


Red River Valley Cooperative Power Association

SPARKS

February/March 2019

Your Touchstone Energy® Partner 

82nd Annual Meeting
March 28, 2019

Moving forward
Together

Red River Valley Co-op Power Line Superintendent Jim Shelquist discusses power line improvement plans with Hendrum Mayor Curt Johannsen. Major work to move three-phase overhead to underground is planned for Hendrum this year in conjunction with the state's Highway 75 reconstruction project.



Good
happenings
in
HENDRUM

Positive changes are happening to Hendrum, according to Mayor Curt Johannsen. Two new homes, one new business and two other commercial buildings have been built the last two years in the vibrant community of 315 located an easy half hour drive north of Fargo-Moorhead.

Starting this spring, MN DOT will begin renovations on Highway 75 running through town. In conjunction with that work, Red River Valley Co-op Power will bury the main three-phase power line in town and a section of line feeding the town to maintain strong reliability.

Alongside this work, the town was able to tap into state funding for aesthetic improvements that include decorative street lighting, installing new sidewalks with a stamped concrete boulevard, a park area and improved safety and visibility.

"We are very appreciative of the investment Red River Valley Co-op Power is making in Hendrum," Johannsen said. "Development leads to development. We have a well-kept and thriving town with a Norman Rockwell feel."

Families interested in available building lots and incentives should contact the city at 218-861-6210, or online at hendrummn.com.

Notice of Annual Meeting

The annual meeting of the members of Red River Valley Cooperative Power Association will be held at the **Dilworth Community Center** in **Dilworth, Minn.**, at **6:30 p.m.** on **Thursday, March 28, 2019**, for the following purposes:

- To pass upon reports of officers, directors and committees;**
- To elect three directors of the Cooperative;**
Elections will be held for a three-year term for one director in District 1; a two-year term for one director in District 1 and a three-year term for one director in District 2. Two candidates for District 1 and one candidate for District 2 have been nominated via petition in accordance with the bylaws:

DISTRICT 1
3-year term
Roger Krostue

DISTRICT 1
2-year term
Robert Kinkade

DISTRICT 2
3-year term
Marvis Thompson

Per the Cooperative Bylaws, nominees for open director seats must submit a petition at least thirty (30) days before the Annual Meeting. This year, the deadline for filing a petition was February 26, 2019 by 4:30 p.m. Please note that the Bylaws mandate that no nominations for director can be made from the floor at the Annual Meeting nor are write-in nominations accepted. For each Annual Meeting, the Cooperative issues a mail ballot for electing directors during contested elections. Given that there is only one nominee who properly petitioned for each open director position, the Board has determined not to incur the costs associated with issuing mail ballots for the three uncontested elections. In accordance with the Bylaws, the election of the three candidates to their respective open director seats will be moved upon at the Annual Meeting.

- All other matters, which may properly come before the annual meeting, or any adjournment or adjournments thereof.**

Trevor Sorby, Secretary
Dated: February 27, 2019

Brorby to retire after 20 years as CEO

I sincerely hope the year has started off well for our members. It's hard to believe the annual meeting is right around the corner. The older I get, the faster the years go by.

It is with mixed emotions that this will be my last article as I am retiring at the end of April. About a year ago, I informed your directors of this decision. This past fall, Red River's Board of Directors offered Rich Whitcomb, our current Director of Member Services, the opportunity to take over as Chief Executive Officer. Rich will assume the CEO position March 15. This will allow for a transition period. He has been with Red River Valley Co-op Power more than 10 years and has the experience, knowledge and dedication to see the Cooperative succeed for decades to come.

I have had the good fortune to be a part of this great organization for 21 years. During my career here, the outstanding employees and directors stand out. The one thing we all have in common is the desire to help you, the member. Whether it's helping you save energy through energy efficiency measures or assisting you with the payment

of your bills, everyone here does their best to meet your needs. The primary goal of all the employees and directors has been to improve your quality of life through affordable and reliable electricity.

Over the years, your cooperative has gone through numerous positive changes. For example, we made a concerted effort to bury overhead lines to help reduce outages from storms that have plagued the Valley for years. There is a cost to burying lines, but the primary benefit is the reduction in outages and outage times. Perhaps the most noticeable change involves technology. Today's technology allows us to be more efficient and provides more information to assist us in answering your questions. We are currently migrating to a new computer system and new metering system to further improve our service.

