



# Join us for the 2017 Annual Meeting

**Thursday, June 8, 2017**  
*Milnor Area Community Center  
and Milnor High School*

## Agenda

4 p.m.

Craft show and inflatable games

5 p.m.

Registration opens

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

Complimentary meal

*Compliments of Dakota Valley Electric*

*Entertainment by Earl Fust*

6:30 p.m.

Annual meeting and election



dakotavalley.com  
**800-342-4671**



# A message from the president & manager



President **Richard Schlosser** and  
General Manager **Bruce Garber**

BY PRESIDENT RICHARD SCHLOSSER  
AND GENERAL MANAGER BRUCE GARBER

**D**akota Valley Electric 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 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 Electric recognizes that energy costs are a significant part of your operational costs. Accordingly, your board of directors has taken several steps to reduce costs. Some of those steps are:

## Reduced interest rates

In 2016 the cooperative was able to finance its work plan construction mostly with money borrowed from the

Rural Utilities Service. RUS continues to be our most affordable lender with an interest rate of 1.94 percent, on our loan draw taken in 2016. With refinancing of some of our existing loans and the low interest rates in 2016, we were able to decrease our interest expense from previous years.

## Switching to LED security lights

In 2016, Dakota Valley Electric received approval of its REAP –



USDA grant application to replace approximately 1,000 high-pressure sodium security lights with LED security lights.

This grant will save nearly \$50,000 in installation costs, and the change from HPS to LED security lights will save an estimated \$4,430, or more, in wholesale power costs per year over the 24-year lifespan of the units. Eventually, all security lights will be changed to LED, for even greater savings.

## Power producers work to reduce expenses

While Dakota Valley Electric takes every step it can to hold the line on its operational expenses, the real dollars are to be found in the cost of wholesale power it purchases, which is 81 percent of the total cost of service.

Basin Electric Power Cooperative increased its wholesale power rates in the summer of 2016. This increase by Basin was mostly the result of rising costs forced on all wholesale power generators for costs incurred to comply with EPA's stringent carbon dioxide regulations, combined with Basin's reduced electric and natural gas sales. Through 2016, Basin and its subsidiaries have invested more than \$1.6 billion in emissions control technology.

Unfortunately, the EPA has chosen to disallow many of these previous emission reductions. Compliance with EPA's Clean Power Plan, as now written, will cost Basin Electric another \$5 billion.

How will the recent executive order and ongoing lawsuit affect Clean Power Plan requirements? Because the court case is still ongoing and the executive order is so new, we are not sure. However, we view President Trump's recent executive order as a positive step forward in our efforts to seek time and flexibility when it comes to developing a reasonable carbon management plan.

We'd like to share some of the cost-

cutting measures our wholesale power suppliers have taken to hold down the cost of wholesale electric power.

## Joining the Southwest Power Pool

Late in 2015, Central Power Electric Cooperative, Basin Electric Power Cooperative and Western Area Power Administration (WAPA) became members of the Southwest Power Pool (SPP).

Headquartered in Little Rock, Ark., this nonprofit organization oversees the bulk electric grid and wholesale power market in the central United States.

SPP's task is to ensure an adequate transmission structure and reliable power supply to 18 million people in a 575,000 square-mile region, including more than 60,000 miles of high-voltage transmission line in 14 states. To do this, SPP has a staff of about 600 professionals.

Besides ensuring energy reliability, SPP is also committed to maintaining competitive wholesale electricity rates.

For instance, SPP projects it will save its members – in the end, that's us – \$100 million annually by using something they call the real-time “integrated marketplace.” The “marketplace” enables them to coordinate next-day energy generation, provide greater access to reserve energy, improve regional balancing of supply and demand and integrate renewable resources, like wind and solar.

## Allam Cycle research

While EPA's controversial Clean Power Plan plays out in the courts, regardless of the ultimate decision,

Basin Electric understands it must continue growing in a carbon-constrained world.

One technology showing potential for economical carbon-reduction is an electric generation process called the Allam Cycle. The Allam Cycle consists of gasifying lignite to produce synthetic natural gas, which would then be used, along with oxygen and carbon dioxide (CO<sub>2</sub>) to drive a turbine generator.

Basin Electric is involved in research for this new process, and in 2017, a “first-of-its-kind” Allam Cycle generating plant will start up in Texas. If this plant proves out, it could be an economical means of using lignite in a CO<sub>2</sub> emissions-constrained future.

If successful, this new process would be good for all aspects of North Dakota's energy industry; and would allow wholesale power producers, like Basin, to continue using North Dakota's plentiful lignite deposits to generate power.

## To sum it up

Over the past year, Dakota Valley Electric has invested \$3.8 million dollars to upgrade its power lines and service equipment to enhance service reliability.

