

2009 Annual Report



== Welcome ==

to the **72nd** Annual Meeting of the Membership of

Red Lake Electric Cooperative, Inc.

Wednesday, March 31, 2010
 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	Kelly Lundeen, President
	National Anthem	Becca Kruta
	Invocation	Henry Wieland
	Introductions	Kelly Lundeen

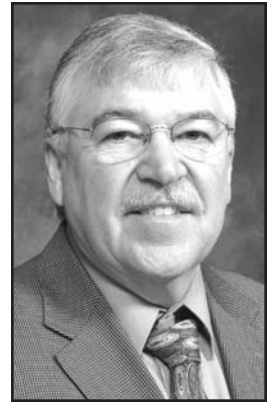
BUSINESS SESSION

Notice of meeting and affidavit of mailing	Henry Wieland
Establishment of quorum	Henry Wieland
Minutes of 2009 meeting	Henry Wieland
President's report	Kelly Lundeen
General manager's report	Roger Johanneck
Financial report	Shirley Bregier
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

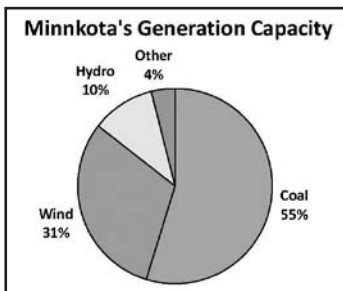


ROGER JOHANNECK
General Manager

Renewable Energy mandate met

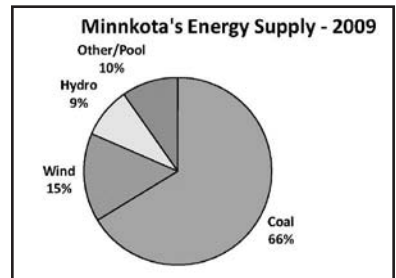
10 Times. That statement sums up the amount of energy (kWhs) that is generated annually by Minnkota Power Cooperative's wind energy resources in proportion to the amount needed annually by your Red Lake Electric Cooperative.

In 2009, RLEC purchased nearly 143 million kWhs of energy from its energy supplier, Minnkota Power Cooperative, to meet the needs of its members. With the addition of 118 megawatts (MW) of wind capacity at the Ashtabula Wind Energy Center in 2009; Minnkota now has contracted wind energy capacity of 359 MW. The capacity provided by renewables now represents 31 percent of Minnkota's total generation capacity.



There are no plans to add any more renewable energy now that Minnkota has in place enough wind generation to meet the MN renewable energy mandate. The 359 MW of wind is comprised of 1.8 MW of Minnkota-owned wind energy generators (.9 MW each) located near Valley City and Petersburg, N.D. Minnkota has contracted with NextEra energy for the balance of their renewable energy portfolio. Minnkota receives 139.5 MW from the Langdon Wind Energy Center and 217.5 MW of wind from the Ashtabula Wind Energy Center.

The Minnesota Renewable Energy Standard that became law in 2007 requires of electric utilities that 25 percent of the energy sold in Minnesota by the year 2025 must be generated from renewable sources. The hydro energy generated by the Garrison Dam that comprised 9 percent of Minnkota's energy supply in 2009, does not count towards meeting the Minnesota renewable energy mandate. Because the nature of wind energy is that it only works when the wind blows; the energy supplied by the wind resources is less than its capacity in relation to Minnkota's total generation resources.



With the mandate to produce a fourth of it's Minnesota energy sales from renewable sources in hand, Minnkota moved to meet this requirement sooner rather than later. Minnkota's plan was to secure the best (windiest) locations before they were taken by other utilities, to take advantage of existing transmission available needed to deliver renewable energy to the grid, and to secure renewable energy contracts that would be less expensive than contracts signed in the future.

The strategy taken by Minnkota has worked just like they had envisioned except for one event; our nations economic downturn and the impact it has had on market demand for energy and the price

Minnkota expected to receive for its surplus energy sold in the power pool. The reduced demand for energy in the pool had a negative impact on the revenue Minnkota had expected to receive for its wind energy, which today is nearly all excess energy. The revenue shortfall had a negative net impact to Minnkota Power Cooperative of \$20 million in 2009.

Beginning with the November wholesale power bill, Minnkota began billing Red Lake Electric Cooperative and its member systems a "Surcharge" of a half cent per kWh to make up the \$20 million revenue shortfall. It is expected that the surcharge will need to be in place 12 months, or through October 2010 to recover this lost revenue. The response by Red Lake Electric Cooperative was to absorb the additional costs of the surcharge in 2009 and to begin passing the surcharge on to its members beginning with the bill in January 2010.

