

Langdon Wind Energy Center

== Welcome ==

to the **70**th Annual Meeting of the Membership of

Red Lake Electric Cooperative, Inc.

Wednesday, March 26, 2008
Imperial Room, Ralph Engelstad Arena
Thief River Falls, Minnesota

9:00 a.m.	Registration begins Free coffee and doughnuts	
10:00 a.m.	Entertainment	Vern Rogalla
10:30 a.m.	Call to order	Kelly Lundeen, President
	National Anthem	Amelia Schmitz
	Invocation	Roger Johanneck
	Introductions	Kelly Lundeen

BUSINESS SESSION

Notice of meeting and affidavit of mailing	Henry Wieland
Establishment of quorum	Henry Wieland
Minutes of 2007 meeting	Henry Wieland
President's report	Kelly Lundeen
General manager's report	Ron Kennedy
Financial report	Roger Johanneck
Minnkota report	Dave Loer, CEO, Minnkota Power
Election of directors	Kelly Lundeen
Question and answer session	
Adjournment of business session	
Award Presentations	
Awarding of prizes	
Lunch and entertainment	

Report to the Membership



KELLY LUNDEEN
Board President



RON KENNEDY
General Manager

Langdon Wind Energy Center

Red Lake Electric Cooperative (RLEC) members are now using electricity that is partially generated from the wind. The new wind generation located near Langdon, N.D., will provide nearly 10 percent of RLEC members' electricity annually.

Minnkota Power, RLEC's wholesale energy supplier, has contracted with FPL Energy for the output of 66 wind turbines with a total nameplate rating of 99 megawatts.



In addition to Minnkota's 99 megawatts, Otter Tail Power takes the output of 40 wind turbines totaling 60 megawatts. This joint project between Minnkota, Otter Tail and FPL Energy also required an upgrade of 35 miles of transmission line to deliver the power out of the Langdon area.

Most of the wind turbines were online by Jan. 1, 2008, and all were generating electricity shortly thereafter. They are expected to generate electricity at a 40 percent capacity factor; that is, they should provide 40 percent of their nameplate rating when their output is averaged over a year.

The Langdon Wind Energy Center is the first significant addition to Minnkota's generation resources since the Coyote Plant came online in 1981. At present, Minnkota has no new fossil fuel generation in place to "back up" this wind generation when the wind isn't blowing strong enough. Plans are being developed now to "firm up" this wind generation capacity in a few years as electric usage continues to grow in the Minnkota system.

Minnkota's involvement in the Langdon project was largely prompted by legislation adopted in 2007. By 2025, 25 percent of the electricity sold in Minnesota must be generated from renewable sources. Today, wind is the most cost effective renewable and Minnkota will likely soon participate in other wind generation projects to abide by the 25/25 law.

The net cost to Minnkota for electricity produced at Langdon is close to the current regional market price, so wholesale rates have not been increased for this generation addition. That net cost is lowered by a 1.9-cent federal production tax credit, which makes it competitive.

There is some activity today in the RLEC service territory by commercial wind energy developers. Some wind test towers will be installed soon to measure actual wind speeds over a period of time. While the wind here is not as strong as some areas in North Dakota and southwestern Minnesota, it may still be strong enough to make smaller scale wind farms financially feasible. Whenever generation is located near the consumers of electricity, it is positive for the electric system.

2007 in Review

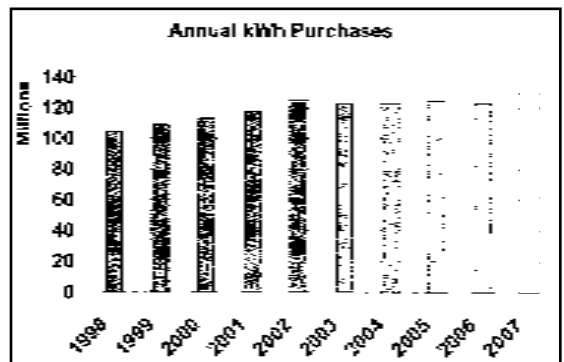
The past year has been a very good one at RLEC in many respects. Service continuity was good at only 1.8 hours of average outage time per customer. We were able to pay out more than \$500,000 in capital credits to current and past members. RLEC ended the year with a very positive \$749,228 total margin, 9.2 percent of revenue.

