

JUNE 2016

DAKOTA VALLEY NEWS

Your Touchstone Energy® Cooperative 

**CRAFT SHOW!
BOUNCE HOUSES!
PRIZES!**

Attend your 2016 Annual Meeting
Thursday, June 9, 2016

4 P.M. | INFLATABLE GAMES & CRAFT SHOW

5 P.M. | MEAL

6:30 P.M. | MEETING & ELECTION

*Edgeley Public School,
Edgeley, N.D.*

Questions? 1-800-342-4671

Powering communities.

 **DAKOTA VALLEY
ELECTRIC COOPERATIVE**
Your Touchstone Energy® Cooperative 



A message from the

*president &
manager*

Co-op preserves financial strength

Despite the challenges of rising operational costs and milder temperatures, Dakota Valley Electric Cooperative experienced a good year in 2015. Unfortunately, there are many challenges to our economy that make doing well a real struggle. Agriculture continues to be a challenge. Inputs – the cost of equipment and repairs, seed, chemical and all the other products and services that farmers buy to produce and harvest their crops, with the exception of fuel– haven't taken any kind of nosedive in recent years. But commodity prices – well that's another story.

Dakota Valley understands that its financial strength is dependent upon the business strength of its communities. While the co-op depends on a strong and stable farm economy, the co-op also benefits from a diversified business membership. Dakota Valley is dedicated to helping local businesses through financial and technical assistance. The co-op's director districts as well as its six office and outpost locations provide a connection to the region and an understanding of the communities.

Like many businesses, Dakota Valley is continually changing. The co-op continues to work toward better efficiency and technology.

In 2005, Dakota Valley initiated an alliance with a neighboring cooperative, Northern Plains Electric Cooperative. That alliance promotes efficiency and specialization without compromising the cooperatives' strong local presences. The alliance allows the co-ops to share employees and equipment when it makes sense. This arrangement is mutually beneficial to both cooperatives.

The trust we earn in electrical system reliability is evaluated 24/7. Maintaining system dependability is an ongoing task. In 2015, the cooperative completed replacement and system expansion projects totaling just over \$5 million.

The effects of these and past year improvements are evidenced in a summary report showing average outage time per consumer below our past years average, excluding the impact of the frost on the lines and high winds at both ends of the system during a few weeks in the winter of 2015.

Our power supplier, Basin Electric Power Cooperative,

President **Richard Schlosser** (left) General Manager **Bruce Garber** (right)



generates and transmits (wholesale) electricity to meet the power needs of distribution co-ops. The fuels used to generate power include: coal 56.4 percent, natural gas 18.4 percent, wind 14.5 percent, hydro 5.6 percent, oil 3.2 percent, nuclear 1.1 percent, and recoverable energy 0.8 percent. So as you can see, coal and natural gas are the major fuels used to generate our electricity, and both produce carbon emissions.

A major concern for Dakota Valley Electric, Central Power Electric and Basin Electric is the Environmental Protection Agency's Clean Power Plan which promises to reduce carbon

emissions. The Clean Power Plan, or 111(d), is a set of standards from the EPA. The requirements for each state are different. In North Dakota, for example, the state is required to reduce emissions by 45 percent compared to what they were in 2005. To comply with the plan, as written now, will cost Basin Electric about \$5 billion.

The state of North Dakota, the National Rural Electric Cooperative Association and 39 of its members petitioned the courts regarding the Clean Power Plan. The Supreme Court granted a stay of the Clean Power Plan rule in February. The Supreme Court stay means the Clean Power Plan has no legal effect while courts are reviewing the rule to determine whether it is lawful. During this time, EPA cannot enforce any deadlines or requirements contained in the rule.

If North Dakota is required to reduce its emissions by 45 percent, co-op members will see an increase in the price they pay for electricity.

With this potential increase, the board is proactively seeking ways to keep costs down. In 2015, Dakota Valley deferred \$1 million into its revenue deferral plan. A revenue deferral plan is like a savings account. The co-op uses that money to mitigate future rate increases.

Powering communities is Dakota Valley Electric Cooperative's core purpose. The co-op's vision is to enrich the lives of the consumers and communities the co-op serves. The co-op's mission is to deliver dependable power at a fair price. In addition to providing electricity, the co-op powers its communities through services, technical assistance, financial tools and human resources that compliment its core energy business. ■

Statement of nondiscrimination

Dakota Valley Electric Cooperative, is a recipient of federal financial assistance from the U.S. Department of Agriculture (USDA).

