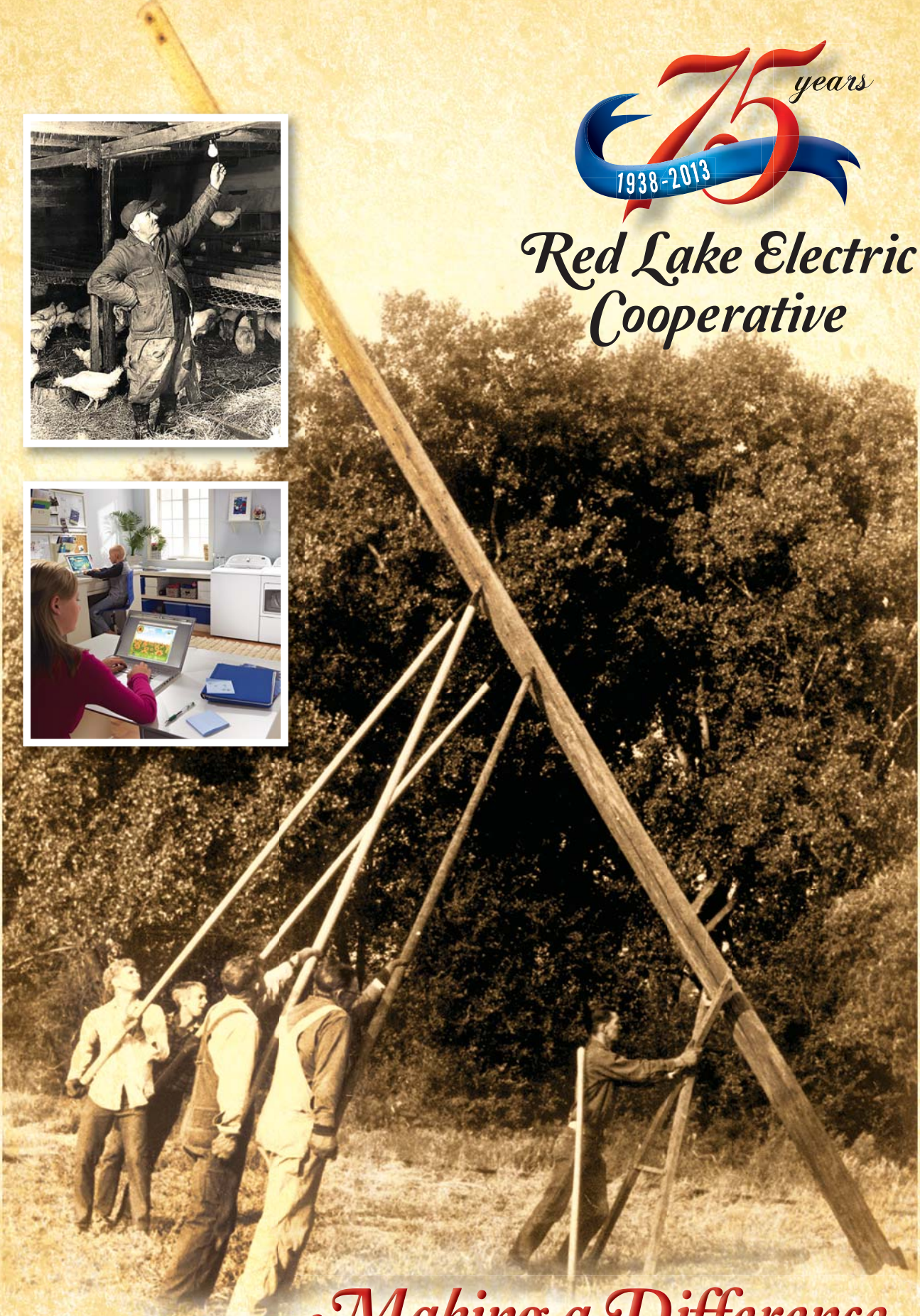




Red Lake Electric Cooperative



Making a Difference

75th Annual Meeting – March 27, 2013

Dedication

This annual report is dedicated to the Cooperative's first leaders – for their vision and quest for a better way of life, for their determination in convincing others that investing \$5 in an electric cooperative was a risk worth taking, and not being deterred by those who, at first, didn't believe it was. Your perseverance, your example and your work to get Red Lake Electric Cooperative built are an inspiration to all who have benefited from your efforts.

Our Mission

It is the mission of 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.

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On the Cover

(Large photo) Cooperation in many forms brought electrification to rural America. One example of that cooperation is shown by the many men and pike poles it took to set a power pole.

(Top inset) "When the lights came on" finally hits home for Red Lake Electric member Ferment Derosier of rural Terrebonne. Like many who received electricity for the first time, Ferment turns the light on and off a few times, both to see if he has "juice" and to amaze at the convenience of having light at the pull of a switch. (March 22, 1941)

(Bottom inset) The difference in colors of the two small photos are a fitting contrast of how our use for electricity has changed from the days of when the lights first came on.

Program

75th Annual Meeting of the Membership of Red Lake Electric Cooperative Wednesday, March 27, 2013

Imperial Room, Ralph Engelstad Arena
Thief River Falls, Minn.

9 a.m.	Registration begins Free coffee and doughnuts
10 a.m.	Entertainment Vernon Rogalla
10:30 a.m.	Call to order Bonnie Christians, President
	National Anthem Lafayette High School Every Day Choir
	Invocation Pastor Robert Dahlen Goodridge Lutheran Parish
	Introductions Bonnie Christians

Business Session

Notice of meeting and affidavit of mailing	Mark Hanson
Establishment of quorum	Mark Hanson
Minutes of the 2012 meeting	Mark Hanson
President's report	Bonnie Christians
Special presentation "When the Lights Came On"	produced by Kevin Jeffrey, Minnkota Power Cooperative
General Manager's report	Roger Johanneck
Financial report	Shirley Bregier
Minnkota report	Wally Lang, Vice President - Transmission
Election of directors	
Question and answer session	
Adjournment of business session	
Awards presentations	
Awarding of door prizes	
Lunch and entertainment	

*Lunch served by
St. Joseph's Parish Guild
Red Lake Falls*

*Musical entertainment
by "Trinity Trio"
Thief River Falls*

Board of Directors



(From left, front row) Bonnie Christians, president; Robert Finstad, vice president; Mark Hanson, secretary/treasurer; and Steve Linder. (From left, back row) Kelly Lundeen, Colette Kujava, Randy Versdahl, Stacy Blawat and Peter Mosbeck.

