Board of Directors and Management

Mark Peterson
Treasurer

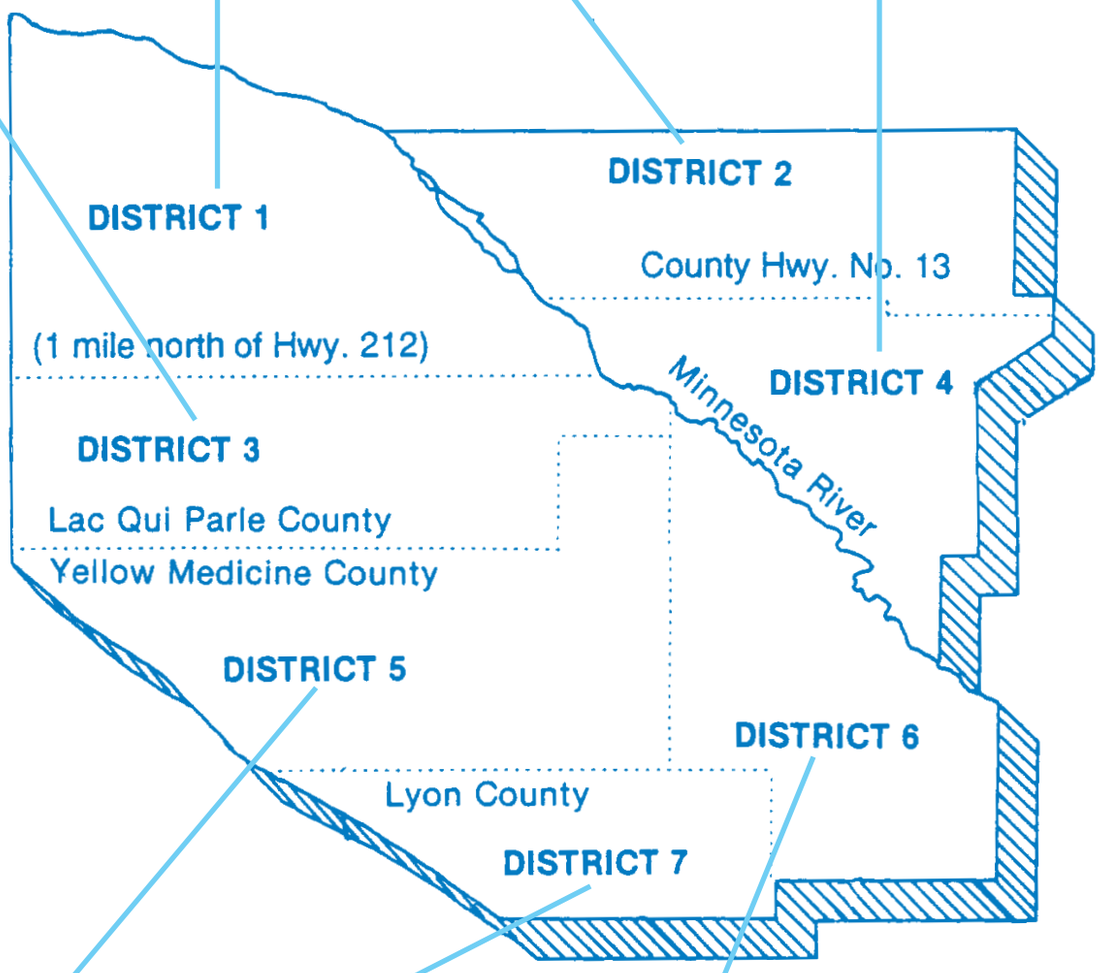
Glen Klefsaas
Director

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

Overall, 2011 was a pretty good year for Minnesota Valley. The year began with a typical Minnesota winter, cold with a lot of snow. Spring and the growing season seemed to take a while to come around. Energy sales were up, all the while the weather required us to work hard at staying on schedule with our construction and maintenance projects.

On July 1, we were hit with a storm in the southeast part of our project. There was a lot of damage to farm sites in those areas. We were fortunate to have had little damage compared to some of our neighboring cooperatives. Making permanent repairs slowed us down a couple weeks on our schedule, but with good working weather, we made it up by mid fall.