Our cooperative is continually changing to become more efficient and, as it becomes available, to incorporate more efficient, cost-saving technologies into its operation.

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



**DAKOTA VALLEY  
ELECTRIC COOPERATIVE**

Your Touchstone Energy® Cooperative 

# 2016 *Financial report*

**I**n 2016, Dakota Valley was fortunate to see an increase of about 3 percent in kilowatt-hour (KWH) sales, or about 16.7 million KWH, compared to 2015. The majority of this increase in sales was from our industrial accounts, primarily Minn-Dak in Wahpeton and the ethanol plant by Hankinson. Currently, about 80 percent of our KWH sales comes from our industrial loads, with the other 18 percent from farm and residential and about 2 percent from irrigation. Unfortunately, we did see about a 3 percent decrease in our farm and residential sales for 2016. This was a result of the milder than normal temperatures that we experienced again in 2016. Electric heat, dual heat and storage heat sales were down about 8 percent, or 3.1 million KWH from 2015.

In 2015, Dakota Valley was able to refinance some of its RUS construction loans at a lower interest rate. This reduction decreased the interest expense on the co-ops long-term debt in 2016.

In addition, the co-op saved money in other ways. The mild weather allowed DVEC crews to continue building new line, replacing and retiring old line to homes and businesses from early spring through the winter months. This meant the co-op experienced reduced operations and maintenance expenses in 2016

## **Rate increase delayed**

You may recall that Dakota Valley Electric's power supplier, Basin Electric Power Cooperative, was forced to increase its wholesale power rate by about 12 percent in August 2016.

Despite this rate increase, Dakota Valley Electric's board of directors was able to delay passing the rate increase on to members until Jan. 1, 2017. It is estimated, this five-month delay saved Dakota Valley members \$1



million in electrical costs. The delay was possible only because of the cooperative's strong financial position.

While the rate increase was not the same for every rate class, the majority of Dakota Valley Electric members – who are on the rural farm and residential rate – saw an increase of about 4.26 percent. The percentage varies from member to member, depending on the amount of electricity used.

## **Strong margins in 2016**

Dakota Valley Electric ended 2016 with assets of \$116.1 million, debt and liabilities of \$68.8 million, and member equity of \$47.3 million. The cooperative showed year-end gross margins of \$6,455,560.

With excellent 2016 margins, the board of directors approved setting an additional \$855,000 aside in the cooperative's deferred revenue program. Under the deferred revenue program, a portion of each year's profits are moved into a "rainy day" fund, which can be tapped to soften future rate increases.

After the deduction for the deferred revenues, the cooperative posted net margins of just over \$5.6 million. ■

# 2015-2016 Operations Statement & Balance Sheet

|                                       | 2016              | 2015              |
|---------------------------------------|-------------------|-------------------|
| Revenue from Energy Sales             | 48,968,436        | 46,301,693        |
| <b>COST OF ELECTRIC SERVICE:</b>      |                   |                   |
| Cost of Power                         | 38,717,642        | 36,358,325        |
| Operations & Maintenance              | 2,685,652         | 2,629,537         |
| Customer Accounts                     | 284,724           | 288,376           |
| Customer Service & Information        | 202,157           | 214,216           |
| Administrative & General              | 1,303,403         | 1,229,798         |
| Depreciation & Amortization           | 2,164,117         | 2,034,423         |
| Taxes                                 | 449,066           | 380,129           |
| Interest on Debt                      | <u>1,803,394</u>  | <u>1,837,162</u>  |
| <b>Total Cost of Electric Service</b> | <b>47,610,155</b> | <b>44,971,966</b> |
| <b>Operating Margins</b>              | <b>1,358,281</b>  | <b>1,329,727</b>  |
| Interest Income                       | 244,383           | 164,853           |
| Subsidiary Income                     | (28,408)          | 21,812            |
| Non-Operating Margins                 | 152,306           | (1,796)           |
| Capital Credits / G&T and Other       | <u>3,873,998</u>  | <u>1,580,617</u>  |
| <b>Net Patronage and Margins</b>      | <b>5,600,560</b>  | <b>3,095,213</b>  |