Former Directors

Octave Varin	1938	Oscar Lavaas	1941-1945	Raymond Parnow	1955-1985
Victor Medchill	1938	Henry Paul	1942-1953	Stanley Radniecki	1958-1974
Fred M. Berberich	1938	Emil Anderson	1942-1948	Richard Weiss	1964-1982
S. A. Walhaug	1938	Matt Gerardy	1943	Lanis Karel	1966-1987
George Remick	1938-1940	Gunnuf Gunstenson	1943-1944	Verner Arveson	1975-1994
C. W. Beyer	1938-1946	Albert Gagner	1944	Norman Dufault	1975-1996
Joseph Ste. Marie	1938-1946	V.E. Coop	1945-1949	Veral Mosbeck	1977-2007
Millard F. Dailey	1938-1992	John L. Radniecki	1945-1957	Robert Olson	1978-2011
E. E. Hill	1939-1940	H. I. Finstad	1946-1954	Harold Lambert	1980-1989
J. G. Newland	1939-1941	Joe Brunelle	1946-1975	Henry Wieland	1982-2010
Mons Engelstad	1939-1944	Arthur C. Rud	1947	Kermit Finstad	1985-1999
Stephen Singer	1939-1945	John Isaacson	1947-1952	Michael Bachand	1987-2002
Carl Swanson	1939-1946	Manvel Moe	1947-1978	Tom Yutzenka	1989-2004
Wilfred Brunelle	1940	Einar Edwards	1948	John Hammer	1992-2005
S. E. Hunt	1940-1941	Leonard Melin	1950-1977	Barb Hoefer	1996-2002
Joseph F. Skala	1940-1964	Helmer O. Lind	1953-1980	Joyce Johnson	2004-2010
Leonard Erickson	1941	Lars M. Larson	1954-1966		

Past Managers of Red Lake Electric Cooperative



1940 - 1942
Ed F. Kiland



1942 - 1957
Orville J. Overmoen



1957 - 1980
Charles M. Kleven



1980
Edwin Etterman



1980 - 2008
Ronnie M. Kennedy



Bonnie Christians
Board President

Roger Johanneck
General Manager

Report to the Membership

Members of Red Lake Electric, congratulations on your 75th anniversary as a Rural Electric Cooperative! While the Cooperative is not officially 75 years old until July 30, we are gathering for our 75th annual meeting on March 27 and will use the event to celebrate this milestone.

The theme chosen for this year's annual meeting is "Making a difference." We believe it is appropriate for this milestone annual meeting of your Cooperative. It's also a fitting time in our history to reflect on where we have come from, see where we are at today and ask ourselves: are we making a difference? As historian James Burke noted: "If you don't know where you've come from, you don't know where you are."

It was an interesting task for those of us involved in gathering data for this 75th annual report and preparing for this year's annual meeting. When looking back over the Cooperative's archives, we gained a new appreciation for how far we have progressed since this Cooperative started in 1938, and how the Cooperative has made a positive difference through the service it provides for our membership. Our goal in preparing this annual report and for our 75th annual meeting was to capture some of that early history. We asked members who were around before Red Lake Electric was formed to share what life was like without electricity and to hear about their experience of getting electric power connected to their home.

We have reason to celebrate on a number of fronts. Electricity (or the harnessing of it) has been considered one of the greatest inventions of man. Who wouldn't want to be part of a business that has such a product to sell or service to provide? To be fair, there have been a lot of great inventions over the same period, but where would most of these products be without the power of electric energy to help build them and keep them powered or recharged?

This anniversary is also a time to celebrate the success of the cooperative business model. When no one thought it profitable enough to string power lines in the rural areas, the people banded together to build their own electric cooperative. Making a profit wasn't the mission of the early founders of the Cooperative nor is it today. That is why the success of this Cooperative is not measured in profits. Its success lies in the ability to serve the membership, and is tied to improving the quality of life in our service area. The success of the Cooperative should be measured by the difference people have made by working together, and by their cooperative effort toward a common goal of making life better with electricity.

The challenge to build this electric Cooperative was a big one, as is the 24/7 responsibility of providing our membership with a safe, reliable and affordable source of power. Directors you have elected and employees we have staffed understand this duty; meeting this chal-

lenge is something we take great pride in doing.

From our modest beginning in 1938, your Cooperative has grown to a business with \$24 million in assets. Our network of power lines now span nearly 2,600 miles across all or portions of these counties: Marshall, Pennington, Polk and Red Lake. By comparison, the miles of distribution lines in place to serve our membership ranks 17th out of the 43 electric cooperatives in Minnesota and 416th out of nearly 900 distribution cooperatives in the United States.

While our Cooperative may be small in comparison to many electric utilities across the country, our membership in associated organizations enables us to be part of something much larger than our service territory boundaries.

Through our membership in Minnkota Power Cooperative and our association with the 10 other distribution cooperatives in northwestern Minnesota and eastern North Dakota, we have common ownership in Minnkota's generation and transmission facilities to reliably meet our energy needs. Through our statewide organization, the Minnesota Rural Electric Association, we share resources and costs with the state's 42 other electric cooperatives in providing common services such as safety instruction, employee training and input on legislative issues important to our membership. On a national level, the Cooperative holds membership in NRECA (the National Rural Electric Cooperative Association). The NRECA has nearly 900 rural electric cooperatives and provides services such as employee training, employee benefits program, product research and a voice for addressing energy issues on a national level. Networking with these and other organizations Red Lake Electric is a part of contributes to the strength and viability of this Cooperative and the nation's rural electric cause.

In many ways, the Cooperative today is very similar to the Cooperative that started out in 1938. The directors, employees, equipment and methods to get the job done keep changing, but the work and our purpose remain the same; we are working to be your reliable energy partner.

The Cooperative is still owned by those it serves. Members are the stockholders and share in the margins or what is left over after expenses. Based on your electricity purchased, margins are assigned as capital credits back

to members. That is just one way the Cooperative is held accountable to its member-owners. The Cooperative has retired more than \$10 million in capital credits to members and another half million is expected to be retired in 2013. This is an example of the benefits of the cooperative business model at work.

