

Red River Valley Cooperative Power Association

# SPARKS

February/March 2020

Your Touchstone Energy® Partner 



*Committed  
to you*



**83<sup>RD</sup> ANNUAL MEETING**

March 19, 2020



# NOTICE OF ANNUAL MEETING

The annual meeting of the members of Red River Valley Cooperative Power Association will be held at the **Legion Recreation Center in Halstad, Minn.**, at **6:30 p.m.** on Thursday, **March 19, 2020**, for the following purposes:

1. To pass upon reports of officers, directors and committees;
2. To elect two directors of the Cooperative;  
Elections will be held for a three-year term for one director in District 2 and a three-year term for one director in District 3. One candidate for District 2 and one candidate for District 3 have been nominated via petition in accordance with the bylaws:

**DISTRICT 2**  
3-year term  
**Sarah Tommerdahl**

**DISTRICT 3**  
3-year term  
**Trevor Sorby**

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 18, 2020 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 two uncontested elections. In accordance with the Bylaws, the election of the two candidates to their respective open director seats will be moved upon at the annual meeting.

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

Trevor Sorby, Secretary  
Dated: February 21, 2020



On the cover: Red River Valley Co-op Power provides energy to more than 4,600 accounts in Clay, Norman and Polk counties. Whether it is a new subdivision in Dilworth, a commercial office in Ada, a rural family or an agricultural processing facility such as AgriMAX near Fisher, your co-op strives to provide members with the most value for their energy dollar.

# BOARD OF DIRECTORS



**Roger Krostue**  
*Chairman*  
District 1  
Fisher



**Marvis Thompson**  
*Vice Chairman*  
District 2  
Perley



**Trevor Sorby**  
*Secretary-Treasurer*  
District 3  
Glyndon



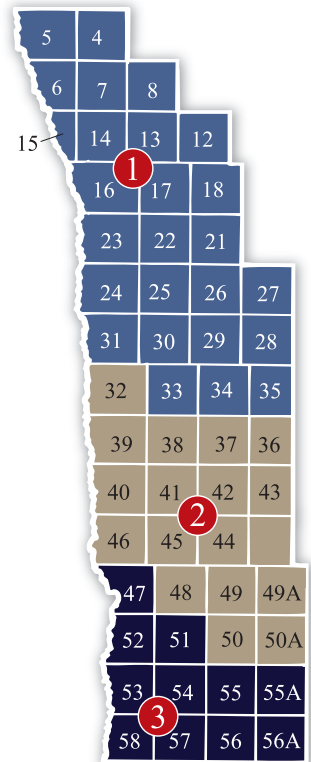
**Bob Kinkade**  
District 1  
Ada



**Sarah Tommerdahl**  
District 2  
Hendrum



**Neil Wieser**  
District 3  
Moorhead



# 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 19, 2020, to be counted.

## Voting Ballot – Director Election

March 19, 2020

**District 2**  
(3-year term)

\*Sarah Tommerdahl

**District 3**  
(3-year term)

\*Trevor Sorby

\*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 2020.

\_\_\_\_\_  
Signature and Title of authorized Officer

\_\_\_\_\_  
Date



Your electric co-op was formed to provide power to homes, farms and businesses that for-profit utilities bypassed more than eight decades ago. Eighty-three years later, Red River Valley Co-op Power remains committed to enhancing the lives of its members.

## 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

February/March 2020  
Volume 64, No. 2

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Halstad, Minnesota  
(USPS 509-300)  
Rich Whitcomb  
CEO & Editor



## FROM YOUR CHAIRMAN AND CEO



**Roger Krostue**  
Chairman



**Rich Whitcomb**  
CEO

Your electric cooperative was formed to provide power to homes, farms and businesses that for-profit utilities bypassed more than eight decades ago. Eighty-three years later, Red River Valley Co-op Power remains committed to powering and enhancing the lives of its members.

2019 saw your co-op continue efforts to enhance value for its members. Electric sales were sufficient to meet lender requirements. Reliability benchmarks also improved from 2018, meaning last year was a return closer to annual goals. Of course, Mother Nature always has a say in those plans. Additionally, 2019 saw technology advancements, personnel retirements and new hires come into the co-op's fold.

