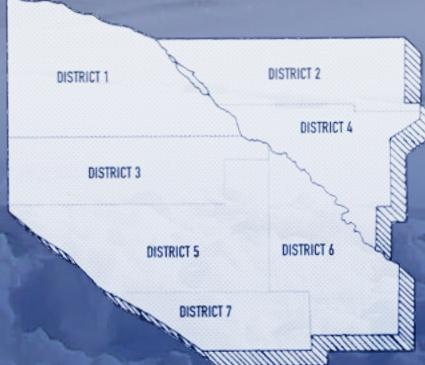




ANNUAL REPORT 2021



**Minnesota Valley Cooperative
Light & Power Association**

84th Annual Meeting Notice

Saturday, April 2nd at Prairie's Edge

Casino Resort: Doors open at 8:30 a.m. We will be serving breakfast from 8:30 a.m. to 10:00 a.m. The meeting will be called to order at 10:00 a.m.

Capital Credit Refunds: The remainder of 2008 and 100% of 2009 for a total of \$2,619,025. We will be mailing all capital credit checks prior to the meeting. We will not be handing out checks at the meeting.

Prize Drawings: We will be having a prize drawing at the end of the business meeting. There will not be a *Kids Room* this year.

Nominees for Each District:

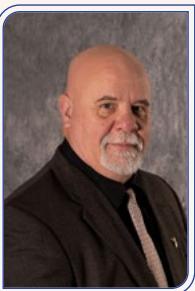
- ◆ **District 2:** Gary Groothuis
- ◆ **District 4:** Steve Norman
- ◆ **District 6:** Tim Velde