The rain seemed to shut off in August and the dry period to follow allowed us to get ahead in our construction and maintenance projects. Energy sales dropped off for the rest of the year with the mild weather. The crop naturally matured and did not produce any grain drying load. Anyway, we ended the year with energy sales ahead of 2010, but less than we had planned for in the budget. Nevertheless, we ended the year in good shape financially and ahead of budget.

Operational highlights

Getting started on the new delivery point substation just west of Boyd was the big project for 2011. We expect to "cut-over" and bring this new substation online on May 30th of this year. The 28 miles of additional transmission line to bring this power into our system was completed in 2010. This project is kind of a big deal for Minnesota Valley as the last delivery point substation we were part of building was our Blair Substation in 1971.

When this project is complete, we will have three delivery points: on the west side, our Blair Substation at Gary, SD; on the east side, WAPA's Granite Falls Substation; and in the center of our project at Boyd, our new Appeldorn Substation. 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 and we have routinely run over that level the past several years. Anyway, when completed, your transmission system will adequately handle your electric power load for many years.

Financial highlights

We ended 2011 financially strong. We ended with a better than expected total margin of just over $1.1 million. We had budgeted for just under $700,000 in total margin. 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 1998 and one half of 1999 patronage capital of about $860,000. We continue to be in a good position financially and the board is steady with their commitment to retiring patronage capital.

Board and Manager's Report

Rates

Rates have gone up at Minnesota Valley over the past few years - not unlike the rest of the industry. They will be going up over the next few years, as well. It is important for us to continue to communicate to you what is driving rates up.

A good part of rate increase is due to construction on Minnesota Valley's transmission and distribution system. Our current 4-year Construction Work Plan is running about $4 million per year. Our typical plan runs about $1.5 annually for construction projects. This current Construction Work Plan of 2010 to 2013 is big for us. Once the transmission/delivery point project is complete this year, we will get back to a more typical annual construction budget of about $1.5 million.

The biggest driver in retail rate increases is wholesale power costs, which make up almost 60% of our total operating costs. Through our Basin Electric, 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 EPA (Environmental Protection Agency) required additional emissions control equipment at existing plants. Those all have to be paid for in rates. We expect a couple of more years of wholesale rate increases as we close this construction cycle on the power supply side before rates level off.

In closing, we want you to know that we are especially thankful to you, the member owners of Minnesota Valley. We appreciate your patronage and your support in keeping your electric power system in reliable shape, from coal mine to the meter in your yard. Together as members, board members and employees of this cooperative, we look forward to another good year in the continued success of this cooperative.

