



Annual Report

2017



**Minnesota Valley Cooperative
Light & Power Association**

80th Annual Meeting Notice

Saturday, March 24th at the Lac qui Parle Valley High School: Doors open for registration and breakfast buffet at 8:30 a.m., which continues until 10:00 a.m. The meeting will be called to order at 10:30 a.m.

Capital Credit Refunds: The balance of 2004, a total of \$980,000, will be refunded.

Operation Round Up: New and current members can sign up for Operation Round Up to receive a chance to win a Basin Tour trip and an opportunity for a \$25 credit on their energy bill. Also, new members who sign up have a chance to win (2) \$50 cash drawings.

Director Elections: Elections will be held for two directors to serve 3-year terms.

Nominees for Each District:

District 1: *Don Fernholz*

District 3: *Mark Peterson*

Reports: Reports will be made on the cooperative's finances, operations and future plans.

Kids Room and Prize Drawings: Bring your kids for a fun morning of supervised activities and a chance to win prizes!

Basin Tour Drawing: Drawings will be held for the annual Basin Tour scheduled for July 10th-12th, 2018.



Board of Directors



Don Fernholz
District 1



Gary Groothuis
District 2



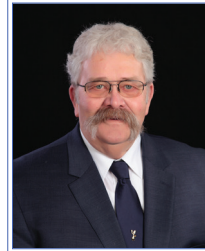
Mark Peterson
District 3



Steve Norman
District 4



Darryl Bursack
District 5



Tim Velde
District 6



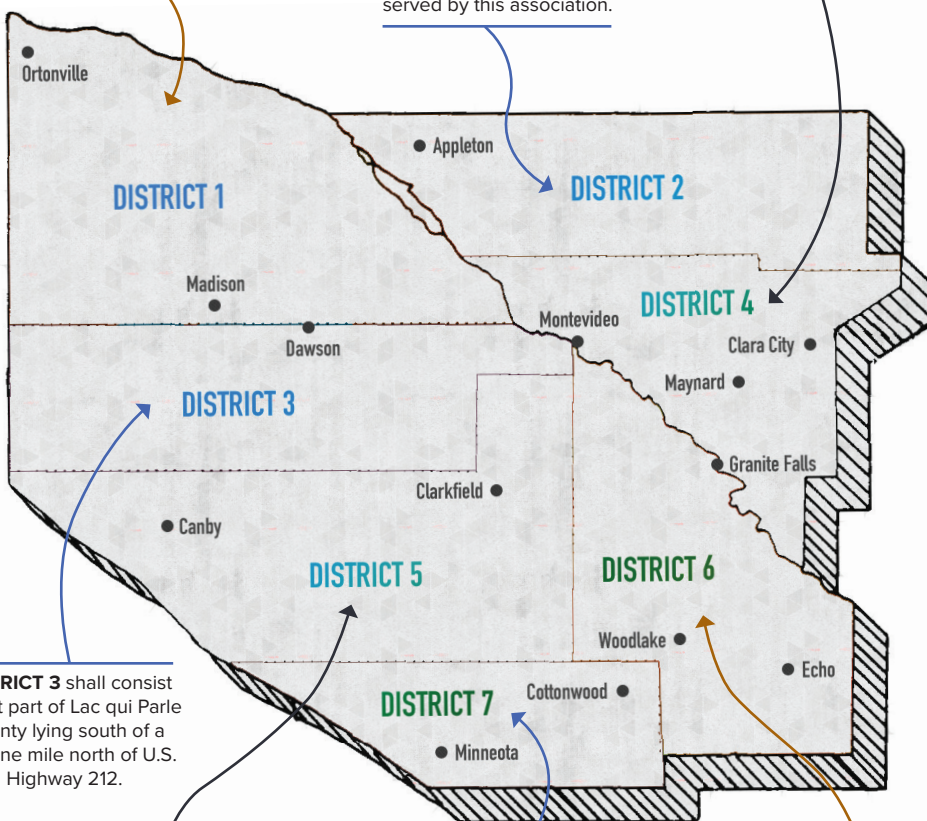
Wayne Peltier
District 7

District Map Definitions

DISTRICT 1 shall consist of that part of Lac qui Parle County which lies north of a line one mile north of U.S. Highway 212 and that portion of Big Stone County served by the association.

DISTRICT 2 shall consist of that part of Chippewa County which lies north of County Road No. 13 and that portion of Swift County served by this association.

DISTRICT 4 shall consist of that part of Chippewa County lying south of County Road No. 13 and that portion of Renville County served by this association.



DISTRICT 3 shall consist of that part of Lac qui Parle County lying south of a line one mile north of U.S. Highway 212.