Our Cooperative has faced challenges throughout its history. One of the more notable early challenges was a shortage of conductor during World War II. Progress of stringing wire to connect homes slowed and came to a halt for a time, but that challenge was overcome when the war effort ended. There have been other challenges, but for the past few years, our biggest challenge has been the rising cost of wholesale power. While rates have stabilized now, we are well aware of how vulnerable our business has become to state and federal regulations. Members see the impact of these regulations on their monthly energy bill and on the cost of services we all count on daily.

The rate increases from 2008 through 2011 are a direct result of these three things: 1) environmental upgrades Minnkota Power invested in its generation facilities, which were necessary to meet federal EPA requirements; 2) the Minnesota Renewable Energy Standard, passed into law in 2007, requiring 25 percent of your Cooperative's energy sold come from a renewable source and 3) The Minnesota Conservation Improvement Program (CIP), which requires your Cooperative to help fund efficiency measures. It comes with a directive to reduce our energy sales by 1.5 percent per year.

2012 year in review

Hopefully not lost in the escalation of wholesale power cost is the fact that Red Lake Electric Cooperative and the distribution side of your electric service has done a good job of holding down costs. If 2013 unfolds like we expect, distribution expenses will be less than what those expenses were in 2008.

Service reliability or average outage time per consumer increased to 2.6 hours per account in 2012; our previous five-year average was at 1.8 hours. Weather extremes the first week of October (ranging from fire and wind to snow, ice and wind two days later) were the main reason service reliability slipped in 2012. Problems on the electric system ranged from poles burning, trees falling in the line and ice build-up on

the conductor. Thankfully, equipment damage was minimal. However, when ice formed on the conductor combined with strong winds, lines were whipped together, causing breaker operations and power was knocked out to a large part of our service area.

Even though service reliability to members slipped this past year, our efforts to maintain the system and keep the power flowing reliably to our members did not. Tree trimming by our own crews and by contractor services was kept up.

In addition, the Cooperative contracted to inspect poles for rot and damage in part of our service area. Your Cooperative has 40,000 poles, and we have a schedule in place to do periodic testing for rot and damage. About 10 percent of the poles are inspected each year. This annual pole inspection has proven to be a worthwhile investment. Now, in our third time around the system doing pole inspections, we are experiencing fewer reject poles than the first two inspections. Cost savings and improved service reliability are the benefits of a good pole inspection program.

Line construction consisted of 52 new services built, down from the average of 58 new services experienced over the past 10 years. Seventy-three services were upgraded to provide more capacity or to accommodate a backup generator connection. Other construction activity consisted of 4.13 miles of underground cable replacement, three miles of line moved due to road construction and completion of one tie line project to improve service reliability.

Energy sales to members were 122.7 million kWh in 2012; a decrease of 10.6 million kWh or 8 percent down from 2011. Factors that impacted members' drop in energy include a mild winter and reduced energy for heating; minimal grain drying in our service area and conservation and efficiency improvements.

In the meantime, the Cooperative said goodbye to four long-tenured employees and hello to one new employee in 2012. Christine Klipping joined the office staff in July; Roger Valley retired in February after 36 years on the line crew; Kathy LaPlante retired in August after 36 years in the office, Steve Barbot

retired in August after 34 years in Member Services and Beverly Schmitz retired in September after 46 years with the office staff. Several other employees are at or near retirement age. The staff of the Cooperative has changed as needs have changed. In 1980 the Cooperative workforce was 30 and at the end of 2012 there were 18 employees on staff. These recent retirements illustrate the transition of employees that your Cooperative has experienced and could see over the next few years. Finding the right balance of workforce, making the best use of our resources and getting the job done are challenges your Cooperative will continue to meet.

We encourage you to review the 2012 annual report. The pictures inside were taken in Red Lake Electric's service area and show that your Cooperative

"The success of the Cooperative should be measured by the difference people have made by working together, and by their cooperative effort toward a common goal of making life better with electricity."

makes a difference in the lives and livelihoods of its members.

We are grateful for the opportunity to serve as chairman of the board of directors and general manager of Red Lake Electric. Support from members got this Cooperative started and that continued support has enabled the Cooperative to meet and overcome the many challenges it has faced throughout its 75-year history. Your Cooperative's financials and electric distribution plant are in good shape. Together with Minnkota Power, we have the generation resources in place to build on our record of being a reliable source of electricity for many years to come. With your continued patronage, we are confident Red Lake Electric will continue to make a difference in our lives and livelihoods, as well as make a difference for those who follow us.

In the spirit of cooperation,

Bonnie Christians, *Board President*
Roger Johanneck, *General Manager*



A large crowd attends the 1962 annual meeting in Red Lake Falls' Community Hall.

A look back

Members took a chance by investing \$5 each in 1930s, 1940s



Members enjoy the dedication of the Red Lake Electric headquarters building in February 1950 in Red Lake Falls.

*A*s the story goes, it took \$5 to get Red Lake Electric Cooperative (RLEC) started.

The Extension Service, working through the county agents and farm organizations, helped to promote interest in getting electricity on the farms and forming cooperatives to borrow from the new Rural Electrification Administration (REA).

Ernest Palmer, Red Lake County agent, called a meeting in the courtroom in Red Lake Falls, Minn., in early 1938 to explain the program. At one of the meetings, a frustrated Palmer said: "We could hold meetings all summer, but if we don't decide to go ahead and form our electric cooperative it

will amount to nothing.”

George Remick Sr. was the first to walk to the front of the room with \$5 in his hand and said: “I want to be the first one to buy a membership.”

Seven others followed and the cooperative was formed for the purpose of delivering electricity to the rural areas. Incorporators were Remick of Red Lake Falls; Fred Berberich of Erskine; C.W. Beyer of Red Lake Falls; Selmer A. Walhaug of Oklee; Octave Varin of Brooks; Jos. W. Ste. Marie of Red Lake Falls; Victor Medchill of Plummer; and Millard Dailey of Red Lake Falls.

George Dailey, the son of the late Millard Dailey, remembers some conversations he had with his dad about the early days of the co-op.

“My dad traveled quite a bit peddling memberships for \$5 apiece. Five bucks back in those days would fill a gas tank five times,” George Dailey says today. “Gas was 10 cents a gallon.”

George Dailey said not everybody had \$5 to invest in the new co-op. His grandmother put up the money, and even electrically wired the family home before the transmission lines were built to serve the area.

“She must have had faith in her son,” George says.

When the power did come in 1941, Millard Dailey was in the hospital with an illness. George had arrived home after school and the family went through what became a regular routine of checking if the power was on.

