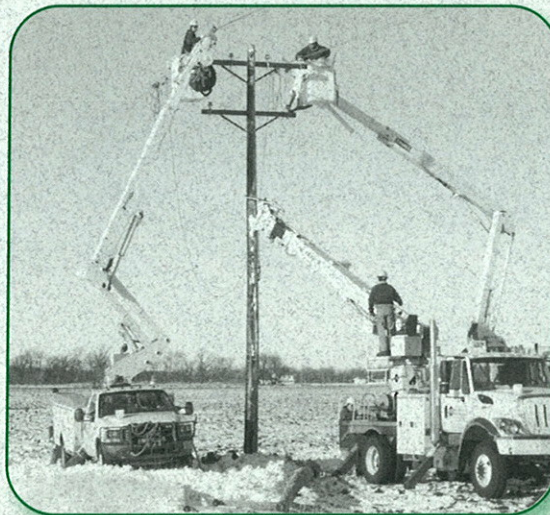


2011 Annual Report



== Welcome ==

to the **74th** Annual Meeting of the Membership of

Red Lake Electric Cooperative, Inc.

Wednesday, March 28, 2012

Imperial Room, Ralph Engelstad Arena

Thief River Falls, Minnesota

9:00 a.m.	Registration begins	
	Free coffee and doughnuts	
10:00 a.m.	Entertainment	Vernon Rogalla
10:30 a.m.	Call to order	Bonnie Christians, President
	National Anthem	Jordanne Walsh
	Invocation	Colette Kujava
	Introductions	Bonnie Christians

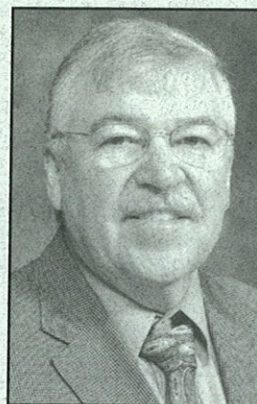
BUSINESS SESSION

Notice of meeting and affidavit of mailing	Mark Hanson
Establishment of quorum	Mark Hanson
Minutes of 2011 meeting	Mark Hanson
President's report	Bonnie Christians
General manager's report	Roger Johanneck
Financial report	Shirley Bregier
Minnkota report	Robert "Mac" McLennan, CEO, Minnkota Power
Election of directors	Bonnie Christians
Question and answer session	
Adjournment of business session	
Award Presentations	
Awarding of prizes	
Lunch and entertainment	

Report to the Membership



BONNIE CHRISTIANS
Board President

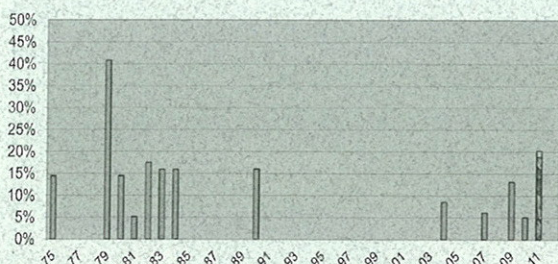


ROGER JOHANNACK
General Manager

Managing the rising cost of wholesale power was the biggest challenge for your Cooperative in 2011.

While many smaller challenges or aspects of our operation this past year could be labeled as business as usual, dealing with the rising cost of wholesale power was not. Our obligation and that of our power supplier, Minnkota Power, to comply with Federal and State regulations was born out in our largest rate increase for our membership since the Coyote Power plant came online in the early 1980's. Retail rates were increased 13.5% with the bills members received in April and 6.9% in October.

**History of Rate Increases - Based on
(1,000 kWh's)**



As history and the graph above shows, your cooperative has faced large wholesale power cost increases before. The passage of time and new challenges will most likely soften some of the events that took place at your Cooperative this past year, similar to the challenges of bringing on a new power plant back in 1980. The reality is, energy price increases are hard to swallow because they affect all of us in a number of ways. We see the impact our monthly bill at home and in the cost of

goods and services that we count on in our daily living.