DISTRICT 5 shall consist of that part of Yellow Medicine County lying west of the line drawn on the east borders of Townships of Friendship, Lisbon and Normania.

DISTRICT 7 shall consist of that portion of Lincoln and Lyon Counties served by this association.

DISTRICT 6 shall consist of that part of Yellow Medicine County lying east of the east borders of Townships of Friendship, Lisbon and Normania and that portion of Redwood County served by this association.

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 favorably on behalf of the cooperative.
- ◆ Have the willingness to listen and learn.
- ◆ Be one who can accept and direct change.
- ◆ Let management manage.
- ◆ 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.

Board and Manager's Report to the Members



Back Row:

Don Fernholz, Steve Torvik, *Attorney*, Tim Velde, Gary Groothuis, Steve Norman

Front Row:

Mark Peterson, Pat Carruth, *General Manager*, Wayne Peltier, Darryl Bursack

We are pleased to report to you another year of operational and financial success at your cooperative.

Operationally, it was a pretty typical year. We were fortunate not to have many severe storms throughout the year. We had two pretty heavy wind storms on June 13th and July 9th in which we lost some transmission line in the western part of our system. In both cases, we were able to loop feed around and get everyone's lights back on while permanent repairs were made. We were again able to complete our scheduled new construction projects, as well as the ongoing maintenance processes which need to be done to keep your system operating at a high level of reliability.

One of the projects of the year was the start of our computer software conversion. We made the decision to convert pretty much our entire system from billing to mapping to a cooperative owned company called the National Information Solutions Cooperative out of Mandan, ND. The conversion process will be completed by mid-year of 2018. As you know, converting to new software can be a bit challenging. We are just about through the process.

Financially, it was a bit more challenging to end the year in good shape. We had intended to hold rates for the year which would have made five years without a rate increase. In order to do that, many cost factors had to go the right way. They didn't. By early sum-

mer, we knew we had to increase rates and the Board made the decision to make the increase effective September 1st. We ended the year with higher than planned interest cost, power cost and right-of-way clearing cost than we had budgeted. The rate increase covered most of that, allowing us to end the year with a total margin of \$1,058,908. For us, this is a light margin on operating revenue of \$19,496,453. For 2018, we expect a full year of the new rates, along with good sales and weather, will produce a better margin.

Nevertheless, we are in good financial shape and, in recognition of that, the board committed to retiring the balance of 2004 patronage of \$980,000. This will be paid out at the Annual Meeting on March 24th.

For 2018, we again have a busy year planned. We are in the first year of our new four Year Construction Work Plan of about \$11,000,000. Work is expected to start in early fall on our Blair Delivery Point Substation near Gary, SD. We own that substation 50/50 with East River Electric Cooperative. That station came online in 1972 and has served us extremely well over the years, but is showing its age primarily in the concrete supporting the transformers and other gear. In addition to the new cement, we will be upgrading the transformer size. Our share of the cost is estimated to be approximately \$2.1 million.

Once Blair is completed in 2019, our three transmission delivery points should be in good overall shape for several decades. In addition to Blair, we have the Appeldorn Substation west of Boyd, which came online in 2012. We also have the Western Area Power Administration Granite Falls Substation just north of Granite Falls, in which we had our transformer replaced with a new and larger transformer installed in 2016. We have made substantial investments in your delivery points since we started on Appeldorn. Before Appeldorn our transmission system, as designed, could only haul 40 MW's under normal conditions and we were routinely running over that. Today, we can haul over 100 MW's under normal conditions, with all three delivery points operating normally.

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 2018 another successful year for Minnesota Valley Cooperative Light and Power Association.

Sincerely,



Steve Norman
Board President

Steve Norman



Pat Carruth
General Manager

Patrick C. Carruth



Balance Sheets

Assets
(what we own)

	2017	2016
Electric Plant		
Investment in Utility Plant	\$71,470,939	\$68,863,461
Less: Accumulated Depreciation	(24,669,331)	(23,455,556)
Net Utility Plant	46,801,608	45,407,905
Investments		
Loans to Members <i>(energy conservation, wiring, central air systems and electric heating)</i>	307,678	384,967
Capital Credits from Basin	7,328,198	7,170,185
Memberships in and capital credits from other associated organizations	699,957	677,620
National Rural Utilities Cooperative Finance Corporation	1,586,075	1,586,716
Other Investments	804,697	830,718
Total Investments	10,726,605	10,650,206
Current Assets		
Cash and Cash Equivalents	379,216	438,780
Members/others owe us for electrical energy service, etc.	2,605,638	2,363,908
Materials for line construction and maintenance	1,181,635	973,754
Prepaid Expenses and Accrued Assets	122,552	257,966
Total Current Assets	4,289,041	4,034,408
Deferred Debits	1,046,086	1,166,975
TOTAL ASSETS	\$62,863,340	\$61,259,494