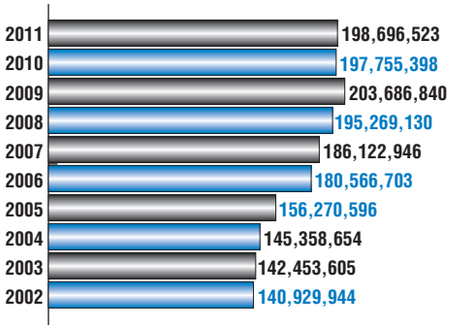
Sincerely,

Steve Norman
Board President

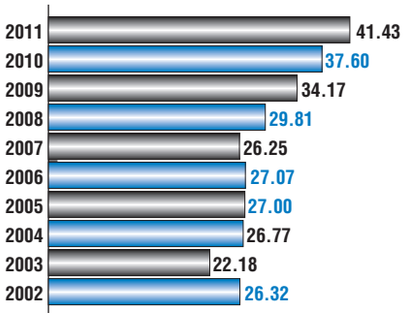
Patrick C. Carruth
General Manager

Minnesota Valley Balance Sheet

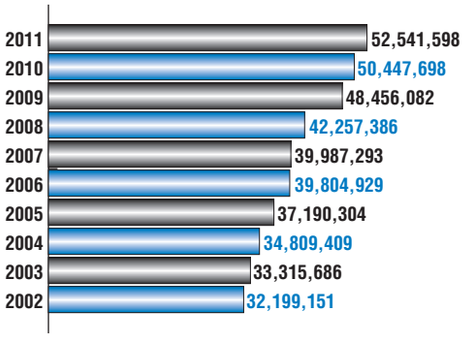
kWhs Sold



Cost in Mills per kWh



Total Assets



ASSETS *(what we own)*	**2011**	**2010**
Cost of our system:	$59,337,774	$55,720,431
We estimate our system has depreciated	(17,938,105)	(16,968,132)
This gives our system a book value of	$41,399,669	$38,752,299
We have property and investments:		
Loans to members (energy conservation, wiring, central air systems and electric heating systems)	401,003	409,137
Capital Credits from Basin Electric	4,810,676	4,499,447
Memberships in and capital credits from other associated organizations	212,684	207,858
National Rural Utilities Cooperative Finance Corp. (Investments required for long-term financing)		
Capital term certificates	774,562	774,982
Patronage capital credits	67,316	58,212
Other investments	1,397,953	1,229,639
Total other property and investments	$7,664,194	$7,179,275
We have these current assets:		
Cash and cash equivalents	360,799	1,213,852
Members/others owe us for electrical energy, services, etc.	2,001,610	2,087,218
Materials/supplies for line construction and maintenance	702,283	836,131
Prepaid expenses	123,414	69,420
Interest receivable on investments	35,572	8,046
Total current assets	$3,223,678	$4,214,667
We have deferred debits:	254,057	301,457
TOTAL ASSETS	**$52,541,598**	**$50,447,698**

LIABILITIES *(what we owe)*		
Long-term debt:		
We owe Rural Utilities Service (RUS) and Federal Financing Bank (FFB)	$24,651,758	$19,908,904
We owe Cooperative Finance Corporation (CFC) and National Cooperative Services Corp.(NCSC)	7,258,821	7,786,831
Total long-term debt	$31,910,579	$27,695,735
We owe current liabilities:		
Power, materials, accounts payable, etc.	$1,165,646	$3,253,460
Taxes, interest, etc.	917,025	786,999
Security deposits	50,905	45,705
Total current liabilities:	$2,133,576	$4,086,164
We have deferred credits	50,047	35,496
Total we owe	**$34,094,202**	**$31,817,395**

NET WORTH *(member's equity in co-op)*		
Your accumulated patronage capital	18,447,396	18,630,303
TOTAL LIABILITIES	**$52,541,598**	**$50,447,698**

Statement of Revenue

REVENUE	2011	2010
Sales of electric energy to consumers	$15,721,666	$15,100,010
Miscellaneous electric revenues and penalties	234,055	224,350
Non-operating and other income, etc. (interest income, miscellaneous items)	311,799	208,768
Total Revenue	**$16,267,520**	**$15,533,128**
WHOLESALE POWER		
Wholesale power	$8,707,208	$7,880,311
Other operating expenses (administration, sales, maintenance, taxes, etc.)	4,458,714	4,266,503
Depreciation of utility plant	1,520,414	1,378,688
Interest expenses on long-term debt	872,309	939,389
Total Expenses	**$15,558,645**	**$14,464,891**
PATRONAGE CAPITAL		
Patronage capital income before generation and transmission capital credits	$708,875	$1,068,237
Patronage capital from Basin Electric and other associated cooperatives	449,682	378,383
Total year end margin	**$1,158,557**	**$1,446,620**
Accumulated patronage capital - beginning of year	18,630,303	18,221,065
Retirement of patronage capital	(1,364,212)	(1,069,289)
Estate patronage capital retained	22,748	31,907
Total Accumulated Patronage Capital	**$18,447,396**	**$18,630,303**

Taxes paid in 2011

County	Real Estate	Transmission Line
Chippewa	$39,960	$49,058
Yellow Medicine	9,426	37,145
Lac qui Parle	9,918	36,170
Lyon	4,374	676
	$63,678	$123,049
Total County Taxes		**$186,727**
State and Federal Unemployment		$ 13,231
Employer's share of Social Security		$ 169,366
Total Payroll Taxes		**$182,597**
Total all Taxes		**$369,324**

