

Minnesota Valley Electric Cooperative Annual Report **2020**

Dear Member-Owners,

As an electric cooperative, our priority is you, the member-owners we serve. Our mission statement supports this – Minnesota Valley Electric Cooperative (MVEC) creates exceptional member experiences, while safely providing reliable energy at cost.

In March 2020, like you, we had to adapt due to the changes brought on by the pandemic. At a time of uncertainty, our focus was clear: keep our team healthy, so the lights stayed on in our communities. We quickly and safely established new working practices to limit the potential health risks to our team. It was clear, even in altered times, we had to keep advancing MVEC's vision and mission of service to our members. I'm happy to report much was accomplished in 2020.

Safety is our top priority. Our safety culture continued to advance in 2020 through trainings, field observations, and near miss reporting. Each team member attended a minimum four training sessions and utilized near miss reporting systems. A near miss is a potential hazard or incident that did not result in any personal injury. Items are reported and reviewed for any corrective action needed. In addition, maintenance was conducted throughout the service area to spot and eliminate any potential member hazards.

Reliability is so critical, and we continuously look at ways to advance the dependability of the distribution system through an annual construction work plan. In 2020, the crews successfully completed one of the largest construction work plans in our co-op's history. This \$12.8 million work plan included advancements at our substations, replacing

and extending 35 miles of line, and adding equipment to strengthen infrastructure. Making long-term investments in the distribution system ensures a stable and reliable grid into the future. Crews conducted extensive maintenance efforts involving upgrading system equipment, testing and replacing

This heartfelt gift helped many facing hard times. It was amazing to see.

As we closed the books for 2020, your cooperative finished the year financially strong, with margins \$3.4 million positive to budget. The positive margin allows the 2021

budget to not require a residential legacy general service rate increase. We have been able to keep financial strength steady, which has resulted in a five-year period without a legacy rate increase. In addition, \$825,000 in Capital Credits (including Senior and Estate payouts) were retired, and due to positive margins, MVEC also passed along \$512,000 in bill credits from Great River Energy, one of our wholesale power providers.

I mention all these items not to boast about MVEC, but to explain that 2020 was not just about the pandemic. For us, it

was about advancing our vision and mission and care for our community – because we live here, too. In 1937, MVEC was built by the community to serve the community, and that's what we will continue to do – "Power On." Thank you for being a member-owner of MVEC. We are privileged to serve you!



**Brent
Lawrence,
MVEC Board
President**



poles, and implementing a four-year vegetation management cycle to help reduce tree and power line contacts, which is a top contributor to outages.

Servanthood was also shown with community-based programs like Operation Round Up where a total \$47,000 was given to local food programs through your kind donations. Employees created seasonal décor and tied fleece blankets for senior living centers in Belle Plaine, Le Sueur, New Prague, Shakopee and Waconia, among others. MVEC also developed a new program called "Gift of Electricity," allowing thoughtful gestures for members facing financial hardships. An anonymous donation of \$25,000 was received in December 2020.

Notice of MVEC's 84th Annual Meeting

7 p.m. Tuesday, April 6, livestream only via WebEx • Invitation link will be sent upon registration at www.mvec.net • One-hour meeting includes cooperative and financial updates for the year 2020 • Announcement of board election and bylaw change results • Introduction of the 2021 scholarship recipients

MVEC

MINNESOTA VALLEY ELECTRIC COOPERATIVE

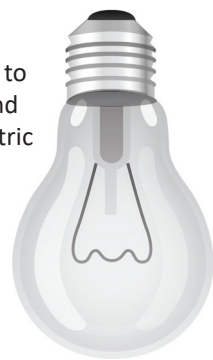
A Touchstone Energy® Cooperative 

2020 Highlights

Then. Now. Always.