It has truly been my privilege to serve you. I'd like to express my deep gratitude to the Board of Directors for the opportunity to lead Red River Valley Co-op Power the last 20-plus years and, finally, to the employees for their service to keep your lights on.

Voting By Mail Instructions

Pursuant to the Bylaws of Red River Valley Cooperative Power Association, Art. I., Sec. 9, and Art. II, Sec. 4-6, the following information is provided along with the Voting Ballot:

- 1) The name of the candidate, nominated via petition, is shown on the ballot;
- 2) Fifty (50) members present in person or voting by mail are necessary to meet a quorum;
- 3) The candidate receiving a plurality of the votes cast for the director seat is elected; and
- 4) The Mailed Ballots must be received before 4:30 p.m. on March 28, 2019, to be counted.

Voting Ballot – Director Election

March 28, 2019

District 1

(3-year term)

*Roger Krostue

District 1

(2-year term)

Robert Kinkade

District 2

(3-year term)

*Marvis Thompson

*Denotes incumbent

Designation of Voting Representative

_____ hereby authorizes
PRINT Name of Organization

PRINT Name of Designated Voting Representative

to represent the organization in any and all business, including voting, that may be conducted at Members' Meeting(s) of Red River Valley Cooperative Power Association held in 2019.

Signature and Title of authorized Officer

Date

Voting Ballots Checklist: *Have you ...*

- Marked your **ballot** clearly and legibly?
- Enclosed **your ballot** in a **blank ballot envelope** (*not provided*) and sealed the envelope?
- Enclosed the sealed ballot envelope inside a **mailing envelope** (*not provided*)?
- Printed your **name** and **account** number and **signed** the mailing envelope?
- Enclosed in the mailing envelope a “**Designation of Voting Representative**” if voting on behalf of a corporation, school board, church, etc.?
- Addressed your sealed mailing envelope to Red River and affixed proper postage?

SPARKS

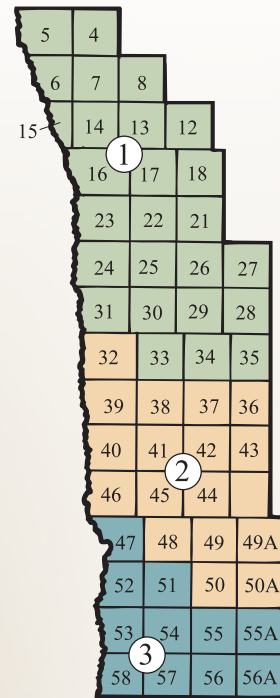
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Lauren Brorby, CPA, CEO
Rich Whitcomb, Editor

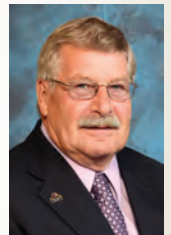


Board of Directors and CEO



Roger Krostue

Chairman
District 1
Fisher



Marvis Thompson

Vice Chairman
District 2
Perley



Trevor Sorby

Secretary-Treasurer
District 3
Glyndon



Sarah Tommerdahl

District 2
Hendrum



Neil Wieser

District 3
Moorhead



Lauren Brorby

CEO



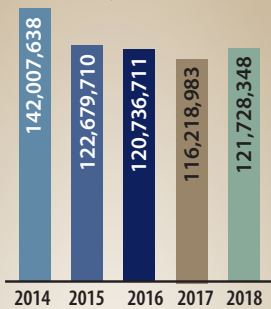
Roger Krostue
Chairman



Lauren Brorby, CPA
CEO

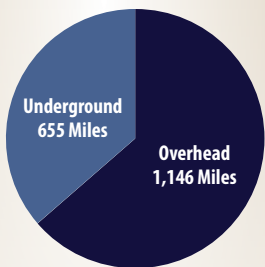
from your chairman & CEO

Energy Sales (kWh)

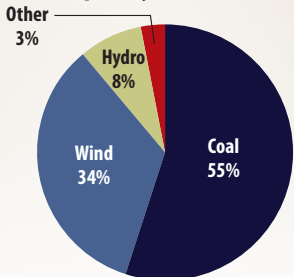


Weather directly affects energy use in the Red River Valley. You can see the fluctuations the last five years. New services and conservation also play a role in energy sales.

