directly attributed to storm recovery and restoration efforts.

The Federal Emergency Management Agency can reimburse up to 75% of these eligible costs, and North Dakota's Department of Emergency Services picked up another 10%, so this assistance is very important to our members.

It's been a long process, but we are grateful for this important financial assistance.

Our commitment remains strong.

We continue to update our facilities and replace aging

overhead and underground power lines to increase capacity and reliability for our members.

These system improvements have averaged about \$6 million a year, and total nearly \$73 million since RSR and James Valley consolidated to become DVEC 25 years ago. And our members pay for these improvements in their electric rates.

DVEC lineworkers, with the help from contractors, also upgraded tie lines between substations from overhead to underground to improve reliability and restore power faster in the event of power outages. We were able to convert 27 miles of overhead to underground in 2024 and complete three tie lines.

Currently, DVEC has roughly 4,600 miles of line, including about 2,070 miles of cable underground.

As a general rule, we no longer build overhead power lines. Even so, about 55% is still overhead. We have 50,600 poles on about 2,550 miles of overhead line.

We know these overhead lines won't last forever and some of our older underground cable is starting to show higher failure rates as well.

Our engineering department has worked to identify areas where the older lines, both overhead and underground, are beginning to cause problems.

Replacements of these critical lines have been included in the co-op's work plans, for approval by the Rural Utilities Service on an ongoing basis and with the goal of avoiding undue pressure on electric rates.

It's a delicate balance of the cost of system improvements and overall reliability against the impact it would have on members' electricity rates.

Dedicated to serving you

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.

As we move forward, know your co-op is working to manage costs, while still delivering safe, reliable electricity to your homes and businesses.

In closing, we want to say how much we appreciate your patience and understanding.

Day in and day out, we experience the best side of our members, not just during storms, but every day! ■



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

**Then. Now. Always.
Proudly serving you**

2024 financial report

BY BRUCE BOSSE, TREASURER



Bruce Bosse

Dakota Valley Electric Cooperative (DVEC) had a successful year, closing the year with operating margins of just under \$1 million, meeting the margin level required by our lender, the Rural Utilities Service (RUS).

Compared to 2023, the cooperative saw an increase in kilowatt-hour (kWh) sales. DVEC member-consumers purchased 677.5 million kWh, a 2% increase over 2023 sales. The increase in

energy sales was primarily seen in sales to large industrial accounts, which were up 4% or 19.6 million kWh, while business accounts saw a 2% increase of approximately 1.8 million kWh.

Energy sales to rural residential and farm accounts were down 4% compared to 2023, as we saw warmer than average monthly temperatures in the winter and fall seasons. This was a reduction of 5.3 million kWh, and we

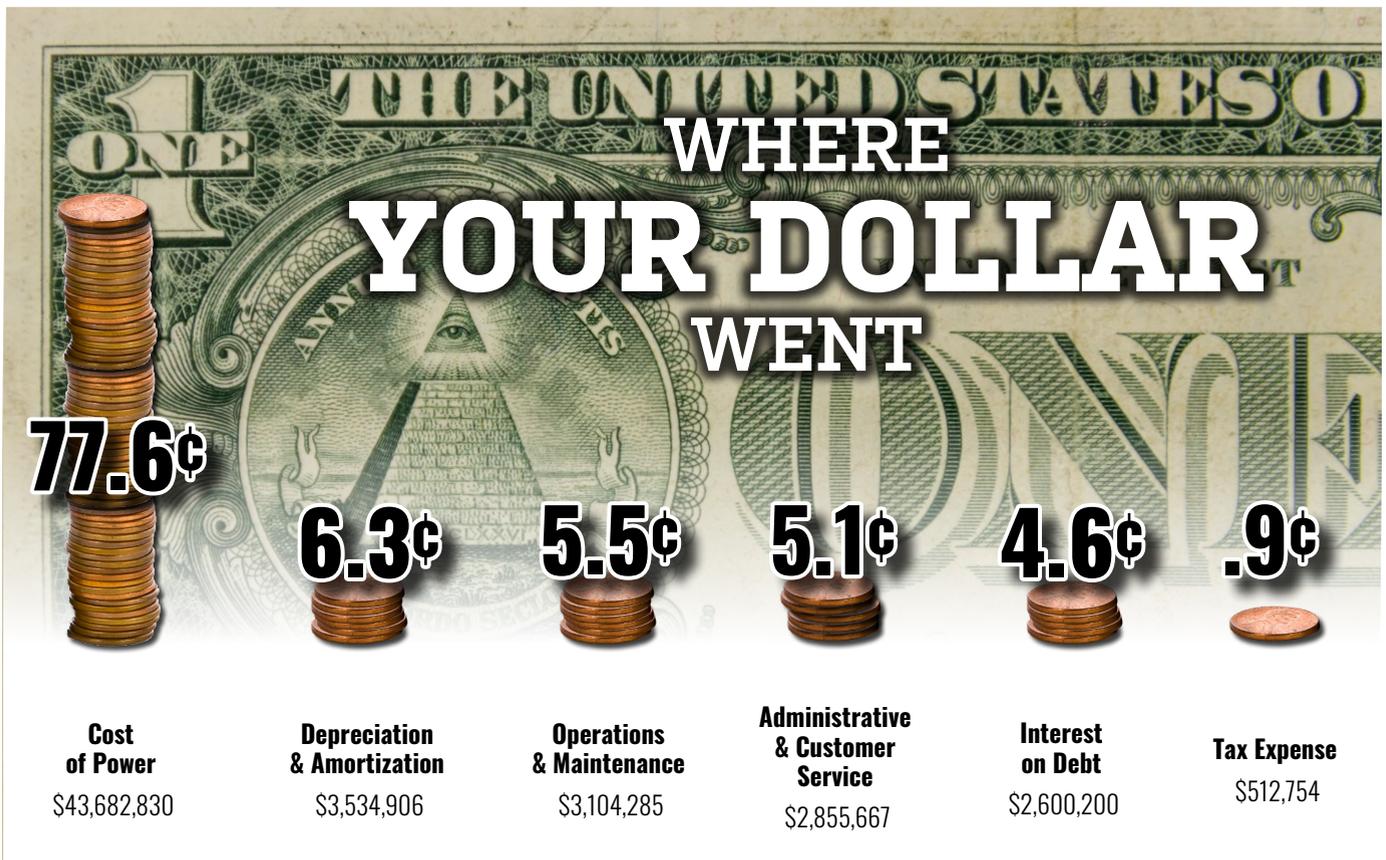
also saw irrigation sales down close to 4 million kWh.