Here are highlights from 2019 that benefitted members:

- No rate increase to any rate component
- Returned \$228,000 worth of capital credits to members
- Blended rate less than state/national averages
- Built 51 new services
- Off-peak/demand participation saved an estimated \$1 million in wholesale power costs
- The automated metering infrastructure project 75% complete with more than 5,000 new meters installed
- Rollout of SmartHub, the free and secure online/app energy use and bill payment tool with more than 1,330 members using this service
- Converted 11 miles of overhead power line underground
- Finished testing all poles in the distribution system as the final year of a 10-year rotation
- Members were with power 99.985% of the time
- No safety incidents with lost time
- Gave out \$48,000 in rebates for heat pumps and large-capacity electric water heaters that are efficient and money-saving.

### Rate forecast

Red River Valley Co-op Power does not plan a rate increase this year per assumptions made in the budget. However, expected revenues and expenses can change quickly depending on a severe storm, unseasonable weather or economic conditions that depress kilowatt-hour sales and other hard to control variables. While sales were above budget last year, the tough fall harvesting conditions are a perfect example of an unknown that can effect budgeting.

Keep in mind, your co-op does not have a profit motive. Rather it exists as a not-for-profit service where operating margins are eventually

returned to its members after being invested back into operations and retired on a yearly-rotation. In fact, more than \$9.5 million has been returned back to members in the co-op's lifetime.

As your cooperative looks to the future with regards to rates, it has engaged with a third-party consultant to perform a cost of service/rate study that looks in-depth at the relationship between expenses and rates. These studies are important to perform periodically to make sure rates are aligned with cooperative goals.

This one is especially timely because Minnkota, our wholesale power supplier, will change the way it charges us for wholesale power costs beginning in the spring of 2021. That's important because 65-70 cents of every dollar you send to us goes directly to wholesale power costs.

Rates are always a balancing act combining reliability, service and environmental goals with the lowest revenue amount possible needed from members.

### Reliability

2019 was a solid year in terms of reliability and outages. Outages times decreased significantly from 2018 (please see graph on page 5). Likewise, your co-op averaged .62 outages per member in 2019 with the national average being 1 outage per member.

Similar to last summer, this year promises to be busy for your line crews and engineering department. Crews plan to bury more than 13 miles of overhead power line underground at various sections of our service territory. Additionally, work should be finished this spring on seven miles of new overhead three-phase to replace a failed line that served as an important tie between two substations (Ada and Beltrami).

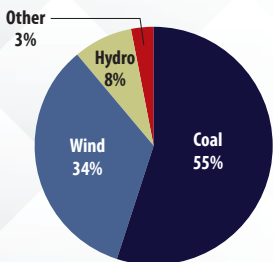
Other ongoing projects that are significant include the potential completion of the new metering system, ongoing tree-trimming rotation and continued replacement of poles that have served their useful life.

### Service

Whether it's a billing or off-peak/heat pump rebate question, someone at your co-op is more than happy to speak with you.

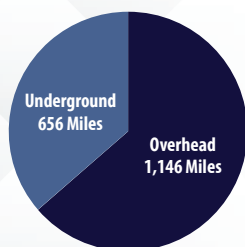
About \$48,000 in energy efficiency rebates was given out to members in 2019. The vast majority of that amount went to heat pump and large-capacity electric water heater rebates that save members' money and Red River Valley Co-op Power because it lessens our demand costs.

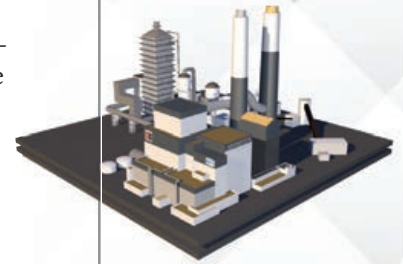
### Minnkota Energy Capacity Resources



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

### Overhead to Underground Power Line Mix





Yet we still retain efficient kWh sales. Members also benefit via a reduced off-peak rate or reduced energy bills because of the high-efficiency of heat pumps.

Great rebates remain in 2020 of \$500 per ton for heat pumps and up to \$650 for large capacity water heaters on load management, not to mention rebates for Level 2 electric vehicle chargers.

