



RESCO Update

REMA Tri-State Financial Manager's Conference



August 16, 2011

Jeff Kuhnle, Vice President of Administration & CFO
Rural Electric Supply Cooperative

Rural Electric Supply Cooperative Celebrates 75 years!!

A Brief History...

- Founded by the Wisconsin REC's in 1936 to be purchasing arm
 - From 1936 until 1972 RESCO was known as Wisconsin Electric Cooperative (WEC)
- In 1972 name was changed to Rural Electric Supply Cooperative (RESCO)
- RESCO/WEC has a rich history in the Rural Electric Cooperative movement:
 - Original statewide cooperative owned utility distributor
 - Battled IOU stranglehold on utility equipment/supplies and fought for the Rural Electric Cooperatives back in the 1940's-1960's to assure there was material available to the REC's to serve their Members
 - Started ERMCO Transformer – Now 2nd largest Transformer Manufacturer in U.S.
 - Started Federated Rural Electric Insurance

RESCO Operations Today

- 183 Members in the Upper-Midwest
 - MN,WI,IA,MI,ND,SD, MT and IL
- Lean workforce - allows RESCO to keep overhead costs low, allowing RESCO to charge low and competitive prices on the products



RESCO #1 Ranked Electric Supply Distributor by Sales-Per-Employee for 2010!

RESCO Operations Today

- Ability to ship product direct from manufacturer, or from our warehouses, at very low and competitive pricing
- 5 Warehouses with nearly \$12 million in inventory...with room to grow:



Middleton, Wisconsin



Moorhead, Minnesota



Ankeny, Iowa



Mt. Pleasant, Michigan

New RESCO/Mountrail-Williams Warehouse


Williston, North Dakota



RESCO Operations Today

- Keen focus on not-for-profit co-op model – not the profit/investor return focus of the typical distributor:

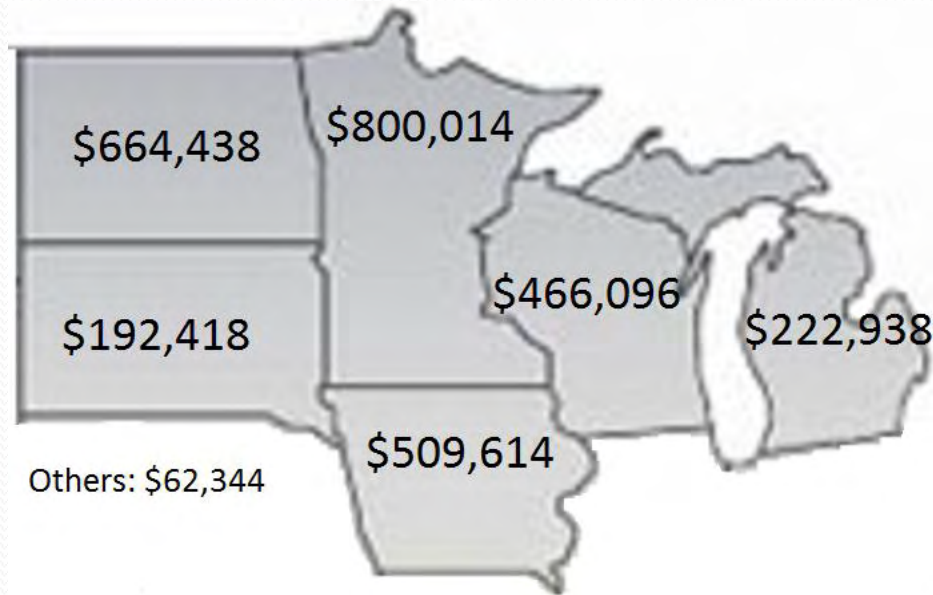
**National Association of Electrical Distributors
Performance Analysis Report 2010**



	Typical Electric Supply Distributor	"High Profit" Electric Supply Distributor	RESCO Results
Sales Per Employee	\$450,991	\$562,569	\$2,284,000
Gross Margin %	21.7%	21.9%	7.5%
Operating Expense Control	21.0%	17.7%	6.6%
Inventory Turnover	3.8	4.4	4.2
Average Collection Period	54 Days	51 Days	25 Days

