



Agenda

5:30 p.m.

Registration opens

5:30 p.m. to 6:15 p.m.

Complimentary meal

Entertainment by

Earl Fust Family Band

6:30 p.m.

Annual meeting

and election

Door prizes

JOIN US FOR THE 2019 Annual Meeting

Thursday, June 6, 2019
Milnor Area Community Center
Milnor

A message from the **PRESIDENT & MANAGER**

BY PRESIDENT RICHARD SCHLOSSER
AND GENERAL MANAGER MARK KINZLER



President **Richard Schlosser** and
General Manager **Mark Kinzler**

A year of change

On Sept. 1, the shared service agreement Dakota Valley Electric Cooperative had with Northern Plains Electric over the past 13 years was officially dissolved.

Since this included shared employees, Dakota Valley has, in some cases, reorganized its staff and the duties they perform, or hired staff to fill gaps.

In 2018, Dakota Valley's board of directors hired a new general manager, Mark Kinzler. Kinzler, who was born and raised just west of Kulm, has a long career with rural electric cooperatives, working for more than 25 years with Basin Electric Power Cooperative and, more recently, at National Information Solutions Cooperative, a cooperatively owned data processing center in Mandan.

Brandon Giesler, who has worked for Dakota Valley at its Edgeley office as a field engineer since 2011, was promoted to manager of engineering and Jacob Loegering was hired to fill the field engineer position at Edgeley.

Since IT and computer systems administrations were handled at the Northern Plains Carrington office, Dakota Valley has hired Laura Bergh to fill those needs. Laura works out of the cooperative's Milnor office.

Amy Smith was hired as customer service representative at the Milnor office, following Kathy Rysavy's retirement.

Changes in Dakota Valley's workforce will continue throughout the coming year, as retirements occur and new positions are filled.

A troubling economy

Dakota Valley understands that the strength of our cooperative is heavily dependent on the financial strength of the farmers, small businesses and communities it serves. We understand that depressed grain prices and cattle prices are having a serious negative impact on members all across our service area.

While commodity prices have dropped, most operational costs have stayed the same, or in some cases, increased, making it difficult to squeeze out a profit.

Dakota Valley recognizes that energy costs are a significant part of your operational costs. Accordingly, your board of directors has taken several steps to improve service and reduce costs.

Making the switch

One step that has affected almost every member is the effort to replace all older-style HPS security lights with newer, energy-efficient LED lights.

For the past two years, Dakota Valley has undertaken a program to switch all security lights over to LED fixtures. Not only do these LED fixtures save money, but they also provide a clearer, whiter light which is preferred by our members.

At this time, Dakota Valley is nearly finished with this project. Of the nearly 3,800 lights on the system, only an estimated 400 remain to be changed out.

Much of the cost of switching to LED security lights has been covered by two REAP-U.S. Department of Agriculture energy efficiency grants – one in 2016, and the other in 2018.

These grants have saved the cooperative nearly \$67,000 in installation costs, and the change from HPS to LED security lights will save an estimated \$250,000 in power costs over the 24-year expected lifespan of the units.

This change is just a small part of the co-op's overall operations and maintenance program, but it shows how even a little change can make a big difference.

New, improved meters

While Dakota Valley's members have been able to enjoy the benefits of remote meter readings since the "Turtle" meters were deployed in 2000, these older meters were at the end of their useful life.

Two years ago, after much study, the board of directors approved the deployment of a new meter technology that uses Verizon 4G cellular communications to report meter readings. In addition to offering better reliability, these new

meters can provide important load criteria, including times of blinks, outages, status of voltage readings and amperage draw, as well as other information important to determining where line and other equipment upgrades should be targeted.

At this time, the new meters have been deployed to all but a handful of member accounts.

Information at your fingertips

With the deployment of the new meters, we are also excited to be able to provide enhanced and reliable data to our members.

With a new program called SmartHub, Dakota Valley members now have convenient account management and detailed usage information available to them at all times.

SmartHub, a free mobile and web app, delivers accurate, timely information and allows you to make payments in a secure environment right from your smart phone or your computer.

With this program, you can also check your electrical use and payment history, as well as, viewing historical statements. Creating an account usually takes less than three minutes. We encourage you to try it. We think you'll like it.

Improved, reliable service

Over the past 10 years (2007-2017), Dakota Valley Electric Cooperative's investment in power line, transformers, meters and other equipment needed to serve you, grew from \$56.3 million to \$101.5 million, an increase of 80 percent, while the number of members remained steady at just over 4,000 members.

During the past year, Dakota Valley Electric invested another \$5 million to upgrade its power lines

and service equipment to further enhance capacity and service reliability. These projects included 5.5 miles in the Geneseo/Milnor area, three miles in the Wyndmere/Mooreton area; and four miles north of Hankinson. Each of these projects involved converting overhead lines to underground cable. Dakota Valley also converted an additional 15 miles of line in the Millarton, Fredonia, Ellendale and Forbes areas.