Electricity was very valuable to rural homes and farms when introduced to the valley by MVEC in 1937. Our service area, technology, regulations and demand have grown over the past 84 years, but the cost of reliable electric power has remained steady compared to other everyday commodities:

	1937	2020	Increase
kW of electricity	\$0.05	\$0.13	2.5X
loaf of bread	\$0.08	\$2.50	31X
gallon/gasoline	\$0.10	\$2.60	26X
lb. coffee	\$0.15	\$23.85	159X
refrigerator	\$215.00	\$1,500.00	7X
new car	\$760.00	\$36,700.00	48X
house	\$1,400.00	\$374,500.00	267X



Electricity remains a great value!

ELECTRIC RATES: MVEC has not had a legacy general service rate increase **since 2016**. In 2021, we will continue to hold the general service rates stable.



RATE CHOICES: Residential members have different rate options such as general service rates, Energy Wise rates that are discounted **10% - 50%** or bill credits. MVEC also offers Time of Use rates where members achieve alternative pricing based on the time of day they charge their vehicle.

SAFETY FIRST:

Commitment to employee and member safety is a big responsibility that impacts our success *and* productivity. Staff substantially reduced lost-time accidents (occupational injury or illness that prevents ability to work a shift) from 6 in 2019 to **ONE** in 2020. The bottom-line: safety programs focus on a safety culture that aims at zero incidents for ourselves and our communities.



CAPITAL CREDITS:

MVEC operates as a not-for-profit organization that focuses on operating at cost. When there is margin over the cost to operate, the money is refunded back to members in the form of Capital Credits.

2020 Capital Credits:

\$825,000

Since 1959: **\$26+ million** has been returned.



ELECTRIC SYSTEM RELIABILITY IS IMPORTANT: MVEC utilizes a Construction Work Plan to coordinate a variety of reliability efforts. This **\$12.8** million project focuses on many long-term investments. Included in this is a consistent vegetation management cycle. Extensive and routine tree trimming can help prevent tree-related power outages. Trees/branches account for **17%** of MVEC outages.

Wifi Thermostat Sign-Ups increase 23%! \$50 bill credit and 10%



savings on your electric bill June-September. New supported brands in 2021: Nest, Honeywell, Ecobee, Emerson, Alarm.com, Radio, Lux and Viviant.

RESIDENTIAL ENERGY SAVINGS

are available for electric water heating, heating and cooling. Some programs offer bill credits, or lower rates. MVEC also offers rebates, and low interest rate financing right on your electric bill. We can package your product installation with a qualified local contractor.

We are your one-stop-shop!



TESLA EV = SAVINGS & PERFORMANCE!

Seth Mitchell, MVEC member in Eden Prairie, powers his Tesla electric vehicle (EV) with electricity for **65 percent less** than a gasoline-fueled vehicle. Seth enjoys the flexibility and savings offered to him and his family with our EV24 program. This time-of-use charging program lowers the cost of overnight charging. The Mitchell family spends an **average of \$24.40** per month to charge their EV and feel confident they are positively impacting the environment.

Our vision: to be a trusted energy partner loyal to

GIVING BACK:

Members participating in the voluntary **Operation Round Up** program help the co-op give an average \$32,000 each quarter to deserving local organizations. Thank you to those who "round up" monthly electric bills to support this program.

During 2020, a special emphasis was made on local food programs with donations of **\$31,000** to local food shelves, **\$11,000** to school backpack programs and **\$5,000** to community dining.

2020 total ORU grant distribution: \$132,554 **2020 total low-income spending: \$114,494**



Southern Valley Alliance in Belle Plaine received a \$2,000 grant to purchase pandemic-readiness supplies to allow safe visits between children and parents.

The **Conservation Improvement Program (CIP)** focuses on energy conservation efforts. One component of CIP specifically helps members with limited financial resources. CIP can also fund efficient appliances for food shelves and low-income housing. In 2020, three local organizations — Sibley County Foodshare, New Prague Habitat for Humanity and Jordan Food Shelf — all received donations of commercial-grade refrigeration units. We have found much success in these partnerships!