RESCO 2010 Patronage Refund Allocation

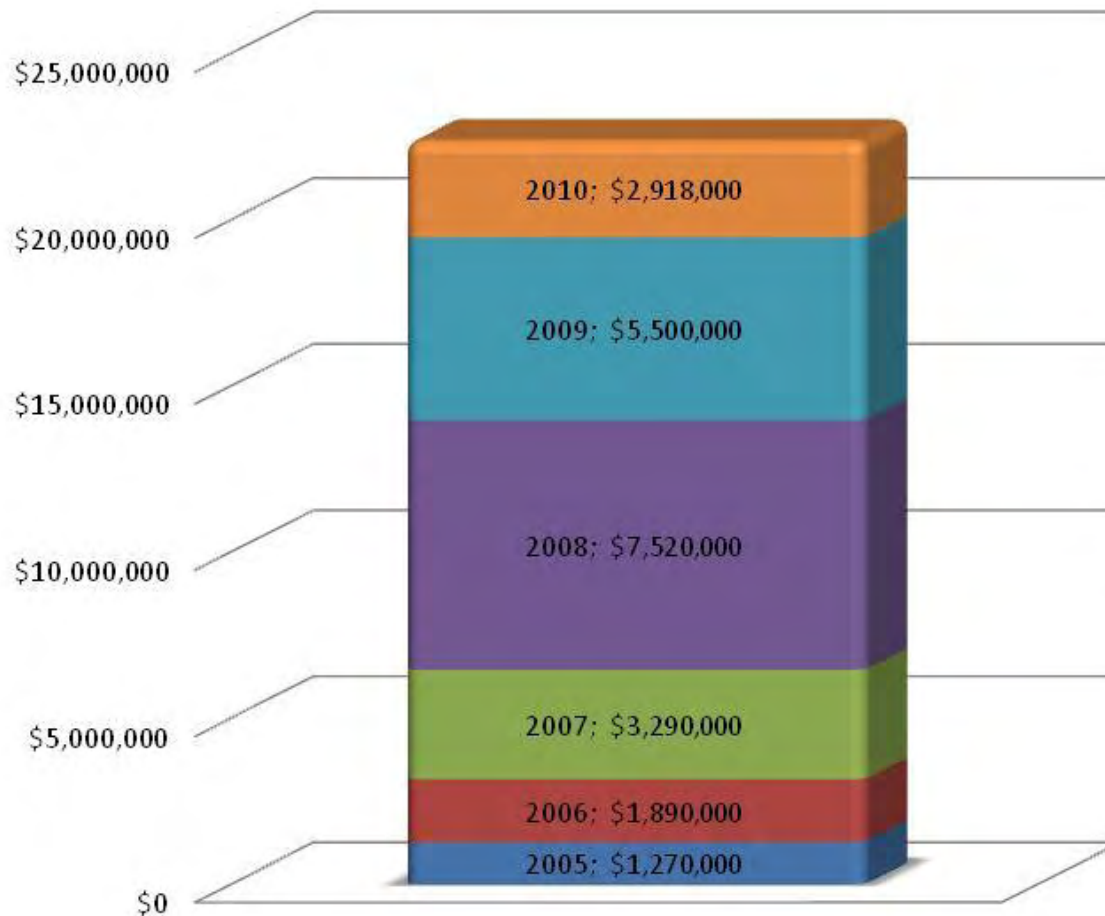
- \$2,917,862 Patronage Refund Allocation distributed to Members in 2011



- RESCO also retired 1998's Capital Credits in 2011
- Special \$1.7 Million ERMCO sourced 2007 & 2008 capital credit retirement in early 2011

