Attend your Annual Meeting!

Annual Meeting Agenda

Please join us!

Saturday, March 26, 2011
Prairie's Edge Casino Convention Center, Granite Falls
Breakfast Buffet and Registration 8:30-10:00 a.m.
Meeting begins at 10:30 a.m.

Registration: Doors open for Registration and Breakfast Buffet at 8:30 a.m. (Breakfast serving continues until 10:00 a.m.) Meeting will get underway at 10:30 a.m.

Bucket Truck Rides: Rides will be given in the parking lot

Capital Credit Refunds: The years of 1995, 1996 and 1997 will be refunded

Operation Round Up Program:
New participants can sign up to begin contributing
New and current participants are eligible for drawings for a $25 energy bill credit or a trip for two on the Basin Tour

Director Elections: Two directors will be elected to serve 3-year terms
Nominees from each District are:
District 5: Mike Gunlogson
District 7: Wayne Peltier

Reports: Presentations will be made on the cooperative's finances, progress, programs and future plans

Door Prizes: Drawings will be held at the close of the meeting

Kid's Room and Prize Drawings:
The 4-H Ambassadors will supervise and entertain children while their parents attend the meeting. Drawings for the kids' prizes will be held at the end of the meeting.

Basin Tour Drawing: Drawings will be held for the annual Basin Tour scheduled for July 27-29, 2011