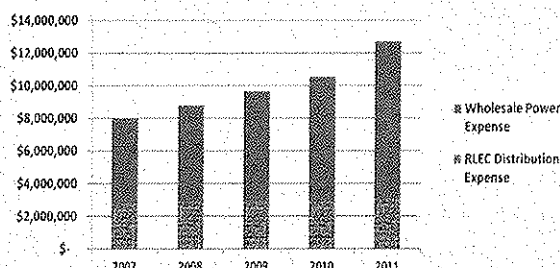
There is notable difference; however, in the cost of recent environmental upgrades compared to a new source of generation coming on-line like it did in the early 1980's. As growth in energy sales utilizes more of a plants generation capabilities, the average cost of power decreases; fixed plant costs are spread over more kWh's sold. The environmental investment made here did not add to Minnkota's power plants ability to generate more kWh's; in fact, just the opposite occurred. It takes energy to operate the environmental equipment that is required at the power plant.

The EPA federal regulations required a significant investment in environmental upgrades to Minnkota's Milton R. Young station; a lignite coal fired power plant consisting of two generators; Young 1 and Young 2. The five year project upgrades made to the Young power plant was completed in early 2011 to the tune of \$425 million.

On the cover...

Red Lake Electric Cooperative line personnel work to change out a three-phase double circuit pole West of the Dakota Substation North East of Thief River Falls. Pole change-outs are an on-going maintenance item as the cooperative has 40,000 of them throughout its four county service territory.

To fully understand what a project of this size meant to Minnkota's two generating units at the Young power plant, we need to recall what the cost was to build these units: Young 1 (1970) and Young 2 (1977) together cost \$300 million.



Both generators are now equipped with scrubbers that are designed to remove 95% of sulfur dioxide (SO₂) emissions and another process called Over-Fire Air with Selective Non-Catalytic Reduction to reduce 60% of nitrogen oxides (NOx) emissions.

With the completion of these upgrades, Minnkota has equipped its power plants with today's best available control technology (BACT) for (SO₂) and (NOx) emissions; they have maintained compliance with state and federal environment standards at its power plants and have prepared themselves to meet all of their energy supply obligations through at least 2030.

2011 In Review

The past year has been good in many respects for your electric cooperative. Service reliability was very good at only 1.8 hours of average outage time per customer. This is an improvement from the previous year's 2.1 hours and up slightly from the five year average of 1.7 hours. We were again fortunate that our Cooperative was spared any major storms, ice or other damaging causes this past year. The major cause of service interruptions in 2011 was due to wind, most often by trees falling into our power lines. The second major cause was power supply related problems on Minnkota's transmission lines or in their substations, where we tie in with our distribution system.

While weather plays a big part in ser-

vice reliability numbers, so does continual maintenance and upkeep to our electric plant. Trimming trees in and near our power lines by Cooperative employees as well as outside brushing contractors has been kept up. While cutting back on maintenance may provide some short term savings, we believe it is in the members' best long term interest in cost and service reliability, to place a high priority on brushing. While we are fond of trees and the beautiful yards and landscapes that add to the beauty of our service area, we are grateful to our members who grant us permission to trim trees near our power lines when it poses a threat to safety and future reliability. Along that same note, we appreciate members that make a conscious effort to not plant trees that will grow in or near our power lines; it does make a difference.

Your Cooperative contracted again this past year to have poles inspected for rot and damage in parts of our service area. We have a program in place to inspect the 40,000+ poles constructed throughout our service area, at least once every ten years.

As a result of those inspections, 187 poles were replaced and many of the poles inspected received additional ground level treatment to extend the life of the pole.

This continual inspection and treatment plan is paying off. As we progress in the second cycle of our pole inspection program, fewer poles are found to be in need of replacement. The overall improvement in service reliability and the reduction in poles needing replacement is also a testament to the benefit of a good pole inspection and maintenance program.

New service construction activity was up from last year and above average from what we have experienced over the past 10 years. Seventy two new services were constructed to supply energy to new homes, farm shops, cabins, grain handling equipment, communications towers, lighting, well-irrigation and drain tile pumps. There were 57 services upgraded to provide more capacity or to accommodate backup generator connection.

Other construction work included four miles of new line due to road construction work and ditching projects, and two miles of new tie line were built.