Patronage Refunds 2005-2010

\$22,384,108



Patronage Refunds Past 6 Years

Past 6 Years Patronage Refunds as % of Member's Purchases

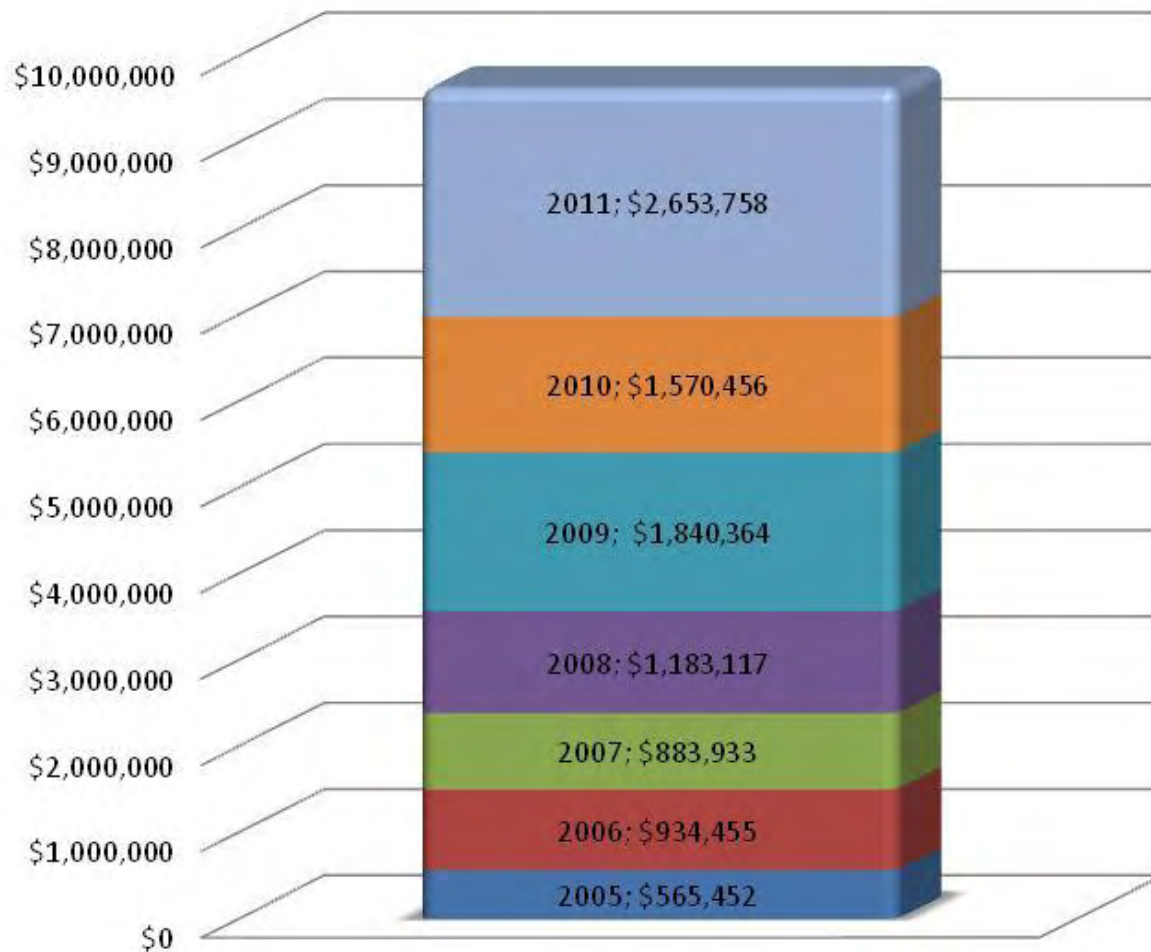
<u>Year</u>	<u>GM%</u>	<u>Patronage %</u>	<u>Net GM %</u>	<u>Patronage \$</u>
2010	7.5%	3.2%	4.3%	\$2,918,000
2009	7.2%	6.5%	.7%	\$5,500,000
2008	6.5%	7.2%	-.7%	\$7,520,000
2007	6.6%	3.1%	3.5%	\$3,290,000
2006	7.3%	2.1%	5.2%	\$1,890,000
2005	7.8%	1.8%	6.0%	\$1,270,000

6-Year Average Net 3.2%

Oldest Outstanding Capital Credits are from 1999 which will likely be retired in 2012

Cash Retirements 2005-2011

\$9,631,535



Utility Supply Industry Update

- More offshore utility material imports
 - Competitive pricing
 - Quality?
- Increased focus on conservation products and smart grid
- Returning Product Inflation

Product Cost Inflation

- 2010 inflation was less than 1%
- 2011 inflation through June was 3.8%
- Previous 5-year inflation average has been 8.5%
- Manufacturers have increased prices 3-7% in 2011
- Commodity costs weakening...but still high



RESCO's Commitment to our Members – Value Added Services

- Software integration
 - On-line ordering platform
 - With/without bar coding
 - Vendor Managed Inventory
 - No extra or “hidden” costs charged to our Members
- Storm Response/Storm Trailers
- Dedicated Inventory
- Best value added service RESCO offers continues to be our not-for-profit cooperative business model
 - Low Margins charged up-front
 - Significant Patronage refunds/cash on back end
 - Value of Ownership!





Thank You!

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