Board of Directors and Management

Mark Peterson
Treasurer

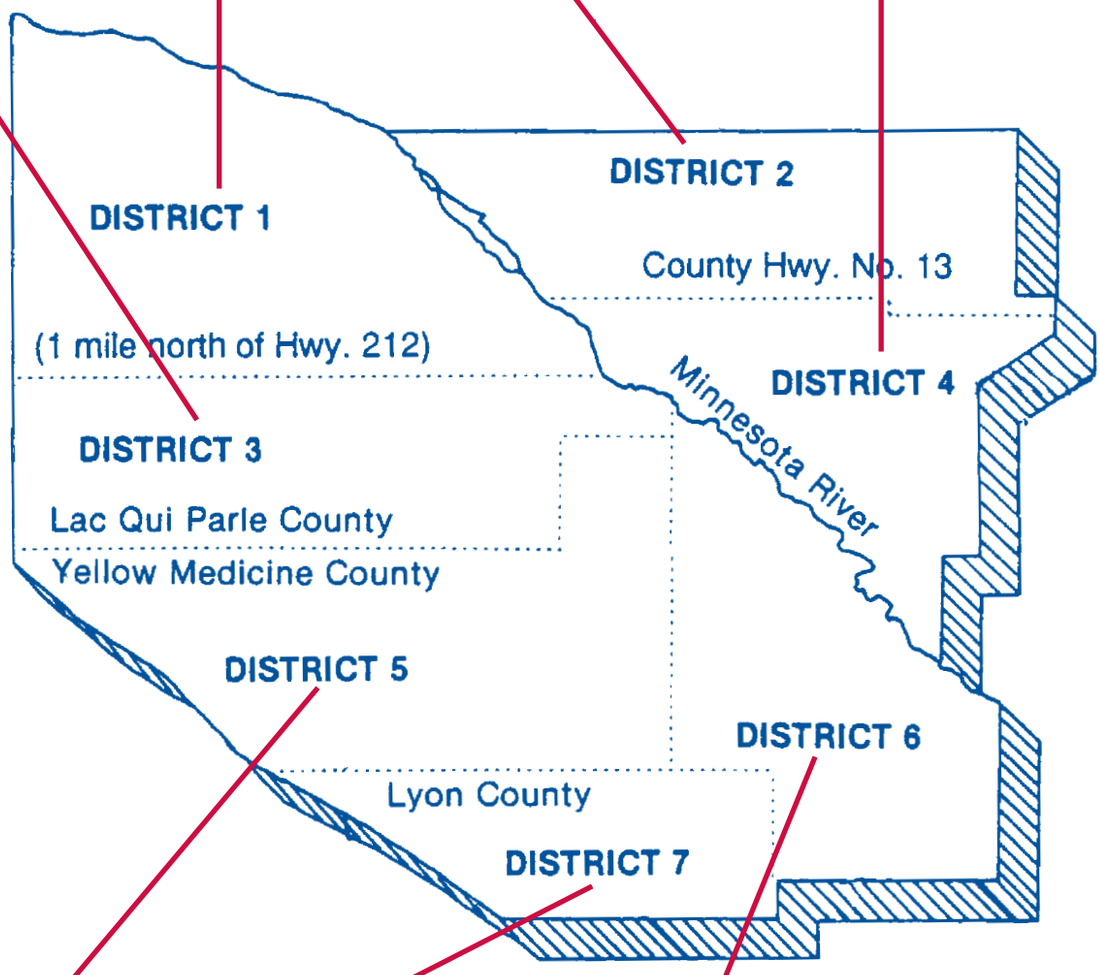
Glen Klefsaas
Director

Larry Halvorson
Vice President

Steve Norman
President

Patrick Carruth
General Manager

Steve Torvik
Attorney



Mike Gunlogson
Secretary

Wayne Peltier
Director

Tim Velde
Director

Board and Manager's Report

This past year of 2010, was one of continued success for your cooperative. We were very fortunate to have good weather throughout the year. This kept outages to a minimum and helped to get the planned projects completed as required to keep your system in good operating condition.We were also fortunate to end the year in good shape financially.

Operational highlights

We completed the last 9 miles of our 28-mile transmission line construction project. The line is in the center of our project and will provide for a new 230/69 delivery point just northwest of Boyd. We currently have two other delivery points - one at Granite Falls and one at Gary, SD. From there we go out in three directions with new transmission line to connect with our existing transmission at or near our Lisbon, Riverside and Watson Substations. We expect the new delivery point substation to be completed by corn drying 2011. Once completed, we will be able to run our system well over 100 MWs without any voltage problems. Our current system is designed to run up to 40 MWs. We have routinely run over that level the past several years. Anyway, when completed, your transmission system will adequately handle your load for many years.

Financial highlights

We ended 2010 financially strong. We ended the year with a better than expected total margin of just over $1.4 million. We had budgeted for just under $800,000 in total margin. Most of this improvement against our budgeted margin comes from wholesale power cost. We had a better load factor reducing the overall per unit cost of power and bought less of it. We sold 198 million kWhs, which is about 3% less than what we sold in 2009. Also, we had general operating and maintenance costs come in under budget and we had more non-operating revenue, such as allocations and dividends from related organizations.

The board made the decision to retire all of 1995, 1996 and 1997 patronage capital of about $1.3 million. We continue to be in a good position financially and the board is steady with their commitment to retiring patronage capital.

Reading the Survey

This past year, we had our trade organization, the National Rural Electric Cooperative Association (NRECA), again perform a member survey. We do this about every five years for the purpose of trying to make sure that we are working in step with what the members expect out of their cooperative business. We ask pretty much the same questions in each survey for benchmarking purposes. For

the most part, what we think you are telling us is that things are going pretty well. Overall, satisfaction with Minnesota Valley continues to be good. But, there are hints of overall concern about rates.

Rates have gone up at Minnesota Valley over the past few years. They will be going up in the next few, as well. It is important for us to communicate to you what factors are driving rates up.

What we do locally on your transmission and distribution system has a direct effect on rates. We work to balance what we spend on maintaining and rebuilding your system against reliability and rates. Our current 4-year Construction Work Plan is $15 million and our typical Work Plan runs about $1.5 million annually for construction projects. This current Construction Work Plan is big for us. The new transmission and delivery point are the difference. Once the transmission/delivery point project is complete in 2011, we should be back to a more typical annual construction budget.

However, the biggest driver in rate increases is wholesale power costs. We have brought on a new coal plant to serve increased baseload 24/7. We have brought on several new gas/wind projects to keep up with political renewable mandates. We have installed expensive Environmental Protection Agency (EPA) required additional emissions control equipment at existing plants. Those all have to be paid for in rates.