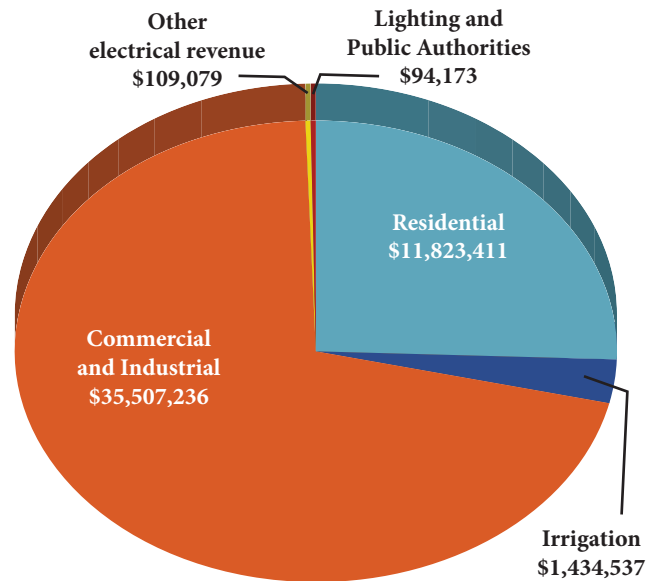
## ASSETS AND OTHER DEBITS

|   |                     |                     |
|---|---------------------|---------------------|
| Utility Plant in Service                  | 93,453,123          | 89,594,795          |
| Construction Work in Progress             | 1,514,968           | 1,726,236           |
| Accum Provision for Depreciation          | <u>(29,856,032)</u> | <u>(29,330,879)</u> |
| <b>Net Utility in Plant</b>               | <b>65,112,059</b>   | <b>61,990,152</b>   |
| <b>Other Properties &amp; Investments</b> | <b>35,745,723</b>   | <b>31,664,360</b>   |
| Cash & Investments                        | 4,150,868           | 3,308,253           |
| Accounts Receivable                       | 5,114,803           | 4,120,224           |
| Notes Receivable                          | 3,566,099           | 3,998,764           |
| Material & Supplies                       | 1,192,641           | 1,339,868           |
| Prepaid Expenses                          | 23,394              | 21,233              |
| Interest Receivable                       | 30,952              | 30,259              |
| Other Deferred Debits                     | <u>1,183,992</u>    | <u>1,347,274</u>    |
| <b>Current &amp; Other Assets</b>         | <b>15,262,749</b>   | <b>14,165,875</b>   |
| <b>Total Assets &amp; Other Debits</b>    | <b>116,120,531</b>  | <b>107,820,387</b>  |

## LIABILITIES AND OTHER CREDITS

|  |                    |                    |
|--|--------------------|--------------------|
| <b>Long Term Debt</b>                      | <b>52,982,475</b>  | <b>52,230,942</b>  |
| Accounts Payable                           | 5,510,109          | 3,815,060          |
| Consumer Deposits                          | 558,065            | 565,190            |
| Current Maturities - Long Term Debt        | 2,395,390          | 2,319,433          |
| Accrued Taxes & Liabilities                | 1,521,537          | 1,506,350          |
| Regulatory Liabilities                     | 5,100,000          | 4,245,000          |
| Customers' Energy Prepayments              | 755,830            | <u>778,694</u>     |
| <b>Other Liabilities</b>                   | <b>15,840,931</b>  | <b>13,229,727</b>  |
| Member Patronage Equity                    | 31,187,887         | 29,133,491         |
| Current Year Margins                       | 5,232,279          | 2,910,345          |
| Other Margins and Equities                 | <u>10,876,959</u>  | <u>10,315,882</u>  |
| <b>Total Member Equity</b>                 | <b>47,297,125</b>  | <b>42,359,718</b>  |
| <b>Total Liabilities and Other Credits</b> | <b>116,120,531</b> | <b>107,820,387</b> |

## 2016 Operating Revenue



## 2016 Cost of Service

|  |              |
|--|--------------|
| 81.3%   Cost of Power:                 | \$38,717,642 |
| 5.6%   Operations & Maintenance:       | \$2,685,652  |
| 4.5%   Depreciation & Amortization:    | \$2,164,117  |
| 3.8%   Interest on Debt:               | \$1,803,394  |
| 2.7%   Administrative & General:       | \$1,303,403  |
| 0.9%   Tax Expense:                    | \$449,066    |
| 0.6%   Customer Accounts:              | \$284,724    |
| 0.4%   Customer Service & Information: | \$202,157    |

## 2016 Cooperative Statistics

|                    |             |
|--------------------|-------------|
| Consumers          | 6,533       |
| Miles of Line      | 4,698       |
| Customers per mile | 1.39        |
| KWH sold           | 637,617,976 |
| Revenue            | 48,968,436  |
| Power Costs        | 38,717,642  |
| All other costs    | 8,892,513   |
| Total Equity       | 47,297,125  |
| Net Plant          | 65,112,059  |
| Total Assets       | 116,120,531 |
| Equity Ratio       | 40.7%       |
| Total Employess    | 40          |





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.

