

Dakota Electric Association
2011 ANNUAL REPORT

*Celebrating
75 years
of service to
our members*



2011 Year-End Review

Letter To Our Members

Dakota Electric Association's electric rates generate the revenue necessary to not only pay for wholesale power costs, but also to operate and invest in your electric cooperative. That investment and operation paid dividends again in 2011 in the form of improved reliability, safety, member services and conservation programs.

Proactive investment in building and maintaining our electrical infrastructure yielded another year of improved reliability statistics. New technology systems are allowing better use of our limited resources to identify problem circuits or devices and replace them before they fail. We also met our safety goals for the year, which is very important for a business that faces so many hazards on a daily basis.

Services to our members continue to improve and evolve. We promptly answer more than 163,000 calls from our members each year. Significant effort went to keeping up with our members' expectations for online services that are easy to use, easy to find and available 24 hours a day. Our website is regularly updated and will soon be easier to use with mobile devices.

Dakota Electric would like to congratulate our members for again exceeding the State of Minnesota's energy conservation goal. Our commercial and residential members installed or upgraded lighting and heating and cooling systems to achieve annual conservation savings of 27 million kilowatt-hours (kWh), far exceeding our 17.3 million kWh goal. Even with slowing growth and a depressed regional energy market, Dakota Electric members still value energy conservation, efficiency and load management initiatives. We will continue to explain and promote these opportunities for you.

Throughout 2012, Dakota Electric Association is celebrating its 75th year of service to our members. From the humble beginnings of bringing the comfort and convenience of electricity to rural Dakota County to today's ability to monitor and control our 3,987 miles of line from our Farmington control center, our commitment to our members has never changed.

We are owned by those we serve. Your energy concerns are our top priority.

Thank you for the privilege to serve you.



Greg Miller
President and CEO



Jim Sheldon
Chair, Board of Directors



Jim Sheldon, chair, board of directors; and Greg Miller, president/CEO



2011: 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 2011 achievements.

- Helped members conserve more than 27 million kilowatt-hours (kWhs) of electricity, enough energy to power more than 2,700 homes for an entire year.
- Reduced our wholesale power bill by more than \$16 million through member participation in EnergyWise® off-peak programs.
- Exceeded reliability goals.
 - Outage duration averaged 22 minutes per member, per year (normalized for major events)
 - Outage frequency per member averaged less than one outage every 32 months (normalized for major events)
 - Power available more than 99.99 percent of the time
- Member service representatives received 163,704 calls in 2011 and answered 93 percent of calls in 20 seconds or less.
- Meter readers completed more than 1.3 million meter readings, estimating just one percent of all readings.
- Awarded \$25,000 in scholarships with unclaimed capital credits.
- Began construction on a new substation in Burnsville to improve reliability.
- Updated a contingency study to determine the best way to restore power to an area when we lose a substation.

2012 Goals

RELIABILITY

- Complete work on Burnsville substation for improved service and reliability.
- Invest \$6 million in cable replacement and mainline work.
- Complete a major upgrade to our geographical information system (GIS), which will continue to improve member services, reliability and efficiencies.

EFFICIENCY

- Encourage residential members to conserve more than 6 million kWhs of electricity through appliance rebates and other programs.
- Offer rebates and grants to help business members conserve more than 6.3 million kWhs.
- Replace under-loaded transformers on the system, which will save energy and reduce equipment costs.

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.

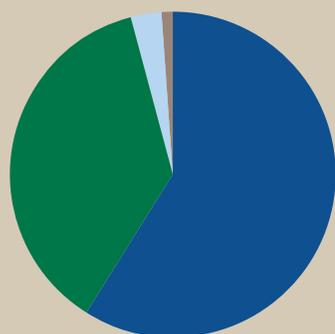
COMMUNITY

- Distribute more than 5,000 tree seedlings to communities and schools.
- Send five high school students to Washington D.C. to learn about our nation's government.
- Educate area students and adults about electrical safety.
- Actively support the communities we serve through various volunteer efforts.

2011 Summarized Financials

Consolidated Balance Sheets

ASSETS	2011	2010
	(in thousands)	
CURRENT ASSETS		
Cash and cash equivalents	\$1,192	\$1,533
Accounts receivable, less allowance for uncollectible accounts (2011 - \$1,078; 2010 - \$873)	22,827	32,951
Notes and lease receivable	280	85
Materials and supplies	7,078	9,298
Prepayments and interest receivable	784	1,452
Deferred charges	1,485	945
Total current assets	33,646	46,264
Investments in associated companies and other investments	73,565	67,392
Lease receivable	338	420
UTILITY PLANT		
Distribution system and general plant	277,597	267,919
Less accumulated depreciation	(101,263)	(96,025)
Net utility plant and work in progress	176,334	171,894
Deferred charges and other assets	156	177
TOTAL ASSETS	\$284,039	\$286,147
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$22,695	\$25,638
Notes payable	4,176	11,175
Current portion of long-term debt	6,424	5,492
Conservation cost over-recovery	262	1,961
Customer security deposits	543	475
Accrued property and other taxes	4,846	4,644
Other current liabilities	6,488	7,568
Total current liabilities	45,434	56,953
Long-term debt	109,244	110,752
Deferred gain on RUS buyout	1,468	1,779
Deferred credits and other liabilities	8,838	7,418
Total liabilities	164,984	176,902
MEMBERS' EQUITY		
Patronage capital and other equity	119,055	109,245
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$284,039	\$286,147



2011 Sources of Electric Revenue

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

Consolidated Statements of Operations

2011 2010
(in thousands)

OPERATING REVENUES

Net sales	\$195,385	\$197,534
Cost of sales	139,908	141,843
Gross margin	55,477	55,691

OPERATING EXPENSES

Total operating expenses	49,846	50,443
Net operating margin	5,631	5,248

OTHER INCOME

Total other income	6,578	5,421
Income before taxes	12,209	10,669
Income tax (expense) on non-regulated operations	469	507

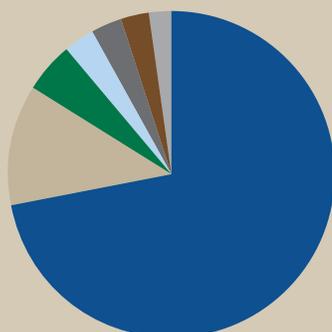
NET INCOME	\$11,740	\$10,162
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Consolidated Statements of Cash Flows

Net cash provided by operations	\$22,465	\$10,729
Net cash used for investing activities	(13,301)	(11,830)
Net cash from (used for) financing activities	(9,505)	486
Net change in cash and cash equivalents	(341)	(615)
Cash and cash equivalents at beginning of year	1,533	2,148

CASH AND CASH EQUIVALENTS AT END OF YEAR	\$1,192	\$1,533
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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.



2011 Uses of Revenue

- Cost of sales - 72%
- Net interest expense - 3%
- Labor & related benefits- 12%
- Net operating margin - 3%
- Depreciation - 5%
- Property & other tax - 2%
- Operations expense - 3%