Board of Directors



Don Fernholz
District 1



Gary Grootuis
District 2



Mark Peterson
District 3



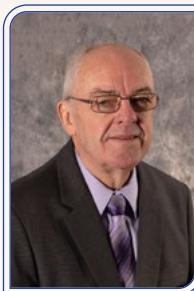
Steve Norman
District 4



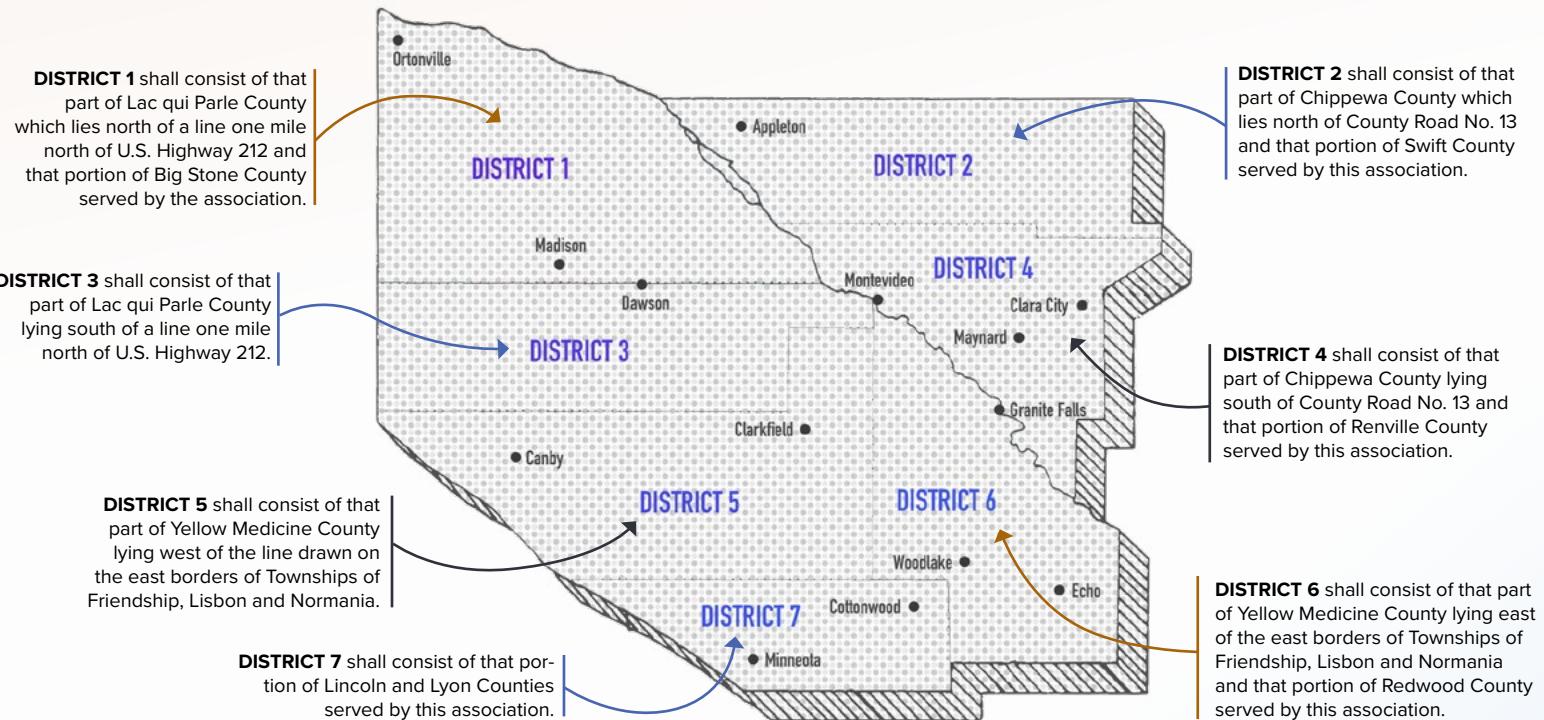
Darryl Bursack
District 5



Tim Velde
District 6



Wayne Peltier
District 7



Director's Responsibilities

According to information compiled by the National Rural Electric Cooperative Association (NRECA) in Washington, D.C., a director's responsibility consists of having the ability and knowledge to set policy and approve programs that are the basis for operating the association.

A director must have the time to attend monthly board meetings and other special meetings and seminars. These special sessions are necessary to keep directors informed on the various aspects of the cooperative and the electric utility industry. Other criteria of a board member as identified by NRECA include:

- ◆ Be an independent thinker, but a cooperator.
- ◆ Be capable of acquiring the knowledge necessary to cope with the issues of a modern electric utility, including finances, management and public issues.
- ◆ Possess the character and demeanor that will reflect favorable on behalf of the cooperative.
- ◆ Have the willingness to listen and learn.
- ◆ Be one who can accept and direct change.
- ◆ Be of sufficient stature to command the respect of management, employees, fellow board members, cooperative members and the public.
- ◆ Be willing to commit adequate time to the work of the board to be an effective member and properly discharge the duties of the board.
- ◆ Subordinate personal and other business interests to the needs of the cooperative when making a decision.
- ◆ Be willing to accept the unpleasant moments of a director's experience.
- ◆ Let management manage.

Board and Manager's Report to the Members

Minnesota Valley closed the year again successful both financially and operationally. Financially, our year-end total margin was \$3,525,000, which was much better than we had budgeted for. Operationally, for the most part good weather allowed us to complete our planned construction and maintenance projects on time.

Financially, we had a much better than expected year at the cooperative for several reasons. We had budgeted a total margin of about \$1,200,000 and ended with over \$3,525,000. This was a culmination of many different income and expense factors coming together in a good way. Also, when we planned for the year the real and present tumult over Covid kept us budgeting very conservatively. We were worried about not having enough work for our subsidiaries Karian Peterson Powerline Contracting and Minnesota Valley Tree Service coupled with supply chain

issues. The work and supplies materialized for them. Karian Peterson alone added almost \$1 million to our bottom line. We also had PPP loans at Karian Peterson, Minnesota Valley Tree and Minnesota Valley of over \$1.5 million from 2020 that were forgiven by the federal government and had to be moved from our balance sheet and recognized as income, which added to our bottom line this year. These factors, plus patronage allocations from our Basin Electric and other cooperatives we do business with, helped drive our total margin up to over \$3.5 million. This total margin includes an operating margin of just over \$1.5 million. Both are strong numbers for our cooperative. Of course, the important number is the operating margin. The operating margin tells us if this year's revenue is covering this year's expenses. The total margin includes a patronage allocation from our power supplier of \$320,665 which, of course, is not cash and the booked subsidiary margins are not cash.