It appears the EPA will continue to fetter our ability to run our cost effective coal plants without continued costly modifications. This will have to be paid for in rates. We get the fact that low-cost energy drives the economy. Coal is still the clear choice to provide that low cost energy now and well into the future - and we have a 500-year supply right here under American soil. The electric power industry, cooperatives in particular, has worked hard to clean the air, land and water used to make electric power from coal. We continue to spend time and money on the next level of technology which will help us further clean up coal. This will be an ongoing process. In the meantime, we work to influence government to help us find ways to keep low cost energy available to farms, business and industry. We must comply with government mandates and they have to be paid for in the retail rates. We will continue to work efficiently and effectively wherever we can.

Board and Manager's Report

Looking ahead

For 2011, we are in the second year of our 4-year Work Plan. In addition to the new delivery point, we have several distribution line rebuilding projects to heavy up the system to handle more load and improve reliability. We, of course, have our usual array of tried and true maintenance projects, such as pole testing and treating which help to glean more life out of an aging system. We have plenty of work to do and are hopeful for good weather to get it done in.

We will continue to be good stewards of your electric power cooperative this next year. We are especially thankful to you, the member owners of Minnesota Valley, for not only your patronage this past year, but for your faith in us to get the job done for you. Together as members, board members and employees of this cooperative, we look forward to another good year in the continued success of this cooperative.

Sincerely,

Steve Norman

Steve Norman, Board President

Patrick C. Carruth

Patrick C. Carruth, General Manager

You have power ...

You have power ... because of the determination and hard work of our forefathers in forming a cooperative to supply their strong desire and need for electricity in their homes and on their farms. In the early 1920s, many farmers were unhappy that the power company wasn't interested in extending its lines to their farms. They wanted the same conveniences as city people. The struggle to bring electricity to rural people was long and bitter. Many people were skeptical, including many farmers. They didn't think farm people could run an electric cooperative successfully. Nevertheless, electricity was a dream and a promise of a better future. It became a movement of the rural people.

In May 1935, President Franklin D. Roosevelt signed an Executive Order creating the Rural Electrification Administration (REA) to make loans available to power companies to extend lines into rural areas. But the private power companies for which this program was originally intended did not apply for REA loans since they still did not think it was profitable to serve farmers. President Roosevelt later signed the 2nd Executive Order authorizing people in rural areas to build their own power lines and substations and serve themselves. Farm people were saying, "If the power companies can't or won't help us, we'll help ourselves."

One of the first meetings of leading farmers in the area was held at the Montevideo Senior High School auditorium on December 12, 1935, a few months after President Roosevelt signed the order creating REA. Minnesota's Commissioner of Agriculture and an engineer sent by the U.S. Department of Agriculture were present. They outlined the program, promised support and assistance in getting organized and answered questions. A vote was taken and was overwhelmingly in favor of forming an electric cooperative. Another meeting was held in March of 1936, at which the cooperative was organized and the articles of incorporation signed. The name of the new organization: *Minnesota Valley Cooperative Light and Power Association.* There was then an organization, a purpose and a goal.

The cooperative's first farm received electricity on December 23, 1938. After the first section was energized, more and more farmers wanted electricity. New lines were constructed and new members signed up at a rapid pace.

You have power ...

The first Minnesota Valley headquarters office was located in Granite Falls and was moved to Montevideo in 1942. In 1948, a new headquarters building was

constructed on main street in Montevideo. An addition and remodeling project on that building was completed in 1989 and continues doing business there today.