On the billing side, we know that you want convenience in your interactions with Red River Valley Co-op Power. SmartHub is the premier app or online way to view your daily energy usage and or set up recurring bill payments. Other services members find helpful include standard auto-pay, budget billing and paperless bills.

Please visit [www.rrvcoop.com](http://www.rrvcoop.com) or call us at 218-456-2139 to learn more about these service offerings.

### Wholesale power/Project Tundra

Minnkota Power Cooperative, Red River Valley Co-op Power's wholesale power provider, uses a diverse mix of coal, wind and hydro to meet the energy needs of our members and 10 other electric cooperatives in eastern North Dakota and northwestern Minnesota. As the world turns its focus toward reducing carbon emissions, Minnkota has taken a leadership role in advancing technology through Project Tundra – an initiative to build the world's largest carbon capture facility at the coal-based Milton R. Young Station in North Dakota. The technologies would remove more than 90% of the CO2 emissions from the Unit 2 generator, which provides a significant amount of energy needed by Red River

Valley Co-op Power members. This is the equivalent of taking 600,000 gasoline-fueled cars off the road. The project is currently in the advanced engineering and design phase and a decision on whether to move forward with construction is expected in early 2021. If Project Tundra is built, its primary funding mechanism will be federal tax credits, similar to what has promoted wind and solar development for decades.

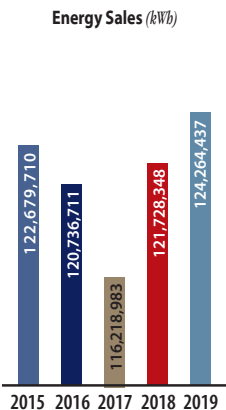
Keeping coal as a part of the energy mix is vitally important for us living in a cold climate. During the 2019 Polar Vortex, very little production was received from the region's wind and solar farms due subzero temperatures and freezing conditions. The majority of the Upper Midwest's energy needs during that time were met by coal, nuclear and natural gas. Having reliable electricity during extreme weather events requires generation resources that can operate if the wind isn't blowing or the sun isn't shining. We look forward to working with Minnkota to ensure its energy portfolio remains reliable, affordable and environmentally-responsible.

### Annual meeting/elections

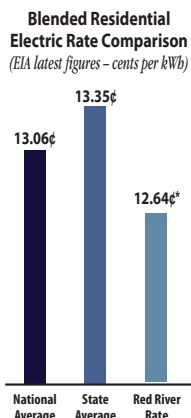
Employees and directors look forward to visiting with you March 19 at the Legion Recreation Center in Halstad. Two director positions are up for re-election. Incumbents (Sarah Tommerdahl, District 2; and Trevor Sorby, District 3) are running unopposed.

Your co-op is grateful for your support and suggestions on how we can improve services to you. Please give us a call or send us a note if you would like to discuss your cooperative.

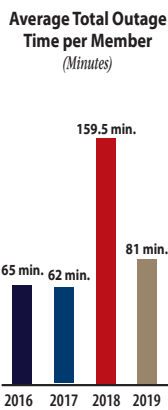
Your co-op does not have a profit motive. It does, however, have a strong service and value motive. Value means a balancing act combining reliability, service and affordable rates with environmental goals.



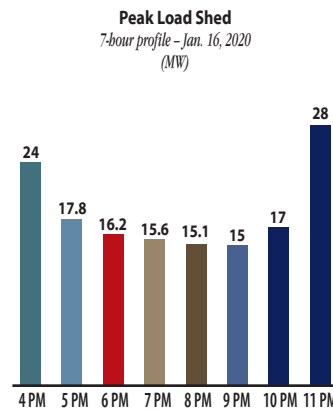
Weather directly affects energy use in the Red River Valley. You can see the fluctuations the last five years. New services and conservation also play a role in energy sales.



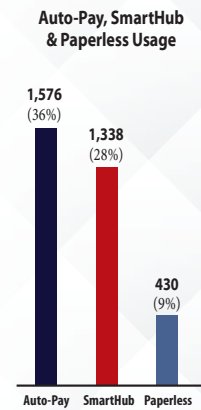
\*Includes Red River's facility charge, surcharge and off-peak kWh. National and state averages come from the Energy Information Administration.