Back Row: Mark Peterson, Pat Carruth, General Manager; Tim Velde, Don Fernholz, Gary Groothuis

Front Row: Steve Norman, Darryl Bursack, Wayne Peltier, Matt Haugen, Attorney

Anyway, we ended the year in great financial shape, so the board approved retiring over \$2.6 million capital credits. We are retiring the remaining balance of 2008 and all of 2009 capital credits for a total of \$2,620,000. Another benefit to a healthy margin is it keeps our member-equity position in good shape. This helps us meet our loan covenants with our lenders without raising rates. The average farm/residential member's check will be about \$460. This year all checks will be mailed out on March 21st, just ahead of the Annual Meeting. The Annual Meeting will be held on April 2nd.

Operationally, it was a great year for us, despite supply chain issues which, of course, affected everyone. We completed all planned construction projects on time and were able roll right into work scheduled that was planned on for 2022. We finished the last 6.5 miles of the 18 miles of transmission line rebuild between our Watson Substation and the City of Madison. Our Karian Peterson Powerline Contracting of Montevideo built that line. We made good progress on right-of-way clearing. We completed the northwest quadrant of our system and are moving through the southwest quadrant of our system. All of our right-of-way clearing is, of course, done by our Minnesota Valley Tree Service out of Granite Falls.

We have owned and operated Minnesota Valley Tree Service since 1999. Minnesota Valley Tree Service had a successful year financially and operationally as well. They produced a margin of \$38,000. In addition to clearing rights-of-way for our power lines they trim tree for other utilities and private parties. Minnesota Valley accounted for about 85% of their total revenue for 2021.



Steve Norman
Board President

Steve Norman

Minnesota Valley became the sole owner of Karian Peterson Power Line Contracting of Montevideo at year end 2019. They produced a margin of over \$1,300,000 in 2021. In addition to building line for us, they build line for many other cooperatives, municipals and investor-owned utilities. Minnesota Valley accounted for about 21% of their total revenue for 2021.

Our subsidiaries are operated under Minnesota Valley Light and Power Holding Company for tax and liability reasons. Please make note of that when reviewing the financials in this report.

For 2022, we have again a busy year planned. The Work Plan calls for about \$4.7 million in system improvements and new construction projects. Almost \$2 million of these construction projects will be transmission line rebuilding from the Minneota Substation going east. This is the second year of 2021-2024 four-year \$23 million construction work. The next several Four-Year Construction Work Plans will include the reconstruction of parts of our 243-mile transmission system. We have 165 miles of line older than 25 years. Most of that line is 50 to 60 years old. We have made the decision to work towards systematically rebuilding that last 165 miles over the next 25 years.

In closing, we want to thank the employees for the dedicated work they do. They are always ready to step up to the task no matter what comes our way. We want to thank the Board for the time they put in governing and overseeing your electric cooperative power system from mine mouth to meter in your yard. Most importantly, we want to thank you, the member-owners, for your support and patronage. Thank you! We are looking forward to all working together to make 2022 another successful year for Minnesota Valley Cooperative Light and Power Association.

