

76th Annual Meeting of the Membership of
Red Lake Electric Cooperative, Inc.
Your reliable energy partner



**Red Lake Electric
Cooperative, Inc.**

One of the Minnkota Power Systems



2013 Annual Report
March 26, 2014

Report to the Membership

"Your Reliable Energy Partner"

has been chosen as our theme for this year's annual meeting. The theme was selected because we think it exemplifies what Red Lake Electric Cooperative is to the members it serves: Your reliable energy partner.

Because your demand for and our supply of electric energy is so constant, we don't often think about the possibilities of it not being there for us 24/7. There are occasions however, when Mother Nature or human activity intervenes and the flow of power is interrupted. It is these times when we are reminded of how dependent we are on having a reliable and adequate source of energy to meet the needs of our daily living.

As we've seen with other energy forms, not all provide the same reliability in terms of price or availability as compared to electric energy supplied by Red Lake Electric.

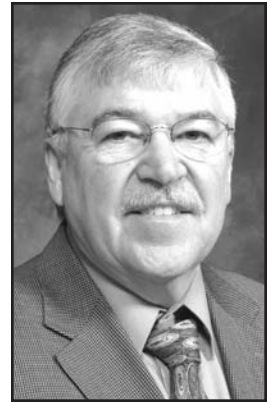
Let's take a closer look; what makes Red Lake Electric Cooperative a reliable energy partner?

Energy Resource: A large part of our reliability is due to the abundant source of North Dakota lignite coal that fuels the generators at the Young and Coyote Power Plants. Having the power plants located next to the fuel source removes the transportation and pipeline bottlenecks that have influenced the availability and price of other fuel sources.

Generation: Minnkota Power, has well maintained base-load coal-fired generation facilities in place to supply the needs of Red Lake Electric and the Minnkota member systems. While Minnkota receives output from wind generation facilities, wind power cannot be relied on to meet the constant



BONNIE CHRISTIANS
Board President



ROGER JOHANNACK
General Manager

energy needs of the membership. An example of that was during the coldest days of this past winter, there was virtually no wind generation during the bulk of Minnkota's winter peaks. Members also benefit from the federally owned hydro-generation at Garrison Dam on the Missouri River.

Transmission Power Lines: An ever evolving transmission system is in place to reliably deliver energy from Minnkota's power plants or from the wholesale energy market to the substations that serve Red Lake Electric and the Minnkota member systems. Minnkota is nearing completion of a new 250 mile transmission line to continue with their reliable delivery of energy from the power plants into the region.

Distribution Power Lines: Your Cooperative owns and maintains 2,587 miles of distribution lines that deliver energy from Minnkota's substations to your home or business. Each year system upgrades are made to meet the growing needs of the members we serve.

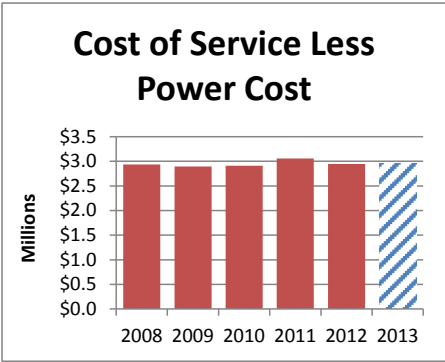
Competent and Dedicated Employees: Our employees take great pride in their responsibility to keep the power flowing and the lights on for the membership. There is always someone on-call to restore power when it is interrupted; *always*.

Director Leadership and Member Support: Having all of the above in place doesn't just happen in a cooperative form of business. It took an involved membership to get the Cooperative off the ground and still today requires support from the membership: by selecting good leaders that will serve on the board of directors and by your continued business you bring to the Cooperative.

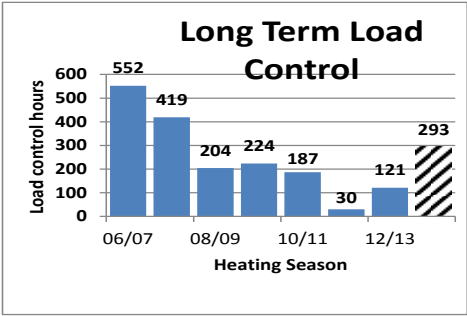
2013 in Review

In some aspects, 2013 was a calmer year for your Cooperative. We managed another year without raising retail rates and do not project any increase for 2014. Not having to raise rates since October 2011 is a welcome break for all of us.