Finally, there was light.

“We ran from room to room to check everything out,” George said.

And persistence paid off, though RLEC began its existence at Red Lake Falls under the handicap of wholesale power shortages.

Organized in July 1938, RLEC is celebrating its 75th anniversary at this year’s annual meeting. The cooperative secured its first loan from REA in 1939, and its first distribution lines were energized in March 1941.

Before that, in 1940, Red Lake and five other cooperatives formed Minnkota Power Cooperative to serve as its wholesale energy supplier.

RLEC’s first wholesale energy was pro-

duced at the North Dakota State Mill & Elevator and transmitted over Minnkota’s east transmission line. Meter No. 1 was installed at Terrebonne on the Dona Rivard farm on March 14, 1941.

But the war stifled expansion as only 150 members were added to the system between 1941 and 1945. Things picked up again in the mid-1940s to early 1950s.



Managed by O.J. Overmoen at the time, the co-op had 2,800 consumers and 1,097 miles of line by the end of 1950. Today, managed by Roger Johanneck, RLEC has 5,300 consumers and 2,569 miles of line.

Powerful storms

Many significant events stand out in the history of the cooperative, the most visual being storms and outages. Perhaps the most devastating storm in recent memory came in April 1999, as it led to a six-day outage. Employees and customers endured long hours and difficult conditions during the outage. Spring runoff caused flooding basements and some nearly inaccessible distribution lines.

Freezing rain built up to 3 inches of ice on lines. Over the six-day period, few consumers avoided an outage during the

(Top photo) Red Lake Electric vehicles line up behind the first headquarters building on the north side of Red Lake Falls.

(Bottom photo) Attendees register at the 1953 annual meeting in Red Lake Falls’ Community Hall.

storm. Damages included 35 broken poles, 40 pulled anchors and about 200 conductor breaks.

"This was a terrible experience for our employees and our customers," said Ron Kennedy, general manager at the time. "I'm very pleased with the efforts of all our employees during the service restoration process. I'm also amazed by the patience and understanding shown by the vast majority of customers as they fought their generators or basement water. Adversity raised everyone's performance levels and their wills to succeed."

Earlier, in 1997, Blizzard Hannah raised

havoc on electrical systems in North Dakota and north-west Minnesota, including RLEC.

On April 5 that year, 4,400 Red Lake Electric consumers were without power. The only Red Lake Electric consumers with power were in the Oklee substation area. Some were without power

for up to 44 hours.

About 650 structures were down in Minnkota's service territory, causing the most extensive damage in Minnkota history.

"We were really fortunate we didn't get a lot of sleet in our system," said Bob Guillemette, RLEC manager of electrical operations at the time.

The 1997 and 1999 storms were just two of many in the service territory over the years. One might remember storms in July and August 2001 and December 1979 and January 1980, for instance.

Start of load management

Another RLEC highlight was the start of the load management program.

As a member of the Minnkota system, RLEC started to use load management in the late 1970s. The voluntary program allows Minnkota to more effectively manage its existing power resources and avoid the need to acquire new electric generating resources that would carry a very high cost.

The program is popular with about 50,000 consumers participating in the



Owner of the first farm home energized by Red Lake Electric, Dona Rivard of Terrebonne looks through a publication.

Minnkota system, including more than 2,500 from the RLEC system.

Load management allows Minnkota to turn off, by remote control, electric heaters and other interruptible loads in exchange for a discounted electric rate.

Other highlights

In September 1968, RLEC began computer billing and data processing.

This was done by using the electronic data processing facilities and equipment of Minnkota. Under this arrangement, members no longer needed to calculate and compute monthly bills. They sent in a remittance for the past month and the meter reading as of the 20th of the current month.

Then, in the late 1990s, consumers no longer had to send in their meter reading. That responsibility was assumed by an automated meter reading (AMR) system. The new technology was developed by Hunt Technologies of Pequot Lakes, Minn., and made AMR cost-effective and affordable.

The "turtle" system was the first AMR to communicate meter readings over the power line rather than the telephone line or airwaves.

The satellite business

The year 1994 also brought some technology advances. Direct Broadcast Satellite (DBS) service came to rural America. The National Rural Telecommunications Cooperative (NRTC) entered into an agreement with Hughes Communications to provide a 20-channel programming package to rural residents.

Lenord and Marlys Swanson of Thief River Falls were the first RLEC consumers to view DIRECTV in their home. A DSS was



Mrs. Dona Rivard bakes a meal in her kitchen.



Member John Hanson of Red Lake Falls shows off his arc welder in 1959.

installed at the Swanson's on July 27, 1994.

Just five years later, RLEC sold the DBS franchise to Pegasus Satellite Communications.

"Our basic goal when we purchased the franchise was to make the rural area a more attractive place to live by providing state of the art television programming," said Ron Kennedy, RLEC general manager at the time. "We've accomplished that. The DBS franchise marketplace has evolved and the franchise is now worth many times what we originally paid for it. Profits from the sale will be used to defer electric rate increases for a number of years."

RLEC left the appliance sales business a year after it exited the satellite TV business. The reasons were obvious.

"Sales of appliances to customers began in the '40s in an effort to build load," Kennedy said. "Most other rural electric cooperatives did the same but later got out of the appliance business as other dealers geared up for appliance sales. ... We cannot compete with the large dealers and discount stores who deal with much more volume than we do."

Energy conservation

RLEC preaches energy efficiency and energy conservation on a regular basis to its members. The cooperative reminds you to make efficiency upgrades in your home and business, and also provides incentives/rebates to help with the expense of making upgrades to more efficient lighting and heating, for instance. RLEC itself has made lighting upgrades to its office headquarters building.

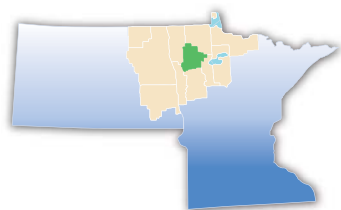
Energy Star®-rated appliance rebates and incentives for conservation measures are offered as part of the PowerSavers program.

Throughout its history, RLEC has found itself able to compete with other cooperatives regarding rates. As the cooperative continues to serve during its 75th year, its commitment to you is just as great today as it was in 1938.