Jordan Food Shelf Director Bob Malz was grateful for CIP funds of \$22,630 to purchase 2 air source heat pumps, 2 high efficiency furnaces and 2 commercial-grade freezers.



GIFT OF ELECTRICITY:

This new program was introduced in 2020 and allows you to make a payment toward an MVEC friend or family member's energy bill. At the end of 2020, the co-op was surprised and grateful for an anonymous Christmas gift of **\$25,000** to this practical and thoughtful program.

\$15,000 IN SCHOLARSHIPS:

Though the of Class of 2020 dealt with unusual circumstances due to the pandemic, our high school scholarship program processed:

- **143 applications**
- **\$1,000 scholarships**
- **15 recipients**

Funding comes from MVEC's Unclaimed Capital Credits — that otherwise would be claimed by the state of Minnesota.

Keeping you 'outage informed' is important

Power outages affecting 250 members or more are posted on www.mvec.net with a live outage map showing outage location. Coming in 2021 is a new member engagement tool for two-way outage texting capabilities.

Alert!

OUTAGE TIME REDUCTION:

In 2020, on average, a member may have experienced an outage of 57.38 minutes. Compared to 2019, outage duration was reduced by nearly 8 minutes in 2020. It's understandable that a power outage is not ideal in any situation, so MVEC continually focuses on system improvements that will enhance reliability and keep the lights on.

Average Outage Duration:

57 MINUTES*

Average Member Experiences:

.76 outages per year* (meaning some do not have any)

*5-year average



You're in Good Hands:

A dedicated and skilled team maintains **4,095 miles** of power lines in a 968-square mile service area. MVEC has **26** linemen, **7** substation and metering techs, several seasonal apprentices and **4** dispatchers. They have an important checklist of items to maintain service reliability **365** days a week, day or night, in a variety of seasons and weather elements.

- **29** substations • **46,000** utility poles
- **1,966** miles of overhead power lines
- miles of underground cable: **2,147**
- Connected an average of **50** new services per month
- Responsible for **\$205.5 million** in plant investment
 - Construct/energize an average of **7 miles** of new line each month

#PowerOn

to the community - now and for future generations.

Financial Report for the year 2020

Operating Statement

	2020	2019
Revenue	\$91,139,000	\$90,258,000
Expense		
• Wholesale Power	\$61,980,000	\$63,750,000
• Operating	\$16,693,000	\$14,960,000
• Depreciation, Interest & Taxes	\$11,476,000	\$10,400,000
Total Expense	\$90,149,000	\$89,110,000
Other Income	\$2,987,000	\$2,301,000

Net Margin \$3,977,000 \$3,449,000

Balance Sheet

- Plant Investment (poles, wires, etc.) \$205,537,000
- less depreciation: \$53,758,000
- Investments \$46,200,000
- Current Assets \$17,151,000
- Rate Stabilization Reserve Fund \$6,375,000
- Other Assets \$15,000

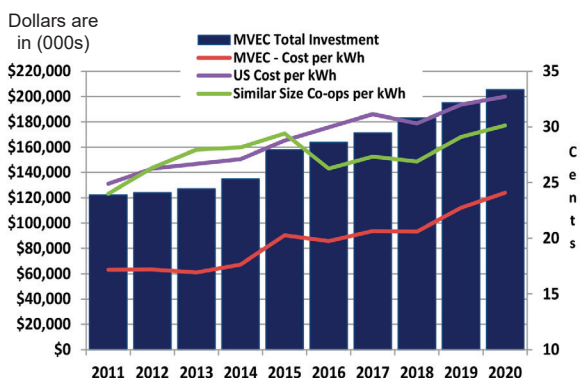
Total Assets \$221,520,000

- Current and Accrued Liabilities \$21,153,000
- Long-Term Obligations \$116,928,000
- Deferred Credits \$7,717,000
- Total Equity \$75,722,000