A cold winter to start and end the year, coupled with normal (less dry) harvest conditions boosted retail sales to 126 million kWh's, an increase of 11% from 2012 and the third highest year on record. In addition to good energy sales, expenses of your cooperative fared well for the year too. Wholesale power rates remained stable and our distribution expenses increased a small amount (\$7,300 or 1/4%) from 2012. The good energy sales combined with expenses under budget provided more margins than was required for the Cooperative to meet its financial goals. Directors responded by approving a \$300,000 rebate that the membership received as a credit on their December energy bill.



Off-peak heating customers saw an increase in load control this past heating season. Annual long-term load control hours have ranged from a high of 552 hours in the winter of 2006-2007 to 30 hours in the milder winter of 2011-2012. While there are multiple reasons why load may be controlled, control times are less predictable today than they used to be because of the wind energy that Minnkota has as part of its generation portfolio. Wind generation in place today is about equal to the amount of controllable load on the Minnkota system. It is important to remember that off-peak systems are designed to work with a reliable back-up heat source. When members have a good back-up heat system, comfort levels shouldn't change whether there is 30 or 300 hours of annual load control.



Construction activity was about average in terms of number of new services built in 2013. Red Lake has averaged 58 new services the past ten years and last year 60 services were built:

- 28 for residential or cabins
- 12 for grain bin services
- 12 for new drain tile pumps
- 8 for cell towers, a restaurant and other services.

Thirty seven existing services were upgraded to handle more capacity and 28 services were upgraded to a double throw loop to allow generator hookup.

Electric system maintenance and replacement continued in 2013. Over six miles of underground cable was installed to replace cable that had run its useful life. Fifty-eight poles were changed out due to rot as part of our pole inspection program. Fewer poles were changed out this year due to crews keeping busy by adding over six miles of new tie lines and feeder lines for the new Gentilly Creek substation which was energized on September 17th. Minnkota built and owns this substation located in the southwest part of our service area. Minnkota now has nine substations that provide service throughout Red Lake's system.

This new substation will shorten the feeder lines and improve service to some of the members previously served out of the Huot and Terrebonne substations.



Gentilly Creek Substation

Service continuity was pretty good in 2013 but we were not able to dodge two storm related events that we classify as major. Average interruption time increased to 2.2 hours per account; up from our ten year average of 1.8 hours. On July 12th, wind and lightning caused trees to fall into the line knocking out power to 694 customers south and east of Thief River Falls. The second event saw wind and lightning knock out power to the Holt substation that left 886 customers without power for 89 minutes.

Fortunately there was not a lot of damage to our system from either event; the majority of work consisting of removing trees from the line and restringing conductor.

While weather impacts our service reliability numbers, so does a good maintenance program and scheduled upkeep to our electric system. Contractor brushing as well as tree trimming by Red Lake Electric crews have been kept up. We appreciate members who have made a conscious effort to beautify their yards with trees and shrubs that do not interfere with the electrical lines and equipment on their property. It makes a difference in our ability to provide reliable service to members.

Employees once again completed the year without any lost time accidents. When one considers the hazards of working on powerlines, sometimes in bad weather and at inconvenient hours of the day, employees can't afford to take safety lightly, and don't. Our goal is a simple one and that is: "no one gets hurt". 2013 marked five years without a lost time accident. There has been one lost time accident in the past 11 years. Our workers compensation reflects our good safety record in the form of lower insurance premiums. As thanks for the good safety record employees have achieved, directors awarded employees their choice of a day off at Thanksgiving or Christmas.

Last year the Cooperative said good bye to two long time employees and friends: Mike Wavra and Alan Cota. Both men spent their careers working on the line crew and at retirement both were serving as crew foreman. Collectively these men had over 70 years of service to the membership. We are grateful to have had men like these two in

our ranks for as long as we did. We are also pleased to find two journeyman linemen to fill their vacancies. Branden Narlock, originally from Thief River Falls and Darcy Cardinal, from Red Lake Falls, joined our ranks on June 1.