These upgrades were needed to support the delivery of power to our members whose electric use has increased greatly in the past 10 years, even though the number of members basically remained the same.

Also, because of the increased need for electrical power to serve our members, our wholesale power supplier, Central Power Electric Cooperative, Minot, has constructed two new substations, one in the Fullerton area and the other near Wahpeton. Both of these projects were completed in 2018.

Dedicated to serving you

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

Dakota Valley is continually changing as it strives to incorporate efficient, cost-saving technologies into its operation and work smarter.

Be assured, Dakota Valley Electric Cooperative is dedicated to bringing efficient, reliable, reasonably priced electricity to you, the member-owners, now and in the future. ■

2018

FINANCIAL REPORT

In 2018, Dakota Valley Electric Cooperative was fortunate to see a substantial increase in kilowatt-hour (KWH) sales. We sold a total of 678,837,272 KWH, compared to 663,532,877 in 2017, for an increase of over 15 million KWHs. The majority of this increase came from our farm and residential accounts, about 10.5 million KWHs.

This increase can be directly related to the colder weather. Dual-heat sales increased 3.5 million KWH, or 19 percent over 2017, and electric heat sales increased just over 1.6 million KWH, or 18 percent. Sales for storage heat, primarily radiant floor heat in farm shops and homes, increased by 2.4 million KWH, or 22 percent over 2017 sales.

Electric revenue for 2018 totaled \$55,353,498, an increase of just over \$800,000, compared to 2017. Again, the majority of the increase came from our farm and residential loads, mainly the electric heat sales. We were fortunate to also see an increase in sales from our industrial loads.

In 2018, commercial and industrial sales accounted for 80 percent of all KWH sales, followed by residential sales at 19 percent and irrigation at 1 percent of sales made to Dakota Valley members.

We did see an increase in our operations and maintenance expenses, compared to 2017. However, it is not so much that our expenses increased as it was that 2017 was lower than normal. This was due to the Verizon meter project that we started in 2017.

Rate modification

At its December meeting, Dakota Valley's Board of Directors authorized modifications to the co-ops electric rates, which went into effect January 1, 2019.

The majority of Dakota Valley members – who are on the single or three phase rural farm and residential rate – saw small increases in the fees for basic service charge, sub-meters and security lights.

These adjustments were made to more properly apportion the cost of providing service, which includes the cost of new power lines and service upgrades, as well as operations and maintenance costs, since these costs remain, even if little or, in some cases, no electricity is used at that location.

The increase to basic service charges ranged from \$3.00 per month for single phase services to \$5.00 per month for three phase service. Sub-meter charges were increased \$1.00 per month, and the charge for security lights increased 40 cents per month for unmetered lights, and 50 cents for all sizes of metered lights.

No changes were made to the charge for electricity used, which remains at 9.75 cents per KWH, or to the reduced rates received by members who are participating in the cooperative's off-peak or special electric heating programs.

Strong margins in 2018

Dakota Valley Electric ended 2018 with assets of \$132.6 million, debt and liabilities of \$70.6 million, and member equity of \$61.8 million. The cooperative showed year-end gross margins of \$10,130,273.

Gross margins are allocated each year, in the spring, to our members in the form of capital credits. These allocations are your equity in Dakota Valley Electric Cooperative.

They are retained to self-fund a portion of the system's future improvements and replacement costs.

Eventually, these retained margins – capital credits – will be returned to members through the cooperative's normal rotation of capital credit payments, or in some cases, to the estates and buy-outs.

In December, the capital credit checks mailed to current and former members totaled \$1.4 million. Additional retirements of about \$350,000 were made to estates and former members. ■

	<u>2018</u>	<u>2017</u>
Revenue from Energy Sales	55,353,498	54,542,444
COST OF ELECTRIC SERVICE:		
Cost of Power	42,592,279	43,413,395
Operations & Maintenance	1,808,552	823,540
Customer Accounts	505,410	311,281
Customer Service & Information	188,139	162,714
Administrative & General	1,670,132	1,269,604
Depreciation & Amortization	2,652,614	2,331,434
Taxes	549,283	520,163
Interest on Debt	<u>1,963,021</u>	<u>1,892,686</u>
Total Cost of Electric Service	51,929,430	50,724,817
Operating Margins	3,424,068	3,817,627
Interest Income	388,248	311,576
Subsidiary Income	(13,994)	33,889
Non-Operating Margins	57,209	37,909
Capital Credits / G&T and Other	<u>6,274,742</u>	<u>2,645,392</u>
Net Patronage and Margins	10,130,273	6,846,393