Energy sales totaled 122 million kilowatt hours in 2007, up 5.6 percent from 2006. The additional energy sales provided some short-term gains in revenue and margins but have some negative long-term aspects also. Most of the increased customer usage occurred in the winter months when system peak conditions also occur. Investing money in

the electric system to handle peak usage periods only is not a long-term profitable venture.

Employees at RLEC added to their impressive safe-working record in 2007. More than five years has passed since the last lost-time accident occurred. The Board of Directors rewarded employees for their safe work record by giving them Christmas Eve day off.

Wholesale power rates were increased 8.5 percent in early 2007, necessitating a 5.7 percent overall retail rate increase. Seasonal rates were implemented with higher prices for electricity used from Dec. 10 through March 10. The higher winter rates reflect the higher cost of wholesale electricity in the winter peaking time period.



Line construction activity in 2007 was similar to recent years. Fifty-six new services were built, 48 existing services were upgraded to provide more capacity or generator connection capability, 215 deteriorated poles were replaced and six and one-quarter miles of line was reconstructed due to road regrading projects.

!

Management Change

Roger Johanneck has been selected by the Board of Directors to serve as general manager of RLEC effective May 1. Ron Kennedy is retiring from RLEC in May. Johanneck is currently the manager of finance and administration, a position he has held since 1980.

The Board advertised the position opening nationally, interviewed additional candidates and found Johanneck to be the best person for the job. As a lifelong resident of the area and a long-term employee at RLEC, he knows the needs of the Cooperative and its members, and will do a fine job.

A Look Ahead

Energy conservation will become critical as we move into a time of higher prices for electric service. Minnkota Power will spend about \$180 million on their generating plants in the next five years. Most of the investment will be made to meet more stringent federal standards on emissions from power plants. The generation capability of the plants will actually be going down as emission reduction systems reduce efficiency, also.

Wholesale rate increases are projected to be significant as the cost of

plant improvements is rolled into the rate base. The effect on your retail rates will likely exceed 25 percent over the next five years.

To keep the bottom line of your electric bill close to where it is today, customers will need to use less electricity. Many conservation measures are low-cost and require very little lifestyle change. Energy conservation saves money – TRY IT!

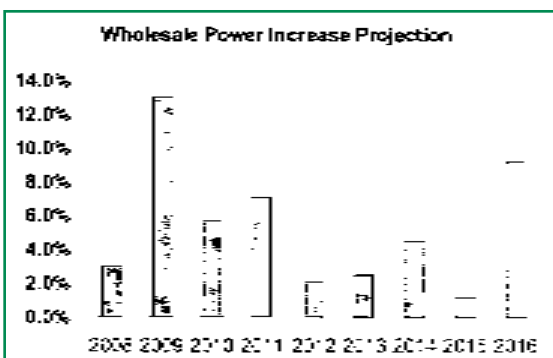
We continue to encourage the purchase of energy-efficient appliances and HVAC equipment whenever possible. The Cooperative now pays generous rebates to help offset the increased cost of energy-efficient appliances. As new State laws on conservation programs for utilities take effect in 2010, there will likely be more programs identified that cost effectively reduce energy consumption.

All electric utilities will see their costs and rates rise in the future. While rising electric rates will not be popular, we fully expect RLEC to continue with quality service and continue to have rates lower than most electric utilities in the nation and region. We hope there is some comfort in that.

Cooperatively yours,

KELLY LUNDEEN
BOARD PRESIDENT

RONNIE M. KENNEDY
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, 2007. The auditor has issued their unqualified opinion dated March 7, 2008, on the basic financial statements. Copies of the audited financial statements are on file at the Cooperative's office for inspection.



