

CIRCUITS

SPECIAL ANNUAL REPORT EDITION



*It's okay to
let it go*

Say goodbye to that spare, working fridge or freezer in your home. You'll cut down on your home energy costs and earn a \$35 reward by recycling your old appliance.

Get \$35

for recycling your spare, working fridge or freezer

Get FREE

pickup and recycling of a spare, working fridge or freezer

Save up to \$150

in annual home energy use

Schedule your FREE pickup

Call 1-877-838-1139 or visit www.mnbrighterideas.com to schedule your FREE pickup and recycling from Apr. 1 through Aug. 31, 2010. Funds are limited and special terms and conditions apply.

Win \$500

During the promotion, visit www.mnbrighterideas.com and enter for a chance to win a \$500 gift card.

Learn more

Visit www.dakotaelectric.com or call 651-463-6243 to learn more about the program.

GreenTouch

at Fort Snelling State Park

Bring the entire family to spend a few hours sprucing up Fort Snelling State Park as part of Dakota Electric and Touchstone Energy Cooperatives' GreenTouch event.

Details

- Saturday, May 1 from 9 a.m. to 12 p.m.
- Lunch provided for volunteers
- To register, call Joe Miller at 651-463-6178 by Apr. 23.
- For details, visit www.dakotaelectric.com



In This Issue

2009 annual report: Letter to our members ..	2
2009 annual report: Year in review	3
2009 annual report: Summarized financials ..	4
Save on CFLs	6
Get set to save on cooling	7

Upcoming events

Annual meeting	Apr. 8, 7 p.m.
Energy webcast	Apr. 13, 12 p.m. & 7 p.m.
Board meeting	Apr. 29, 8:30 a.m.

APRIL 2010



Your Touchstone Energy® Partner 

2009 Annual Report

Letter To Our Members

As a cooperative, our business model is different from that of for-profit corporations. Dakota Electric is owned by those who purchase electricity from us, meaning you are the reason we exist. We focus on providing reliable electric service at reasonable rates, and any profits from the business are eventually returned to members. In 2009, we returned more than \$1.3 million in profits to members who purchased electricity from us in 1981.

A board of directors, comprised of member-owners like you, governs Dakota Electric and its \$270 million in assets. Each member has an opportunity annually to vote for board members who approve budgets, policies and rate structures.



One of the many decisions carefully examined in the boardroom is the need and timing of rate increases. Dakota Electric currently has a rate increase request before the Minnesota Public Utilities Commission. As labor and material costs increase, the current rate increase will ensure that Dakota Electric has the capital necessary to maintain the power lines and equipment needed to deliver reliable electricity while meeting financial targets required by lending institutions. We don't increase rates to boost shareholder value. Still, we understand that cost increases impact you, and in preparing our 2010 budget, we made hard decisions and made cuts as long as they did not impact reliability, safety or customer service.

Dakota Electric's expenses account for approximately 30 percent of your bill. The other 70 percent of your bill pays for wholesale power and transmission services from Great River Energy, which also made hard decisions and eliminated a large projected wholesale rate increase for 2010. Great River Energy and Dakota Electric are working hard to limit future increases, but infrastructure needs and increasing material and labor costs may continue to put upward pressure on prices. Legislation being discussed in Washington D.C. and St. Paul could affect future rates as well, and we are working to help lawmakers understand how legislation will impact the price you pay for electricity.

As a member-owned cooperative, we look out for our members. And while we may not be able to eliminate every future increase, we want to help you manage your electric use to minimize the impact on your bill. We offer more than 50 programs to help members save money, and our Energy Experts® are available to help you make wise energy decisions and provide energy-efficiency ideas for your home, business or farm.

We hope you take the time to review this issue of *Circuits*, and don't hesitate to call with questions or comments.

Greg Miller
President and CEO

Jim Sheldon
Chair, Board of Directors

Year in Review



Surpassing service and reliability goals

As a member-owned cooperative, we strive to provide quality service to our member-owners. Below is a brief overview of our 2009 achievements.