Because of those early electric pioneer farmers, Minnesota Valley has grown and flourished. At times, the obstacles to bring electricity to the rural areas seemed insurmountable. But thanks to the faith, determination and efforts of those far sighted and optimistic individuals, Minnesota Valley is truly a success story. It is a history of people pulling together - the cooperative way - to make sure **you have power!**

Fifty years ago, rural electric leaders again planned ahead and worked to be sure that **you have power** well into the future. In early 1961, those early leaders from a six state area met in Bismarck, North Dakota to formally organize Basin Electric Power Cooperative and to ratify and adopt a resolution requesting a loan from REA. The loan would finance construction of a lignite generating plant of 400,000 kilowatts which, at that time, was more power than was produced at other related transmission facilities and dams. Basin Electric would supply the wholesale power needs for cooperatives serving 277,344 rural electric families. The loan request was the biggest ever made to REA - and would serve the largest number of people. The $114 million request would provide funds for construction of a 400,000 kilowatt generating plant near the Garrison Dam in North Dakota. A subsequent loan, making the total about $175 million, would be necessary for another 200,000 kilowatt unit - making the plant 600,000 kilowatts.

Included in the plans and request for funds was money for high voltage transmission lines to tie the output of the plant into the U.S. Bureau of Reclamation transmission system. It was hoped that the loan could be approved within six months so that power from the new plant would be available by 1965 - when it would be needed by the 10 wholesale power cooperatives and five distribution cooperatives involved. Most of the members of the new cooperative received all or part of their power supply from the large hydroelectric facilities of the Missouri River dams. By 1965, those dams would be unable to supply their needs - and an arrangement with the U.S. Bureau of Reclamation to buy power for resale to them would expire.

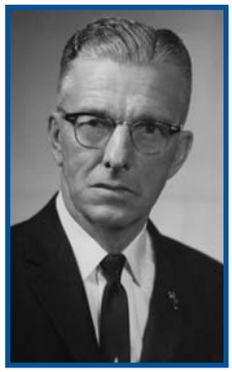
It was explained that power from the large generating plants could not only

You have power ...

meet the power needs of Basin Electric members, but could also supply many municipal systems who, at that time, were also receiving power from the dams. These municipal electric systems could not build economical generating units. But the sale of power to municipals and the maximum use of the plant could bring the average power cost for all customers down to the then present cost from the Missouri River dams.

A large delegation of rural electric directors and managers attended the incorporation meeting in Bismarck on that day in 1961 and became original incorporators. Three of those incorporators have Minnesota Valley connections.

While Oscar Torstenson was an incorporator of Basin Electric, that was just one of the achievements he was involved with to bring electricity at an affordable cost to himself and his neighbors. He was also a founding member of Minnesota Valley Cooperative Light and Power Association. Oscar Torstenson served on the Board of Directors at Minnesota Valley for 39 years. In a statement prepared close to his retirement in 1976, he said, “Those of us who started organizing the rural electric cooperatives in 1936 were considered only a bunch of dreamers. Skeptics said we could not achieve our goals. Yes, we did have a dream that we would be able to electrify rural homes and we saw the dream become a reality.”



Eddie Lake was always a firm believer in cooperatives. His parents, who came from Finland to Minnesota in 1894, helped organize the first cooperative in their area in the early 1900s.

Lake was the General Manager at Minnesota Valley from 1956 until his retirement in 1980. Combining his 23 years at Minnesota Valley and 11 years with others, resulted in 34 years of working for cooperatives. Lake’s accomplishments while working for Minnesota Valley were many, but the greatest, in the opinion of his associates, was his insistence on and achieving a regular cash refund of capital credits. The first general retirement was made in 1959. General cash retirements were made each year thereafter during his tenure, except for interruptions during the oil embargoes and a devastating storm in 1977.

As one of the original incorporators of Basin Electric, Leroy Schecher’s name, along with 68 others, is embossed on a metal plaque near the front entrance of the headquarters building. Schecher started at Grand Electric Cooperative in Bison, South Dakota in September of 1952. He stayed for 31 years. Schecher became Grand Electric’s manager on June 9, 1961, and the incorporation of Basin Electric was just a month earlier on May 5. He says the former manager had al ready resigned, so he went with a number of Grand directors to help incorporate Basin Electric. He stayed at Grand Electric until January 1984; followed by

You have power ...

involvement in private business for a couple of years; was General Manager at Minnesota Valley from March of 1986 until January, 1996; and then took an interim job at another South Dakota cooperative until his retirement in 2000. Leroy Schecher, who has worked in a cooperative for more than half a century, says Basin Electric has grown beyond his wildest imagination.