2011 Electrical Dollar

2011 Expense Dollar

- Power cost - **55.9**
- Distribution - **14.3**
- Depreciation - **9.8**
- Administration & General - **7.5**
- Interest - **5.6**
- Customer service info/sales - **3.6**
- Transmission - **2.0**
- Customer accounts - **1.3**

2011 Revenue Dollar

- Farm/Residential - **69.1**
- Industrial - **20.2**
- Commercial - **9.0**
- Security lights - **1.4**
- Irrigation - **.3**

Statistics at a glance

About Co-ops

Electric cooperatives are private independent electric utilities, owned by the members they serve. Democratically governed businesses, electric cooperatives are organized under the Cooperative or Rochdale Principles, anchoring them firmly in the communities they serve and ensuring that they are closely regulated by their consumers.

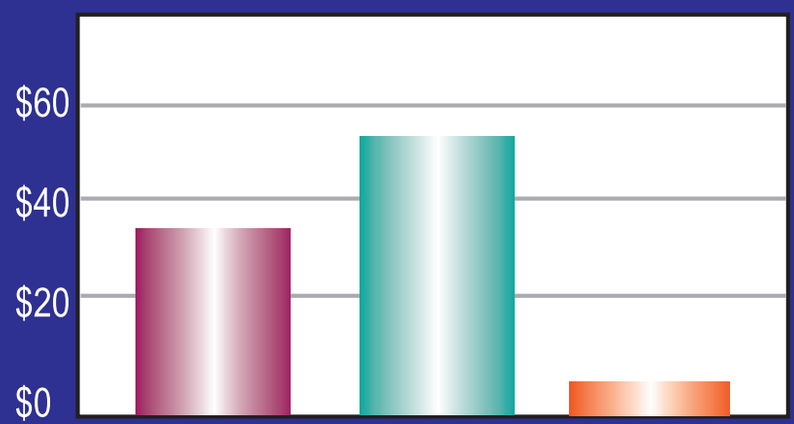
Electric cooperatives began to spread across rural America after President Franklin D. Roosevelt created the Rural Electrification Administration (REA) in 1935. The Executive Order establishing the REA and the passage of the REA Act a year later marked the first steps in a public-private partnership that has over the last 75 years, bridged the vast expanse of rural America to bring electric power to businesses and communities willing to organize cooperatively and accept responsibility for the provision of safe, affordable and reliable electric power.

Today more than 900 electric cooperatives power Alaskan fishing villages, dairy farms in Vermont and the suburbs and exurbs in between. They provide reliable and technologically advanced service to 42 million Americans while maintaining a unique consumer-focused approach to business.

Federal assistance to electric utilities

According to Nobel Laureate economics professor, Lawrence R. Klein of the University of Pennsylvania, all types of utilities (investor-owned utilities (IOUs), municipal-owned utilities and electric cooperatives) enjoy some form of subsidy. **You may be surprised to learn that electric cooperatives receive the least amount of subsidy per customer.**

RECs receive the least federal assistance per consumer



All electric utilities receive federal subsidies in one form or another. Calculations based on federal government financial reports show that rural electric cooperatives receive the least federal amount of subsidy per consumer. This is in spite of the fact that rural electric cooperatives serve only seven consumers per mile of line compared to 35 for investor-owned and 47 for city-owned utilities.

Statistics at a glance

Compare Minnesota Valley's Electric Rates to other cooperatives around the country

(National 2011 rates are not yet available)