Liabilities
(what we owe)

Long-term Debt		
Rural Utilities Service & Federal Financing Bank	\$19,632,587	\$16,601,945
Cooperative Finance Corporation (CFC)	2,669,994	3,034,319
National Cooperative Service Corporation (NCSC)	734,934	2,731,909
Co-Bank	9,311,584	8,095,501
Other Long-term Debt	-	32,270
Current Maturities of Long-term Debt	(2,167,958)	(2,178,270)
Total Long-term Debt Less Current Maturities	30,181,140	28,317,674
Current Liabilities		
Current Maturities of Long-term Debt	2,167,958	2,178,270
Notes Payable	4,654,378	5,060,000
Accounts payable <i>(power, materials, etc.)</i>	1,420,531	1,369,087
Other Current Liabilities	874,523	741,846
Security Deposits	56,520	51,920
Total Current Liabilities	9,173,910	9,401,123
Deferred Credits & Other Liabilities	861,243	809,871
TOTAL LIABILITIES	\$40,216,293	\$38,528,668
MEMBERS' EQUITY	\$22,647,047	\$22,730,825
TOTAL LIABILITIES & MEMBERS' EQUITY	\$62,863,340	\$61,259,493

Statement of Operations & Patronage Capital

	2017	2016
Operating Revenues		
Electric	\$19,411,082	\$18,589,689
Other	85,371	226,926
Total Operating Revenues	\$19,496,453	\$18,816,615
Operating Expenses		
Cost of Power	\$11,580,334	\$10,839,696
Transmission- Operations	23,875	45,361
Transmission- Maintenance	288,351	318,424
Distribution-Operations	1,232,148	1,063,155
Distribution-Maintenance	757,968	838,493
Customer Accounts	197,284	213,488
Customer Service and Informational	586,559	591,748
Administrative and General	1,615,135	1,483,566
Depreciation and Amortization	1,942,995	1,862,356
Interest on Long-term Debt	1,000,333	657,489
Other	798,472	693,407
Total Operating Expenses	\$20,023,454	\$18,607,183
Operating Margin	\$(527,001)	\$209,432
Net Operating Margin	82,101	1,312,275
Non-Operating Margin		
Interest Income	793,156	799,629
Other	183,651	203,807
Total Non-Operating Margin	976,807	1,003,436
Net Margin	1,058,908	2,315,711
Patronage Capital- Beginning of Year	22,259,276	21,269,424
Retirement of Capital Credits	(1,169,640)	(1,325,859)
Patronage Capital- End of Year	\$22,148,544	\$22,259,276

Subsidiaries



Minnesota Valley Tree Service

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.



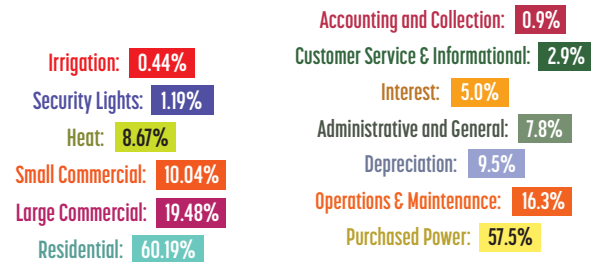
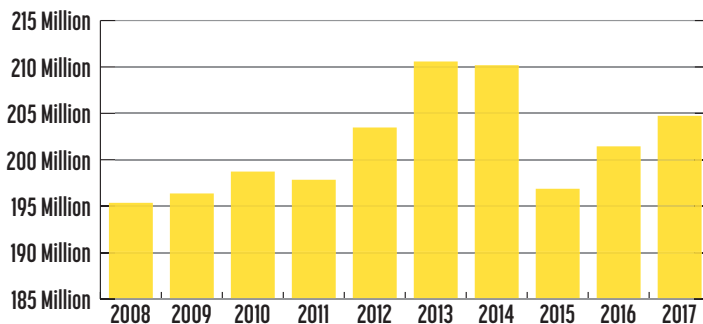
Karian Peterson

Power Line Contracting

Karian Peterson Power Line Contractors, LLC

Minnesota Valley Cooperative, along with six other co-ops, owns Karian Peterson located in Montevideo. The business specializes in construction and maintenance of distribution and transmission power lines.