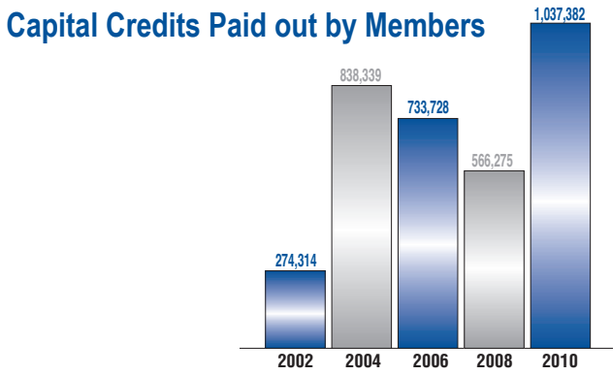
Thanks to these leaders, you, as members of Basin Electric and Minnesota Valley, are assured a reliable power supply - assured that **you have power.**

In a cooperative, as member-owners **you have power** to control the direction your co-op business takes by choosing its leaders. Each member of the Board of Directors is elected by you to represent the co-op members in their district. It is their charge to always keep the best interest of the members their main priority. They are diligent in their efforts to set the course for Minnesota Valley by hiring a General Manager who takes a leadership role in making it a financially stable business that meets the challenges of providing reasonable, safe and reliable electric service to its members. Board members and employees alike consider it a privilege to work for you!

You have power to be an influence in your cooperative by attending meetings and helping to make decisions on issues that come up. This is your chance to ask questions of your cooperative leadership and to make your opinion and concerns known. Your participation in and commitment to your cooperative makes it a stronger entity.

As a member-owner, you also have a share in the earnings of your non-profit cooperative. Minnesota Valley's rates are set to bring in enough money to pay operating costs, make payments on any loans and provide an emergency reserve. At the end of each calendar year, we subtract operating expenses from the total amount of money collected during the year; the balance is the "margin". This margin is allocated back to each member annually in the form of "capital credits" based on the amount each member paid for electricity in that year. Until allocated capital credits are retired (paid out to members), they remain part of the cooperative's equity and are used to fund construction projects. In time, capital credits are returned to the members. For distribution cooperatives, Minnesota Valley is in the top 15% nationwide and top 25% statewide for cumulative patronage capital retired as a percent of total patronage capital. In 2011, Minnesota Valley will be retiring capital credits in the amount of $1,037,382 for the years 1995, 1996 and 1997.

You have power ...



You have power to stay informed about activities and participate in Minnesota Valley's programs and services offered to you as members You can do that by reading the monthly newsletter sent to every member; visiting our website at *www.mnvalleyrec.com*; looking over the Annual Report; attending our Caucus, Annual or informational meetings; and asking questions of our employees. Your phone calls, office visits and requests for assistance are always welcome.

You have power to stay safe around electricity. You should always be aware of your surroundings and report any problems with poles or power lines to Minnesota Valley immediately. **Never go near a downed power line - it could still be energized!** Call us to come out to take care of the problem.

Minnesota Valley offers an electrical safety demonstration to area schools, scout troops, 4-H clubs or any other interested group.

You can rent a security light from Minnesota Valley to light up your yard, making it safe for you to be outside at night and deterring vandals or thieves.

Minnesota Valley can help family members and friends who are concerned about their loved ones who are elderly, have health or mobility problems, or simply live alone. The *"First Call"* in-home emergency response system is available to all residents in Minnesota Valley's service territory, whether or not they get their electricity from the cooperative. *First Call* provides the user with the independence they want and the security they and their families need. Just a simple push of the button on a pendant worn around the neck or wrist, summons help day or night. Having *First Call* in the home is just like having someone with you all the time. Call Minnesota Valley for more information or to set up an appointment for an installation.