Rebates offered for Energy Star® appliances and equipment

QUALIFYING ELECTRIC

PRODUCT	REBATE
Dehumidifier	\$ 25
Dishwasher	50
Room Air Conditioner	50
Clothes Washer	100
Refrigerator	100
Freezer	100
Split System Air Conditioner	100
Central Air Conditioner	100
Air Source Heat Pump	200
Ground Source Heat Pump	500

*Commercial Lighting rebates also available

STATEMENT OF OPERATIONS COMPARISON

	2007	2006
REVENUE		
Electric Energy Sales	\$ 8,123,017	\$ 7,603,118
Miscellaneous Electric Sales	39,945	37,314
Total Income	\$ 8,162,962	\$ 7,640,432
EXPENSES		
Power	\$ 5,204,604	\$ 4,669,358
Operation of Lines	328,906	304,285
Maintenance of Lines	581,043	626,835
Consumer Accounts	179,300	182,475
Customer Service	194,880	189,332
Electric Sales	6,170	6,770
Administrative and General	433,385	427,470
	\$ 1,723,684	\$ 1,737,167
Total Operating Expenses	\$ 6,928,288	\$ 6,406,525
FIXED CHARGES		
Depreciation	\$ 717,376	\$ 694,054
Interest on Debt	320,693	311,328
Interest Expense—Other	8,912	20,495
Other Deductions	4,351	4,071
Total Fixed Charges	\$ 1,051,332	\$ 1,029,948
Total Cost of Electric Service	\$ 7,979,619	\$ 7,436,473
MARGINS		
Operating Margin	\$ 183,343	\$ 203,959
Interest Margin	238,588	199,254
Appliance/HVAC Service Margin	5,059	(6,652)
DBS Franchise Sale Margin	307,619	297,653
Capital Credits Margin	14,618	16,912
Total Margins	\$ 749,228	\$ 711,126

BALANCE SHEET

WHAT WE HAVE (ASSETS)

	2007	2006
Electric Plant	\$ 24,480,747	\$ 23,730,492
Buildings—Improvements	1,231,482	1,225,029
Equipment	1,641,456	1,657,138
Less: Depreciation	-10,693,320	-10,273,819
Net Utility Plant	\$ 16,660,365	\$ 16,338,840
General Funds	\$ 371,256	\$ 702,323
Investments in		
Associated Organizations	1,120,521	1,115,584
Notes Receivable	321,032	637,336
Accounts Receivable	1,247,632	1,211,627
Inventories	469,303	486,941
Other Assets	88,374	116,163
Total Assets	\$ 20,278,484	\$ 20,608,814

WHAT WE OWE (LIABILITIES)

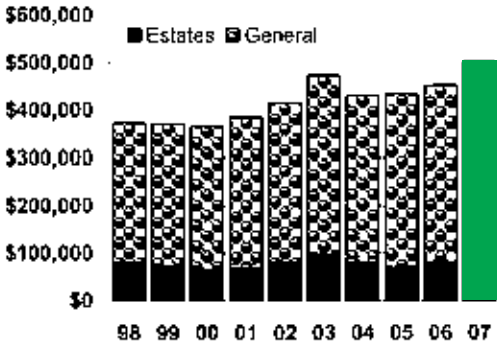
AND OTHER CREDITS

Long-term Debt RUS	\$ 7,116,321	\$ 7,535,947
Long-term Debt CFC	553,969	570,978
Liabilities and Other Credits	3,014,139	3,121,522
Total Liabilities	\$ 10,684,429	\$ 11,228,447

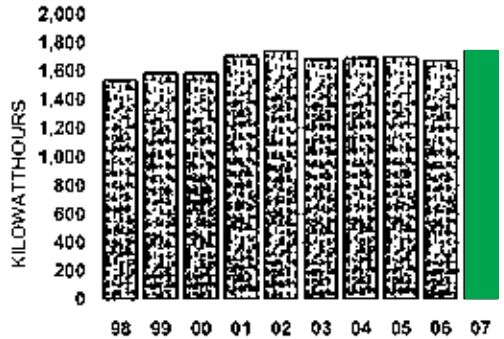
WHAT WE OWN (MEMBER EQUITY)

Capital Stock (memberships)	\$ 138,590	\$ 135,030
Patronage Capital	8,896,163	8,686,035
Other Equities	559,302	559,302
Total Member Equity	\$ 9,594,055	\$ 9,380,367
Total Liabilities and Member Equity	\$ 20,278,484	\$ 20,608,814