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Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language) should contact the responsible Agency or USDA TARGET Center at 202-720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at 800-877-8339. Program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form (AD-3027) found online at http://www.ascr.usda.gov/complaint_filing_cust.html and at any USDA office or write a letter addressed to USDA and provide all of the information requested in the form. To request a copy of the complaint form, call 866-632-9992. Submit your completed form or letter to USDA by:

- 1) mail: U.S. Department of Agriculture
Office of the Assistant Secretary for Civil Rights
1400 Independence Ave. S.W.
Washington, DC 20250-9410;
 - 2) FAX: 202-690-7442; or
 - 3) email: program.intake@usda.gov
- USDA is an equal opportunity provider, employer and lender.



2015 *Financial report*

The year 2015 was not a typical year. The weather was drier and the winter temperatures were milder than normal. This resulted in a decrease in residential sales; however, the co-op saw an increase in irrigation sales. Commercial and industrial accounts made up 79 percent of the co-op's annual kilowatt-hour sales in 2015. Dakota Valley was fortunate to see an increase in sales to these accounts also.

Overall, Dakota Valley Electric had an increase in total operating revenue in 2015, compared to 2014. Because of this increase in sales, the co-op also noticed an increase in purchase power expense. Purchased power accounts for about 80 percent of the co-op's total expenses. In 2015, Dakota Valley refinanced some of its long-term debt. In doing so, the co-op reduced its interest rate, resulting in a savings of more than \$2.5 million over the life of the loan. The co-op continues to finance its construction projects with money borrowed from the Rural Utilities Service (RUS). RUS has served as the co-op's primary borrower for many years. RUS offers the most competitive rates. The current interest rate is about 2.28 percent.

A decrease in taxes also contributed to the co-op's financial

well-being. North Dakota legislators passed House Bill 1059 in 2015. That bill reduced the co-op's distribution tax rate by 12 percent. For each megawatt-hour sold, the co-op paid 80 cents in state distribution taxes. With this reduction, the co-op now pays 70.4 cents per megawatt-hour.

Dakota Valley members received a slight rate increase in 2015. For 2016, however, no residential rate increase is planned. As its margins have allowed, the board of directors has deferred revenue several times throughout the last decade. This will help stabilize future rate increases. In 2015, the co-op deferred \$1 million in revenue. To date, the co-op has deferred \$4.2 million.

Because of its financial prudence, Dakota Valley Electric Cooperative ended the year with strong margins. The co-op concluded this year with margins exceeding \$3 million. ■

2014-2015 Operations Statement & Balance Sheet

	<u>2015</u>	<u>2014</u>
Revenue from Energy Sales	46,301,693	45,385,513
COST OF ELECTRIC SERVICE:		
Cost of Power	\$36,358,325	\$35,211,593
Operations & Maintenance	\$2,629,537	\$2,644,967
Customer Accounts	\$288,376	\$270,446
Customer Service & Information	\$214,216	\$199,319
Administrative & General	\$1,229,798	\$1,253,659
Depreciation & Amortization	\$2,034,423	\$2,009,078
Taxes	\$380,129	\$491,013
Interest on Debt	<u>\$1,837,162</u>	<u>\$1,847,915</u>
Total Cost of Electric Service	\$44,971,966	\$43,927,990
Operating Margins	\$1,329,727	\$1,457,523
Interest Income	\$164,853	\$120,593
Subsidiary Income	\$21,812	\$8,090
Non-Operating Margins	\$(1,796)	\$56,340
Capital Credits / G&T and Other	<u>\$1,580,617</u>	<u>\$1,664,518</u>
Net Patronate and Margins	\$3,095,213	\$3,307,064