You have power to save money by conserving energy. You can find energy saving tips on our website at *www.mnvalleyrec.com* or by calling the office. Energy Audits are conducted for members at no charge upon request to help you

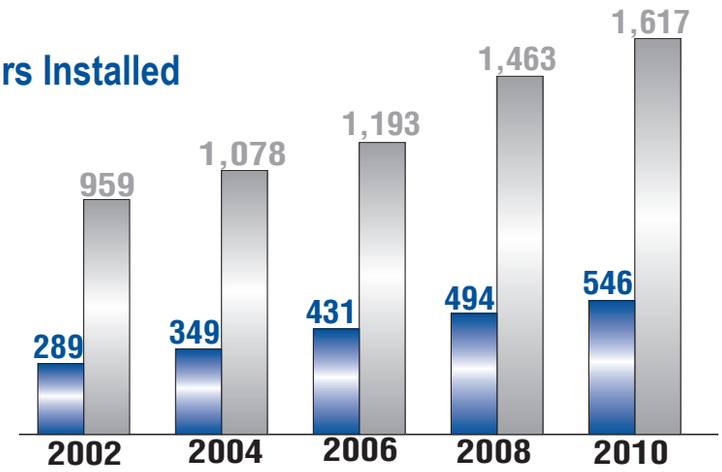
find cost-effective measures for improving the energy efficiency of your home or building and to determine heat loss or gain of a home or building as is required for sizing a heating or cooling system. Cooperative employees can also help you understand possible reasons for or the cause of high energy use. We will check over your daily energy use history and can send a technician out to your premises to help locate a high energy user or problem. To locate a problem appliance on your own, you can purchase a "Kill-A-Watt" meter from the office to use at home. You can also check your daily energy usage or billing history any time you want on our website.

Since 1984, Minnesota Valley has offered members a low rate for the use of electric heat. Electric heat is sub-metered and billed at the rates shown below:

Dual Heat Rate
4.2¢ per kWh October-April
6.2¢ per kWh May-September

Electric Heat Rate
4.6¢ per kWh October-April
6.6¢ per kWh May-September

Electric and Dual Heat Meters Installed
Dual Heat = gray
Electric Heat=blue



Minnesota Valley installs all types of electric heating systems including ground water source heat pumps, air to air heat pumps, baseboard heaters, underslab radiant heat, cove heaters, furnaces and boilers.

Loans are available to qualified members at 5% interest for up to $15,000 for the installation of an electric heating system, cooling equipment, weatherization and wiring upgrades from the contractor of their choice.

You have power to help your area communities through the Operation Round Up program. By allowing the co-op to round up their monthly electric bill to the nearest dollar each month, members contribute the extra cents to help support such projects as: volunteer fire departments; ambulance and rescue squads; hospice programs; education scholarships; youth programs; senior citizen programs; emergency fuel assistance; and aid for families or individuals following an illness, accident, storm or other emergency.

Your cooperative employees

You have power, through your cooperative employees, to get answers to your questions, help with solving problems you have in any of our departments or get assistance in understanding and participating in programs and services offered by Minnesota Valley. Our recent survey showed us that we have been doing a pretty good job at meeting your needs. We will do our best to continue in that tradition. If you call us, email us, write to us, come into the office or stop us on the road, we'll try to get you whatever you need. We take pride in providing you with the best service possible.

Department Heads

Front:

Kathy Christenson,
Communications Manager

Jill Sand,
Executive Assistant

Barb Holien,
Office Manager

Back:

Pat Carruth,
General Manager

Bob Walsh,
Member Services Manager

John Williamson,
Manager of Engineering and Operations

Office Department

Left to right:

Jamie Goulson,
Accountant

LaVonne Stegeman,
Consumer Accounts Representative

Kari Melbostad,
Consumer Accounts Representative

Your cooperative employees

Member Services (MS) Dept.