KWh Sales



Income

Expenses

Safety in Focus

Cultivating Safety in Agricultural Practices

One of the most dangerous jobs in the United States is farming. Among the hazards faced by farmers, farm workers and family members, is contact with electrical equipment. However, with proper planning and safety procedures, the risk of having an accident involving electricity can be greatly reduced:

- ◆ Keep a 10-foot minimum distance around power lines—above, below and to the side.
- ◆ Use a spotter when moving machinery around the farm. It can be difficult to judge how close a piece of machinery is from the driver's seat.
- ◆ Use caution when handling long items such as irrigation pipe, ladders and rods. Coming too close to a power line can cause electricity to arc, or "jump" to conducting material or objects.
- ◆ Be aware of increased height when loading and transporting tractors on trailer beds. Many tractors are now equipped with radios and communications systems that have very tall antennas extending from the cab that could make contact with power lines.
- ◆ Avoid raising the arms of planters, cultivators or truck beds near power lines.
- ◆ Never attempt to raise or move a power line to clear a path.
- ◆ Remember, even non-metallic materials such as lumber, tree limbs, tires, ropes and hay will conduct electricity depending on dampness, dust and dirt contamination.

Overhead electric wires are not the only source of electrical contact that can result in a serious incident. Pole guy wires, used to stabilize utility poles, are grounded. However, when one of the guy wires is broken it can come in contact with energized wires. This can cause those grounded wires to become anything but harmless. If you hit a guy wire and break it, call Minnesota Valley to fix it. Do not do it yourself.

If your equipment does come into contact with power lines, stay in the cab and call for help; Minnesota Valley needs to be notified. Even if a line has landed on the ground, there is still potential for the area to be energized. Warn others who may be nearby to stay away and wait until Minnesota Valley arrives.

If leaving the cab is necessary, as in the case of fire, the proper action is to jump—not step—with both feet hitting the ground at the same time. Do not allow any part of your body to touch the equipment and the ground at the same time. Hop to safety, keeping both feet together as you leave the area. Once you get away from the equipment, never attempt to get back on or even touch the equipment before the power has been shut off.

Plan Ahead to Call Before You Dig

Spring is nearing and yard projects are on our minds, but before you put a shovel in the ground, make sure you are taking all the steps to be safe. Digging without calling 811, even for the smallest projects, could leave neighborhoods in the dark, cause thousands of dollars in damages or cause severe electrical shock, even death.

Make sure to plan ahead and call in advance. The 811 “Call Before You Dig” number will route you to the locating service serving your area. Tell the operator where and when you plan to dig and what type of work you will be doing. From there, it takes a few business days for a professional to come mark the public utilities with flags or spray paint.

Keep in mind, 811 locators do not locate privately installed facilities. If you have any private utilities, you will need to hire a private utility locator. Some examples of private utilities include: underground sprinkler system, invisible fences, data communication systems, private water systems or gas piping to an outbuilding.



**Know what's below.
Call before you dig.**

Power Line Safety after the Storm

Storms can happen any time of the year. Minnesota Valley wants everyone to be aware and cautious of potential hazards that could be encountered during storm clean up and recovery. Here are some important tips to keep in mind after a storm:

- ◆ When you see power lines on the ground following a storm, stay away, warn others to stay away and contact Minnesota Valley. Lines do not have to be arcing or sparking to be live. Any utility wire, including telephone or cable lines sagging or down, could be in contact with an energized power line making them also very dangerous, so stay away from all of them. Never drive over a downed line; it could cause poles or other equipment to come crashing down.
- ◆ Be alert to the possibility that tree limbs or debris may hide an electrical hazard. Keep in mind a downed power line that is energized can cause other things around it to become potentially hazardous, traveling through the ground to other metal objects like chain link fences or metal culverts.
- ◆ Keep in mind that a line that is indeed “dead” could become energized during power restoration efforts or improper use of generators.
- ◆ If you are in a car which has come in contact with a downed power line, stay in your vehicle and wait until the utility has arrived and de-energized the line. Warn others not to approach the car. If you must leave the car—only in the case of fire—jump free without touching the ground and auto at the same time, keeping both feet together. Then continue to keep both feet together and hop to safety.
- ◆ A live wire touching the ground causes electricity to fan out in a pool and the action of walking or running allows one foot to move from one voltage zone to another. Your body then becomes the path for the electricity and electrocution is the tragic result.
- ◆ If you use a portable generator, be sure a transfer safety switch has been installed or connect the appliance(s) directly to the generator. This prevents electricity from traveling back through the power lines—known as “back feed.” Back feed creates danger for anyone near lines, particularly crews working to restore power.