Energy sales to members increased in 2011. The 133.3 million kWh's is the second highest total on record. When we look at on-peak energy sales, we see that the 102.9 million Kilowatt hours is the most ever for your Cooperative. Off-peak energy sales use has remained about the same for the past 16 years. This leveling off in off-peak heating points to a couple of things: 1) new heating systems with electric heat pump technology along with more energy efficient construction materials and designs has enabled our members to make a difference on their energy needs and 2) members have taken advantage of the generous rebates offered through our PowerSavers Conservation Improvement Program.

In addition to the rebates offered through our PowerSavers programs, there are a number of low cost conservation measures members can incorporate in their daily routines without adding inconvenience or loss of comfort. We encourage you to check out the resources we have available at our office, listed on our website (redlakeelectric.com) or listed in our monthly newsletter; **Volts and Jolts**.

Employees at RLEC added to their admirable safe working record by recording no lost time accidents in 2011. Our goal of "no one gets hurt" is something we take seriously and it shows; employees have recorded one lost time accident in the past nine years.

In June, the Cooperative hired two apprentice line workers that will help meet our need to replace future retirements in our workforce. It is necessary to plan ahead when we hire for replacements, especially in our line worker crew. It takes four years for line workers to complete coursework along with the required hours of work experience and training before apprentices achieve their Journeyman line-worker license.

As we focus on the many challenges we face, both as members who now pay more

for electricity than they did a year ago, and your Cooperative, that operates in a business environment with an ever increasing list of regulations, we must not lose site of the bigger picture. We are often reminded of what that bigger picture looks like when we watch the news and see almost as quickly as it happens today, what life can be like in less fortunate parts of the world.

We see it too through the eyes of our National Rural Electric Cooperative Association (NRECA), an organization made up of over 900 rural electric cooperatives, like Red Lake Electric Cooperative, spread across the United States. We have, through donations, contributed to the NRECA International Foundation, to help bring electricity to the less fortunate, "one village at a time."

When we consider that power was flowing 99.98% of the time to our members in 2011, it is easy to forget that many parts of the world still go without electricity. As members of Red Lake Electric Cooperative and its support to the International Foundation, you can feel good about our effort to bring electricity, and a better way of life, to people in less fortunate parts of our world.

We know our message has focused a lot on regulations and the impact they have had on the rates you pay; we are not alone in that regard and other utilities will see their rates impacted as well. We have a good and well maintained source of power from our wholesale supplier, Minnkota Power; our distribution system is in good shape and our rates have always been competitive with other utilities in the region and nation. It is our plan to continue with that tradition of being a reliable and competitively priced source of energy for you.

Cooperatively yours,

BONNIE CHRISTIANS

BOARD PRESIDENT

ROGER JOHANNECK

GENERAL MANAGER



AUDIT REPORT

Board of Directors

Red Lake Electric Cooperative, Inc.

Red Lake Falls, Minnesota

Brady, Martz and Associates, P.C. an independent certified public accountant, has audited the Cooperative's financial statements for the year ended December 31, 2011. The auditor has issued their unqualified opinion dated February 20, 2012, on the basic financial statements. Copies of the audited financial statements are on file at the Cooperative's office for inspection.

STATEMENT OF OPERATIONS COMPARISON

	2011	2010
REVENUE		
Electric Energy Sales	\$ 12,997,116	\$ 11,054,712
Miscellaneous Electric Sales	53,459	54,429
Total Income	\$ 13,050,575	\$ 11,109,141
EXPENSES		
Power	\$ 9,670,981	\$ 7,629,478
Operation of Lines	418,028	426,295
Maintenance of Lines	671,486	599,300
Consumer Accounts	254,266	230,365
Customer Service	238,566	227,593
Electric Sales	8,844	8,701
Administrative and General	402,742	374,151
	\$ 1,993,933	\$ 1,866,405
Total Operating Expenses	\$ 11,664,914	\$ 9,495,884
FIXED CHARGES		
Depreciation	\$ 811,872	\$ 777,103
Interest on Debt	239,976	254,469
Interest Expense-Other	3,984	4,181
Other Deductions	5,436	5,775
Total Fixed Charges	\$ 1,061,268	\$ 1,041,528
Total Cost of Electric Service	\$ 12,726,182	\$ 10,537,412
MARGINS		
Operating Margin	\$ 324,393	\$ 571,729
Interest Margin	50,664	40,145
Appliance/HVAC Service Margin	-5,600	6,130
Capital Credits Margin	21,259	13,090
Total Margins	\$ 390,716	\$ 631,095