Minnesota Valley 2010 Electric Rate

First 700 kWh = 9.70¢

Over 700 kWh = 8.00¢

2010 Average Residential Electric Rates

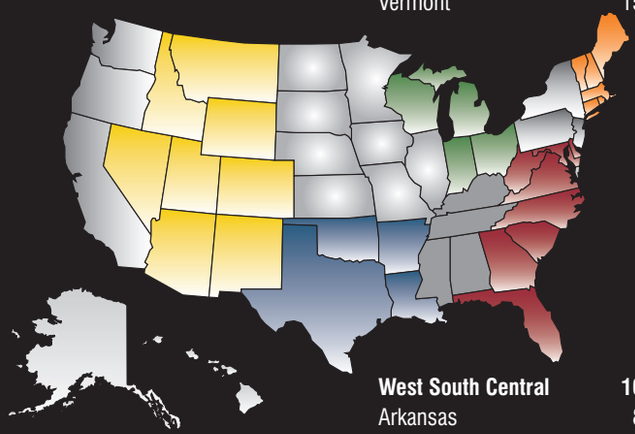
(cents per kilowatt-hour)

West North Central	**9.61**
Iowa	10.40
Kansas	9.91
Minnesota	**10.45**
Missouri	9.11
Nebraska	8.91
North Dakota	8.09
South Dakota	8.88
Mountain	**10.50**
Arizona	10.98
Colorado	11.05
Idaho	7.95
Montana	9.15
Nevada	12.39
New Mexico	10.54
Utah	8.72
Wyoming	8.75
Pacific Contiguous	**12.51**
California	15.16
Oregon	8.84
Washington	7.98

East North Central	**11.39**
Illinois	11.51
Indiana	9.58
Michigan	12.47
Ohio	11.27
Wisconsin	12.55
Pacific Non Contiguous	**23.28**
Alaska	16.43
Hawaii	28.10

New England	**16.51**
Connecticut	19.29
Maine	15.73
Massachusetts	15.16
New Hampshire	16.33
Rhode Island	15.85
Vermont	15.56
West South Central	**10.64**
Arkansas	8.76
Louisiana	8.91
Oklahoma	9.08
Texas	11.58

Middle Atlantic	**15.79**
New Jersey	16.58
New York	18.56
Pennsylvania	12.79
South Atlantic	**11.03**
Delaware	13.83
District of Columbia	13.72
Florida	11.52
Georgia	10.17
Maryland	14.41
North Carolina	10.21
South Carolina	10.53
Virginia	10.48
West Virginia	8.78
East South Central	**9.66**
Alabama	10.83
Kentucky	8.58
Mississippi	9.95
Tennessee	9.32



Source: Energy Information Administration

Your Employees

Pat Carruth
General Manager

Kathy Christenson
Communications Manager

John Williamson
Engineering & Operations Mgr.

7 Cooperative Principles

* Voluntary and Open Membership
* Democratic Member Control
* Members' Economic Participation
* Autonomy and Independence
* Education, Training and Information
* Cooperation Among Cooperatives
* Concern for Community

Bob Walsh
Member Services Manager

Jill Sand
Executive Assistant

Candice Jaenisch
Office Manager

Your Employees

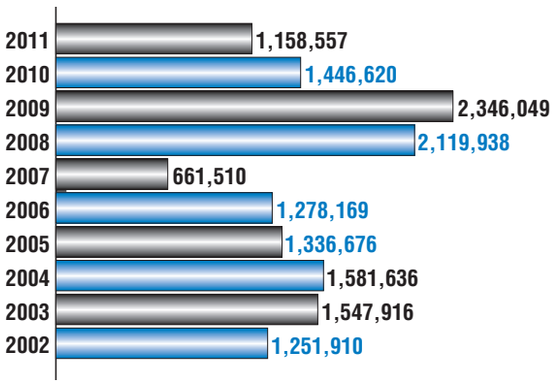
Jamie Goulson
Accountant

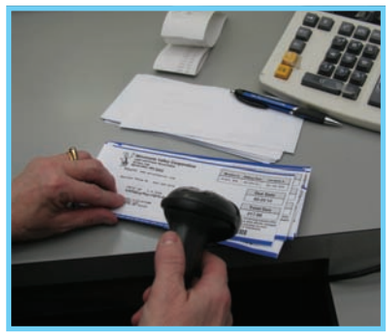
LaVonne Stegeman
Consumer Accts.
Representative