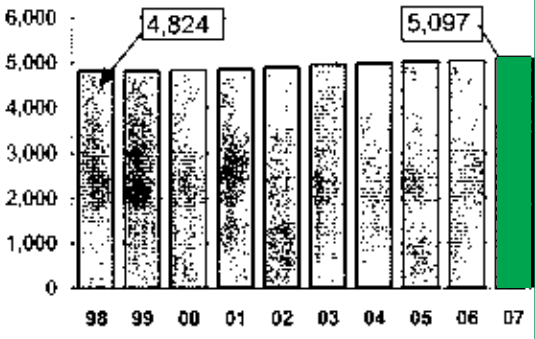
Capital Credits Paid to Members



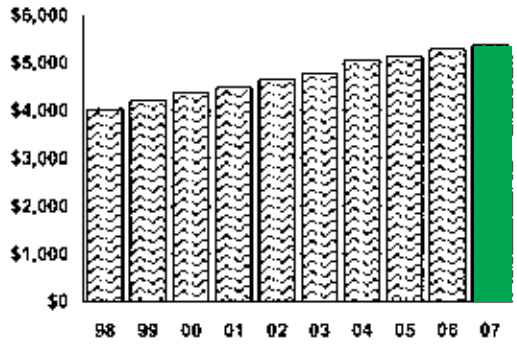
Monthly KWH Usage - Residential Account



Accounts Billed at Year End



Investment in Plant Per Customer



OPERATING STATISTICS

	<u>5-YEAR AVERAGE</u>	<u>2007</u>
Members (at year end)	4,194	4,255
Number of Accounts billed (at year end)	5,021	5,097
Total KWHs Purchased	124,707,277	129,957,140
Peak Demand (KW) – (without load control)	30,425	31,241
Peak Demand (KW) – (with load control)	18,886	19,798
Investment in Plant – Total	\$ 25,717,775	\$ 27,353,685
Investment in Plant Per Mile	\$ 10,047	\$ 10,706
Investment in Plant Per Customer	\$ 5,120	\$ 5,367
Long-term Debt – Total	\$ 7,385,301	\$ 7,670,290
Long-term Debt – Per Customer	\$ 1,470	\$ 1,505
Miles of Line – Overhead	2,334	2,324
Miles of Line – Underground	226	231
Cost of First 1,000 KWH's General Service – 25 kVa . \$	82	\$ 87
Off-peak Rate Per KWH – Long-term Control \$	0.033	\$ 0.035
Off-peak Rate Per KWH – Short-term Control \$	0.043	\$ 0.050
Average Residential Usage – Annual KWH's	20,360	20,823
Average Residential Usage – Month KWH's	1,697	1,735
Energy Account Write-Offs	\$ 5,000	\$ 8,265
Number of Regular Employees	21	21
Capital Credit Payments:		
To Estates (on behalf of deceased patrons) \$	89,409	\$ 117,869
General Retirement (all patrons) \$	368,989	\$ 383,130
Debt/Equity Ratios:		
Debt	50.2%	49.0%
Equity	49.8%	51.0%



The Operation Round Up® program at Red Lake Electric enjoyed another successful and fruitful year in 2007. A total of \$22,045 was granted to 35 different nonprofit and community organizations. That brings the total of grants made since the program began in 1993 to \$290,743.

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 3,740 members that contribute to Operation Round Up®. They represent 88% participation of the 4,255 Red Lake Electric Cooperative members, an outstanding participation level. For an average of fifty cents per month or \$6.00 per year, members can be a part of a very large community-wide charitable program.

Red Lake Electric Trust, Inc.
BOARD OF DIRECTORS
 KIM SWANSON
 PRESIDENT
 RODNEY HOFFMAN
 VICE PRESIDENT
 BONNIE COTE
 SECRETARY-TREASURER
 HENRY WIELAND
 EX OFFICIO DIRECTOR
 RONNIE M. KENNEDY
 EX OFFICIO DIRECTOR



Red Lake Electric Trust, Inc.
FINANCIAL REPORT

For the year ended December 31, 2007

Cash Balance Forward.....\$ 6,591.50
RECEIPTS

Operation Round Up Donations\$21,253.58
 Other Contributions 222.79
 Checking Account Interest 19.59
Total Receipts\$21,495.96

EXPENDITURES

Administrative Expenses
 Director Meeting Fees and Expenses\$ 392.29
 Annual Filing Fee, State of Minnesota 25.00
 Annual Compilation (Audit) Fee 125.00
 Check blanks..... 53.40
Total Administration.....\$ 595.69

GRANTS MADE (40)