Front: **Duane O'Malley,** MS Representative
Middle: **Jerrad Perkins,** MS Technician
Chuck Blom, MS Technician
Back: **Scott Kubesh,** MS Technician

Line Department

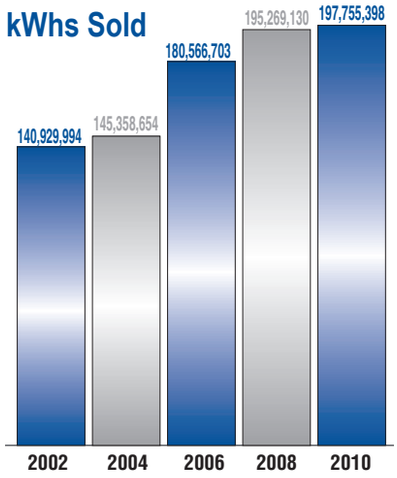
Front: **Bob Kratz**, System Coordinator
Mark Sweno, Custodian
Stacey Boike, Operations Assistant
Back: **Don Snell,** IT/Communications Technician
Scott Monson, Mechanic
Tim Bertrand, Substation/ Apparatus Technician

Linemen:

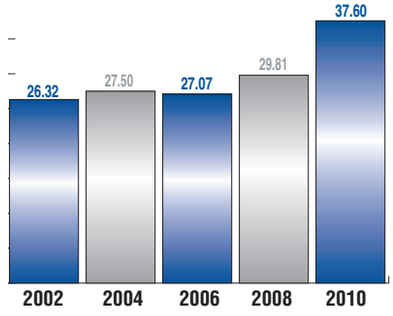
Front: **Blake Lymburner,** Apprentice; **Trevor Diggins,** Journeyman; **Brandon Bjelland,** Journeyman.
Middle: **Loyd Canatsey,** Line Foreman; **Joe Schultz,** Crew Chief; **Kent Smith,** Crew Chief; **Dave Dieter,** Line Foreman.
Back: **Eric Wollschlager,** Journeyman; **James Hughes**, Journeyman; **Andy Johnson,** Journeyman.

Minnesota Valley Balance Sheet

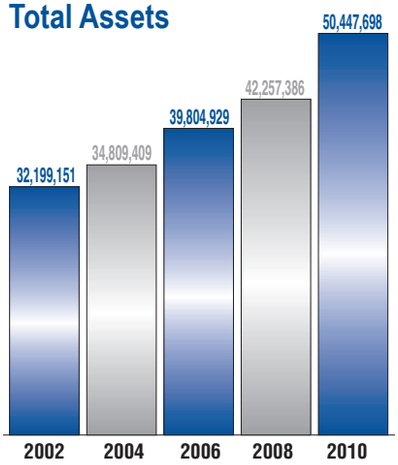
kWhs Sold



Cost in Mills per kWh



Total Assets



ASSETS (what we own)	2010	2009
Cost of our system:	$55,720,431	$49,519,700
We estimate our system has depreciated	(16,968,132)	(16,005,964)
This gives our system a book value of	$38,752,299	$33,513,736
We have property and investments:		
Loans to members (energy conservation, wiring, central air systems and electric heating systems)	409,137	450,348
Capital Credits from Basin Electric	4,499,447	4,256,730
Memberships in and capital credits from other associated organizations	207,858	181,869
National Rural Utilities Cooperative Finance Corp. (Investments required for long-term financing)		
Capital term certificates	774,982	775,376
Patronage capital credits	58,212	50,403
Other investments	1,229,639	1,398,413
Total other property and investments	$7,179,275	$7,113,139
We have these current assets:		
Cash and cash equivalents	1,213,852	2,407,330
Members/others owe us for electrical energy, services, etc.	2,087,218	2,433,852
Materials/supplies for line construction and maintenance	836,131	2,589,816
Prepaid expenses	69,420	54,658
Interest receivable on investments	8,046	8,046
Total current assets	$4,214,667	$7,493,702
We have deferred debits:	301,457	335,505
TOTAL ASSETS	**$50,447,698**	**$48,456,082**