2009 In Review

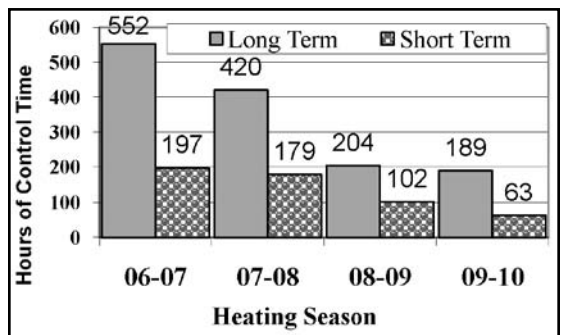
While the past year has seen its share of challenges in our energy industry, 2009 was a successful year for your Red Lake Electric Cooperative in a number of different areas.

Service reliability to customers was again, very good. The average outage time per customer was 50 minutes; the second lowest on record and second only to 2006's 40 minutes per customer. The year's friendly skies had a say in the service reliability numbers we achieved this year, but there were other factors that helped too. Ongoing maintenance to our electric plant is an important piece of the reliability puzzle. The Cooperative has roughly 40,000 poles in place and our goal is to inspect a tenth of the poles each year. In 2009, inspections alerted us to deteriorated poles that resulted in 141 pole replacements. Many of the poles inspected received additional ground level treatment to extend their service life.

Line construction activity was about average to what has occurred over the past 10 years; 53 new services were constructed

and 51 new services were upgraded to provide more capacity or backup generator connection capability. Other construction work included: adding tie lines to improve service reliability when problems require us to reroute power, replacing five miles of underground cable that had become unreliable and converting over three miles of line to multiphase line.

Despite the drop in demand for energy across our nation and regional power pool, energy sales to RLEC members reached a new level in 2009: 135 million kWhs, bested the previous record set in 2008 by almost 4 million kWhs. The modest 3 percent increase reflects the addition of new customers, installation of more grain drying and handling equipment, and customers upgrading heating systems from older fossil fuel units. Another factor contributing to increased sales to members is the addition of wind energy to Minnkota's resources which has contributed to less load control for off-peak customers.

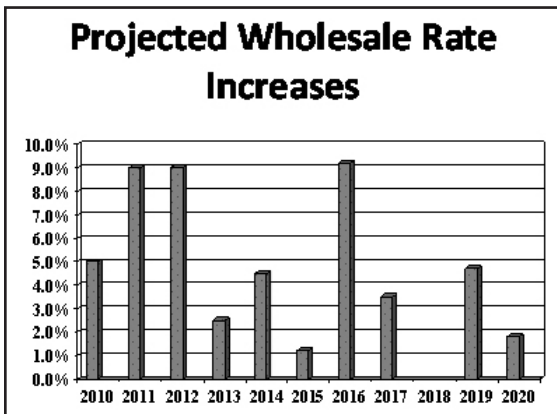


The Cooperative's rates were increased in February 2009 to offset two significant events: the 13 percent wholesale power increase from Minnkota and the end of the Direct Broadcast Satellite revenue that the Cooperative received over a 10-year period that ended in 2008.

The recent increase in Minnkota's wholesale power cost as well as forecasted increases shown in the chart on the next page are the result of:

- 1) Massive investments in EPA-mandated environmental upgrades to the Young coal fired plant; Minnkota's investment to meet the EPA mandates will cost \$360 million over a five-year period.

- 2) Investments in transmission lines to bring wind energy into the grid and;
- 3) The cost of future base load generation that will be needed by 2013. Even though Minnkota has added a significant amount of renewable (wind) generation to meet Minnesota's renewable energy standard; part-time power does not satisfy the members energy needs 24/7 like future base load generation will.



The cost to provide electric service to Red Lake Electric Cooperative members can be summarized into two parts: 1) Generation and Transmission (cost of generation and delivery to the substation) and 2) Distribution (cost of delivering energy from the substation to your meter). The cost to provide generation which is supplied to us through Minnkota Power, has historically been about two-thirds of our cost of providing service to you, and the distribution expenses the other one-third. We see that proportion shifting upward for Generation and Transmission costs where that portion is now 70 percent of the cost of providing service to you in 2009, up from 66 percent in 2008. Last year, distribution costs actually decreased slightly. We see the trend of Generation and Transmission increasing as Minnkota Power invests to meet stricter environmental standards and growing power supply needs of its member systems.