Jill Strand
Consumer Accts.
Representative

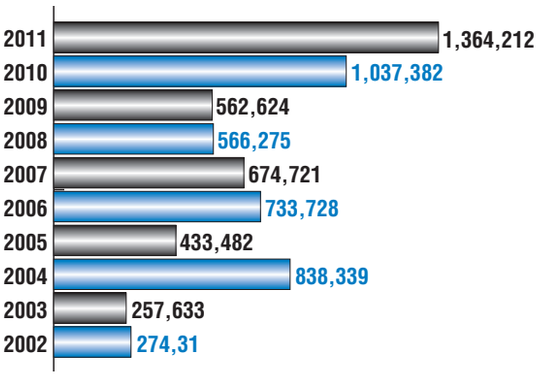
Mark Sweno
Custodian

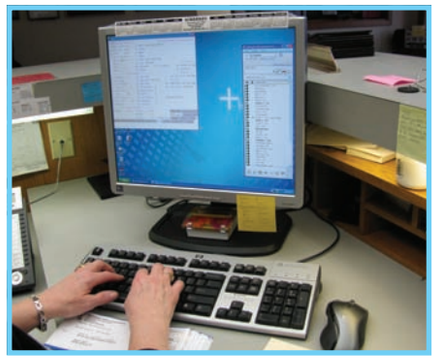
Margins





Capital Credits paid out to members



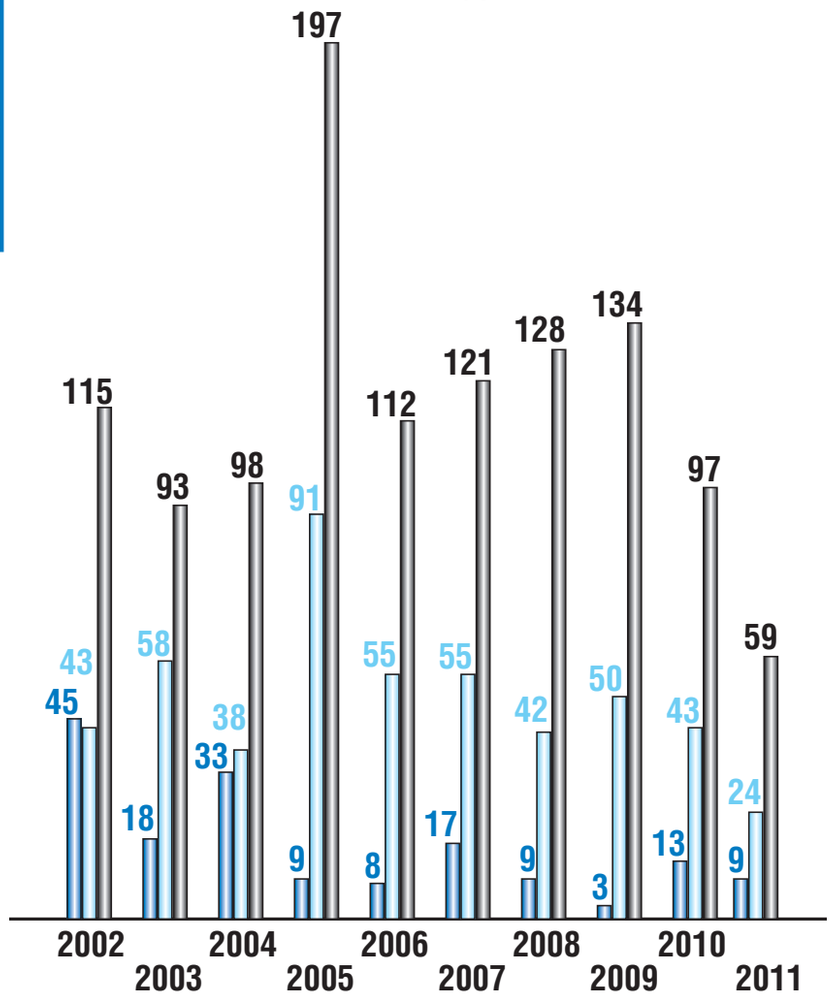


Your Employees

Geothermal (Ground Source) Heat Pump

Electric Heat Installed

- Geothermal (Ground Source) Heat Pumps Added - Dark blue
- Air Source Heat Pumps Added- Light blue
- Other Electric Heat Added - Black