With the overall increase in sales, the board elected to defer \$1.2 million of electric revenues from 2024 sales. This revenue deferral will assist the cooperative in managing rate increases in future years.

In summary:

- Total electric revenue was \$57.1 million, an increase of \$1.1 million from 2023 revenue.
- Total cost of power was \$43.7 million, an increase of \$2.1 million compared to 2023 power costs.
- Other operating expenses, totaling \$12.6 million, increased compared to 2023 by approximately \$350,000. This 3% increase is attributed to depreciation and interest expense as the co-op continues to focus on the investment and maintenance of the electric distribution system's infrastructure to ensure reliability and efficiency of the network.

As we reflect on the past year's financial performance, we extend our gratitude to our members. On behalf of the directors of DVEC, we would like to thank you for your patronage and wish you and your loved ones a safe and joyful summer season. ■



	<u>2024</u>	<u>2023</u>
Revenue from Energy Sales	57,286,566	56,148,073
COST OF ELECTRIC SERVICE		
Cost of Power	43,682,830	41,579,167
Operations & Maintenance	3,104,285	3,257,880
Customer Accounts	491,163	493,684
Customer Service & Information	282,125	276,049
Administrative & General	2,082,378	1,979,655
Depreciation & Amortization	3,534,906	3,241,089
Taxes	512,754	500,673
Interest on Debt	<u>2,600,200</u>	<u>2,512,644</u>
Total Cost of Electric Service	56,290,641	53,840,841
Operating Margins	995,925	2,307,232
Interest Income	557,174	842,503
Subsidiary Income	144,674	87,320
Non-Operating Margins	107,714	29,730
Capital Credits / G&T and Other	<u>3,067,569</u>	<u>4,056,453</u>
Net Patronage and Margins	4,873,056	7,323,238

ASSETS AND OTHER DEBITS

Utility Plant in Service	142,809,677	131,457,270
Construction Work in Progress	5,682,899	7,221,399
Accum Provision for Depreciation	<u>(38,240,785)</u>	<u>(36,194,394)</u>
Net Utility in Plant	110,251,791	102,483,275
Other Properties & Investments	53,288,388	51,547,863

Cash & Investments	635,397	6,400,956
Accounts Receivable	7,518,777	6,222,599
Notes Receivable	1,725,609	1,758,157
Material & Supplies	4,938,689	4,957,185
Prepaid Expenses	33,728	37,437
Interest Receivable	154,659	126,364
Other Deferred Debits	<u>1,169,983</u>	<u>886,600</u>
Current & Other Assets	16,176,842	20,389,298