\*57 minutes distribution; 24 minutes transmission.



On Jan. 16, your co-op peaked at 28 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.



Members using these convenient services.

# 2019 FINANCIAL REPORT

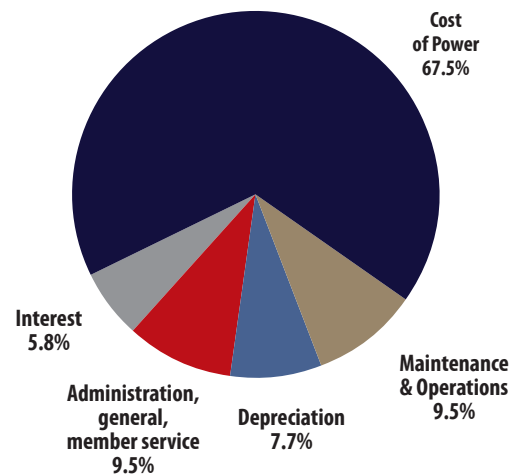
## BALANCE SHEET

ASSETS		EQUITIES & LIABILITIES	
<b>UTILITY PLANT</b>		<b>EQUITIES</b>	
Electric plant in service	\$47,533,454	Patronage capital	\$ 10,475,118
Construction work in progress	3,398,429	Other margins & equities	6,936,291
Total	50,931,883	<b>TOTAL</b>	<b>17,411,409</b>
Less accumulated depreciation	16,417,901	<b>LONG-TERM DEBT</b>	<b>19,782,580</b>
<b>TOTAL</b>	<b>34,513,982</b>	<b>OTHER NONCURRENT LIABILITIES</b>	
<b>OTHER PROPERTY &amp; INVESTMENTS</b>		Deferred revenue	855,108
Invest. in associated organizations	1,535,671	<b>CURRENT LIABILITIES</b>	
Other investments	42,930	Current portion of long-term debt	872,963
Economic development fund	228,938	Accounts payable – purchased power	1,102,317
<b>TOTAL</b>	<b>1,807,539</b>	Accounts payable – other	210,374
<b>CURRENT ASSETS</b>		Customer deposits	132,905
General cash & cash equivalents	1,391,790	Other current & accrued liabilities	372,251
Accounts receivable – net	1,963,062	<b>TOTAL</b>	<b>2,690,810</b>
Materials & supplies – electric & other	859,705	<b>DEFERRED CREDITS</b>	<b>170,813</b>
Prepayments	28,493	<b>TOTAL EQUITIES &amp; LIABILITIES</b>	<b>\$ 40,910,720</b>
Other current & accrued assets	5,515		
<b>TOTAL</b>	<b>4,248,565</b>		
<b>DEFERRED DEBITS</b>	<b>340,634</b>		
<b>TOTAL ASSETS</b>	<b>\$40,910,720</b>		

## INCOME STATEMENT

<b>OPERATING REVENUE</b>	
Sale of electricity	\$15,816,625
<b>OPERATING EXPENSES</b>	
Cost of purchased power	10,407,191
Distribution expense – operation	692,311
Distribution expense – maintenance	777,092
Consumer accounts expense	317,989
Customer service and informational expense	280,509
Sales expense	40,384
Administrative & general expense	826,797
Depreciation & amortization expense	1,186,644
Interest on long-term debt	893,740
<b>TOTAL</b>	<b>15,422,657</b>
<b>NET OPERATING MARGINS</b>	<b>393,968</b>
<b>NONOPERATING MARGINS</b>	
Interest income	267,849
Other nonoperating income	334,604
Other capital credits & patronage dividends	23,126
<b>TOTAL</b>	<b>625,579</b>
<b>NET MARGINS</b>	<b>\$ 1,019,547</b>

### Total Cooperative Expenses



# Red River Valley Cooperative Power Association

## 82ND ANNUAL MEETING OF THE MEMBERSHIP

Held on March 28, 2019

The 82<sup>nd</sup> annual meeting of the membership of Red River Valley Cooperative Power Association was held at the Dilworth Community Center, Dilworth, Minnesota on the 28<sup>th</sup> day of March, 2019.