ASSETS AND OTHER DEBT

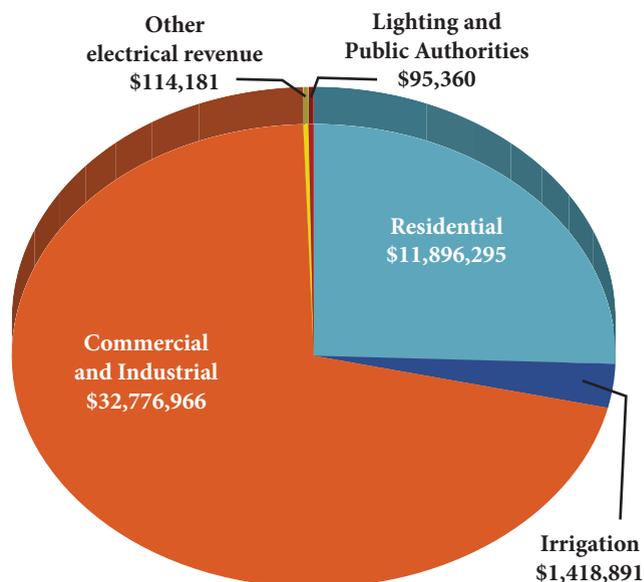
Utility Plant in Service	\$89,594,795	\$84,410,069
Construction Work in Progress	\$1,726,236	\$2,442,122
Accum Provision for Depreciation	<u>\$(29,330,879)</u>	<u>\$(28,454,690)</u>
Net Utility in Plant	\$61,990,152	\$58,397,501
Other Properties & Investments	\$31,664,360	\$30,546,611
Cash & Investments	\$3,308,253	\$2,261,835
Accounts Receivable	\$4,120,224	\$4,101,130
Notes Receivable	\$3,998,764	\$4,386,174
Material & Supplies	\$1,339,868	\$2,258,488
Prepaid Expenses	\$21,233	\$75,280
Interest Receivable	\$30,259	\$12,040
Other Deferred Debits	<u>\$1,347,274</u>	<u>\$1,473,142</u>
Current & Other Assets	\$14,165,875	\$14,568,089

Total Assets & Other Debits \$107,820,387 \$103,512,201

LIABILITIES AND OTHER CREDITS

Long Term Debt	\$52,230,942	\$51,638,342
Accounts Payable	\$3,815,060	\$3,832,111
Consumer Deposits	\$565,190	\$562,890
Current Maturities - Long Term Debt	\$2,319,433	\$2,005,954
Accrued Taxes & Liabilities	\$1,506,350	\$1,626,073
Regulatory Liabilities	\$4,245,000	\$3,245,000
Customer's Energy Prepayments	<u>\$778,694</u>	<u>\$803,673</u>
Other Liabilities	\$13,229,727	\$12,075,701
Member Patronage Equity	\$29,133,491	\$26,866,583
Current Year Margins	\$2,910,345	\$3,122,041
Other Margins and Equities	<u>\$10,315,882</u>	<u>\$9,809,534</u>
Total Member Equity	\$42,359,718	\$39,798,158
Total Liabilities and Other Credits	\$107,820,387	\$103,512,201

2015 Operating Revenue



2015 Cost of Service

- 80.9% | Cost of Power: \$36,358,325
- 5.9% | Operations & Maintenance: \$2,629,537
- 4.5% | Depreciation & Amortization: \$2,034,423
- 4% | Interest on Debt: \$1,837,162
- 2.7% | Administrative & General: \$1,229,798
- 0.9% | Tax Expense: \$380,129
- 0.6% | Customer Accounts: \$288,376
- 0.5% | Customer Service & Information: \$214,216

2015 Cooperative Statistics

Consumers	6,508
Miles of Line	4,715
Customers per mile	1.38
KWH sold	620,884,308
Revenue	46,301,693
Power Costs	36,358,325
All other costs	8,613,641
Total Equity	42,359,718
Net Plant	61,990,152
Total Assets	107,820,387
Equity Ratio	39.3%
Total Employess	41



Nine members make up Dakota Valley Electric Cooperative's board of directors. They are, pictured front from left, **Dave Paulson**, Hankinson; **Connie Bitz**, LaMoure; **Dick Johnson**, Brampton; **Blaine Lundgren**, Kulm; back, from left: **Matt Thompson**, Wyndmere; **Arden Fuher**, Edgeley; **Richard Schlosser**, Edgeley; **Kim Rasmussen**, Havana; and **John Hauschild**, Wahpeton.

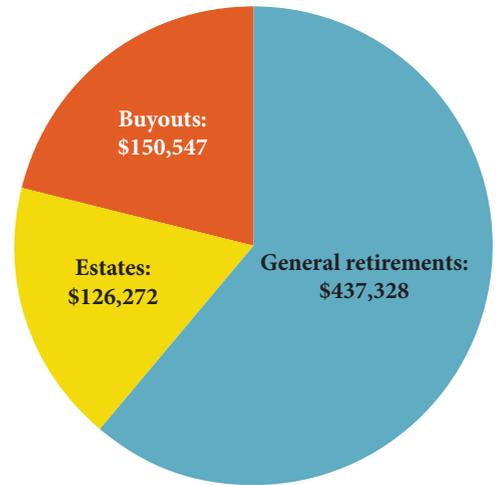
Capital Credits

What are capital credits?

Dakota Valley Electric is a cooperative, owned by its members. That means the co-op doesn't earn profits. If the co-op earns more revenue than it needs to do business, the co-op returns that money to its members.

