

Newsline

February 2012



New REA Office Building Being Considered

by CEO Rick Banke

I would like to dedicate my article this month to discuss with you one of the more important decisions an electric cooperative makes in its history, the building of a new office. Over the past several months the Board of Directors and Staff have been discussing a possible new office and are at a point in those discussions to also inform our members. No decision to build has been made at this point. However, this is a big decision and the Board wanted to bring the discussion to the members before a final decision is made.

The subject of building an office, outside of downtown Alexandria proper, has been considered since the late 1960's when land was purchased in Lake Mary Township. In 1971 the decision was made to build only a warehouse at that location and not an office. I am not sure why. Now, forty years later, we are still discussing the subject but now may be the time to actually do something. Sometimes we don't move too fast, which is probably good!

I have arranged the balance of my article in a way I hope allows you some insight into why we are looking at a new office as well as provides answers to many of the questions you might have.

Why Build a New Office Building?

- The primary reason we need to consider a new facility is the age and condition of the existing downtown office building. Parts of the building were built in 1936. The "main office" was completed in 1951. In 1951, the Cooperative served 4,500 accounts. Today we serve nearly 14,000. The size of Alexandria and the activity downtown has

also increased exponentially.

- Significant investment will be required to fix the existing office if we are to stay much longer. We question the wisdom of major investments in a building built in the 1930's and 1950's.
- The downtown office is not ADA compliant, or



Rick Banke

REA Scholarships

Runestone Electric (REA) uses unclaimed capital credits to award scholarships to local high school seniors who plan to attend post-secondary school. The funds for the scholarships are administered through our Operation Round Up® program.

To qualify, the graduating senior must have a parent or guardian who is a year-round REA member and have a good academic record. Dollars for Scholars application forms are available from the counseling departments at:

- Jefferson High School
- Minnewaska High School
- West Central High School
- Ashby High School
- Morris High School
- Evansville High School
- Osakis High School
- Brandon High School
- Herman Community School
- Eagle Valley Public School
- Long Prairie/Grey Eagle School
- Hancock High School
- Parkers Prairie High School
- Lakes Area Charter School
- New Testament Christian School
- Country Bible Christian Academy

Each school selects its own recipient for the award from its share of the funds through their Dollars for Scholars or other scholarship programs.

Youth Tour deadline approaching



Runestone Electric is seeking applicants for an all-expense paid trip to Washington, D.C. for the 2010 Youth Tour, June 16 -23.

To receive an application and essay details, please call (320) 762-1121 or (800) 473-1722. Applications are also available at www.RunestoneElectric.com. The entry deadline is February 15.

Continued on page 2...

Board Meeting Highlights

The regular meeting of the Board of Directors of Runestone Electric Association was held on December 28, 2011.

- Approved revisions to M-06 Line Extensions policy with a cost sharing provision of five years.
- Transferred the 2011 Uncollectible Accounts of \$32,552.43 to the reserve for bad debt.
- Approved Director Hjelle as delegate and Director O'Brien as alternate for the upcoming meetings
- CEO Banke and staff presented the final 2012 Budget for the board's review and approval.
- Mr. Hultman shared information on proposed changes to the Division of Energy Resources Net Metering provisions. Such changes would require legislative action. The changes would have a significant negative impact on the co-op. REA will assist Minnesota Rural Electric Association (MREA) as they formulate their legislative agenda.

The regular February Board Meeting is scheduled for Thursday, February 23.

January Heating Degree Days

2012	.....	1,415
2011	.....	1,838
2010	.....	1,723
2009	.....	1,937

December 2011 Statistics

Kilowatt-hours Sold

2011	.....	21,167,134
2010	.....	24,166,414

Cost of Purchased Power

2011	.....	\$1,218,946
2010	.....	\$1,397,555

Cost per Kilowatt-hour Purchased

2011	.....	\$.054
2010	.....	\$.053

Number of Accounts

2011	.....	13,681
2010	.....	13,609

New building continued from page 1...

handicapped accessible. Any major investment in the building would likely trigger the need to install an elevator. Again, probably not a wise investment in an old building.