The evening began at 4:30 p.m. with registration and exhibits. Supper was served from 5:30 to 6:30 p.m.

Chairman Krostue welcomed everyone to the meeting.

### **CALLED MEETING TO ORDER & ESTABLISHED QUORUM – Chairman Krostue**

Chairman Krostue called the meeting to order at 6:30 p.m. He declared a quorum present. (96 members registered out of a total membership of 3,643 members.)

### **INTRODUCTIONS – Chairman Krostue**

Chairman Krostue introduced the Board of Directors; Attorney Sam Schmitz; Logan Fahnhorst of Eide Bailly LLP; the Cooperative's new employee, Mindy Young, director of administration and finance; and guest speaker, Kaylee Cusack, communications specialist of Minnkota Power Cooperative, Inc.

### **PLEDGE OF ALLEGIANCE – Chairman Krostue**

Chairman Krostue led the Pledge of Allegiance.

### **READING OF OFFICIAL NOTICE OF MEETING & MAILING**

Attorney Sam Schmitz 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 22, 2018 annual meeting and approve them as published.

### **REPORT ON NOMINATING PETITIONS – Attorney Sam Schmitz**

Attorney Sam Schmitz reported on the nominating petitions for the following candidates:

- District 1 (3-year term) Roger Krostue (Incumbent)
- District 1 (2-year term) Robert Kinkade
- District 2 (3-year term) Marvis Thompson (Incumbent)

Attorney Schmitz discussed the voting process and explained the Cooperative's bylaws on director nominations and voting. Attorney Schmitz explained to the membership that since all candidates are running unopposed for the three open seats on the Board, and the Cooperative's bylaws do not allow written-in candidates nominations from the floor, if the membership wished, a motion from the floor would be in order to declare Roger Krostue elected to District 1 (3-year term), Robert Kinkade elected to District 1 (two-year term), and Marvis Thompson elected to District 2 (3-year term).

A motion was made and seconded to dispense with the

election for director of District 1 (3-year term) and declare Roger Krostue the winner, director of District 1 (2-year term) and declare Robert Kinkade the winner, and director of District 2 (3-year term) and declare Marvis Thompson the winner. Motion carried.

### **CEO'S REPORT – CEO Whitcomb**

CEO Whitcomb presented the report on activities and operations of the Cooperative during the year 2018, as well as issues of interest in the electric industry. Topics included: new technology at the Cooperative; kilowatt sales; off-peak program contributing \$1.1 million dollars in savings to the Cooperative; new two-way metering system; rebate program paid out \$120,000 in rebates to members; and energy-related legislative update.

### **FINANCIAL REPORT – Eide Bailly LLP**

Logan Fahnhorst, representative for Eide Bailly LLP, then presented the financial report of the Cooperative as of the year ending December 31, 2018. Mr. Fahnhorst reviewed the operating revenue, operating expenses, non-operating revenue, assets and equities and liabilities.

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

### **GUEST SPEAKER – Kaylee Cusack**

Chairman Krostue introduced guest speaker Kaylee Cusack, communications specialist of Minnkota Power Cooperative, Inc., in Grand Forks, N.D. Ms. Cusack presented the membership with information on the electric vehicle industry. Highlights of her speech included: battery electric vehicles versus plug-in hybrid electric vehicles and other benefits of electric vehicles. She provided the membership with website for additional information: [EnergizeYourDrive.com](http://EnergizeYourDrive.com).

### **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 7:13 p.m. Motion carried unanimously.

Trevor Sorby, Secretary-Treasurer





## 83<sup>RD</sup> ANNUAL MEETING

March 19, 2020

Legion Recreation Center – 580 2nd Ave. W., Halstad, 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 28, 2019, annual meeting . . . . . Legal Counsel
- Report of nominating petitions . . . . . Legal Counsel
- Voting on directors . . . . . Legal Counsel
- CEO report . . . . . Rich Whitcomb
- Financial report . . . . . Brady Martz
- 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 service awards

## 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 19, 2020**

**Legion Recreation Center**

**580 2nd Ave. W.**

**Halstad, Minnesota**

**4:30 p.m.**

*Refreshments*

**5:30 p.m.**

*Soup & Sandwich  
from Subway*