BALANCE SHEET WHAT WE HAVE (ASSETS)

	2011	2010
Electric Plant	\$ 27,856,984	\$ 27,009,554
Buildings-Improvements	1,209,160	1,209,160
Equipment	2,008,430	1,965,916
Less: Depreciation	-12,802,749	-12,318,429
Net Utility Plant	\$ 18,271,825	\$ 17,866,201
General Funds	\$ 902,258	\$ 518,391
Investments in		
Associated Organizations	1,146,890	1,141,268
Notes Receivable		
Accounts Receivable	1,992,119	1,606,751
Inventories	476,614	613,583
Other Assets	136,125	139,758
Total Assets	\$ 22,925,831	\$ 21,885,952

WHAT WE OWE (LIABILITIES) and Other Credits

Long-term Debt RUS	\$ 7,102,187	\$ 6,073,442
Long-term Debt CFC & CoBank	2,399,943	2,548,730
Liabilities and Other Credits	2,615,523	2,348,480
Total Liabilities	\$ 12,117,653	\$ 10,970,652

WHAT WE OWN (MEMBER EQUITY)

Capital Stock (memberships)	\$ 149,210	\$ 146,665
Patronage Capital	10,099,666	10,209,063
Other Equities	559,302	559,572
Total Member Equity	\$ 10,808,178	\$ 10,915,300
Total Liabilities and Member Equity	\$ 22,925,831	\$ 21,885,952



Conservation Improvement Program Incentives

QUALIFYING

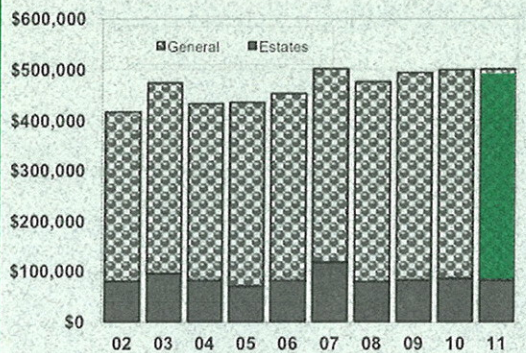
PRODUCT

INCENTIVE

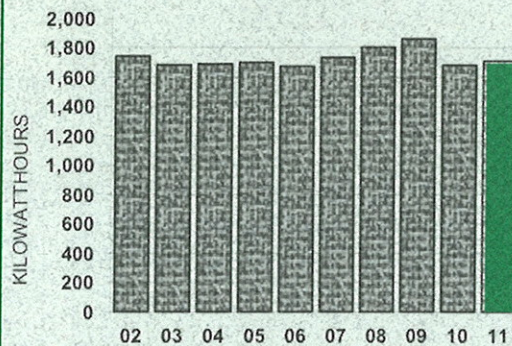
Furnace with ECM blower motor	\$150
Air-Source Heat Pump	\$250
Mini Split/Ductless Air-Source Heat Pump	\$500
Ground Source Heat Pump Closed Loop	\$400/Ton
Ground Source Heat Pump Open Loop	\$200/Ton
Clothes Washer	\$50

Many other incentives available
for residential and business measures.
www.redlakeelectric.com