Sincerely,



Pat Carruth
General Manager

Patrick C. Carruth

Balance Sheet

	Minnesota Valley Cooperative	Minnesota Valley Light & Power Holding Company	Eliminations	Consolidated
ELECTRIC PLANT				
In service	\$86,026,275	\$-	\$(480,418)	\$85,545,857
Under construction	247,093	-	-	247,093
Total electric plant	86,273,368	-	(480,418)	85,792,950
Less accumulated depreciation	(30,354,372)	-	4,233	(30,350,139)
Electric Plant—Net	55,918,996	-	(476,185)	55,442,811
OTHER PROPERTY AND INVESTMENTS				
Investments in associated companies	10,629,525	36,839	-	10,666,364
Investment in subsidiary	5,026,875	-	(5,026,875)	-
Other investments	478,329	-	-	478,329
Non-utility property, net of accumulated depreciation	-	4,161,504	-	4,161,504
Total Other Property and Investments	16,134,729	4,198,343	(5,026,875)	15,306,197
CURRENT ASSETS				
Cash and cash equivalents	1,394,542	1,194,522	-	2,589,064
Accounts receivable, less allowance for uncollectible accounts	2,474,233	94,953	(21,936)	2,547,250
Contracts receivable	-	881,653	(239,352)	642,301
Contract asset - retainage	-	-	-	-
Costs and estimated earnings in excess of billings on uncompleted contracts	-	-	-	-
Materials and supplies	1,475,552	-	-	1,475,552
Prepayments	144,125	227,544	-	371,669
Interest receivable	19,758	-	-	19,758
Total Current Assets	5,508,210	2,398,672	(261,288)	7,645,594
DEFERRED CHARGES				
	265,082	-	-	265,082
	\$77,827,017	\$6,597,015	\$(5,764,348)	\$78,659,684
EQUITIES				
Patronage capital	\$30,129,682	\$-	\$(476,185)	\$29,653,497
Other equities	603,296	5,026,875	(5,026,875)	603,296
Accumulated other comprehensive loss	(416,008)	-	-	(416,008)
Total Equities	30,316,970	5,026,875	(5,503,060)	29,840,785
LONG-TERM DEBT, LESS CURRENT MATURITIES				
	41,326,547	405,763	-	41,732,310
OTHER LIABILITIES				
Postretirement benefit obligation	606,235	-	-	606,235
Deferred income taxes	-	468,508	-	468,508
Accumulated operating provision	637,868	-	-	637,868
Sick leave	244,877	-	-	244,877
Total Other Liabilities	1,488,980	468,508	-	1,957,488
CURRENT LIABILITIES				
Current maturities of long-term debt	2,134,000	88,137	-	2,222,137
Accounts payable	1,450,862	220,346	(261,288)	1,409,920
Customer deposits	54,520	-	-	54,520
Income taxes payable	-	101,238	-	101,238
Other current liabilities	879,155	286,148	-	1,165,303
Total Current Liabilities	4,518,537	695,869	(261,288)	4,953,118
DEFERRED CREDITS				
	175,983	-	-	175,983
	\$77,827,017	\$6,597,015	\$(5,764,348)	\$78,659,684

Statement of Operations & Patronage Capital

	Minnesota Valley Cooperative Light & Power Association	Minnesota Valley Light & Power Holding Company	Eliminations	Consolidated
OPERATING REVENUES				
Electric	\$20,663,806	\$-	\$-	\$20,663,806
Other—non-utility operating revenues	47,478	7,615,066	(1,307,803)	6,354,741
Total operating revenues	20,711,284	7,615,066	(1,307,803)	27,018,547
OPERATING EXPENSES				
Cost of power	10,033,962	-	-	10,033,962
Transmission - operations	30,331	-	-	30,331
Transmission - maintenance	234,672	-	-	234,672
Distribution - operation	1,690,071	-	-	1,690,071
Distribution - maintenance	1,764,909	-	(975,544)	789,365
Customer accounts	253,294	-	-	253,294
Customer service and informational	628,490	2,818	-	631,308
Administrative and general	1,695,125	749,298	(67,000)	2,377,423
Depreciation and amortization	2,391,489	766,118	(4,233)	3,153,374
Other—non-utility operating expenses	9,513	5,777,591	(84,000)	5,703,104
Total operating expenses	18,731,856	7,295,825	(1,130,777)	24,896,904
OPERATING MARGIN BEFORE FIXED CHARGES	1,979,428	319,241	(177,026)	2,121,643
FIXED CHARGES				
Interest on long-term debt	966,389	15,430	-	981,819
OPERATING MARGIN AFTER FIXED CHARGES	1,013,039	303,811	(177,026)	1,139,824
GENERATION AND TRANSMISSION AND OTHER COOPERATIVE CAPITAL CREDITS				
	439,930	-	-	439,930
NET OPERATING MARGIN	1,452,969	303,811	(177,026)	1,579,754
NON-OPERATING MARGIN				
Interest income	318,751	9,414	-	328,165
Gain from subsidiary operations	986,858	-	(986,858)	-
Gain (loss) on sale of available for sale investments	4,838	-	-	4,838
Income taxes	(5,689)	(344,144)	-	(349,833)
Gain on disposal of general plant	61,225	315,650	-	376,875
Forgiveness of Payroll Protection Program loans	815,245	697,820	-	1,513,065
Other non-operating	219,663	4,307	(151,000)	72,970
Total non-operating margin	2,400,891	683,047	(1,137,858)	1,946,080
NET MARGIN	\$3,853,860	\$986,858	\$1,314,884	\$3,525,834