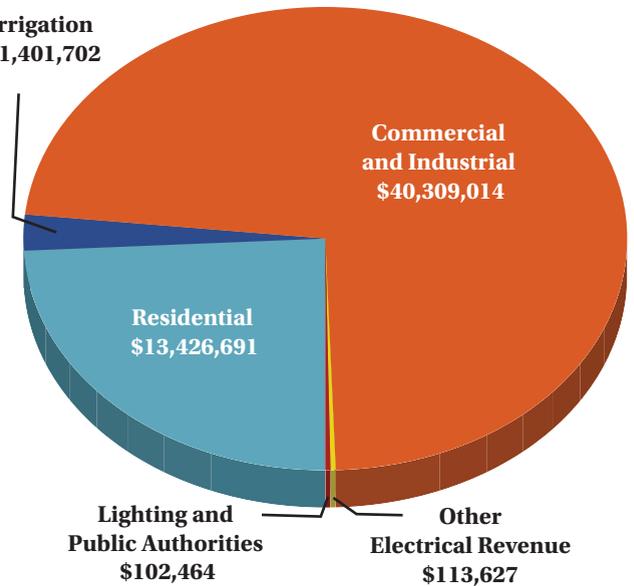
ASSETS AND OTHER DEBITS

Utility Plant in Service	104,923,894	99,763,328
Construction Work in Progress	1,610,662	1,731,084
Accum Provision for Depreciation	<u>(30,317,052)</u>	<u>(30,188,017)</u>
Net Utility in Plant	76,217,504	71,306,395
Other Properties & Investments	41,127,461	36,789,453
Cash & Investments	5,264,889	6,856,324
Accounts Receivable	5,359,178	5,056,241
Notes Receivable	1,930,002	2,645,739
Material & Supplies	1,639,732	1,084,254
Prepaid Expenses	4,942	26,003
Interest Receivable	66,955	47,059
Other Deferred Debits	<u>949,234</u>	<u>1,119,462</u>
Current & Other Assets	15,214,932	16,835,082
Total Assets & Other Debits	132,559,897	124,930,930

LIABILITIES AND OTHER CREDITS

Long Term Debt	55,747,729	56,290,611
Accounts Payable	4,417,340	4,858,190
Consumer Deposits	563,095	566,285
Current Maturities - Long Term Debt	2,733,469	2,527,101
Accrued Taxes & Liabilities	1,576,738	1,592,537
Regulatory Liabilities	5,100,000	5,100,000
Customers' Energy Prepayments	<u>538,590</u>	<u>624,452</u>
Other Liabilities	14,929,232	15,268,565
Member Patronage Equity	39,720,492	35,149,862
Current Year Margins	9,698,811	6,463,019
Other Margins and Equities	<u>12,463,633</u>	<u>11,758,873</u>
Total Member Equity	61,882,936	53,371,754
Total Liabilities and Other Credits	132,559,897	124,930,930

Irrigation
\$1,401,702



2018 COST OF SERVICE

82% Cost of Power:	\$42,592,279
3.5% Operations & Maintenance:	\$1,808,552
5.1% Depreciation & Amortization:	\$2,652,614
3.8% Interest on Debt:	\$1,963,021
3.2% Administrative & General:	\$1,670,132
1.1% Tax Expense:	\$549,283
1% Customer Accounts:	\$505,410
0.4% Customer Service & Information:	\$188,139

2018 COOPERATIVE STATISTICS

Services	6,624
Miles of Line	4,664
Customers per mile	1.42
KWH sold	678,837,272
Revenue	55,353,498
Power Costs	42,592,279
All other costs	9,337,151
Total Equity	61,882,936
Net Plant	76,217,504
Total Assets	132,559,897
Equity Ratio	46.7%
Total Employees	42
Members	4,162

Dakota Valley Electric board of directors



Richard Schlosser



Arden Fuher



Connie Bitz



Blaine Lundgren



Kim Rasmussen



Neil Olerud



David Paulson



Richard Johnson



Mike Hauschild

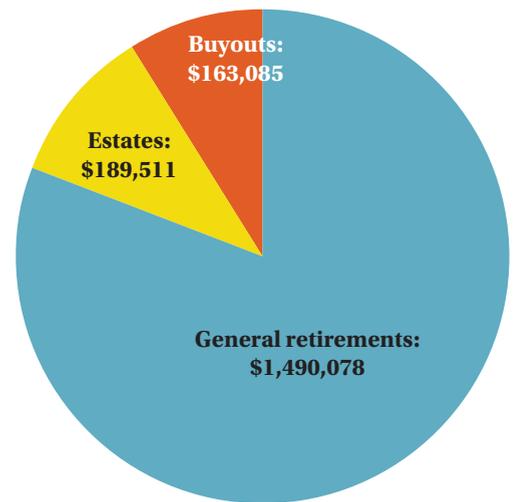
CAPITAL CREDITS

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 2003 and prior years. The amount of the check depends on how much electricity the member purchased.