Total Liabilities and Equity \$221,520,000

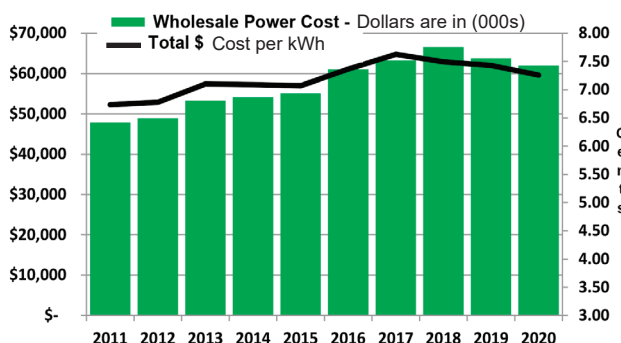
Total Plant Investment

Every year, MVEC enhances the electric grid to ensure safe, reliable power. Investment in plant (the cooperative's largest asset) has grown substantially over the past 10 years. During the past three years, MVEC has added almost \$11.5 million annually to its infrastructure. Despite all this growth, MVEC cost per kWh remains well below the U.S. average and cooperatives of similar size. Making investments at the right time is key to minimizing impacts to your monthly electric bill.



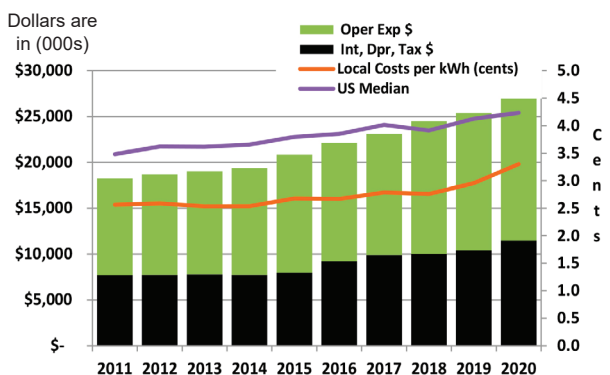
Cost to Generate/Transmit Power

MVEC's largest average expenditure is wholesale power and represents approximately 70% of the cooperative's cost structure. With more members, total power costs will increase; however, managing the rate impact is vital. With recent and ongoing initiatives, MVEC has kept average annual cost per kWh at under 2% annually and with a slight decline the past three years. This is another important element in minimizing impacts to your monthly electric bill.



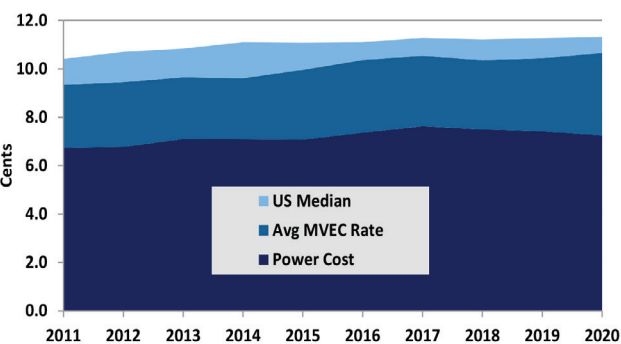
Cost to Deliver Power

Local operating expense represents the cost of delivering power from the substation to your home or business. Total dollars have increased, primarily due to added plant investments and its impact on depreciation, interest and property tax. Other major expenses include overhead and underground maintenance, tree trimming, and technology changes. The key component is managing the cost per kWh which, during the 10-year period, has averaged 2.4% annually. MVEC annual cost per kWh also remains well below the U.S. median.



Rate Trends (cents per kWh)

When you aggregate the impact of MVEC plant investments, wholesale power and operating expenses, the cooperative's average electric rate continues below the national average by 5-7%. MVEC's rate is well below Xcel Energy and also remains competitive/comparable to local municipals. MVEC has not had a legacy general service rate increase since 2016, and 2021 rates will remain stable. Commercial and residential load management programs also help members further reduce their monthly electric bill.



Summary:
Your cooperative is financially positioned to meet needs in 2021.