LIABILITIES (what we owe)		
Long-term debt:		
We owe Rural Utilities Service (RUS)	$19,908,904	$25,165,610
We owe Cooperative Finance Corporation (CFC)	7,786,831	2,842,352
Total long-term debt	$27,695,735	$28,007,962
We owe current liabilities:		
Power, materials, accounts payable, etc.	$3,253,460	$1,307,650
Taxes, interest, etc.	786,999	841,381
Security deposits	45,705	41,105
Total current liabilities:	$4,086,164	$2,190,136
We have deferred credits	35,496	36,919
Total we owe	**$31,817,395**	**$30,235,017**

NET WORTH (member's equity in co-op)		
Your accumulated patronage capital	18,630,303	18,221,065
TOTAL LIABILITIES	**$50,447,698**	**$48,456,082**

Statement of Revenue

REVENUE	2010	2009
Sales of electric energy to consumers	$15,100,010	$14,767,109
Miscellaneous electric revenues and penalties	224,350	185,176
Non-operating and other income, etc. (interest income, miscellaneous items)	208,768	257,841
Total Revenue	**$15,533,128**	**$15,210,126**
WHOLESALE POWER		
Wholesale power	$7,880,311	$7,383,913
Other operating expenses (administration, sales, maintenance, taxes, etc.)	4,266,503	4,036,127
Depreciation of utility plant	1,378,688	1,309,246
Interest expenses on long-term debt	939,389	984,797
Total Expenses	**$14,464,891**	**$13,714,083**
PATRONAGE CAPITAL		
Patronage capital income before generation and transmission capital credits	$1,068,237	$1,496,043
Patronage capital from Basin Electric and other associated cooperatives	378,383	850,006
Total year end margin	**$1,446,620**	**$2,346,049**
Accumulated patronage capital - beginning of year	18,221,065	16,437,640
Retirement of patronage capital	(1,037,382)	(562,624)
Total Accumulated Patronage Capital	**$18,630,303**	**$18,221,065**

Taxes paid in 2010

County	Real Estate	Transmission Line
Chippewa	$37,118	$48,768
Yellow Medicine	9,873	38,794
Lac qui Parle	10,108	35,704
Lyon	4,459	688
	$61,558	$123,954
Total County Taxes		**$185,512**
State and Federal Unemployment		$ 11,572
Employer's share of Social Security		$ 173,164
MN Distribution Line Tax		$ 460
		$185,196
Total all Taxes		**$370,708**

2010 Electrical Dollar

2010 Expense Dollar

- Power cost - **54.6**
- Operations Maintenance - **14.6**
- Depreciation - **9.5**
- Interest - **7.8**
- Administration & General - **6.7**
- Customer service info/sales - **3.7**
- Transmission - **1.9**
- Customer accounts - **1.2**

2010 Revenue Dollar

- Farm/Residential - **70.6**
- Industrial - **18.9**
- Commercial - **8.8**
- Security lights - **1.4**
- Irrigation - **.3**

Major activities of Engineering and Operations in 2010:

Crews worked on the three-phase rebuild project south of Hanley Falls last fall

- Maintaining 2,800 miles of over head distribution line
- Maintaining over 222 miles of underground distribution line
- Maintaining 242 miles of transmission line
- Total services in place: 5,478
- Responding to 371 service calls
- Testing and treating 2,161 distribution poles
- Installing 468 new distribution poles due to rot, service changes, road change, storms and construction
- Responding to 245 Gopher State One-Call line locates
- Upgrades/conversions of existing services: 130
- Rebuilt 12.75 miles of three-phase underground/overhead line
- Built 8 miles of new three-phase underground/overhead line to 10 new three-phase services
- Completed construction of 28 miles of transmission line along with 16 miles of single-phase underbuild
- Upgraded Riverside Substation transformer
- Conducted monthly safety meetings through the Minnesota Rural Electric Association and Federated Insurance

Last spring's flooding made repairs a bit difficult for Minnesota Valley linemen. In the foreground, the road disappears under the overflowing waters of the Yellow Medicine River only to reappear further down the road. Co-op workers leave shore in a fishing boat to make repairs on a downed wire and broken pole. Notice the large chunks of ice floating around in the water. (The snapped-off pole is circled.)