Capital credits paid in 2018

General retirements	\$1,490,078
Estates.....	\$189,511
Buyouts.....	\$163,085
Total Retired.....	\$1,842,674



Left: ORU board member **Dave Gackle**, Kulm, presents a \$1,000 check to help defray expenses for an electric medical chair. **Judy Janke** and **Roxanne Krueger** accepted on behalf of the Kulm Community Clinic.

Right: ORU president **Keith Borchert**, Wahpeton, presents a \$500 check to help cover food expenses. Director **Lois Fenske** accepted on behalf of the Richland/Wilkin Emergency Food Pantry.

OPERATION ROUND UP

Grant program assists area individuals, organizations

Operation Round Up

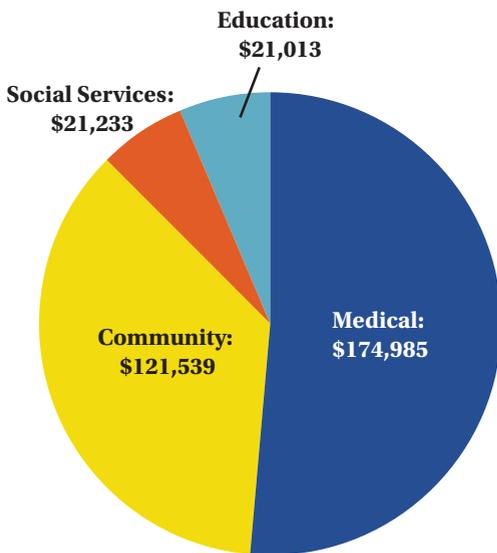
Premature babies, people with cancer, victims of fire, and people with serious injuries – all are possible Operation Round Up (ORU) recipients. ORU is a grant program for individuals and organizations. Over the years it has provided funds so food pantries can buy groceries, libraries can buy books and fire departments can buy equipment.

Nearly 81 percent of Dakota Valley’s membership participates in the program. These members allow their monthly electric bills to be rounded up to the nearest dollar, donating an average of 50 cents per month.

In addition, Dakota Valley Electric Cooperative contributes resources to administer the program. ORU’s directors, one from each of the cooperatives nine districts, oversee the fund. They meet twice each year, in May and November, to disburse the funds.

In 2018, the board awarded \$24,950 to individuals and organizations, all located within the Dakota Valley service area. Since 2002, Operation Round Up has donated more than \$338,000.

For more information, or to download an application, visit dakotavalley.com. ■



2018 ORU financial report

Beginning Balance (Jan. 1, 2018)	\$6,125.20
<i>Income:</i>	
Round Up Contributions	\$20,585.67
Capital Credit Donation.....	\$20.14
Interest	\$4.33
Total Income	\$20,610.14
<i>Expenses:</i>	
Grants awarded in 2018	\$24,950.00
Bank charges.....	\$5.00
Total Expenses	\$24,955.00
Ending Balance (Dec. 31, 2018)	\$1,780.34



Your account at your fingertips

Dakota Valley Electric Cooperative is putting the power of data into members' hands. With SmartHub, members have convenient account management and detailed usage information at their fingertips, to:

- Check your usage
- Pay your bill
- View historical statements

SmartHub, a mobile and Web app, delivers accurate, timely account information and allows you to make payments in a secure environment with the touch of a button, right from your mobile device or on your PC. The two-way communication available with

SmartHub allows you to notify us of account and service issues while providing us a way to let you know about special offers, programs, events and more.

Creating a SmartHub account takes less than three minutes. Then, manage your account right from your computer or smartphone.

Download the FREE app today in the Apple app store or Android marketplace for secure account management right at your fingertips.

www.smarthubapp.com

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Android Users



Scan this QR code to access SmartHub in the Android Market.



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OFFICE HOURS:
 Mon.-Fri. 8 a.m. to 4:30 p.m.

BOARD & MANAGEMENT:

- Richard Schlosser, PresidentEdgeley
- Arden Fuher, Vice PresidentEdgeley
- Blaine Lundgren, TreasurerKulm
- Connie Bitz, SecretaryLaMoure
- Richard JohnsonCogswell
- Kim RasmussenHavana
- Dave PaulsonHankinson
- Neil OlerudMcLeod
- Mike HauschildWahpeton
- General Manager Mark Kinzler
- Manager of Engineering.. Brandon Giesler
- Operations Manager..... Brad Lunneborg
- Business Manager..... Kelly Wald
- Staff Assistant Michelle Berry
- News Editor
- and Services Manager Pat Schaffer



ELECTRIC WIRING, PLUMBING & HEATING SERVICES:

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 1-800-726-8056 or 701-493-2283