Overhead to Underground Power Line Mix



Minnkota Energy Capacity Resources



Red River Valley Co-op Power distributes a diverse supply of electricity generated from coal, wind and water.

Your electric cooperative is a partnership – one between you, employees and the member-elected Board of Directors of Red River Valley Co-op Power (RRVCP).

Your cooperative continues to move forward together with the goal of enhanced service, reliability and competitive rates.

2018 was a good year in many ways. Electric sales were up about 5 million more kWh than budgeted meaning margins were sufficient to meet loan requirements. More than 2,000 new meters were installed in the last nine months or 30 percent of the total. On January 7 of this year, we went live with the first portion of our new member care and billing software, plus mobile workforce and SmartHub, the new online energy viewing and payment portal.

While change always presents a challenge, your employees have been working hard to minimize any disruptions to the membership service-wise as we become comfortable with the software. Here are highlights of 2018 that benefited members:

- No rate increase to any rate component
- Blended rate less than state/national averages
- Returned \$437,662 in capital credits to members
- Received another grant award from USDA of about \$5,000 to continue changing out security lights to LED
- Helped members save a state-estimated 1.5 million kWh via energy-efficiency rebates and conservation measures
- Thanks to member-participation in off-peak/demand response, saved more than 1 million dollars in wholesale power demand costs
- Built 68 new services
- Redesigned website and logo
- Tested more than 2,400 overhead poles to ensure the distribution system remains strong
- Converted about 5 miles of overhead line to underground in addition to service upgrades

- Promoted heat pumps and large capacity water heaters as a win-win for members and the cooperative

Your cooperative expects to continue the technology changes in 2019 while building on the personal relationships we've had with members over the years.

Rates

No rate increase is planned for 2019, barring anything unforeseen. Minnkota Power Cooperative projects stable wholesale power costs for the next few years, which will help us maintain rate stability. Wholesale power costs are important because they make up about 69 cents of every dollar you pay to us each month.

Rates are a balancing act combining reliability, service and environmental goals with the lowest revenue amount possible needed from members. While there are many facets to rates, three areas are important for members to know:

- **Facility charge** – Helps cover the basic aspects of providing service to all members including labor, transformers, poles, wire, meters etc. The facility charge helps cover the operational backbone of your co-op.
- **Energy charge** – Helps cover the cost of wholesale energy generated and delivered to your outlet.
- **Demand charge** – Helps cover the cost of transmission (delivery), wholesale market purchases and capacity needed to always provide dependable 24/7 electricity even at times of extreme peak demand in the region.

January 29th of this year shows the value of demand response/off-peak to your cooperative's bottom line. That day, full demand control was initiated due to member demand exceeding available generation resources and not enough generation being available in the transmission wholesale power market. Red River Valley Co-op Power peaked at almost 31 megawatts, but we



Rich Whitcomb
CEO effective March 15

“I look forward to serving members and building on the positive interactions I’ve had with you over the last 10 years. My primary goal will be to provide you with the best value possible for your energy dollar.”

were able to shed and maintain load at around 17.5 megawatt. The ability to shed that amount of resources saved us an estimated \$1.1 million dollars that we don’t have to collect via the rates.

Your cooperative expects between 50-75 new services this year. New services and kWh sales help spread wholesale and operational rate costs.

Reliability

Members did experience an uptick in outage times this year compared to recent years. However, outages times are still much less than national guidelines. Much of the uptick in 2018 was due to transmission outages (outside our distribution system) that fed into our substations. Late summer lightning storms also caused a few outages as well.

Minnkota Power Cooperative, our primary transmission provider, continues to accelerate their blink mitigation plan to help reduce the frequency of transmission blinks and outages.

Red River Valley Co-op Power crews, meanwhile, are planning for a busy 2019 construction season. In addition to new services and upgrades, plans are to convert three miles of three-phase overhead line in and near Hendrum to underground line. This will be done in conjunction with state road work on US Highway 75. Crews will also be doing the same work on another three miles of three-phase line south and east of Ada.