Total Assets & Other Debits	179,717,021	174,421,436
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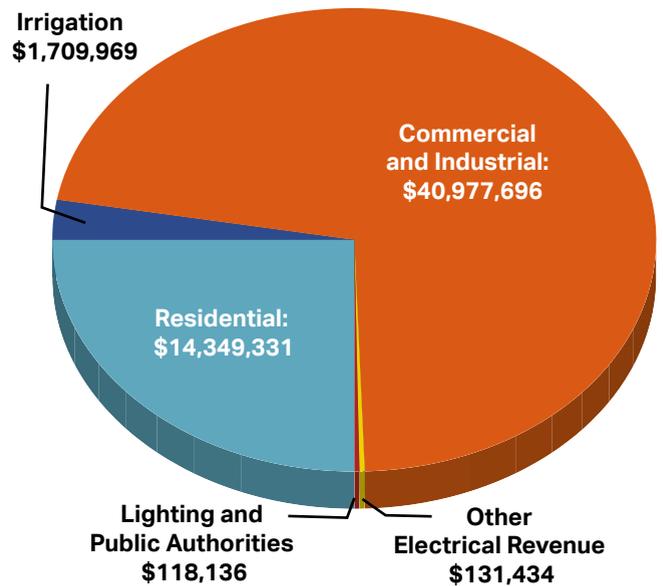
LIABILITIES AND OTHER CREDITS

Long Term Debt	77,128,664	78,149,601
Notes Payable	2,500,000	0
Accounts Payable	4,853,193	5,612,993
Consumer Deposits	581,020	585,650
Current Maturities - Long Term Debt	2,888,516	2,655,055
Accrued Taxes & Liabilities	1,647,147	1,705,007
Regulatory Liabilities	6,300,000	5,100,000
Customers' Energy Prepayments	<u>278,188</u>	<u>340,790</u>
Other Liabilities	19,048,064	15,999,495

Member Patronage Equity	60,613,728	55,881,867
Current Year Margins	4,873,055	7,323,238
Other Margins and Equities	<u>18,053,510</u>	<u>17,067,235</u>
Total Member Equity	83,540,293	80,272,340

Total Liabilities and Other Credits	179,717,021	174,421,436
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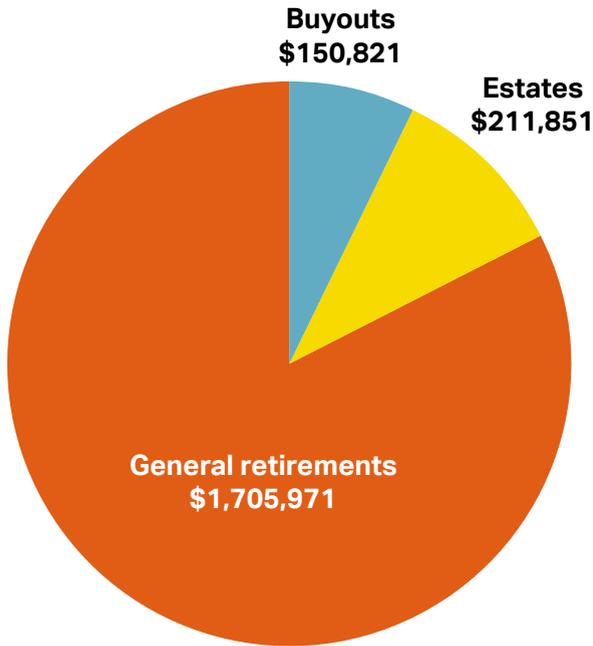
SOURCES OF OPERATING REVENUE (energy sales)



2024 Cooperative Statistics

Consumers	7,033
Miles of line	4,600
Customers per mile	1.53
KWH sold	\$677,573,809
Revenue	\$57,286,566
Power costs	\$43,682,830
All other costs	\$12,507,812
Total equity	\$83,540,293
Net plant	\$110,251,791
Total assets	\$179,717,021
Equity ratio	46.5%
Total employees	41
Members	4,188

Capital credits paid in 2024



Capital credits: \$2.1 million returned to members

In December, the Dakota Valley Electric Cooperative (DVEC) board of directors approved a 2024 general retirement of \$1,705,971 in capital credits to current and former members of the cooperative.

In addition, during the year, an additional \$211,851 was retired to estates of deceased members and \$150,821 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 Kin Ramussen 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



Kim Rasmussen
President
Central – District 2



Patricia "Trish" Gehlhar
Vice President
West – District 2



Connie Bitz
Secretary
Central – District 1



Bruce Bosse,
Treasurer
Central – District 3



Arden Fuher
West – District 3



Dave Paulson
East – District 3



Neil Olerud
East – District 1



Jeremy Nitschke
West – District 1



Paul Dimmer
East – District 2

The Co-op Difference:
Local. Member-owned. Not for profit.
DVEC has retired nearly \$22 million in capital credits
to its members since 2010



Dakota Valley Electric Cooperative Director **Arden Fuher** presents an ORU grant to Edgeley Kids Board President **Kali Kiecker** to help cover costs of installing security cameras at its new childcare facility.