Sometimes lost in the challenge of meeting mandates and rising energy costs, which demand a great deal of our time, focus and conversation with members, are some of the good things that are happening at your cooperative. In addition to keeping

the power flowing 99.9 percent of the time, over \$493 thousand in Capital Credits were paid out in 2009; Cooperative members in 1991 and 1992 received a credit on their March energy bills (or a check) as a result of this payout. Another half million in equity is planned for retirement in 2010. Last May, \$8,600 in unclaimed capital credits were awarded to deserving high school graduates from schools throughout our service area. Over \$80,000 in scholarships have been given to our member's graduates in the form of scholarships since 1990. Even with the recent increases in rates, our rates are lower than national, state and regional averages. Our off-peak rate still compares favorably to the cost of alternative fuels. Last year marked another year with no lost time accidents. Our employee's attention to safety and compliance with safety regulations is not only good for lower workers compensation insurance rates, healthy employees are more productive and most important, it enables employees to return home to their families at the end of each workday.

Even in these challenging and uncertain times, Red Lake Electric members can be certain of this: your directors and employees are dedicated to serving you. Our mission has not changed. We are committed to being your reliable energy partner. Thank you for your patronage this past year, we are prepared to meet the challenges at hand and look forward to a good year in 2010.

Cooperatively yours,

KELLY LUNDEEN
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, 2009. The auditor has issued their unqualified opinion dated February 16, 2010, on the basic financial statements. Copies of the audited financial statements are on file at the Cooperative's office for inspection.



Conservation Improvement Program Incentives

QUALIFYING

PRODUCT	INCENTIVE
Furnace with ECM (Electronically Commutated Motor) 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.

STATEMENT OF OPERATIONS COMPARISON

	2009	2008
REVENUE		
Electric Energy Sales	\$ 10,192,259	\$ 8,957,944
Miscellaneous Electric Sales	40,806	41,007
Total Income	\$ 10,233,065	\$ 8,998,951
EXPENSES		
Power	\$ 6,776,105	\$ 5,862,035
Operation of Lines	373,385	412,897
Maintenance of Lines	617,680	697,133
Consumer Accounts	208,445	188,540
Customer Service	226,092	195,195
Electric Sales	8,439	7,069
Administrative and General	413,599	376,710
	\$ 1,847,640	\$ 1,877,544
Total Operating Expenses	\$ 8,623,745	\$ 7,739,579
FIXED CHARGES		
Depreciation	\$ 753,121	\$ 739,854
Interest on Debt	283,810	303,367
Interest Expense—Other	7,429	8,974
Other Deductions	4,428	3,210
Total Fixed Charges	\$ 1,048,788	\$ 1,055,405
Total Cost of Electric Service \$	\$ 9,672,533	\$ 8,794,984
MARGINS		
Operating Margin	\$ 560,532	\$ 203,967
Interest Margin	40,214	251,315
Appliance/HVAC Service Margin	(837)	(540)
DBS Franchise Sale Margin		311,799
Capital Credits Margin	15,714	17,383
Total Margins	\$ 615,623	\$ 783,924

BALANCE SHEET

WHAT WE HAVE (ASSETS)

	2009	2008
Electric Plant	\$ 25,914,682	\$ 25,134,297
Buildings—Improvements	1,231,482	1,231,482
Equipment	1,894,375	1,642,499
Less: Depreciation	-11,802,727	-11,148,180
Net Utility Plant	\$ 17,237,812	\$ 16,860,098
General Funds	\$ 732,409	\$ 680,571
Investments in		
Associated Organizations	1,134,084	1,128,722
Notes Receivable	-210	1,247
Accounts Receivable	1,450,962	1,282,370
Inventories	666,690	456,607
Other Assets	82,404	80,443
Total Assets	\$ 21,304,151	\$ 20,490,058

WHAT WE OWE (LIABILITIES)