Additionally, plans are to replace more than 2 miles of single-phase overhead line along the Buffalo River between Georgetown and Kragnes to alleviate a situation of poles getting too close to the cut-bank of the river.

These plans are all specified in the four-year work plan, and we have procured low-interest loans from Rural Utilities Service to perform the work.

Service

Your cooperative revamped its energy-efficiency rebate program for this year to better reflect available efficiency measures and market trends.

Great rebates are available for heat pumps, water heaters, off-peak electric heat and electric vehicle level 2 chargers on off-peak. These items help us avoid demand peaks while providing high efficiency/cost savings for members and more valuable kWh for us.

You can see all rebates and many other services your co-op offers at www.rrvcoop.com.

Speaking of the website, I highly encourage you to sign up for SmartHub at www.rrvcoop.com or download the app if you prefer to use a smart phone or tablet. SmartHub is where you can securely view energy use, pay your bill, notify us of certain service needs, go paperless, or sign up for autopay. In six short weeks more than 850 members have signed up with more than 250 electing to go paperless!

That is in addition to the 1,350 members who are enrolled in auto-pay.

These enhancements are designed to help you better manage your energy at your convenience. Please call the office at 218-456-2139 if you have questions.

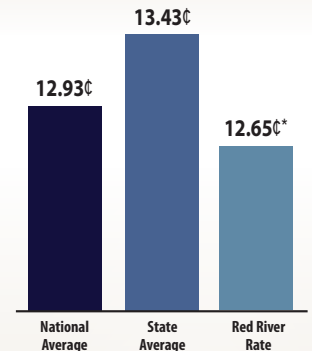
Annual meeting/elections

Employees and directors look forward to seeing you Thursday, March 28 at the Dilworth Community Center. Three director positions are up for re-election. In District 1, Roger Krostue is running unopposed for the three-year position and Robert Kinkade is running unopposed for the two-year position. In District 2, Marvis Thompson is running unopposed.

Thank you for your support. Remember, your board and employees are always available to discuss your cooperative.

Blended Residential Electric Rate Comparison

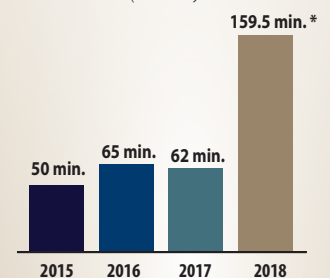
(November 2018 – cents per kWh)



*Includes Red River’s facility charge, surcharge and off-peak kWh. National and state averages come from the Energy Information Administration.

Average Total Outage Time per Member

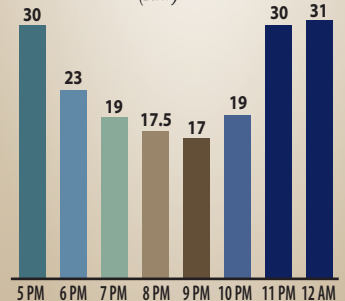
(Minutes)



*Transmission interruptions a large factor.

Peak Load Shed

7-hour profile – Jan. 29, 2019 (MW)



On Jan. 29, your co-op peaked at 31 MW but was able to shed about 13 MW during the peak pricing period, helping your co-op deflect \$1.1 million in wholesale power demand charges.

2018 Financial Report

BALANCE SHEET

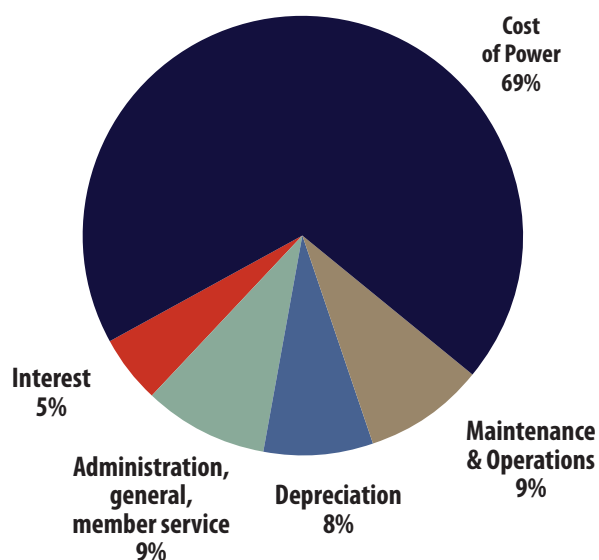
ASSETS	
UTILITY PLANT	
Electric plant in service	\$46,099,558
Construction work in progress	2,103,203
Total	\$48,202,761
Less accumulated depreciation	15,876,771
TOTAL	\$32,325,990
OTHER PROPERTY & INVESTMENTS	
Invest. in associated organizations	\$ 1,526,722
Other investments	48,026
Economic development fund	270,563
TOTAL	\$ 1,845,311
CURRENT ASSETS	
General cash & cash equivalents	\$ 1,853,990
Accounts receivable – net	1,735,367
Materials & supplies – electric & other	484,030
Prepayments	32,338
Other current & accrued assets	64,016
TOTAL	\$ 4,169,741
DEFERRED DEBITS	\$ 444,069
TOTAL ASSETS	\$38,785,111