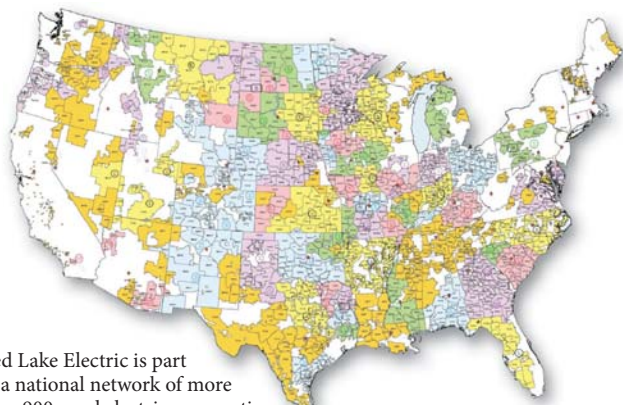
**Red Lake Electric
line personnel
install and work
on poles in the
early days.**



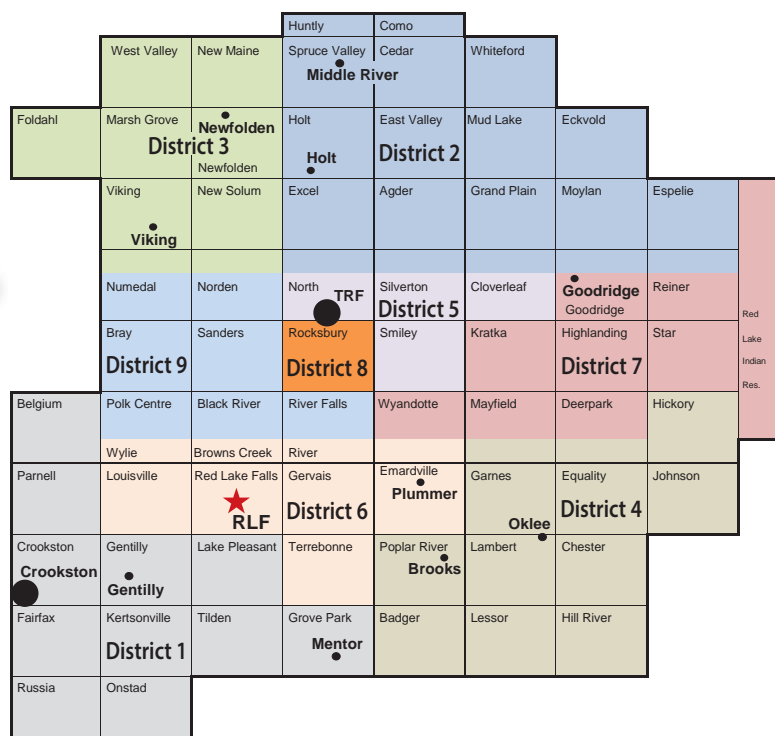


Red Lake Electric Service Area

Red Lake Electric Cooperative's service area covers 2,400 square miles. Included are all of Red Lake and Pennington County, and parts of Marshall County, Polk County and the area served by Red Lake Electric Cooperative on the lands of the Red Lake Band of Chippewa.

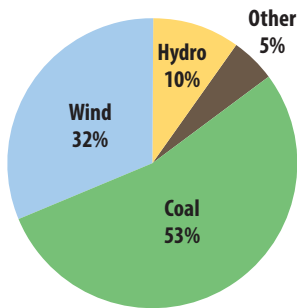


Red Lake Electric is part of a national network of more than 900 rural electric cooperatives that serve 75 percent of the land mass in the United States. This electric cooperative network provides electric energy to 42 million people in 47 states.