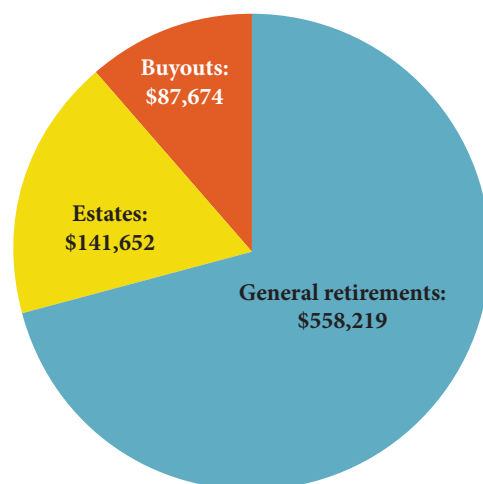
## Capital Credits

### 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.



### 2016 Capital Credits Paid

|                            |                   |
|----------------------------|-------------------|
| General retirements .....  | \$ 558,219        |
| Estates.....               | \$ 141,652        |
| Buyouts .....              | \$ 87,674         |
| <b>Total Retired .....</b> | <b>\$ 787,545</b> |



## Operation Round Up

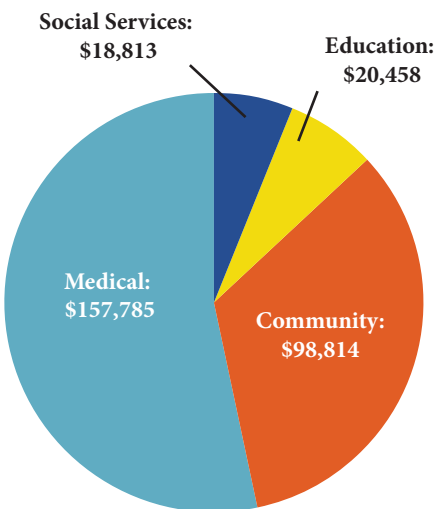
### Grant program assists area individuals, organizations Operation Round Up

**P**remature 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 2016, 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 \$295,000. For more information or to download an application, visit [dakotavalley.com](http://dakotavalley.com). ■



### 2016 ORU Financial Report

|  |                    |
|--|--------------------|
| Beginning Balance (Jan 1, 2016) .....      | \$3,542.75         |
| <i>Income:</i>                             |                    |
| Round Up Contributions .....               | \$20,489.69        |
| Interest .....                             | \$2.93             |
| <b>Total Income .....</b>                  | <b>\$20,492.62</b> |
| <i>Expenses:</i>                           |                    |
| Grants given in 2016 .....                 | \$20,550.00        |
| Bank charges .....                         | \$1.90             |
| <b>Total Expenses .....</b>                | <b>\$20,551.90</b> |
| <b>Ending Balance (Dec 31, 2016) .....</b> | <b>\$ 3,483.47</b> |

20 YEARS AGO:

# Remembering the “Storm of the Century:”

1996-1997 was a winter tough enough to try even the hardest North Dakotans. As the winter wore on and on, snow piled higher and higher, blocking roads and leaving farmsteads buried under huge snow drifts. By April, most areas had at least 110 inches of snow on the ground compared to 37 inches of snowfall for an average year.

Then, just when you think it couldn't be worse . . . on April 4, 5, and 6, a devastating spring storm, with freezing rain, snow and unrelenting 40-to-60-mile-per-hour winds struck the area.

In its wake, the vicious storm left at least 3,500 members without electricity, some for periods up to nine days.

Together James Valley and RSR Electric Cooperative, who later consolidated to form Dakota Valley, lost more than 700 poles, with more than 1000 miles of overhead lines severely damaged. In all, storm costs totaled more than \$4 million and even with assistance from FEMA, the effects of this storm would be felt for years. ■



*Veteran lineworkers said they had never seen damage this severe.*



*A farmer used his “Cat” to pull an REC truck through the snow and mud to repair downed lines.*



**www.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:

Richard Schlosser, President ..... Edgeley  
Arden Fuher, Vice President ..... Edgeley  
John Hauschild, Treasurer ..... Wahpeton  
Connie Bitz, Secretary ..... LaMoure  
Richard Johnson ..... Cogswell  
Kim Rasmussen ..... Havana  
Dave Paulson ..... Hankinson  
Matt Thompson ..... Wyndmere  
Blaine Lundgren ..... Kulm  
General Manager ..... Bruce Garber  
Manager of Engineering ..... Seth Syverson  
IT Manager ..... Scott Buchholtz

Operations Manager ..... Craig Rysavy  
Business Manager ..... Kelly Wald  
Staff Assistant ..... Michelle Berry  
News Editor  
and Services Manager ..... Pat Schaffer



**ELECTRIC WIRING, PLUMBING  
& HEATING SERVICES:**  
Dakota Valley Services-Edgeley  
800-726-8056 or 701-493-2283