EQUITIES & LIABILITIES	
EQUITIES	
Patronage capital	\$ 9,618,110
Other margins & equities	6,996,599
TOTAL	\$16,614,709
LONG-TERM DEBT	
	\$18,731,484
OTHER NONCURRENT LIABILITIES	
Deferred revenue	\$ 998,784
CURRENT LIABILITIES	
Current portion of long-term debt	\$ 761,625
Accounts payable – purchased power	1,068,007
Accounts payable – other	154,153
Customer deposits	121,360
Other current & accrued liabilities	263,356
TOTAL	\$ 2,368,501
DEFERRED CREDITS	\$ 71,633
TOTAL EQUITIES & LIABILITIES	\$38,785,111

INCOME STATEMENT

OPERATING REVENUE	
Sale of electricity	\$15,447,195
OPERATING EXPENSES	
Cost of purchased power	\$10,345,719
Distribution expense – operation	636,296
Distribution expense – maintenance	761,095
Consumer accounts expense	350,087
Customer service and informational expense	367,258
Sales expense	62,866
Administrative & general expense	582,057
Depreciation & amortization expense	1,207,088
Interest on long-term debt	803,226
TOTAL	\$15,115,692
NET OPERATING MARGINS	\$ 331,503
NONOPERATING MARGINS	
Interest income	\$ 242,701
Other nonoperating income	456,605
Other capital credits & patronage dividends	3,325
TOTAL	\$ 702,631
NET MARGINS	\$ 1,034,134

Total Cooperative Expenses



Red River Valley Cooperative Power Association

81st Annual Meeting of the Membership

Held on March 22, 2018

The 81st annual meeting of the membership of Red River Valley Cooperative Power Association was held at the Legion Recreation Center in Halstad, Minnesota on the 22nd day of March, 2018.

The evening began at 4:30 with registration and exhibits. Dinner was served from 5:30 to 6:30 p.m. by Subway of Ada, Minn.

Chairman Krostue welcomed the membership to the meeting.

CALLED MEETING TO ORDER & ESTABLISHED QUORUM – Chairman Krostue

Chairman Krostue called the meeting to order and declared a quorum present at 6:30 p.m.

INTRODUCTIONS – Chairman Krostue

Chairman Krostue introduced the Board of Directors; Minnkota CEO Mac McLennan, Attorney Joel Larson, External Affairs and Communication Manager Stacey Dahl, all from Minnkota; Auditor Matt Labernik of Eide Bailly LLP; and Electrical Engineer Leon Emil of MEI.

PLEDGE OF ALLEGIANCE – Chairman Krostue

Chairman Krostue led the assembly in the Pledge of Allegiance.

READING OF OFFICIAL NOTICE OF MEETING & MAILING

Attorney Larson stated that the Official Notice of the Annual Meeting and Affidavit of Mailing of Notice of Annual Meeting were printed in the program. He noted the Affidavit of Mailing is on file in the cooperative's headquarters.

READING OF UNAPPROVED MINUTES

A motion was made, seconded and unanimously carried to waive the reading of the secretary's minutes of the March 16, 2017 annual meeting and approve them as published.

REPORT ON NOMINATING PETITIONS – Attorney Larson

Attorney Larson reported on the nominating petitions for the following candidate:

District 3 (3-year term) Neil Wieser

Attorney Larson discussed the voting process and explained the cooperative's bylaws on director nominations and voting. Attorney Larson explained to the membership that since Neil Wieser was running unopposed in District 3, and because the cooperative's bylaws do not allow written-in candidates or nominations from the floor, if the membership wished, a motion from the floor would be in order to declare Neil Wieser elected.