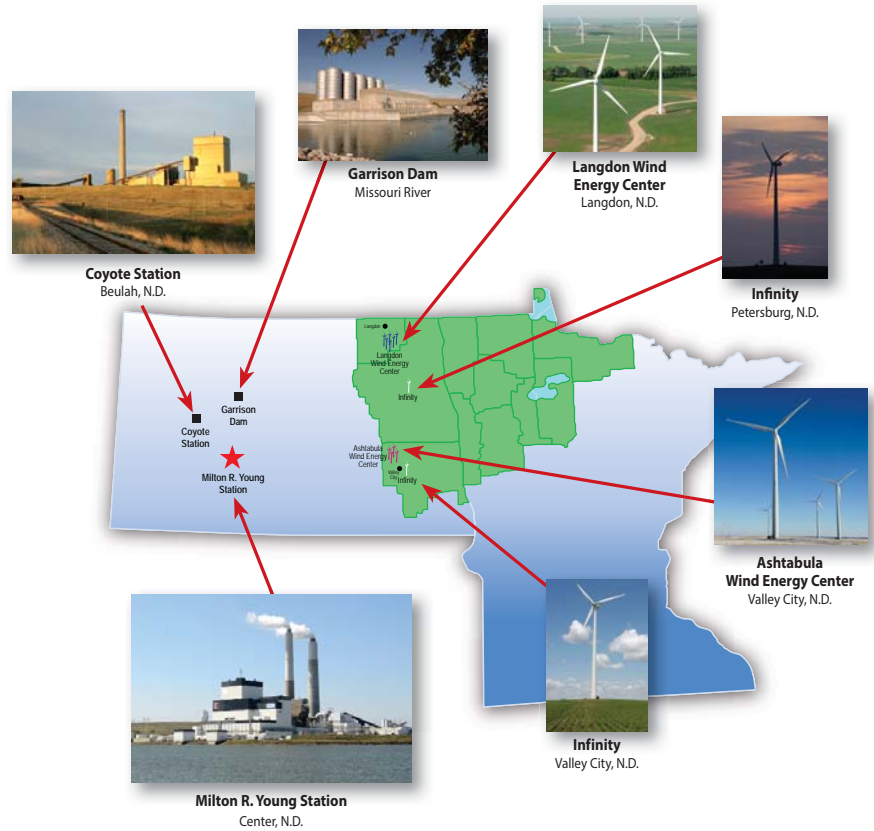
Operating Statistics

	2012 75 Years	1987 50 Years	1962 25 Years		2012 75 Years	1987 50 Years	1962 25 Years
Number of accounts billed (year end)	5,230	4,692	3,284	Miles of line – overhead	2,323	2,356	2,231
Accounts per mile of line	2.03	1.83	1.47	Miles of line – underground	249	207	
Total kWh purchased	130,225,072	88,311,081	20,857,800	Cost of first 1,000 kWh residential service	\$132	\$66	\$28
Annual revenue	\$13,220,034	\$4,552,840	\$593,601	Off-peak rate per kWh – Long-term control	\$0.055	\$0.027	N/A
Investment in plant – Total	\$32,137,578	\$14,143,284	\$3,226,406	Off-peak rate per kWh – Short-term control	\$0.075		
Investment in plant per mile	\$12,495	\$5,518	\$1,446	Avg. residential usage – annual kWh	18,332	16,732	5,575
Investment in plant per customer	\$6,145	\$3,014	\$982	Avg. residential usage – Month kWh	1,528	1,394	465
Long-term debt – Total	\$9,774,826	\$7,048,181	\$2,431,456	Patronage margins – Operating	\$661,710	\$211,913	\$98,341
Long-term debt – per account	\$1,869	\$1,502	\$740	Patronage margins – Nonoperating	\$113,229	\$95,900	\$10,650
Debt/equity ratios:				Number of regular employees	18	23	30
Debt	53.4%	60.8%	83.7%	Capital credit payments:			
Equity	46.6%	39.2%	16.3%	To Estates (on behalf of deceased patrons)	\$134,117	\$45,873	\$7,408
				General retirement (all patrons)	\$412,491	\$82,097	\$22,973



Power Supply Resources

	(kilowatts)
Milton R. Young Station – Coal	
Young 1	250,000
Young 2 (50%)	227,500
Coyote Station – Coal (30%)	128,100
Wind	
Infinity	1,800
Langdon Wind Energy Center	139,500
Ashtabula Wind Energy Center	217,500
Garrison Dam – Hydro	108,871
Other	55,776
Total power supply resources	1,129,047



Minnkota Power Cooperative Associated Systems

Distribution Cooperatives

Beltrami Electric Cooperative
 Bemidji, Minn.

Cass County Electric Cooperative
 Fargo, N.D.

Cavalier Rural Electric Cooperative
 Langdon, N.D.

Clearwater-Polk Electric Cooperative
 Bagley, Minn.

Nodak Electric Cooperative
 Grand Forks, N.D.

North Star Electric Cooperative
 Baudette, Minn.

PKM Electric Cooperative
 Warren, Minn.

Red Lake Electric Cooperative
 Red Lake Falls, Minn.

Red River Valley Cooperative
Power Association
 Halstad, Minn.

Roseau Electric Cooperative
 Roseau, Minn.

Wild Rice Electric Cooperative
 Mahnommen, Minn.

Municipal Utilities

Bagley Public Utilities
 Bagley, Minn.

Baudette Municipal Utilities
 Baudette, Minn.

Fosston Municipal Utilities
 Fosston, Minn.

Grafton Municipal Utilities
 Grafton, N.D.

Halstad Municipal Utilities
 Halstad, Minn.

Hawley Public Utilities
 Hawley, Minn.

Park River Municipal Utilities
 Park River, N.D.

Roseau Municipal Utilities
 Roseau, Minn.

City of Stephen Municipal Utilities
 Stephen, Minn.

Thief River Falls Municipal Utilities
 Thief River Falls, Minn.

Warren Municipal Utilities
 Warren, Minn.

Warroad Municipal Utilities
 Warroad, Minn.

Making a difference ...



Agassiz National Wildlife Refuge *Middle River*

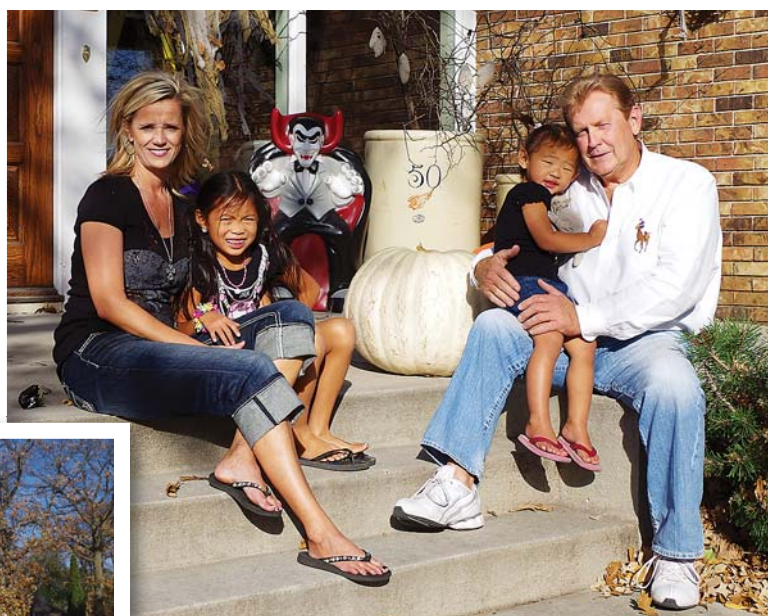
Breeding grounds for migratory birds
and other wildlife

Craig Mowry is manager of the refuge, which was established in 1937 and features packs of wolves, along with moose, waterfowl and nearly 300 species of birds.



Bakke Family *Thief River Falls*

Displayers of seasonal home
and yard decorations



Joanie, Brooklyn, Kennedy and Denny Bakke.



**Dan and Lana
Caillier, Tim and
Amanda Caillier,
owners.**

Caillier Farms *Crookston*

Growers of wheat, sugar beets, soybeans and corn



(Background photo) **Arden Lundeen
of Oklee chisel plows a soybean
field north of Oklee.**



CHS Sunflower *Hazel Division* **Northwest Grain** *Hazel Plant*

CHS Sunflower, largest confectionary sunflower processor in the world; Northwest Grain, receiver of corn, soybeans and wheat from area producers



Randy Jorde is the plant manager for CHS Sunflower. DuWayne Thompson is general manager and Steve Miller is location manager for Northwest Grain. CHS Sunflower includes both Hazel and Grandin, N.D., sites.



It is the mission of Red Lake Electric Cooperative ...



Crookston Sports Center *Crookston*

87,000-square-foot building
with three arenas

The Crookston and Thief River Falls girls high school teams square off on the ice. The grand opening for the facility, which includes 14 locker rooms, concessions and a community room, was in January 2010.

Merlin and Marlys
Drangstveit, Terry
and Tammy
Drangstveit and
Mike Drangstveit,
owners.