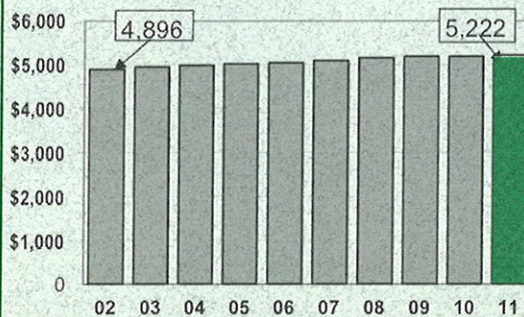
Capital Credits Paid to Members



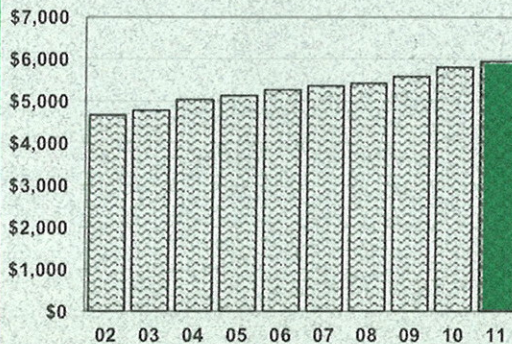
Monthly KWH Usage - Residentail Account



Accounts Billed at Year End



Investment in Plant Per Customer



OPERATING STATISTICS

	5-YEAR AVERAGE	2011
Members (at year end)	4,272	4,285
Number of Accounts billed (at year end)	5,174	5,222
Total KWHs Purchased	138,474,231	140,138,993
Peak Demand (KW) – (without load control)	33,646	32,607
Peak Demand (KW) – (with load control)	21,486	20,939
Investment in Plant – Total	\$ 29,132,341	\$ 31,074,574
Investment in Plant Per Mile	\$ 11,378	\$ 12,096
Investment in Plant Per Customer	\$ 5,629	\$ 5,951
Long-term Debt – Total	\$ 8,350,613	\$ 9,502,129
Long-term Debt – Per Account	\$ 1,613	\$ 1,820
Miles of Line – Overhead	2,323	2,324
Miles of Line – Underground	237	245
Cost of First 1,000 KWH's General Service – 25 kVa . \$	101	\$ 132
Off-peak Rate Per KWH – Long-term Control	\$ 0.041	\$ 0.055
Off-peak Rate Per KWH – Short-term Control	\$ 0.059	\$ 0.075
Average Residential Usage – Annual KWH's	21,111	20,528
Average Residential Usage – Month KWH's	1,759	1,711
Energy Account Write-Offs	\$ 7,483	\$ 7,422
Number of Regular Employees	21	21
Capital Credit Payments:		
To Estates (on behalf of deceased patrons)	\$ 89,472	\$ 82,080
General Retirement (all patrons)	\$ 404,144	\$ 418,035
Debt/Equity Ratios:		
Debt	50.0%	52.9%
Equity	50.1%	47.1%



The Operation Round Up® program at Red Lake Electric enjoyed another successful and generous year in 2011. A total of \$21,432 was granted to 35 different nonprofit and community organizations. That brings the total of grants made since the program began in 1993 to \$376,593.

A nonprofit corporation named Red Lake Electric Trust administers donated funds and determines grants. The five-person board of directors, appointed for three-year terms, meets twice a year to determine grants to applying organizations. Red Lake Electric Trust has been granted 501(c)3 tax-exempt status by the Internal Revenue Service. Contributions made to the Operation Round Up® program are tax deductible.

There are now 3,898 members that contribute to Operation Round Up®, They represent 91% participation of the 4,285 Red Lake Electric Cooperative members, an outstanding participation level. For an average of 50¢ per month or \$6 per year, members can be a part of a very large community-wide charitable program.

Red Lake Electric Trust, Inc.

BOARD OF DIRECTORS

VAN SWANSON
PRESIDENT

RANDY KNUTSON
VICE PRESIDENT

PATTY MICKELSON
SECRETARY-TREASURER

BONNIE CHRISTIANS
EX OFFICIO DIRECTOR

ROGER JOHANNECK
EX OFFICIO DIRECTOR

Red Lake Electric Trust, Inc. FINANCIAL REPORT

For the year ended December 31, 2011

Cash Balance Forward.....\$ 7,514.05

RECEIPTS

Operation Round Up Donations\$22,425.92

Other Contributions 10.00

Checking Account Interest 16.99

Total Receipts\$22,452.91

EXPENDITURES

Administrative Expenses

Director Meeting Fees and Expenses\$ 343.54

Annual Filing Fee, State of Minnesota 25.00

Annual Compilation (Audit) Fee 175.00

Total Administration.....\$ 543.54

GRANTS MADE (35)