- If you have been to the downtown office you are aware of the parking problem. We are located at a very busy intersection with little to no parking available during the day. Employees must park along the public streets leaving little room for members and guests to park.
- As you can imagine, operating with one-half our employees downtown and one-half located five miles away, is a challenge. We have managed around it for many years but it is a very inefficient way to operate a business, having two facilities located in the same community. Consolidating under one roof allows for numerous operational benefits.
- Having one building would reduce travel time between locations as well as eliminate much redundancy such as having two phone systems, two computer networks, etc.
- With the downtown office being old, it is also quite inefficient from an energy perspective. Having a new, efficient office served by the cooperative's own wholesale electricity should result in significant efficiencies and energy savings.
- The existing office has no room to grow. Building a new office will provide space to grow within the building, as well as having extra land available to grow the building itself, if necessary in the future. The existing downtown office is landlocked with no ability to grow.

Where Would We Build?

- In 1968 the Cooperative purchased land in Lake Mary Township and in 1972 opened a "warehouse" or "operations center." For some reason a new office was not built, even though board meeting minutes from that time indicated that was the original plan.
- Today, the plan would be to add a new office to the existing warehouse building. This allows for a very cost effective office for a couple reasons. First, it allows us to remodel some existing space at a fraction of the cost of new construction. In addition, we continue to use our existing warehouse, avoiding the need to also build 40,000 square feet of new warehouse. A huge savings!



The annual Pancake Feed is held at the Operations Center each summer.

CONGRATULA

Runestone Ele

On the **OPENING** of Your
124 - 7th Avenue East



- The existing land in Lake Mary Township is not large enough to add the new office building so adjacent property was purchased in 2011 to allow us to move our existing outdoor material storage yard or "pole yard," leaving adequate space for a new office to be attached to the east end of our existing warehouse building.



What Might This Cost?

Finally, he is getting to the cost! This is what most members want to know and that is certainly justified. Our architect was tasked with bringing to the board a preliminary floor plan and preliminary budget so the board had something to discuss with the members. Both were presented to the board the end of January 2012 and here are the projected costs:

- The cost of construction, which includes all new building costs as well as remodeling costs: \$3.6 million.
- Adding in the cost of the land purchased last year, moving the “pole yard” and other associated costs, the total bill is projected at \$4.2 million.
- This does not include any offset for the sale of the downtown office building. Those proceeds would reduce the overall cost accordingly.
- I have calculated what this might mean on a per member per month basis. The average depreciation and interest expense would be about \$230,000 per year. Presently annual revenues are about \$24,000,000 per year so the added cost would be a bit less than 1%. So, what does that mean to you? Well, that depends on how much energy you consume each month. For a typical residential member, the cost will be around \$1.50/month.

Why Build Now?

- As I mentioned earlier, we will need to make some major investments in our present office so that is really what is driving the urgency to build. However, I have outlined numerous other reasons why we are looking at a new office as well.
- In addition, interest rates are at historic lows and the bidding environment is still very attractive due to the lingering effects of the recession on new construction.
- Hopefully this provides you with some good information as to why the board is looking at a new office building. We have presented the idea to our Member Advisory Council and also at our recent District Meetings. Most members I have talked to say “it’s about time!”
- I think most agree we have probably outlived the usefulness of our downtown office. It probably doesn’t make much sense to invest in improvements to allow us another twenty years or so. That is why we are completing our study and analysis of a new office and wanted to brief you of the progress to date. We will keep you informed along the way and plan to present an update at the March 24th Annual Meeting.

What Would We Build?

- Preliminary plans indicate the need for a total of 21,000 square feet of space. Of that amount, 17,000 square feet would be new construction; 4,000 square feet would be existing space we can remodel at a cost much less than new construction.
- The board has made it clear they want the following in a building:
 1. It is to be a functional building, no frills.
 2. It is to be energy efficient and customer friendly.
 3. Allows room to grow in the future.

Director Candidates nominated

As directed by the Runestone Electric Association Bylaws, District Two met on Tuesday, January 10, 2012, at the Millerville American Legion and District Five met on Wednesday, January 11, 2012, at the Runestone Electric Association downtown office to nominate board candidates.

Nominated for election to the Runestone Electric Association

Board of Directors:

District Two

Barbara Johnson, Incumbent
Leaf Valley Township

District Five

Bill O’Brien, Incumbent
Alexandria Township

REA Bylaws also allow for nomination by petition within fifteen days of the District Meetings.

Candidate profiles will appear in the March issue of the *Newsline*.

Please mark your calendar and plan to attend the Annual Meeting on Saturday, March 24, at Jefferson High School in Alexandria.

Watch your mailbox for the Annual Meeting packet that will be mailed in early March.