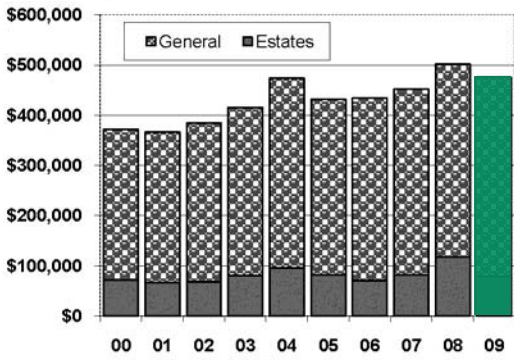
and Other Credits

Long-term Debt RUS	\$ 7,650,283	\$ 7,228,498
Long-term Debt CFC	534,955	544,738
Liabilities and Other Credits	2,338,074	2,061,817
Total Liabilities	\$ 10,523,312	\$ 9,835,053

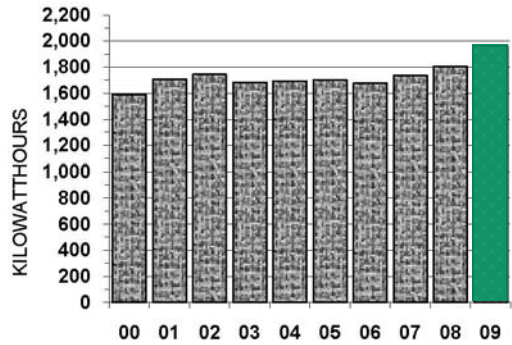
WHAT WE OWN (MEMBER EQUITY)

Capital Stock (memberships)	\$ 145,015	\$ 141,675
Patronage Capital	10,076,522	9,954,028
Other Equities	559,302	559,302
Total Member Equity	\$ 10,780,839	\$ 10,655,005
Total Liabilities and Member Equity	\$ 21,304,151	\$ 20,490,058

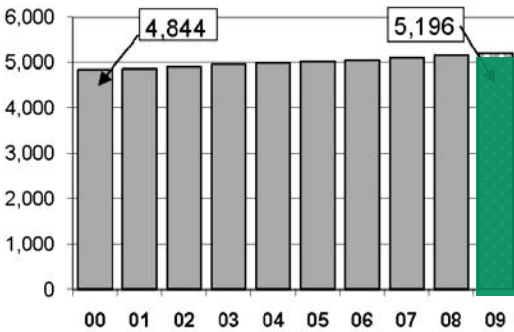
Capital Credits Paid to Members



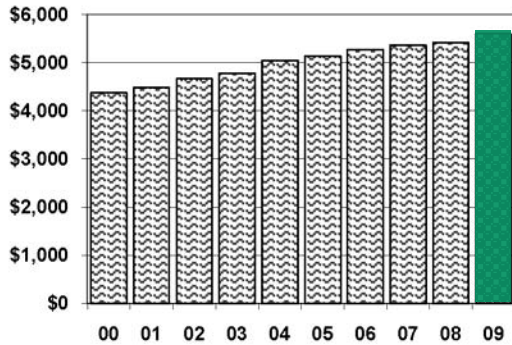
Monthly KWH Usage - Residential Account



Accounts Billed at Year End



Investment In Plant Per Customer



OPERATING STATISTICS

	5-YEAR AVERAGE	2009
Members (at year end)	4,237	4,287
Number of Accounts billed (at year end)	5,105	5,196
Total KWHs Purchased	132,340,688	142,640,700
Peak Demand (KW) – (without load control)	32,978	35,692
Peak Demand (KW) – (with load control)	20,380	22,724
Investment in Plant – Total	\$ 27,357,359	\$ 29,040,539
Investment in Plant Per Mile	\$ 10,700	\$ 11,344
Investment in Plant Per Customer	\$ 5,357	\$ 5,589
Long-term Debt – Total	\$ 7,845,639	\$ 8,185,238
Long-term Debt – Per Account	\$ 1,537	\$ 1,575
Miles of Line – Overhead	2,325	2,325
Miles of Line – Underground	232	235
Cost of First 1,000 KWH's General Service – 25 kVa	\$ 87	\$ 98
Off-peak Rate Per KWH – Long-term Control	\$ 0.036	\$ 0.040
Off-peak Rate Per KWH – Short-term Control	\$ 0.049	\$ 0.058
Average Residential Usage – Annual KWH's	21,066	22,341
Average Residential Usage – Month KWH's	1,755	1,862
Energy Account Write-Offs	\$ 6,084	\$ 6,771
Number of Regular Employees	21	22
Capital Credit Payments:		
To Estates (on behalf of deceased patrons)	\$ 86,244	\$ 82,057
General Retirement (all patrons)	\$ 384,888	\$ 411,071
Debt/Equity Ratios:		
Debt	49.6%	49.4%
Equity	50.4%	50.6%



The Operation Round Up® program at Red Lake Electric enjoyed another successful and generous year in 2009. A total of \$20,075 was granted to 35 different nonprofit and community organizations. That brings the total of grants made since the program began in 1993 to \$331,718.