- >> Helped members conserve more than 18 million kilowatt-hours (kWhs) of electricity, which is enough energy to power more than 19,000 homes for an entire year.
- >> Reduced our wholesale power bill by more than \$15 million through member participation in EnergyWise® off-peak programs.
- >> Exceeded goals reported to the Public Utilities Commission:
 - Outage duration averaged less than one-half hour per member per year.
 - Outage frequency per member averaged less than one outage every two years.
 - Power available more than 99.99 percent of the time.
 - Member service representatives received 162,772 calls in 2009 and answered 94 percent of calls in 20 seconds or less.
 - Meter readers completed more than 1.3 million meter readings, estimating less than one percent of all readings.
- >> Awarded nearly \$25,000 in scholarships with unclaimed capital credits.
- >> Upgraded River Hills substation in Eagan to improve reliability.
- >> Completed a study to identify future upgrades that will improve reliability.
- >> Scored an 83 on the American Customer Satisfaction Index, which is significantly higher than the utility industry average of 73 points.
- >> Rolled out the first phase of our geographical information system (GIS) upgrade, which integrates digital maps, member databases, outage management and other systems to provide employees access to more real-time information. This project will help improve member service, reliability and the efficiency of your cooperative.

2010 Goals

Efficiency

- Encourage residential members to conserve more than 3.6 million kWhs of electricity through appliance rebates and other programs
- Offer rebates and grants to urge business members to conserve more than 14.6 million kWhs

Reliability

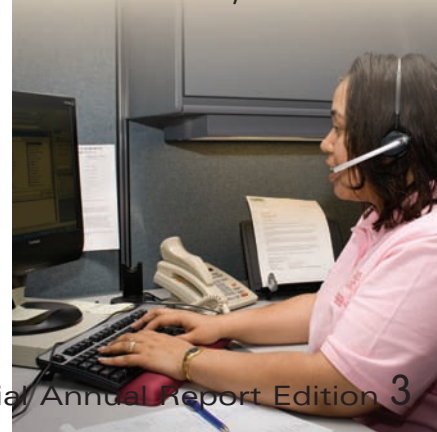
- Complete two substations and begin construction on a third
- Upgrade 12 miles of underground power lines

Affordability

- Work with our wholesale power supplier, Great River Energy, to minimize power cost increases
- Educate legislators on the impact legislation will have on Dakota Electric members

Community

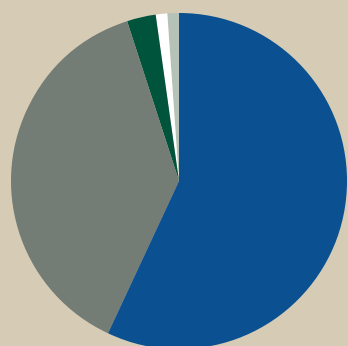
- Support local economic development efforts to promote high-tech infrastructure and produce business and job growth
- Educate more than 4,000 students and adults about electrical safety



Consolidated Balance Sheets

ASSETS	2009	2008
	(in thousands)	
CURRENT ASSETS		
Cash and cash equivalents	\$2,148	\$2,028
Accounts receivable, less allowance for uncollectible accounts (2009 - \$909; 2008 - \$888)	30,312	33,220
Lease receivable	80	48
Materials and supplies	5,200	4,944
Prepayments and interest receivable	1,354	1,349
Deferred charges	1,312	968
Total current assets	40,406	42,557
Investments in associated companies and other investments	62,133	54,981
Energy conservation loans and non-current receivables	504	214
UTILITY PLANT		
Distribution system and general plant	259,336	249,298
Less accumulated depreciation	(90,568)	(86,485)
Net utility plant and work in progress	168,768	162,813
Deferred charges and other assets	179	189
TOTAL ASSETS	\$271,990	\$260,754
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$23,868	\$20,476
Notes payable	10,000	15,705
Current portion of long-term debt	4,875	4,755
Conservation cost over-recovery	1,544	1,885
Customer security deposits	408	344
Accrued property and other taxes	4,408	4,199
Other current liabilities	7,692	7,699
Total current liabilities	52,795	55,063
Long-term debt	110,512	103,643
Deferred gain on RUS buyout	2,123	2,501
Deferred credits and other liabilities	5,931	4,646
Total liabilities	171,361	165,853
MEMBERS' EQUITY		
Patronage capital and other equity	100,629	94,901
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$271,990	\$260,754