Inter-County Nursing Service, (TRF).....\$ 500.00
 First Care Medical Services Hospice (TRF)..... 500.00
 Pennington - Red Lake County Victim Services..... 1,000.00
 American Cancer Society, Red Lake County
 Chapter 500.00
 Middle River-Thief Lake Living at Home Program..... 500.00
 Goodridge Fire and Rescue 800.00
 Oklee Veterans Memorial Committee..... 500.00
 Oklee Public Library (at Oklee School) 500.00
 Middle River Seniors 500.00
 Occupational Development Center (TRF) 500.00
 RLF Volunteer Ambulance 1,000.00
 Goodridge Area Development..... 1,000.00
 Violence Intervention Project (TRF) 500.00
 Tri-Community Living at Home/Block Nurse Program... 500.00
 Oklee Fire Department 500.00
 RLF Cub Scouts / Boy Scouts..... 500.00
 Holt, City of..... 500.00
 Little Brother/Little Sister Program (TRF) 500.00
 Marshall County Social Services..... 500.00
 Pennington County Community Based Service
 Program 500.00
 Little Brother/Little Sister Program (Marshall County) ... 300.00
 Inter-County Nursing Service, (TRF)..... 500.00
 Little Brother/Little Sister Program (TRF) 500.00
 Strandquist Area Food Shelf 300.00
 Tri County EMS..... 500.00
 Brooks Community Center Building Committee 1,000.00
 Plummer Fire Department..... 750.00
 RLF Early Childhood Family Education..... 300.00
 Early Childhood Family Education (Plummer)..... 250.00
 Future Farmers of America (TRF) 500.00
 TRF Area Food Shelf 500.00
 TRF Volunteer Fire Department 500.00
 RLF Public Library..... 345.00
 Pennington - Red Lake County Victim Services..... 500.00
 Goodridge Area Fire and Rescue..... 500.00
 Safety Camp (Pennington County and TRF)..... 500.00
 Violence Intervention Project (TRF) 500.00
 Christmas for Pennington County 500.00
 First Care Medical Services Hospice (TRF) 1,000.00
 Pennington County Fair Board..... 500.00

Total Grants Made\$22,045.00
Total Expenditures\$22,640.69

Cash Balance December 31, 2007\$ 5,446.77

Langdon Wind Energy Center - Fact Sheet



Location: 6-12 Miles South of Langdon, ND

Size: 159 Megawatts (MW)
 Minnkota Power Cooperative
 Portion: 99 MW
 Ottertail Power Company
 Portion: 60 MW

Turbines: 106 Turbines, 1.5 MW each,
 manufactured by General Electric

Towers: Approximately 250 ft. to center of
 hub.

Blades: Variable Pitch - 120 ft long

Output: Cut-in wind speed: 8 mph
 Maximum output: 35-55 mph
 Cut-out speed: 56 mph

Delivery point: Langdon Substation

Transmission: Langdon to Hensel 115-kilovolt (kV)
 line, 35 miles in length.

Existing 41.6-kv line will be
 upgraded at a cost of \$11 million
 including modifications to the
 Langdon and Hensel Substations

EMPLOYEES

Steve Barbot	Appliance Service Technician	Ron Kennedy	General Manager
Shirley Bregier	Accounting Assistant	Steve Kruse	Lineman
Tim Carriere	Lead Lineman	Kathy LaPlante	Customer Service Rep
Steven Conely	Engineering Tech	Mick Raymond	HVAC Service Technician
Alan Cota	Lead Lineman	Kevin Reich	Manager of Member Services
Ira Cota	Lineman	Bev Schmitz	Administrative Assistant
Dave DeHaan	Warehouse Materials Clerk	Troy Schmitz	Lineman
Dick Gervais	Crew Foreman	Casey Thronson	Apprentice Lineman
Bob Guillemette	Manager of Electric Operations	Roger Valley	Crew Foreman
Warren Malwitz	Custodian	Mike Wavra	Lead Lineman
Laurie Malwitz	Custodian		
Roger Johanneck	Manager of Finance and Administration		

DIRECTORS

Robert Finstad	Director, District 8	Robert Olson	Director, District 2
Mark Hanson	Director, District 5	Henry Wieland	Secretary-Treasurer, District 6
Bonnie Christians	Vice President, District 1	Joyce Johnson	Director, District 3
Kelly Lundeen	President, District 7	Steve Linder	Director, District 4
Peter Mosbeck	Director, 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.