Who receives capital credits?

This year's capital credit checks were paid to members who purchased electricity from the co-op in 2001. The amount of the check depends on how much electricity the member purchased.



2015 Capital Credits Paid

General retirements	\$ 437,328
Estates.....	\$126,272
Buyouts	\$ 150,547
Total Retired	\$ 714,147



Operation Round Up

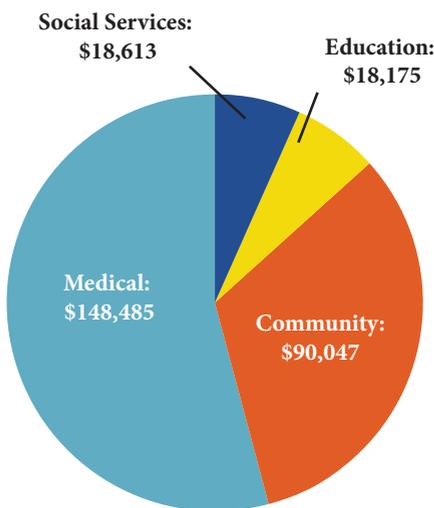
Grant program assists area individuals, organizations Operation Round Up

Pretermature babies, people with cancer, victims of fire – all are possible Operation Round Up recipients. ORU is a grant program for individuals and organizations. It provides funds so food pantries can buy groceries, libraries can buy books and first responders can buy equipment.

Nearly 80 percent of the Dakota Valley Electric membership participates in the program. Those members “round up” their monthly electric bill to the nearest whole dollar, donating an average of 50 cents a month.

Dakota Valley Electric Cooperative contributes a small amount of resources each year to administer the program. ORU’s nine directors oversee the fund. They meet twice each year to disburse the funds.

In 2015, the board awarded \$21,000 to individuals and organizations, all located within the Dakota Valley service area. Since 2002, Operation Round Up has donated more than \$275,000. For more information or to download an application, visit dakotavalley.com. ■



2015 ORU Financial Report

Beginning Balance (Jan 1, 2015)	\$3,645.42
<i>Income:</i>	
Round Up Contributions	\$20,386.71
Touchstone Balloon donation.....	\$510.00
Interest	\$3.52
Total Income	\$20,900.23
<i>Expenses:</i>	
Grants given in 2015	\$21,000.00
Bank charges	\$2.90
Total Expenses	\$21,002.90
Ending Balance (Dec 31, 2015)	\$3,542.75



Co-op is committed to community Economic development

When a grocery store in a rural area closes, residents of that area lose access to more than just dinner.

With that store goes access to goods, services, jobs, tax base and the community's appeal to new and existing residents. That's why Dakota Valley Electric Cooperative helps small businesses, communities and nonprofit organizations finance new projects. The co-op also helps finance expansions to existing ones.

In LaMoure, for example, Dakota Valley helped Dennis Wendel purchase the community's grocery and hardware stores. With the support, Wendel purchased those businesses and built them a new building.

Families and seniors depend on these services. Losing the goods and services means not only losing a store, but it also means losing population and economic opportunity.

Dakota Valley Electric Cooperative contributes to communities like LaMoure through its economic development program. Working with federal and state partners, the cooperative helps new businesses, current businesses and essential community services like

fire and ambulance.

To date, Dakota Valley has administered the investment of more than \$9.8 million in low-interest loans to small businesses and communities in the service area.

Projects may include: for-profit businesses, not-for-profit organizations and local governments.

Today, LaMoure Hardware and LaMoure Foods are critical to the success of the community. Located along N.D. Highway 13, the stores are easy for area residents to access, as well as travelers driving through. Since 1992, Dakota Valley has helped 43 projects like the one in LaMoure.

The co-op helps these projects because they create and sustain an environment for business growth and economic prosperity. These projects offer long-term opportunities for residents, communities and businesses in the Dakota Valley Electric Cooperative service area.

The co-op is looking for new opportunities to help. Money is available to businesses and organizations that qualify. For more information, call 1-800-342-4671 or visit dakotavalley.com ■



LaMoure Hardware and LaMoure Grocery are two of more than 40 projects the co-op has helped finance since 1992. Officials say that some of these projects aren't possible without the help from Dakota Valley. Financing is available for more projects. If interested, call 1-800-342-4671 or visit DakotaValley.com

Low-interest loans available

Funding is available to new and established businesses through Dakota Valley Electric Cooperative's economic development programs. Qualifying organizations include for-profit businesses, nonprofits and community organizations like fire departments and ambulance services.