As we wrap up the business here for 2013, there are a couple of different ways we can look back and evaluate what type of year we had; both as consumers and as a supplier of energy. We can lament perhaps that we used more energy to keep warm or that we used more energy to handle last years crop and wetter harvest conditions; because of increased use of electricity, our bills were more expensive. As a flip side to those views, we can be thankful we had, on average, power to the meter 99.98 % of the time. For the most part, we were able to rely on electricity being there when we needed it. We can be thankful we are productive here in our part of the world, that the crops were bountiful and that we needed to operate all the equipment in place to handle and store our crops. That when we needed to flip a switch and get the work done, we could.

Thank you for your patronage this past year. We are committed to our duty of being your reliable energy partner. We are prepared to serve you whenever you need us, and look forward to a good 2014.

In the spirit of Cooperation,
BONNIE CHRISTIANS
BOARD PRESIDENT

ROGER JOHANNECK
GENERAL MANAGER



Pictures on the cover (clockwise) Garrison Dam, Missouri River; Red Lake Electric Crew, Red Lake River crossing by Gentilly bridge; Milton R. Young Station, Center, ND; Ashtabula Wind Energy Center, Valley City, ND; Coyote Station, Beulah, ND.

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, 2013. The auditor has issued their unqualified opinion dated February 1, 2014, 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

	2013	2012
REVENUE		
Electric Energy Sales	\$ 13,566,720	\$ 13,162,603
Miscellaneous Electric Sales	70,264	57,431
Total Income	\$ 13,636,984	\$ 13,220,034
EXPENSES		
Power	\$ 9,702,120	\$ 9,612,999
Operation of Lines	401,836	391,703
Maintenance of Lines	530,765	558,222
Consumer Accounts	230,412	222,696
Customer Service	224,718	233,575
Electric Sales	9,625	9,933
Administrative and General	442,925	451,725
	\$ 1,840,281	\$ 1,867,854
Total Operating Expenses	\$ 11,542,401	\$ 11,480,853
FIXED CHARGES		
Depreciation	\$ 867,022	\$ 834,298
Interest on Debt	230,721	236,079
Interest Expense—Other	7,164	1,637
Other Deductions	7,439	5,457
Total Fixed Charges	\$ 1,112,346	\$ 1,077,471
Total Cost of Electric Service \$	\$ 12,654,747	\$ 12,558,324
MARGINS		
Operating Margin	\$ 982,237	\$ 661,710
Interest Margin	38,031	51,656
Appliance/HVAC Service Margin	(3,331)	(5)
Capital Credits Margin	123,399	61,578
Total Margins	\$ 1,140,336	\$ 774,939



Luther Kvernén biography
Vice President – Generation
Minnkota Power Cooperative, Inc.
Grand Forks, N.D.
March 2014

Luther Kvernén joined Minnkota Power Cooperative in Grand Forks, North Dakota in June 1974 and has been involved in a variety of engineering, operations, maintenance and management areas during the past 40 years at Minnkota. Since 1997 Kvernén has been in his current position of vice president of Generation which includes corporate responsibilities for the lignite-fueled Milton R. Young Station, near Center, N.D.

In 2011 the Young Station completed a \$420 million upgrade to the environmental and electrical aspects of the station to meet the applicable Best Available Control Technology (BACT) requirements.

Originally from Portland, N.D., Kvernén graduated from the University of North Dakota with a bachelor of science degree in electrical engineering. He and his wife, Jan, have three adult, married children and ten grandchildren.

BALANCE SHEET WHAT WE HAVE (ASSETS)

	2013	2012
Electric Plant	\$ 30,360,588	\$ 28,914,837
Buildings—Improvements	1,209,160	1,209,160
Equipment	2,222,135	2,013,581
Less: Depreciation	-13,999,606	-13,485,119
Net Utility Plant	\$ 19,792,277	\$ 18,652,459
General Funds	\$ 985,928	\$ 688,379
Investments in		
Associated Organizations	1,278,438	1,183,225
Notes Receivable	0	0
Accounts Receivable	2,084,939	2,056,740
Inventories	519,322	1,017,704
Other Assets	509,342	115,244
Total Assets	\$ 25,170,246	\$ 23,713,751