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 3,861 members that contribute to Operation Round Up®. They represent 90 percent participation of the 4,287 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 community-wide charitable program.

Red Lake Electric Trust, Inc.

BOARD OF DIRECTORS

KIM SWANSON
PRESIDENT

RANDY KNUTSON
VICE PRESIDENT

BONNIE COTE
SECRETARY-TREASURER

HENRY WIELAND
EX OFFICIO DIRECTOR

ROGER JOHANNECK
EX OFFICIO DIRECTOR



Red Lake Electric Trust, Inc.
FINANCIAL REPORT

For the year ended December 31, 2009

Cash Balance Forward.....\$ 5,575.10
RECEIPTS

Operation Round Up Donations\$22,844.50
Other Contributions 10.00
Checking Account Interest 16.30
Total Receipts\$22,870.80

EXPENDITURES

Administrative Expenses
Director Meeting Fees and Expenses\$ 376.30
Annual Filing Fee, State of Minnesota 25.00
Annual Compilation (Audit) Fee 175.00
Total Administration.....\$ 576.30

GRANTS MADE (35)

Red Lake County American Cancer Society\$ 500
Pennington County Relay For Life 500
Auxiliary of MeritCare, TRF NW Campus..... 500
Little Brother/Little Sister Program (TRF) 700
Viking Volunteer Fire Department 2,000
Kratka 4-H Club 130
Violence Intervention Project 800
Strandquist Area Food Shelf 300
Little Brother/Little Sister Program (Marshall County) ... 300
Goodridge Senior Citizens Center 500
Polk Co. Mounted Posse Search and Rescue Unit..... 305
Villa St. Vincent/The Summitt Assisted Living Apts..... 500
Sun, Country and You 250
Agassiz Audubon Society 250
Minnesota Senior Federation, NW Region 250
Thief River Falls Volunteer Fire Department 1,000
Goodridge Area Fire and Rescue..... 1,000
Red Lake Falls Volunteer Fire Department 1,000
Plummer Volunteer Fire Department..... 1,000
Oklee Volunteer Fire Department..... 1,000
Red Lake Falls Volunteer Ambulance 500
Violence Intervention Project..... 500
Pennington/Red Lake County Crime Victim Services ... 500
Prairie Community Services 500
Red Lake County Salvation Army 500
Thief River Falls Life Care Center 465
RLF Early Childhood Family Education..... 300
Plummer Early Childhood Family Education 250
Thief River Falls Area Food Shelf 750
Little Brother/Little Sister Program (Marshall County) ... 550
Christmas for Pennington County 500
Safety Camp (Pennington County and TRF)..... 500
Newfolden Senior Meal Site/LSS Dining 750
Occupational Development Center 500
Pennington County 4-H..... 225

Total Grants Made\$20,075.00
Total Expenditures\$20,651.30

Cash Balance December 31, 2008\$ 7,794.60

Is it still more economical to heat with Off-Peak Energy from Red Lake Electric Cooperative than it is to heat with other fuels?

YES!

Red Lake Electric's Off-Peak Rate Compared to Fuel Oil

	Cents/kWh		Fuel Oil \$ per gallon
Long-Term Off-Peak Rate	\$0.040	Equivalent to	\$1.31
Short-Term Off-Peak Rate	\$0.058	Equivalent to	\$1.90

Red Lake Electric's Off-Peak Rate Compared to Propane

	Cents/kWh		Propane \$ per gallon
Long-Term Off-Peak Rate	\$0.040	Equivalent to	\$0.97
Short-Term Off-Peak Rate	\$0.058	Equivalent to	\$1.40

Average Price for Heating Fuels this Past Winter

Fuel Oil	\$2.46
Propane	\$1.68

Comparisons Made Based on the Following

Efficiency of fuel oil furnace at 80% and propane furnace at 90%.

Average fuel prices in Red Lake Electric Cooperative service area.

Price per Gallon	Fuel Oil	Propane
October	\$2.47	\$1.49
November	\$2.46	\$1.56
December	\$2.42	\$1.77
January	\$2.46	\$1.90
February	\$2.46	\$1.88
Average price this heat season	\$2.46	\$1.68
Fuel prices - July, 2008	\$4.32	\$2.23

EMPLOYEES

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

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.