2009 Sources of Electric Revenue



- Residential - 58%
- Large commercial - 37%
- Small commercial - 3%
- Irrigation - 1%
- Street lighting - 1%

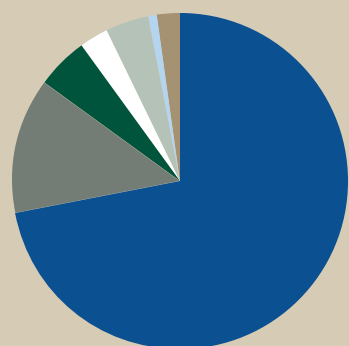
Consolidated Statements of Operations

	2009	2008
	(in thousands)	
OPERATING REVENUES		
Net sales	\$178,819	\$185,110
Cost of sales	128,523	135,327
Gross margin	50,296	49,783
OPERATING EXPENSES		
Total operating expenses	49,209	49,265
Net operating margin	1,087	518
OTHER INCOME		
Total other income	6,320	5,876
Income before taxes	7,407	6,394
Income tax (benefit) on non-regulated operations	377	(577)
NET INCOME	\$7,030	\$6,971

Consolidated Statements of Cash Flows

CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash provided by operations	\$15,854	\$7,872
Net cash used for investing activities	(15,716)	(14,770)
Net cash provided used for financing activities	(18)	7,149
Net change in cash and cash equivalents	120	251
Cash and cash equivalents at beginning of year	2,028	1,777
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$2,148	\$2,028

Financial information presented in this report is summarized. Members may request a copy of the complete audited financial statements or view them online at www.dakotaelectric.com.



2009 Uses of Revenue

- Cost of sales - 72%
- Labor & related benefits- 13%
- Depreciation - 5%
- Property & other tax - 2%
- Operations expense - 3%
- Net interest expense - 4%
- Net operating margin - 1%

Interested in using less energy this summer?

Join Dakota Electric for a webcast on Tuesday, Apr. 13, at 12 p.m. or 7 p.m. to learn about lighting, saving on your summer cooling bills and sealing

your home's building envelope to prevent energy leaks. To join the webcast, visit <http://MNBrighterIdeas.Webex.com> (note, there is no www before the address). Pre-registration is not required.



Convenience fee increase

Starting Apr. 1, the convenience fee collected by the independent service provider who processes credit card and electronic check payments for Dakota Electric will increase from \$3.75 to \$3.95. Dakota Electric does not receive any of the money from the convenience fee.

SAVE on CFLs

from February 1 – July 31, 2010

Look for a coupon for \$3 off select GE Energy Smart® CFL light bulbs in the May issue of *Circuits*. Or get \$2 in instant savings at participating Walmart stores. Learn more at www.dakotaelectric.com.



CFL RECYCLING

Because of the presence of mercury, CFLs must be recycled. In Minnesota, it is illegal to place them directly in the garbage. Call the MN Pollution Control Agency at 651-296-6300 or visit www.earth911.org for disposal options.

Rate Case Update

ADMINISTRATIVE LAW JUDGE DRAFTING RECOMMENDATIONS

The Administrative Law Judge is currently developing recommendations for the Minnesota Public Utilities Commission's ruling on Dakota Electric's rate case. The Administrative Law Judge makes her recommendations based on information collected during the rate case process from state agencies reviewing the rate case, Dakota Electric and members.

The Minnesota Public Utilities Commission will review the recommendations and make a final decision on Dakota Electric's rate case in mid-2010.

MORE INFORMATION

Learn more about the rate case and the increasing cost of electricity at www.dakotaelectric.com. Members can also e-mail rates@dakotaelectric.com or call 651-463-6212.