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 volunteer fire departments, rural ambulance services, schools and other community projects. It has also helped people with medical needs.

In 2024, the ORU board of directors approved charitable grants totaling \$19,400, bringing the total since the program was started in 2002 to \$463,160. ■

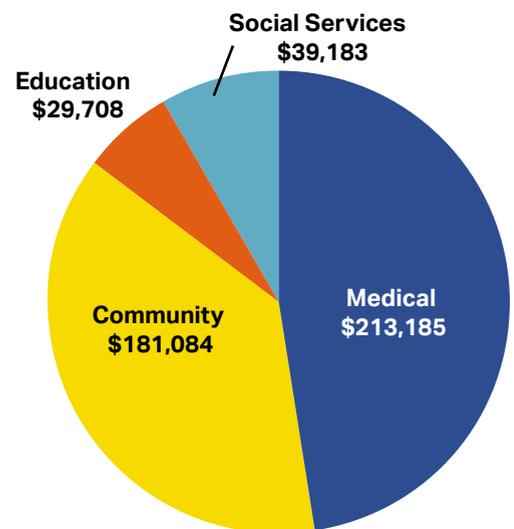
\$463,160 donated since 2002 to worthy causes in our communities



2024 ORU financial report

Beginning Balance (Jan. 1, 2024).....	\$ 3,710.74
INCOME:	
Operation Round Up contributions	\$ 20,919.38
Donations.....	\$ -
Interest.....	\$ 1.46
Total Income	\$ 20,920.84
EXPENSES:	
Grants awarded in 2024	\$ 19,400.00
Total expenses	\$ 19,400.00
Ending balance (Dec. 31, 2024)	\$ 5,231.58

Where the funds went



Dakota Valley pays \$496,618 in taxes

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

In February, DVEC paid \$496,618 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 taxes on overhead and underground power lines and other equipment it has installed to deliver electricity to its members.

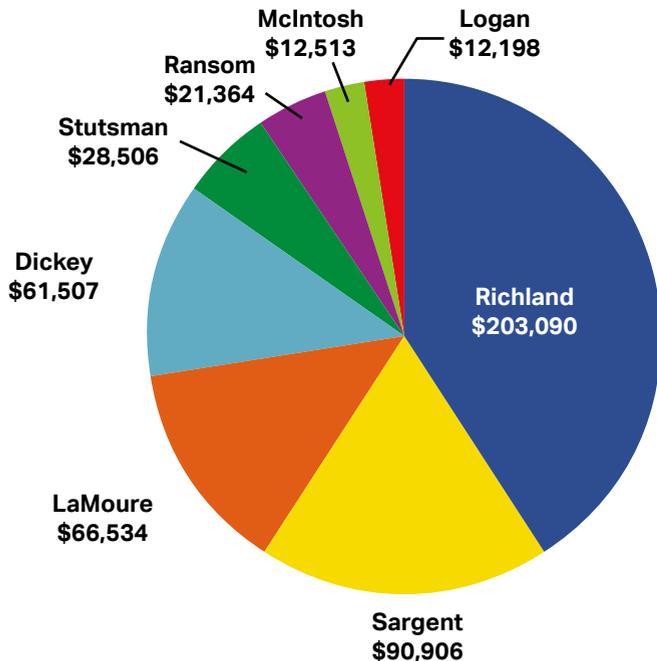
Although DVEC sends just one check to the state, the money flows back to counties and is calculated on the number of miles of electric power lines installed in each county where DVEC delivers electricity to its members and the amount of electricity sold to its members living in that county.

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

Richland.....	\$203,090
Sargent.....	\$ 90,906
LaMoure.....	\$ 66,534
Dickey.....	\$ 61,507
Stutsman.....	\$ 28,506
Ransom.....	\$ 21,364
McIntosh.....	\$ 12,513
Logan.....	\$ 12,198

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

Electric distribution tax paid in 2025



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:

- Kim Rasmussen, President.....Havana
- Patricia "Trish" Gehlhar,
Vice President.....Ypsilanti
- Connie Bitz, Secretary.....LaMoure
- Bruce Bosse, Treasurer.....Cogswell
- Arden Fuher.....Edgeley
- Dave Paulson.....Hankinson
- Neil Olerud.....McLeod
- Jeremy Nitschke.....Jud
- Paul Dimmer.....Wahpeton
- General Manager.....Mark Kinzler
- Manager of Engineering...Brandon Giesler
- Operations Manager.....Brad Lunneborg
- Business Manager.....Kristin Syverson
- 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