

Dakota Electric Association  
**2010 Annual Report**



Your Touchstone Energy® Partner 

# 2010 Year-End Review

## Letter To Our Members

We look back on 2010 as having been a successful year. Our employees continue to work hard to provide reliable electricity and outstanding member service. We always measure our work, and our metrics show continued improvements.

In 2010, our member service representatives exceeded benchmarks by answering calls, in person, within an average of three rings. We are proud of this considering we handled 168,408 calls in 2010. In terms of reliability, we had three major events — a large thunderstorm in August, high winds in October and wet heavy snow in November — that caused widespread outages. Our crews and staff worked long hours during the restoration efforts. Our reliability remains among the best in the country as our members experience an average of only one outage every 15 to 16 months. An average is just that, and we realize some of you had more than your share of outages in 2010. We thank you for your patience.

Load management and conservation programs are two ways we help you use energy as efficiently as possible. Load management (off-peak) programs provide financial savings for members while helping Dakota Electric and our power supplier, Great River Energy, use generation and transmission resources wisely. Last year, load management programs reduced your cooperative's power costs by more than \$15.6 million. Also, by promoting energy efficiency, we surpassed our legislatively-directed conservation goal, which in turn, saved members more than 21.6 million kilowatt hours of electricity.

Our objective in planning the budget is to exceed our members' expectations while minimizing expenses. Over the last 10 years, we have reduced our employee count by not filling certain positions as employees leave. We have reduced positions by reorganizing departments, gaining efficiencies with technology and outsourcing some tasks. Each year we serve more members with fewer employees. Even as we strive to reduce our expenses, we make certain that safety, reliability and service do not suffer.

Crews will soon complete a substation near Hastings and begin construction on another in Burnsville. Each substation adds capacity and improves system reliability.

The Public Utilities Commission approved our 2009 rate filing this past year, and this authorization provides the needed revenue to meet our financial requirements.

While the resource and tax adjustment (RTA) declined slightly for most members in 2011, Great River Energy predicts upward pressure on our wholesale costs. Since these costs make up about 73 percent of the total cost of your power, any changes in wholesale power costs will impact your electric bill. With that in mind, we will continue to work closely with Great River Energy to control wholesale prices that impact our membership.

One final thought: You matter as a member-owner of this organization. Our goal is to provide you high levels of service in a cost-conscious manner. We consider it a privilege to serve you.



**Greg Miller**  
President and CEO



**Jim Sheldon**  
Chair, Board of Directors





## 2010: 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 2010 achievements.

- Helped members conserve more than 21 million kilowatt-hours (kWhs) of electricity, enough energy to power more than 2,100 residences for an entire year.
- Reduced our wholesale power bill by more than \$15.6 million through member participation in EnergyWise® off-peak programs.
- Exceeded reliability goals provided to the Public Utilities Commission:
  - Outage duration averaged less than one-half hour per member, per year (weather normalized).
  - Outage frequency per member averaged less than one outage every 15 to 16 months.
  - Power available more than 99.99 percent of the time.
  - Member service representatives received 168,408 calls (3.4 percent more than 2009) and answered 93 percent of calls in 20 seconds or less.
  - Meter readers completed more than 1.3 million meter readings, estimating less than two percent of all readings.
- Awarded nearly \$25,000 in scholarships with unclaimed capital credits.
- Improved reliability by completing construction of a new Lakeville substation and major upgrades to a substation in Eagan.
- Performed a study of transformers and identified upgrades to improve reliability and energy efficiency.

# 2011 Goals

## EFFICIENCY

- Encourage residential members to conserve more than 6.5 million kWhs of electricity through appliance rebates and other programs.
- Offer energy-efficiency rebates to help business members conserve more than 10.5 million kWhs.

## RELIABILITY

- Complete one substation and begin construction on another.
- Spend \$1.5 million to upgrade underground power lines.
- Roll out phase two of our geographical information system (GIS) upgrade, which continues to improve member services, reliability and efficiencies.

## AFFORDABILITY

- Work with our wholesale power supplier, Great River Energy, to minimize power cost increases.
- Pay out more than \$1.5 million in capital credits.
- Educate legislators on the impact legislation will have on Dakota Electric members.