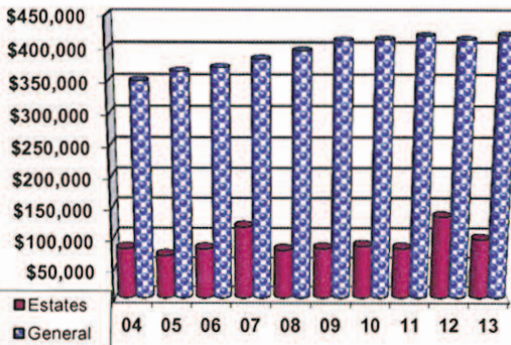
WHAT WE OWE (LIABILITIES) and Other Credits

Long-term Debt RUS	\$ 8,235,102	\$ 7,532,787
Long-term Debt CFC	2,435,658	2,242,039
Liabilities and Other Credits	2,824,159	2,888,029
Total Liabilities	\$ 13,494,919	\$ 12,662,855

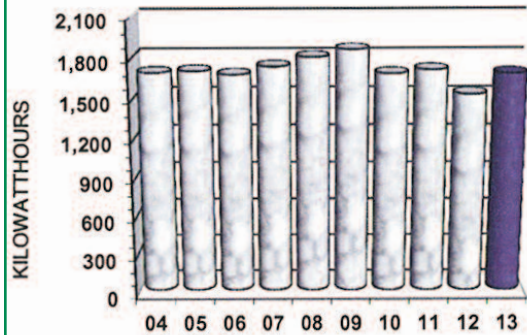
WHAT WE OWN (MEMBER EQUITY)

Capital Stock (memberships)	\$ 154,650	\$ 151,430
Patronage Capital	10,947,109	10,328,014
Other Equities	573,568	571,452
Total Member Equity	\$ 11,675,327	\$ 11,050,896
Total Liabilities and Member Equity	\$ 25,170,246	\$ 23,713,751

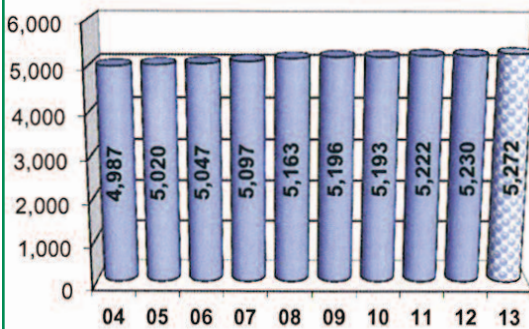
Capital Credits Paid to Members



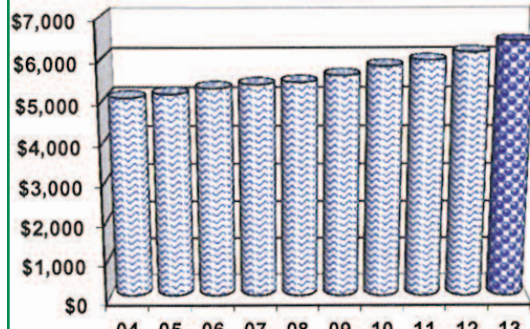
Monthly KWH Usage - Residential Account



Accounts Billed at Year End



Investment In Plant Per Customer



OPERATING STATISTICS

	5-YEAR AVERAGE	2013
Members (at year end)	4,290	4,323
Number of Accounts billed (at year end)	5,223	5,272
Total KWHs Purchased	139,156,211	144,849,402
Peak Demand (KW) – (without load control)	32,628	29,294
Peak Demand (KW) – (with load control)	21,141	20,506
Investment in Plant – Total	\$ 31,245,841	\$ 33,791,883
Investment in Plant Per Mile	\$ 12,155	\$ 13,062
Investment in Plant Per Customer	\$ 5,981	\$ 6,410
Long-term Debt – Total	\$ 9,226,562	\$ 10,048,446
Long-term Debt – Per Account	\$ 1,766	\$ 1,906
Miles of Line – Overhead	2,324	2,323
Miles of Line – Underground	246	264
Cost of First 1,000 KWH's General Service – 25 kVa . \$	119	\$ 132
Off-peak Rate Per KWH – Long-term Control \$	0.049	\$ 0.055
Off-peak Rate Per KWH – Short-term Control \$	0.069	\$ 0.075
Average Residential Usage – Annual KWH's	20,321	20,203
Average Residential Usage – Month KWH's	1,693	1,684
Energy Account Write-Offs	\$ 7,478	\$ 6,578
Number of Regular Employees	20	18
Capital Credit Payments:		
To Estates (on behalf of deceased patrons) \$	96,222	\$ 96,886
General Retirement (all patrons) \$	414,706	\$ 419,347
Debt/Equity Ratios:		
Debt	51.8%	53.6%
Equity	49.4%	46.4%



The Operation Round Up® program at Red Lake Electric enjoyed another successful and generous year in 2013. A total of \$20,950 was granted to thirty different non-profit and community organizations. That brings the total of grants made since the program began in 1993 to \$420,116.