Occupational Development Center\$ 800

American Cancer Society - RLCo Chapter 500

Middle River-Thief Lake Living at Home 500

Newfolden Senior Citizen Club..... 600

Inter-County Nursing Service 1,000

Special Olympics, MN - Area 1 500

Falls D.A.C. Inc 550

Early Childhood Family Advocate Program 750

Marshall Co Soc Ser - Little Bros/Little Sis 300

Strandquist Area Food Shelf 500

Warren Food Shelf 250

Viking Volunteer Fire & Rescue 1,000

Goodridge Fire and Rescue 1,000

Relay for Life - Pennington County 500

Violence Intervention Project 1,000

LifeCare Center of TRF 500

Red Lake County Fair Board 300

Pennington County 4H 382

Goodridge Senior Center Inc..... 750

Red Lake Falls Fire Dept 600

Thief River Falls Fire Department 1,000

Newfolden Fire Dept. Relief Assoc 1,000

Pennington County 4H 400

Early Childhood Family Advocate Program - TRF 1,000

Violence Intervention Project - Umbrella Tree..... 1,000

Pennington County and TRF Safety Camp 500

Thief River Falls Area Food Shelf 1,000

Strandquist Area Food Shelf 500

RLCC Elementary School - Plummer ECFE 250

Red Lake Falls ECFE 300

Marshall County Social Services..... 500

Red Lake County Salvation Army 500

Christmas for Pennington County 500

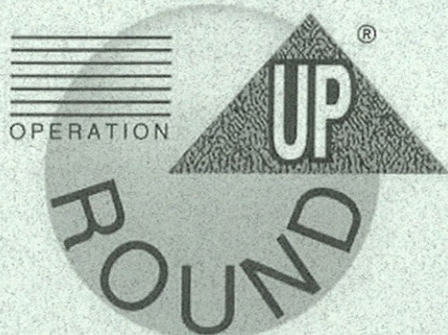
LifeCare Center of TRF 500

Pennington County Humane Society 250

Total Grants Made\$21,432.00

Total Expenditures\$21,975.54

Cash Balance December 31, 2011.....\$ 7,991.42





Cooperatives around the world generally operate according to the same core principles and values, adopted by the International Co-operative Alliance in 1995. Cooperatives trace the roots of these principles to the first modern cooperative founded in Rochdale, England in 1844.

7 Cooperative Principles

1. Voluntary and Open Membership

Cooperatives are voluntary organizations, open to all people able to use its services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Cooperatives are democratic organizations controlled by their members—those who buy the goods or use the services of the cooperative—who actively participate in setting policies and making decisions.

3. Members' Economic Participation

Members contribute equally to, and democratically control, the capital of the cooperative. This benefits members in proportion to the business they conduct with the cooperative rather than on the capital invested.

4. Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If the co-op enters into agreements with other organizations or raises capital from external sources, it is done so based on terms that ensure democratic control by the members and maintains the cooperative's autonomy.

5. Education, Training and Information

Cooperatives provide education and training for members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperative. Members also inform the general public about the nature and benefits of cooperatives.

6. Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7. Concern for Community

While focusing on member needs, cooperatives work for the sustainable development of communities through policies and programs accepted by the members.

EMPLOYEES

Steve Barbot	Service Technician	Melanie LaCrosse	Accounting Assistant
Kelli Brateng	Accounting Assistant	Kathy LaPlante	Customer Service Rep
Shirley Bregier	Accountant	Laurie Malwitz	Custodian
Steven Conely	Engineering Tech	Warren Malwitz	Custodian
Alan Cota	Crew Foreman	Sam Pahlen	Apprentice Lineman
Aaron Derosier	Apprentice Lineman	Mick Raymond	HVAC Service Technician
Jordan Gervais	Apprentice Lineman	Kevin Reich	Manager of Member Services
Bob Guillemette	Manager of Electric Operations	Bev Schmitz	Administrative Assistant
Roger Johanneck	General Manager	Troy Schmitz	Lineman
Brett Knott	Apprentice Lineman	Casey Thronson	Linemen
Steve Kruse	Lineman	Mike Wavra	Lead Lineman

DIRECTORS

Bonnie Christians	President, District 1	Steve Linder	Director, District 4
Robert Finstad	Vice President, District 8	Randy Versdahl	Director, District 6
Mark Hanson	Secretary-Treasurer, District 5	Kelly Lundeen	Director, District 7
Stacy Blawat	Director, District 2	Peter Mosbeck	Director, District 9
Colette Kujava	Director, District 3		

The Mission of Red Lake Electric Cooperative, Inc.

It is the mission of the Red Lake Electric Cooperative to enhance the quality of life for people of our service area by consistently providing quality electric service and other valued services while holding our employees, our community, and our environment in high regard.