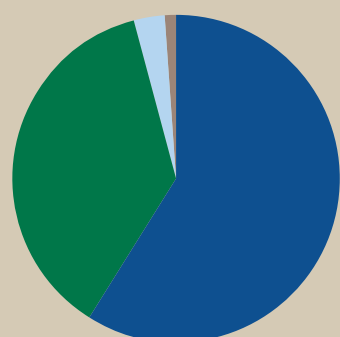
## COMMUNITY

- Distribute more than 7,000 tree seedlings to communities and schools.
- Educate more than 4,000 students and adults about electrical safety.

# 2010 Summarized Financials

## Consolidated Balance Sheets

ASSETS	2010	2009
	(in thousands)	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$1,533	\$2,148
Accounts receivable, less allowance for uncollectible accounts (2010 - \$873; 2009 - \$909)	32,951	30,312
Lease receivable	85	80
Inventories, materials and supplies	9,298	5,200
Prepayments and interest receivable	1,452	1,354
Deferred charges	945	1,312
<b>Total current assets</b>	<b>46,264</b>	<b>40,406</b>
Investments in associated companies and other investments	67,392	62,133
Lease receivable	420	504
<b>UTILITY PLANT</b>		
Distribution system and general plant	267,919	259,336
Less accumulated depreciation	(96,025)	(90,568)
Net utility plant and work in progress	171,894	168,768
Deferred charges and other assets	177	179
<b>TOTAL ASSETS</b>	<b>\$286,147</b>	<b>\$271,990</b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$25,638	\$23,868
Notes payable	11,175	10,000
Current portion of long-term debt	5,492	4,875
Conservation cost over-recovery	1,961	1,544
Customer security deposits	475	408
Accrued property and other taxes	4,644	4,408
Other current liabilities	7,568	7,692
<b>Total current liabilities</b>	<b>56,953</b>	<b>52,795</b>
Long-term debt	110,752	110,512
Deferred gain on RUS buyout	1,779	2,123
Deferred credits and other liabilities	7,418	5,931
<b>Total liabilities</b>	<b>176,902</b>	<b>171,361</b>
<b>MEMBERS' EQUITY</b>		
Patronage capital and other equity	109,245	100,629
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$286,147</b>	<b>\$271,990</b>



## 2010 Sources of Electric Revenue

- Residential - 59%
- Large commercial - 37%
- Small commercial - 3%
- Street lighting & Irrigation - 1%

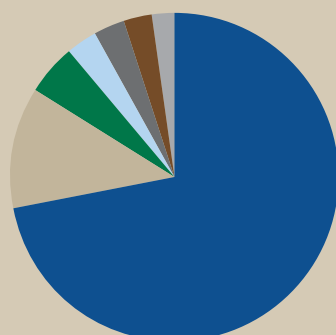
## Consolidated Statements of Operations

	2010	2009
	(in thousands)	
<b>OPERATING REVENUES</b>		
Net sales	\$199,960	\$178,819
Cost of sales	144,269	128,523
Gross margin	55,691	50,296
<b>OPERATING EXPENSES</b>		
Total operating expenses	50,443	49,209
Net operating margin	5,248	1,087
<b>OTHER INCOME</b>		
Total other income	5,421	6,320
Income before taxes	10,669	7,407
Income tax on non-regulated operations	507	377
<b>NET INCOME</b>	<b>\$10,162</b>	<b>\$7,030</b>

## Consolidated Statements of Cash Flows

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net cash provided by operations	\$10,729	\$15,854
Net cash used for investing activities	(11,830)	(15,716)
Net cash from (used for) financing activities	486	(18)
Net change in cash and cash equivalents	(615)	120
Cash and cash equivalents at beginning of year	2,148	2,028
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$1,533</b>	<b>\$2,148</b>

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](http://www.dakotaelectric.com).



### 2010 Uses of Revenue

- Cost of sales - 72%
- Net interest expense - 3%
- Labor & related benefits- 12%
- Net operating margin - 3%
- Depreciation - 4%
- Property & other tax - 2%
- Operations expense - 4%