Get set to save on cooling

Make your cooling system more efficient with programs that save you energy and money while keeping you cool and comfortable.

Cycled Air Conditioning®

Join more than 42,000 members who already save \$10 on their electric bill each June, July and August or who pay a reduced rate on the electricity their air conditioner uses.

Visit www.dakotaelectric.com or call 651-463-6243 to learn more.

Cooling system tune-up

A tune-up by a service professional can improve your cooling system's efficiency by as much as 20 percent and extend its life. Pick one of two tune-up programs:

- Guaranteed tune-up price of \$79.95 through June 30, 2010
- A \$25 rebate on a tune-up through Dec. 31, 2010



Feeling the heat? It might be time for an air conditioner upgrade

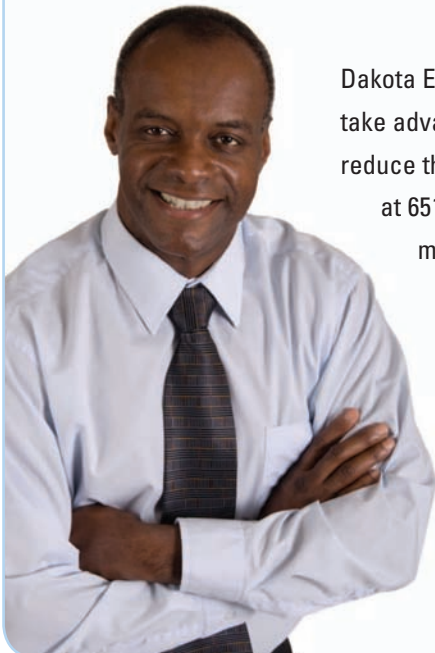
Dakota Electric participates in the statewide Quality Installation Certification Program to ensure members' new cooling systems operate as efficiently as possible. Members can only qualify for our central air conditioner and air-source heat pump rebates by using contractors certified by the Quality Installation Program.

Rebate amounts

- Air-source heat pump - Up to \$630
- Central air conditioner - Up to \$330

To ensure that you qualify for available rebates, visit www.dakotaelectric.com or call 651-463-6243 for a list of local certified Quality Installation contractors.

COOLING PROGRAMS FOR BUSINESSES



Dakota Electric's business members can also take advantage of money-saving programs to reduce their cooling bill. Call an Energy Expert® at 651-463-6243 to learn more about saving money with the programs below.

- Air conditioner and air-source heat pump tune-up rebates
- Cooling system rebates
- Cycled Air Conditioning®
- Cooling system recommissioning rebates

Contact Us

Member service & drive-up window
7 a.m. – 7 p.m. Monday - Friday
651-463-6212 or 1-800-874-3409
Hearing Impaired TDD 651-463-6144

Lobby 7 a.m. – 4:30 p.m., Monday - Friday
4300 220th Street West, Farmington, MN 55024
24-hour outage & emergency service
651-463-6201 or 1-800-430-9722

Underground cable locations Gopher State One
Call 811 or 651-454-0002 or 1-800-252-1166
Tree trimming & street lights 651-463-6287

Careers 651-463-6129
Dakota Electric is an equal opportunity/
affirmative action employer

www.dakotaelectric.com
info@dakotaelectric.com

Board of Directors

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Greg Miller, President & CEO
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DAKOTA ELECTRIC
ASSOCIATION



800,000 Americans buy green energy. **Do you?**

According to the Energy Information Administration, more than 800,000 Americans participate in green pricing programs, such as Dakota Electric's Wellspring Renewable Wind Energy.® Green pricing gives consumers the opportunity to support a greater investment in renewable energy by paying a premium on their electric bill.

More than 1,500 Dakota Electric members already support the development of wind energy by paying a 40-cent* premium on their monthly electric bill for each 100-kilowatt-hour block of wind energy they purchase.

Visit www.dakotaelectric.com or call 651-463-6212 to learn more about participating in Wellspring.



*Price subject to change without notice.