Employees

Staff



Back Row: Pat Carruth, Bob Kratz, Bob Walsh
Front Row: Jill Sand, Jill Rothschadl

Operations



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

Linemen

Back Row:
Blake Lymburner, Joe Schultz, Dave Dieter,
James Hughes, Loyd Canatsey, Trevor Diggins

Front Row:
Dustin Cole, Kent Smith, Andy Johnson,
Mitch Christensen, Eric Landmark



Cooperative Statistics

HEADQUARTERS
Montevideo, MN

YEAR FOUNDED
1937

NUMBER OF MEMBERS
4,424

NUMBER OF ACTIVE SERVICES
5,271

NUMBER OF EMPLOYEES
29

NUMBER OF SUBSTATIONS
16



Office Services

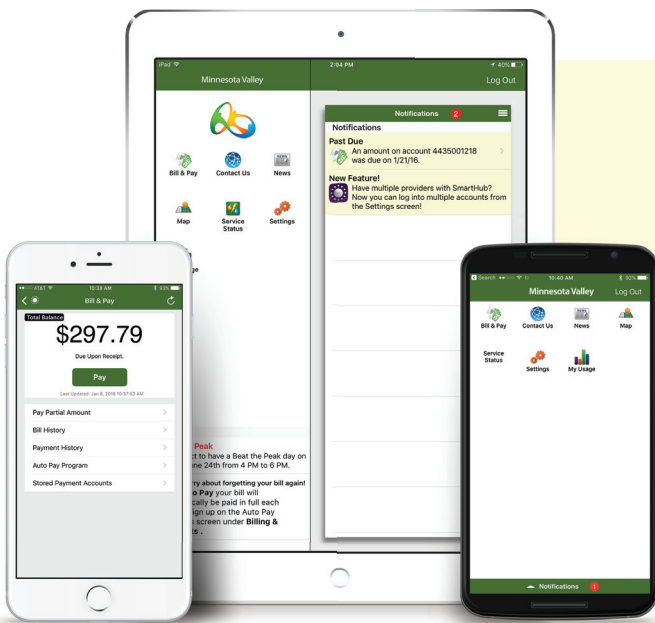


Left to Right: Tracie Peterson, Lacey Wintz, Jill Strand

Member Services

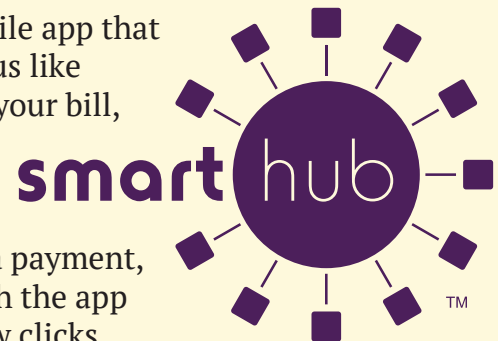


Back Row: Duane O'Malley, Mark Johnson
Front Row: Scott Kubesh, Jerrad Perkins



SmartHub

SmartHub is a web and mobile app that allows you to interact with us like never before. View and pay your bill, monitor your use 24/7, report service issues and more. Billing notifications will ensure you never miss a payment, which you can make through the app or on the web with just a few clicks.



MILES OF LINE

Total: 3,279
Transmission: 242
Overhead: 2,682
Underground: 355

DENSITY

1.74 Services per Mile

WHOLESALE POWER SOURCES

Basin Electric
Western Area Power
Administration (WAPA)



Electrical Safety Demonstration

Minnesota Valley offers free electrical safety demonstrations each year. Many different classrooms across our service territory have taken advantage of this fun and educational opportunity to teach their students about the dangers of electricity. Be sure to have your local teachers and school administration contact Minnesota Valley for more information!



Scholarships and Youth Tour

Every year, Minnesota Valley partners with Basin Electric to sponsor educational scholarships for youth across our service territory. Minnesota Valley also sends one high school sophomore or junior on the Electric Cooperative Youth Tour to Washington, D.C. every summer.

Operation Round Up

Since 1995, co-op members, employees and directors have supported many projects, organizations, individuals and families in our area communities with their donations to Operation Round Up. If you have any questions about how to apply for funds, contact Minnesota Valley. Also, make sure to stop by the Operation Round Up booth at the Annual Meeting to sign up!

Basin Tour

Again this summer, Minnesota Valley will be sending a group of co-op members on the Basin Tour. This tour provides a unique opportunity to learn what is involved in the process of bringing electricity into our lives. The trip includes a tour of the Garrison Dam, a visit to Antelope Valley Station and a trip into the world of coal mining at the Coteau Freedom Coal Mine. Be sure to sign up for a chance to win at the Annual Meeting!