Patronage Capital

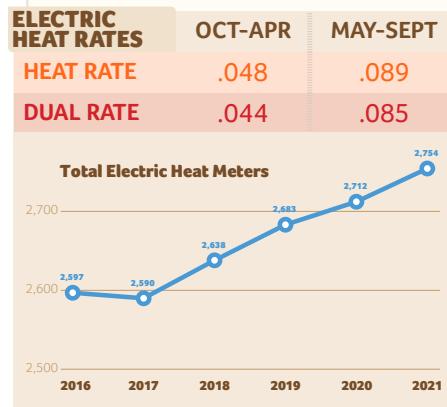
Beginning of Year	\$27,864,034
Net Margins	3,525,834
Retirement of Capital Credits	(\$1,736,371)
End of Year	\$29,653,497

Year in Review 2021

Member Services

Electric Heat Options

The Member Services Department continues to sell, install and service all different types of electric heat options. From heat pumps, baseboard heaters, under slab radiant heat, cove heaters, furnaces and boilers, we have an option to fit your needs. In the



past 5 years many members have taken advantage of the **electric heat rates** that offer a discounted rate on their electricity used for electric heat as well as air conditioning (*if a heat pump is used for cooling*).

of this year to alleviate the delays experienced in the previous months. With the new generators being installed, Minnesota Valley Cooperative has also started a yearly maintenance program to extend the life of the generators installed by members, by our Generac Certified Technicians.

Water Heaters

The Marathon Water Heater continues to be a very popular purchase for members. Marathon Water Heaters offer a lifetime warranty on the tank, which in turn makes it the last water heater you will need to buy! In 2021, Minnesota Valley Cooperative developed a water heater loan program to help with the upfront expense of purchasing a water heater.



Generators

The Minnesota Valley Cooperative generator program garnered a lot of interest in 2021. The demand for generators has grown quite rapidly over the past year with the increased need for backup generation. This trend was echoed nationwide, which in turn, effected the already strained supply chains. Generac, our manufacturer, anticipated the demand surge and added an additional plant in July



Summary

Overall, 2021 has been a somewhat challenging year for members dealing with supply shortages, increased costs, economic impact, health concerns and many other factors affecting their lives. Here at Minnesota Valley Cooperative, we are available to help you with any questions dealing with your electric usage, how to lower your consumption or any other concerns you have regarding your account. Minnesota Valley Cooperative would like to thank all of our members for a great year and look forward to working with you in the years to come!

Operation Round Up

Through Operation Round Up, we give our member-owners, employees and directors the opportunity to give back to the community. Since the program's inception in 1995, Operation Round Up has awarded over **\$214,776** to approximately **587** local organizations, groups and families.

If you know of someone or an organization that would benefit from Operation Round Up funds, go to our website at www.mnvalleyrec.com or contact our office. If you are an Operation Round Up member or just signing up at the meeting, you can register for a \$50 cash prize drawing.