A motion was made and seconded to dispense with the election for director of District 3 and declare Neil Wieser the winner. Motion carried.

Attorney Larson also informed the membership that no petitions were received for the director position in District 1. Red River's Board of Directors would address the vacancy at an upcoming board meeting.

CEO'S REPORT – CEO Brorby

CEO Brorby presented the report on activities and operations of the cooperative during the year 2017 as well as issues of interest in the electric industry. Topics included: demand response saved approximately \$1.2 million in power demand charges; 1990 capital credits refund in April; new developments in Glyndon and Dilworth; new metering system; and the cooperative's solar system project.

FINANCIAL REPORT – Eide Bailly LLP

Matt Labernik, representative for Eide Bailly LLP, then presented the financial report of the cooperative as of the year ending December 31, 2017. Mr. Labernik reviewed the operating revenue, operating expenses, non-operating revenue, distribution expense; and assets/equities and liabilities.

Mr. Labernik asked if there were any questions from the membership. There were none.

GUEST SPEAKER – Stacey Dahl

Chairman Krostue introduced guest speaker, Stacey Dahl, Legislative Attorney of Minnkota Power Cooperative, Inc., in Grand Forks, N.D. Highlights of her speech included: the Clean Power Plan being rolled back; Minnkota's Project Tundra; rate development update; Minnesota legislative session, "MoveOver" utility law; and Minnesota Conservation Program.

UNFINISHED OR OLD BUSINESS – Chairman Krostue

Chairman Krostue then called for any unfinished or old business. There was no unfinished or old business brought before the membership.

NEW BUSINESS – Chairman Krostue

Chairman Krostue then called for new business. There was no new business brought before the membership.

ADJOURNMENT – Chairman Krostue

There being no further business to come before the assembly, Chairman Krostue requested a motion from the floor to adjourn the meeting. A motion was made and seconded to adjourn the meeting at 7:10 p.m. Motion carried unanimously.



**RED RIVER VALLEY
CO-OP POWER**

Program

82nd Annual Meeting

March 28, 2019

Dilworth Community Center
709 1st Ave. N.W., Dilworth, Minn.

- 4:30 p.m. Registration
- 5:30 p.m. Supper
- 6:30 p.m. Call meeting to order and establish a quorum Roger Krostue
- Pledge of Allegiance Roger Krostue
- Reading of official notice of meeting and certification of mailing and/or publication Legal Counsel
- Reading of unapproved minutes of March 22, 2018, annual meeting. Legal Counsel
- Report of nominating petitions. Legal Counsel
- Voting on directors Legal Counsel
- CEO report. Rich Whitcomb
- Financial report Eide Bailly
- Guest speaker. Mac McLennan, *president & CEO*
Minnkota Power Cooperative
- Unfinished or old business. Roger Krostue
- New business
- Adjournment Roger Krostue
- Awarding of prizes and acknowledgement of retirements

Guest Speaker



Mac McLennan

President & CEO
Minnkota Power Cooperative

Robert “Mac” McLennan is the president & CEO of Minnkota Power Cooperative based in Grand Forks, N.D.

Minnkota generates and transmits electricity for 11 distribution cooperatives in eastern North Dakota and northwestern Minnesota. The cooperative has about 390 employees and revenues of about \$400 million annually.

McLennan has spent his career serving the rural electric cooperative industry. Prior to joining Minnkota in 2011, he was employed by Tri-State Generation & Transmission Association, an electric cooperative based in Colorado, as senior vice president of external affairs & member relations. McLennan has also worked for the National Rural Electric Cooperative Association (NRECA) as director of environmental affairs.

A Wyoming native, McLennan earned his bachelor’s degree from the University of Jamestown. He and his wife, Debbie, reside in Grand Forks.

**See you at your Cooperative's
annual meeting!**

March 28, 2019

Dilworth Community Center
709 1st Ave. N.W.
Dilworth, Minnesota

4:30 p.m.
Refreshments

5:30 p.m.
Chicken Dinner
from Pizza Ranch