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 3,989 members that contribute to Operation Round Up. They represent 93% participation of the 4,302 Red Lake Electric members, an outstanding participation level. For an average of fifty cents a month or \$6.00 a year, members can be part of a very large community-wide charitable program.

Red Lake Electric Trust, Inc.

BOARD OF DIRECTORS

PATTY MICKELSON
PRESIDENT

RANDY KNUTSON
VICE PRESIDENT

VAN SWANSON
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, 2013

Cash Balance Forward.....\$ 6,848.03
RECEIPTS

Operation Round Up Donations\$22,592.30
Other Contributions
Checking Account Interest 4.82
Total Receipts\$22,597.12

EXPENDITURES

Administrative Expenses
Director Meeting Fees and Expenses\$ 478.05
Annual Filing Fee, State of Minnesota 25.00
Annual Compilation (Audit) Fee 200.00
Total Administration.....\$ 703.05

GRANTS MADE (30)

Goodridge Senior Citizens Center.....\$ 750
Strandquist Area Food Shelf 600
Goodridge Area Fire & Rescue 1,000
Viking Fire & Rescue..... 1,000
RLF Fire Department..... 1,000
Middle River-Thief Lake Live at Home 500
Inter County Nursing Service 500
Tri Community Living at Home Block Nurse..... 500
American Cancer Society..... 500
Violence Intervention Project..... 1,000
Early Childhood Fam Adv Program..... 1,000
Life Care Center 500
Goodridge Area Historical Society 500
Falls DAC 250
Goodridge Area Fire & Rescue 1,000
Okee/Plummer/Brooks Ambulance 1,000
TRF Volunteer Fire Department 1,000
MR Thief Lake Living @ Home Program 500
Pennington County 4-H..... 450
Safety Camp (Penn Co & TRF)..... 500
Early Childhood Fam Adv Program..... 1000
Red Lake County Salvation Army 500
Marshall County Social Services..... 500
Goodridge Area Historical Society 750
LSS Senior Nutrition Porgram - RLF..... 1,000
Early Childhood Family Education 700
Violence Intervention Project - TRF 1,000
Goodridge Senior Citizens Center..... 750
Girl Scout Troop 20786 200
Christmas for Pennington County 500

Total Grants Made\$20,950.00
Total Expenditures\$21,653.05

Cash Balance December 31, 2013\$ 7,792.10

76th RLEC Annual Meeting Wednesday, March 26, 2014

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
	Pledge of Allegiance	Bonnie Christians
	Invocation	Kevin Reich
	Introductions	Bonnie Christians

BUSINESS SESSION

Notice of meeting and affidavit of mailing	Mark Hanson
Establishment of quorum	Mark Hanson
Minutes of 2013 meeting	Mark Hanson
President's report	Bonnie Christians
General manager's report	Roger Johanneck
Financial report	Shirley Bregier
Minnkota report	Luther Kvernén
Election of directors	Bonnie Christians
Question and answer session	
Adjournment of business session	
Award presentations	
Awarding of prizes	
Lunch and entertainment	



EMPLOYEES

Kelli Brateng
Steve Conely
Bob Guillemette
Brett Knott
Laurie Malwitz
Sam Pahlen
Troy Schmitz

Shirley Bregier
Aaron Derosier
Roger Johanneck
Steve Kruse
Warren Malwitz
Mike Raymond
Casey Thronson

Darcy Cardinal
Jordon Gervais
Christie Klipping
Melanie LaCrosse
Branden Narlock
Kevin Reich

DIRECTORS

Bonnie Christians, President, District 1
Steve Linder, District 4
Kelly Lundeen, District 7

Stacy Blawat, District 2
Mark Hanson, Secretary-Treas, District 5
Robert Finstad, Vice President, District 8

Colette Kujava, District 3
Randy Versdahl, District 6
Pete Mosbeck, District 9

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.