Drangstveit Farms *Goodridge*

Growers of wheat and soybeans;
producers of weanling hogs



(Left) Fifth- and sixth-grade students learn about energy efficiency from Minnkota Power and Red Lake Electric workers. (Below from left) Khunsa Naik, senior class and student council secretary; Brea Naeseth, student council vice president; and Heath Mickelson, student council president; talk outside the school.

Goodridge Independent School District #561 *Goodridge*

Public school with an enrollment of about 190
Galen Clow, superintendent



Good-Vue Ayr Farm *Goodridge*

Producers-breeders of registered
Ayrshire dairy cattle; growers of barley,
hay, oats, soybeans and wheat



Mike and Linda Hanson, David, Matthew and Steven Hanson, owners. (Above) Mike Hanson attends to the cows. (Right) Steven Hanson milks a cow on the farm. Steven, Matthew and David are fourth-generation Ayrshire breeders-producers.



*to enhance the quality of life
for people of our service area ...*



Sons Jason and Alex Hanson help with the Hanson farming operation.



Paul and Kathy Hanson
Crookston

Growers of wheat and soybeans



Hoppe Farms
Crookston

Producers of finished hogs;
owners of purebred Gelbvieh cow-calf beef
operation; growers of small grains, corn,
edible beans and soybeans



Dave and Ida Hoppe, Steve Hoppe and Pat and Crystal Guzman, owners. (Pictured from left) Ida Hoppe, Duane Ridle, Dave Hoppe and Steve Hoppe.



Darryl and Laural Jarshaw *Newfolden*

Avid gardeners, hobby farmers, car show
and tractor pull enthusiasts



(From left) Aaron, Randy and Duane Myhre.

Myhre Farms *Terrebonne*

Growers of corn, rye grass,
soybeans and wheat



by consistently providing quality electric service and other valued services ...



Dale and Denice Nelson
Thief River Falls

Growers of hay, soybeans and wheat



(From left) Nathan Jorgenson, vice chair; Mary Reiersen, treasurer; Kelly Dahl, chair; Jill Hall, secretary; and Greg Hestekind (in the cab), blade operator. *Not pictured:* Darrick Jarshaw, supervisor.

New Solum Township
Marshall County

Population of 326, largest township
in Marshall County



Dr. Anne Temte is president of Northland Community and Technical College.

**NORTHLAND
COMMUNITY & TECHNICAL
COLLEGE**



Northland Community and Technical College

Aerospace Campus – Thief River Falls

Northland Aerospace offers cutting edge training in aviation maintenance technology (AMT), imagery analyst (IA) training and unmanned aerial systems (UAS) maintenance



Jerry and Pam Nelson, owners.

Oakhill Stock Farms



Oakhill Stock Farms

Red Lake Falls

Breeders-producers
of registered Salers beef cattle

while holding our employees, our community and our environment in high regard.

Olson Gravel Trail

Supplier of gravel, black dirt and aggregate products; provides excavating services and septic tank installations



(From left) Owner Curtis Olson, Mike Hahn, Erik McPherson, Joe Rosnow and Jason Audette.



Stanley and Arlene Panek Goodridge

Longtime members share the beauty of their yard

(Background photo)
Reiner Lutheran
Free Church
sits alongside
Minnesota
Highway 1 east
of Goodridge.



Silver Creek Lutheran *Thief River Falls*

Historic church organized in 1899;
worshipping in current church northeast
of Thief River Falls since 1961



Silver Creek celebrates during its annual Christmas program. John Golv is the pastor and Alemayehu Tulu is the associate pastor.



Attendees enjoy the annual fall supper. Carl Hansen is the pastor of St. Pauli.



St. Pauli Lutheran *Thief River Falls*

Founded in 1895; first services held
at its present home southeast
of Thief River Falls in 1901



Hutchinson works on a project.



(From left, front row) T. Konickson, Doug Dallmann, Pam Joppru and Denise Hutchinson. (From left, back row) Matt Lunak, Chad Davis, Adam Dallmann and Rick Myers. Doug Dallmann is the Universal owner.

Wells Concrete St. Hilaire



Richard Haugen is the superintendent of the St. Hilaire pit.



Large fleet of trucks deliver ready-mix year-round.

*Thank you members
for your patronage –
your support of the Cooperative
makes a difference!*

Red Lake Electric Cooperative *Employees*



(From left) Roger Johanneck, Steve Conely and Bob Guillemette.



(From left) Kelli Brateng, Melanie LaCrosse, Shirley Bregier and Christie Klipping.



(From left) Kevin Reich and Mike Raymond.



(From left) Alan Cota, Aaron Derosier, Steve Kruse, Sam Pahlen and Brett Knott.



(From left) Jordon Gervais, Casey Thronson and Troy Schmitz.

Competent and Dedicated Employees

*working to make Red Lake
Electric Cooperative your
reliable energy partner*



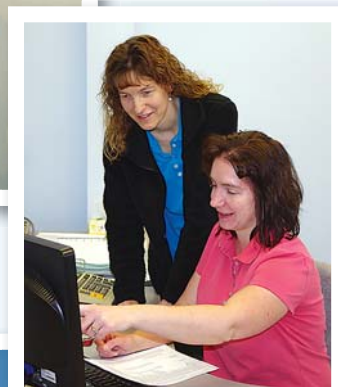
Line crews at work.



Raymond Molskness, Thief River Falls, and Kelli Brateng.



Brenda Schindler, Red Lake Falls, and
Mike Raymond.



Melanie LaCrosse, left,
and Christie Klipping.



Troy Schmitz, left, and Sam Pahlen.

The Cooperative today is very similar to the Cooperative that started out in 1938. The directors, employees, equipment and methods to get the job done keep changing, but the work and our purpose remain the same; we are working to be your reliable energy partner.



Aaron Derosier.



Casey Thronson.



Alan Cota.



Steve Kruse, left, and Jordon Gervais.



Brett Knott.