Co-generation notice

In compliance with Minnesota Adopted Rules relating to Co-generation and Small Power Production, Chapter 7835, Runestone Electric is required to interconnect with and purchase electricity from co-generators and small power producers that satisfy the conditions of a qualified facility.

Runestone Electric has available and will provide free information to all interested members regarding rates and interconnection requirements. An application for interconnection is required for a qualifying facility to interconnect and operate in parallel with the cooperative’s distribution system and is subject to approval by the cooperative.

For more information on co-generation, please contact REA Staff Assistant Jim Hultman at (320) 762-1121 or (800) 473-1722.

Teachers-Back by Popular Demand!

2012 Lignite Teacher Education Seminar

June 18-21, Bismarck, ND. Two graduate credits, four days of instruction, hands-on activities and facility tours.

All levels of teachers are welcome to apply. Tuition & lodging paid by Great River Energy.

For more information, call Amanda Williams (763) 445-5700 or email awilliams@GREnergy.com.



Profits, margins, earnings - in the cooperative world we call them capital credits

Runestone Electric Association's (REA) board of directors approved a capital credit retirement of \$450,000 at its December 2011 meeting. If you were a member in 1987 or 1988 and/or a member in 2010 and if your refund amount is greater than \$5.00, you will receive a capital credit refund check in the mail by the end of the month.

Non-profit organization

REA's priority is to provide a needed service, not a profit. Therefore, REA is considered a non-profit organization from an IRS income tax standpoint.

Still, like any other business, REA must show a margin between what it costs to operate the business and what it takes in as income. If we can't show more income than expenses, then we are financially unstable and cannot obtain loans to build and improve the electric system.

Why do we need loans?

The business of building power lines is very expensive and borrowing some of the money needed to build and improve the electric system is required to maintain rates as low as possible. Of course, when we borrow money, our bankers need to know that it can be repaid, hence, the requirement of margin.

Capital credits

As a member of the co-op, you are also entitled to a share of the co-op's margin – revenues less expenses. When REA has a margin in any given year, your share of that margin is recorded as your capital credit allocation.

The goal is to refund this credit to you over time. Until such time, it provides adequate cash flow for reinvestment in the business and shows the financial stability that is required to obtain the credit we need to provide reliable service.

What happens if I move and I'm no longer a member of REA?

As long as you keep us informed with your current mailing address we will send you a check whether you're a co-op member or not.

I'm turning 80 this year – do I qualify for a special refund?

Yes! When you turn 80 years old or if you have already celebrated your 80th birthday, you qualify for a senior refund of your accumulated capital credits. This one-time refund is lump sum payment of the accumulated capital credits that are currently held by the cooperative. If the membership is a joint membership, only one of the members needs to be age 80.

Members requesting a senior refund complete a simple form. They are asked to show proof of their age from identification like a driver's license or birth certificate. However, age can also be verified by a family member.

Contact REA for information on estate refunds.

Are my capital credits taxable?

Yes and no – depending if you use electric costs as a tax deduction. It's a good idea to consult your tax preparer for more information on claiming capital credits.



Official monthly publication of
Runestone Electric Association

PO Box 9, 124 7th Ave W
Alexandria, MN 56308
(320) 762-1121 or (800) 473-1722
Fax: (320) 763-4149
www.RunestoneElectric.com
email: REA@runestoneelectric.com

Office Hours

8:00 a.m. - 4:30 p.m. Mon - Fri

24-hour outage & emergency service

(800) 473-1722

Underground cable locations

Gopher State One Call

(800) 252-1166

Board of Directors

Audrey Hjelle, President
Bryan Withers, Vice President
Barbara Johnson, Secretary
Bill O'Brien, Treasurer
Ron Holm, Director
Mike Johnson, Director
Wilbur Burquest, Director

Editorial Staff

Rick Banke, CEO
Sue Lundeen, Editor

In case of a power outage

- Make sure the problem is not on your side (Members may be billed for service calls if the problem is caused by their own equipment).
- Check your own fuses and circuit breakers in your home and by the meter pole (Call us for help if you are unsure of the location of your breakers).
- Check with your neighbors to see if their power is off and if they have reported the outage.
- If the trouble is not on your wiring, please call (800) 473-1722 for 24-hour service. Please report any tree branches in lines, twisted wires, broken poles and if your neighbors are also out of power.
- Be sure to have one corded phone in the house, because cordless phones won't work when the power is out.
- Program the number above into your cell phone for easy access.

REA is an equal opportunity provider