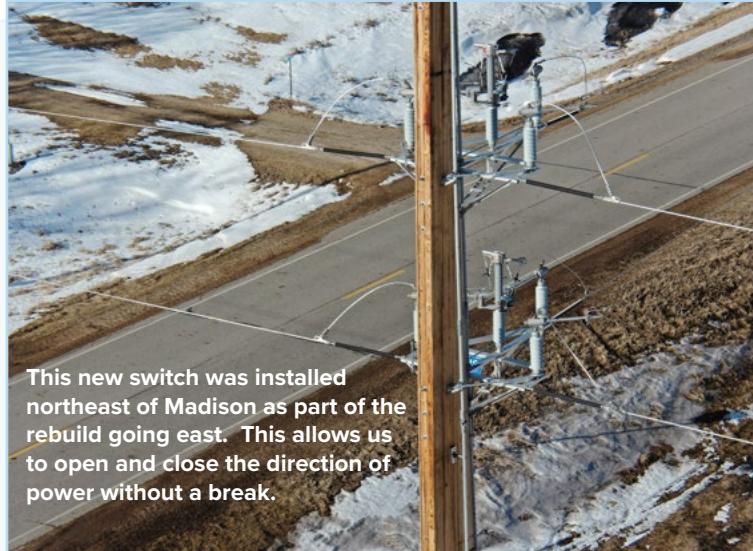
Operations

The year 2021 had Minnesota Valley crews moving along fast. In the beginning of the year, crews spent a lot of time with upgrades to the AMPI Substation in Dawson, which feeds the newly remodeled Puris Proteins. The upgrade included a much larger transformer, voltage regulators, switches and cable to accommodate the anticipated load.

Service upgrades are also a constant job for crews. Some jobs, depending on the load added, require not much work to accomplish - others require a complete overhaul of the service and may even need to relocate the service.

The construction crews are taking care of service upgrades and building line/pole change outs. The maintenance crews are taking care of security lights and other problems phoned in by our members. These jobs also include changing out 132 Oil Circuit Reclosures (OCR's) for the year. These OCR's act much like an automatic resetting circuit breaker that

after three reclosers on a fault, the unit locks open isolating the problem from the rest of the line. These items contain moving parts,



springs, electrical connections and oil so they do require a maintenance program to inspect and keep them working properly.

Underground cable installation was at an all time high this year. While construction crews plowed in cable for service upgrades, Karian/Peterson was also busy replacing 3½ miles of cable at a couple different locations on the project. These locations had older cable and were more prone to outages over the last few years. Karian/Peterson also completed 10 miles of 3-phase underground in December. This line feeds east from the Minneota Substation for 10 miles and was installed to make room for the transmission line rebuild planned to begin in the winter of 2022.



Congratulations to Our 2021 Scholarship Winners



Employees

Staff



Back Row: Jill Rothschild, Jill Sand
Front Row: Scott Kubesh, Pat Carruth, Bob Kratz

Operations



Back Row: Mark Sweno, Stacey Boike, Eric Wollschlager
Front Row: Brandon Bjelland, Scott Monson, Don Snell

Office Services



Left to Right: Lacey Wintz, Jill Strand, Tracie Peterson

Member Services



Left to Right:
Logan Schmidt, Collin Kor, Duane O'Malley, Jerrad Perkins

Minnesota Valley Subsidiaries

Minnesota Valley Cooperative is sole owner of Minnesota Valley Tree Service located in Granite Falls. The primary purpose of the tree service is right-of-way clearing for power lines.



Minnesota Valley Cooperative is sole owner of Karian Peterson located in Montevideo. The business specializes in construction and maintenance of distribution and transmission power lines.



Linemen



Back Row: Mitch Christensen, Kent Smith, Cole Mertens, Tommy Lee, James Hughes, Eric Landmark

Front Row: Trevor Diggins, Tyler DeZeeuw, Andy Johnson, Blake Lymburner

Cooperative Statistics

HEADQUARTERS

Montevideo, MN

YEAR FOUNDED

1937

NUMBER OF MEMBERS

4,405

NUMBER OF ACTIVE SERVICES

5,336

NUMBER OF SUBSTATIONS

16

MILES OF LINE

Total: 3,291

Transmission: 243

Overhead: 2,657

Underground: 391

DENSITY

1.6 Services Per Mile

WHOLESALE POWER SOURCES

Basin Electric

Western Area Power
Administration (WAPA)



Features of SmartHub

SmartHub is a web and mobile app that allows our members to interact with us like never before. View and pay your bill, monitor usage 24/7, report service issues, get live updates on outages and more.



Make a Payment

Make a one-time payment online or set up auto pay through SmartHub.

View Your Usage

Use the usage explorer feature to find information on your energy usage. You can view your usage total for the month or day. You also have access to view what your heat meter is using.

Curious about how the temperature outside is affecting your usage? SmartHub provides high/low and average temperatures for each day or a monthly average.



View Your Bill History

View your billing history to see how this month's bill compares to previous months.

See Outage Map

Use SmartHub to access our live Outage Map. This interactive map reports if we are experiencing outages. View by substation or by county to see how many of your neighbors are out.