Retired Employees

Frank Loeffler	1944 – 1956	Ronnie Kees	1963 – 2000
Roe Delorme	1945 – 1972	Beverly Schmitz	1966 – 2012
Vincent Schmitz	1945 – 1985	Marge Josephson	1968 – 2001
Paul Hagl	1946 – 1974	Darlene Valley	1973 – 2008
Frank Kruse	1946 – 1974	Doug Hagl	1974 – 2006
Les Keifenheim	1946 – 1983	Dick Gervais	1974 – 2010
Harold Ford	1946 – 1986	Dave DeHaan	1975 – 2009
Maurice LaCoursiere	1946 – 1986	Ron Kennedy	1976 – 2008
Ira Loeffler	1946 – 1986	Tim Carriere	1976 – 2009
Edward Cuno	1946 – 1989	Roger Valley	1976 – 2012
Virgil Patnode	1948 – 1985	Kathy LaPlante	1976 – 2012
Vi Fellman	1950 – 1970	Vicki Dargon	1977 – 2002
Clara Bendel	1955 – 1972	Ira Cota	1977 – 2010
Edwin Etterman	1956 – 1980	Steve Barbot	1977 – 2012
Leo Musil	1956 – 1983	Ernie Tougas	1981 – 2000
Charles Kleven	1957 – 1980	Mike Wavra	1981 – 2013
LeRoy Marcotte	1963 – 1998		

Audit Report

Board of Directors

Red Lake Electric Cooperative, Inc.

Red Lake Falls, Minnesota

We have audited the balance sheets of Red Lake Electric Cooperative, Inc. as of December 31, 2012 and the related statements of margins, changes in equity and cash flows for the year then ended. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Red Lake Electric Cooperative, Inc. as of December 31, 2012 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BRADY, MARTZ AND ASSOCIATES, P.C.
Grand Forks, North Dakota

Balance Sheet

December 31, 2012

ASSETS

Electric plant	\$ 28,914,837
Buildings – improvements	1,209,160
Equipment	2,013,581
Less: depreciation	(13,485,119)
Net utility plant	<u>18,652,459</u>
General funds	688,379
Investments in associated organizations	1,183,225
Accounts receivable	2,056,740
Inventories	1,017,704
Other assets	<u>115,244</u>
TOTAL ASSETS	<u>\$ 23,713,751</u>

LIABILITIES

Long-term debt – RUS	\$ 7,532,787
Long-term debt – CFC & CoBank	2,242,039
Liabilities & other credits	<u>2,888,029</u>
TOTAL LIABILITIES	<u>\$ 12,662,855</u>

MEMBER EQUITY

Capital stock (memberships)	\$ 151,430
Patronage capital	10,328,014
Other equities	<u>571,452</u>
TOTAL MEMBER EQUITY	<u>\$ 11,050,896</u>
TOTAL LIABILITIES & MEMBER EQUITY	<u>\$ 23,713,751</u>

Statement of Operations

2012

REVENUE

Electric energy sales	\$13,162,603
Miscellaneous electric sales	<u>57,431</u>
TOTAL INCOME	<u>\$13,220,034</u>

EXPENSES

Cost of purchased power	\$ 9,612,999
Operation of lines	391,703
Maintenance of lines	558,222
Consumer accounts	222,696
Customer service	233,575
Sales	\$9,933
Administrative & general	<u>451,725</u>
TOTAL OPERATING EXPENSES	<u>\$11,480,853</u>

FIXED CHARGES

Depreciation	\$ 834,298
Interest on debt	236,079
Interest expense – other	1,637
Other deductions	5,457
TOTAL FIXED CHARGES	<u>\$ 1,077,471</u>
TOTAL COST OF ELECTRIC SERVICE	<u>\$12,558,324</u>

MARGINS

Operating margin	\$ 661,710
Interest margin	51,656
Appliance/HVAC service margin	(5)
Capital credits margin	<u>61,578</u>
TOTAL MARGINS	<u>\$ 774,939</u>



The Operation Round Up® program at Red Lake Electric enjoyed another successful and generous year in 2012. A total of \$23,116 was granted to 37 different nonprofit and community organizations. That brings the total of grants made since the program began in 1993 to \$399,166.

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 3,938 members that contribute to Operation Round Up. They represent 92 percent participation of the 4,285 Red Lake Electric Cooperative members, an outstanding participation level. For an average of 50 cents per month or \$6 per year, members can be a part of a very large communitywide 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, 2012

CASH BALANCE FORWARD **\$ 7,991.42**

@

RECEIPTS

Operation Round Up donations	\$ 22,595.44
Other contributions	10.00
Checking account interest	11.95
Total receipts	\$22,617.39

EXPENDITURES

Administrative expenses:

Director meeting fees & expenses	\$ 419.78
Annual filing fee, State of Minnesota	25.00
Annual compilation (audit) fee	200.00
Total administration	\$ 644.78

Grants made: (37)

Plummer Fire Department	\$ 1,000.00
American Cancer Society – Red Lake Co. Chapter	500.00
Early Childhood Family Advocate Program	1,000.00
Inter-County Nursing Service	850.00
Goodridge Veteran's Memorial Park	500.00
Strandquist Area Food Shelf	600.00
St. Hilaire Senior Citizens Club, Inc.	500.00
Goodridge Senior Citizens	750.00
North Valley Public Health	400.00
Red Lake Falls Library	500.00
Villa St. Vincent	500.00
Tri-Comm. Living @ Home/Blk. Nurse Program	500.00
MR/Thief Lake Living @ Hm Blk. Nurse Program	500.00
Occupational Development Center	500.00
Marshall Co. Social Services - Little Brother/Little Sister	500.00
Marshall Co. Literacy Council	200.00
Heritage Community Center	200.00
Goodridge Area Fire & Rescue	1,200.00
Newfolden Volunteer Fire Department	1,200.00
TRF Volunteer Fire Department	1,200.00
Viking Fire and Rescue	1,200.00
Violence Intervention Project – TRF	1,000.00
Pennington County 4-H	450.00
Early Childhood Family Advocate Program – TRF	1,000.00
Middle River – Thief Lake Living At Home Program	500.00
Goodridge Senior Citizens Center	750.00
Marshall Co. Social Services	500.00
Red Lake County Holiday Gift Program – Salvation Army	500.00
Christmas for Pennington County	500.00
Prairie Community Service	500.00
Occupational Development Center – TRF	366.00
Early Childhood Family Education – Plummer	500.00
Safety Camp – Pennington Co. & TRF	500.00
Life Care Center	500.00
Red Lake Falls LSS Senior Nutrition Program	500.00
Satisfy the Hunger Backpack Program	250.00
Pennington-Red Lake County Crime Victim Services	500.00

Total grants made **\$ 23,116.00**

Total expenditures **\$23,760.78**

CASH BALANCE December 31, 2012

\$ 6,848.03



**Red Lake Electric
Cooperative Inc.**

P.O. Box 430
Red Lake Falls, MN 556750-0430