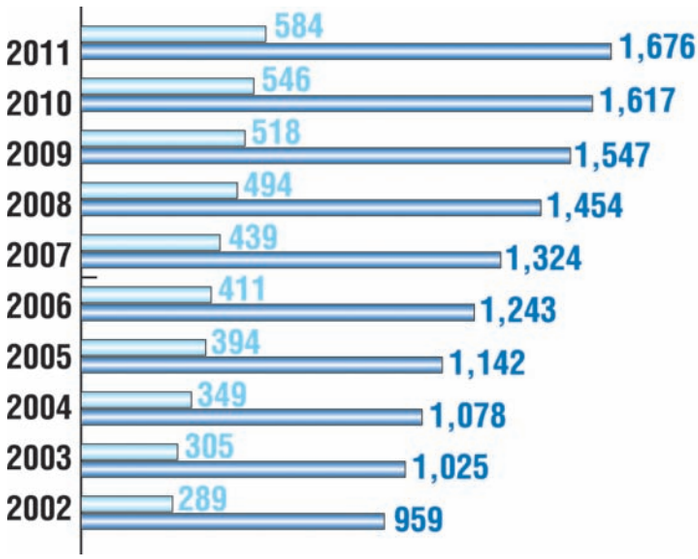


Air to Air Heat Pump

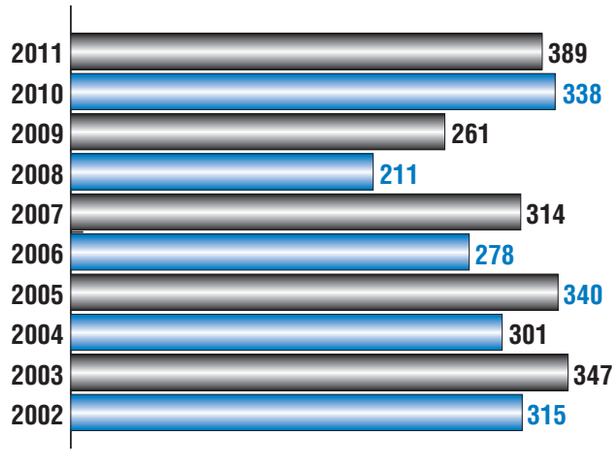
Your Employees

Electric and Dual Heat Meters Installed

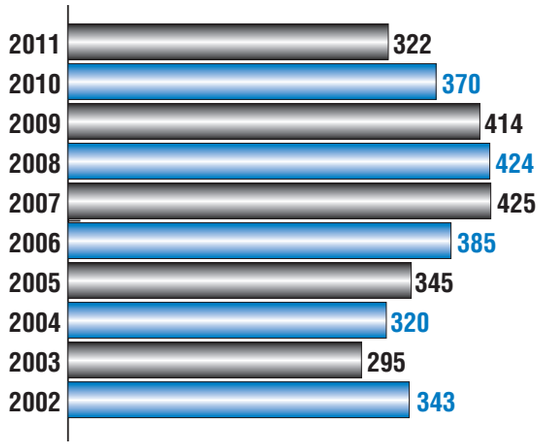
- Dual Heat - Light blue
- Electric Heat - Dark blue



Heating System Maintenance Service



First Call Installations



Duane O'Malley
Member Services
Representative

Jerrad Perkins
Member Services
Technician

Scott Kubesh
Member Services
Technician

Chuck Blom
Member Services
Technician

Your Employees

Bob Kratz
System Coordinator

Tim Bertrand
Substation/Apparatus Technician

Scott Monson
Mechanic

Don Snell
IT/Communications Technician

Major activities of Engineering and Operations in 2011:

- Maintain 2,786 miles of overhead distribution line
- Maintain over 243 miles of underground distribution line
- Maintain 242 miles of transmission line
- Total services in place: 5,501
- Responded to 394 service calls
- Tested and treated 2,691 distribution poles
- Installed 787 new distribution poles due to rot, service changes, road changes, storms and construction
- Responded to 197 Gopher State One-Call line locates
- Upgrades/conversions of existing services: 101
- Upgraded 12.75 miles of single-phase line to three-phase line
- Replaced/rebuilt 5.5 miles of single-phase underground/overhead line
- Replaced/rebuilt 2.5 miles of three-phase underground/overhead line
- Construction continues on the Appeldorn Substation
- Conducted monthly safety meetings through the Minnesota Rural Electric Association and Federated Insurance

Stacey Boike
Operations Assistant

Your Employees

Dave Dieter
Line Foreman

Joe Schultz
Crew Chief

Kent Smith
Crew Chief

Loyd Canatsey
Line Foreman

James Hughes
Journeyman
Lineman

Eric Wollschlager
Journeyman
Lineman

Andy Johnson
Journeyman
Lineman

Trevor Diggins
Journeyman
Lineman

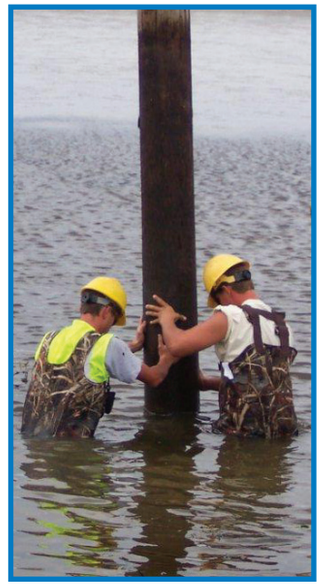
Brandon Bjelland
Journeyman
Lineman

Blake Lymburner
Journeyman
Lineman

Resetting a Pole

When an area is under water for a long period of time, the ice and frost can actually force a pole out of the ground completely. The pole will then either need to be reset or replaced. In these pictures, linemen work to reset a pole in an unusually wet slough area near Rosen.

The track digger derrick unit is carefully placed close enough to the pole to be able to dig a new hole so the linemen can reset it. When the track unit is in place, linemen wade out to find the hole where the pole had been. They use “guy guards” to mark the spot. Years ago, culverts were placed around a pole that was in or near water, believing that it would help hold the pole in place. That has proven to not work very well, so we no longer use them. Instead, rocks are dumped around the base of the pole to help keep it erect. Another lineman comes in with a bucket truck to steady pole and hold it to the side while the new hole is dug by the digger derrick. When the auger drills down and is pulled up, the hole may keep filling in with mud. If, after several attempts, it seems futile, the pole claws on the end of the boom are used to tightly hold the pole and push it down into the soft mud. Buckets of rock are then dumped around it and the linemen tamp around the base of the pole. With that, the new pole is now reset and straightened.



Building a Delivery Point Substation

We continue to see the demand for electricity increase more and more each year. In the fall of 2009, we had a new system peak of 49.863 megawatts (MW) on our system. Under the right conditions, our transmission system starts to get overloaded when we put much over 40 MWs of load on it. This can sometimes result in lower voltages being delivered at our substations than we can correct with regulation equipment. Too much load on our system also prevents us from switching feeds to correct problems, as well as being able to feed our system from a single source. We currently take delivery of our power at two points - Granite Falls and Gary, South Dakota.

To answer this increasing demand for electricity, a new delivery point substation, along with 28 miles of associated transmission line, has been added to the Minnesota Valley system. It has been named the Appeldorn Substation, in memory of Eugene Appeldorn, a co-op director who passed away in February 2008. It is located just west of Boyd. We will tap WAPA's 230 kilovolt line right in the center of our project at Boyd to relieve the loading problem.

As far as our load growth is concerned, we think this new delivery point will let us properly handle load growth for many, many years. The new Appeldorn Substation will be operational in May of 2012.

Attend your Annual Meeting

Annual Meeting Agenda

Please join us!

Saturday, March 17, 2012
Lac qui Parle Valley School, Madison
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 to everyone interested

Capital Credit Refunds: The years of 1998 and one-half of 1999 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 1: Glen Klefsaas
District 3: Mark Peterson

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:
A 4-H Group 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 16-18, 2012