



# RESCO Update MREA Manager's Conference



September 8, 2011

David Walters, Regional Vice President  
Rural Electric Supply Cooperative

- RESCO Operations update
- Patronage Refund update
- Utility Supply Industry update
- RESCO Annual Meeting

# New RESCO/Mountrail-Williams Warehouse

Williston, North Dakota



32,000 Square Foot Warehouse



# RESCO Operations

- Up to 183 Members in 2011
- Sales operations now in MT
- Continue to gain significant market share
- Continue to manage expenses in order to keep RESCO's margins very low
  - Sales per employee is a key cost metric for RESCO and other distributors -- Ranked #1 out of 200+ distributors in 2011!




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

# RESCO Operations

- 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**

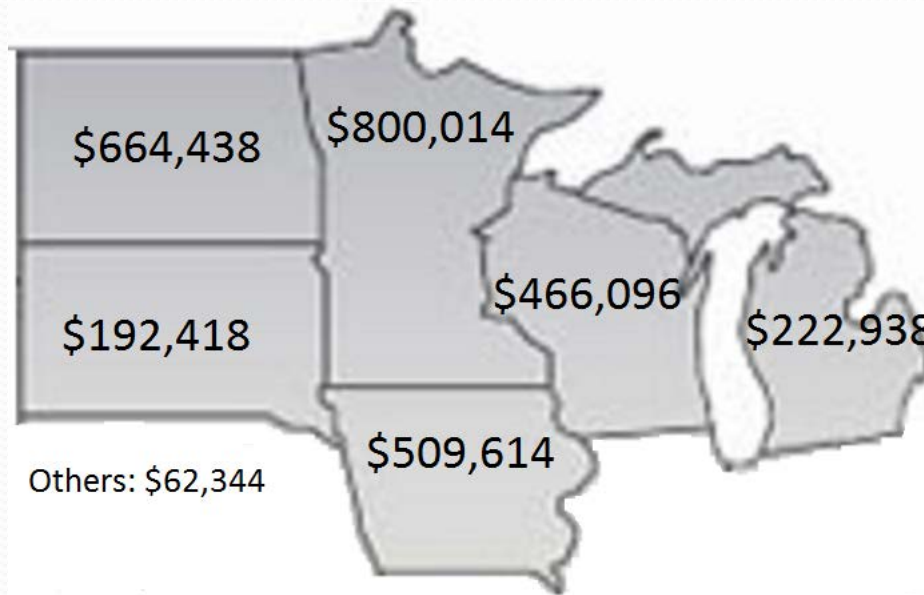


**NATIONAL ASSOCIATION OF  
ELECTRICAL DISTRIBUTORS**

	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

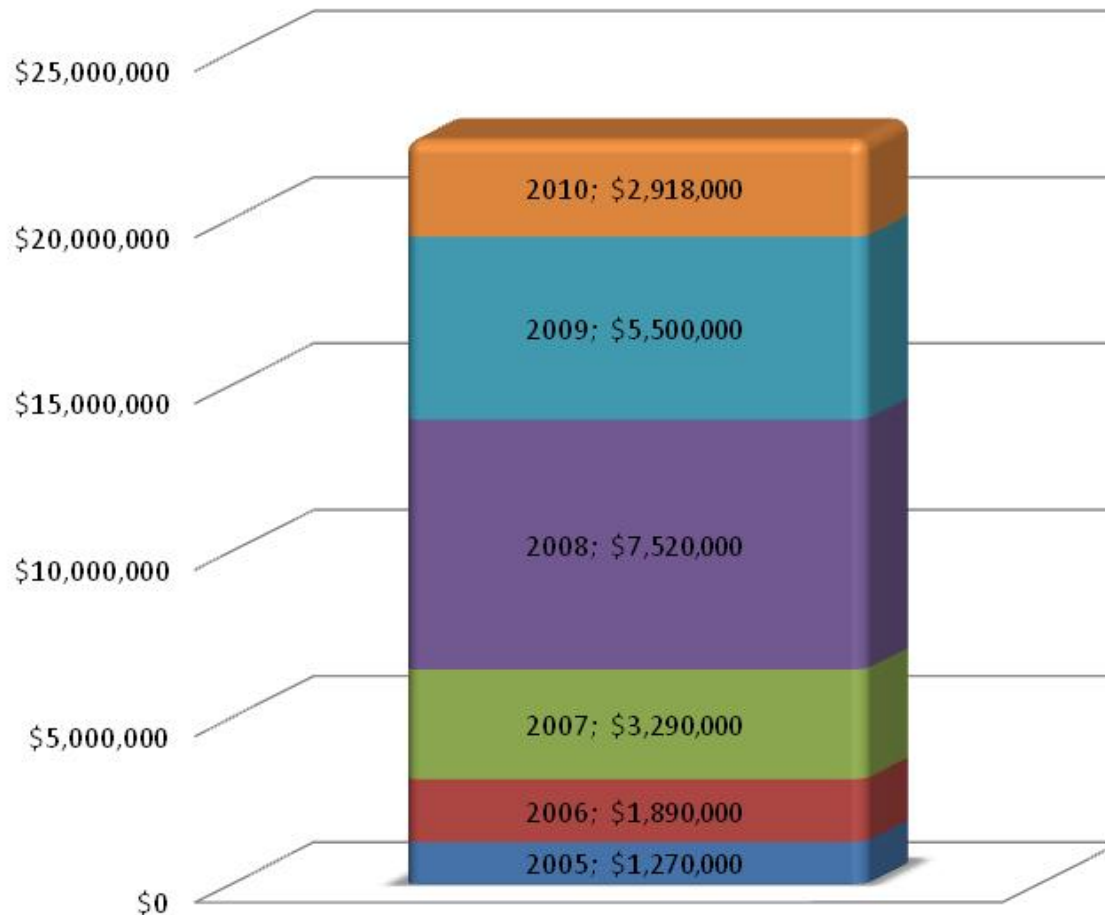
- \$2,917,862 Patronage Refund Allocation distributed to Members in 2011



- 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

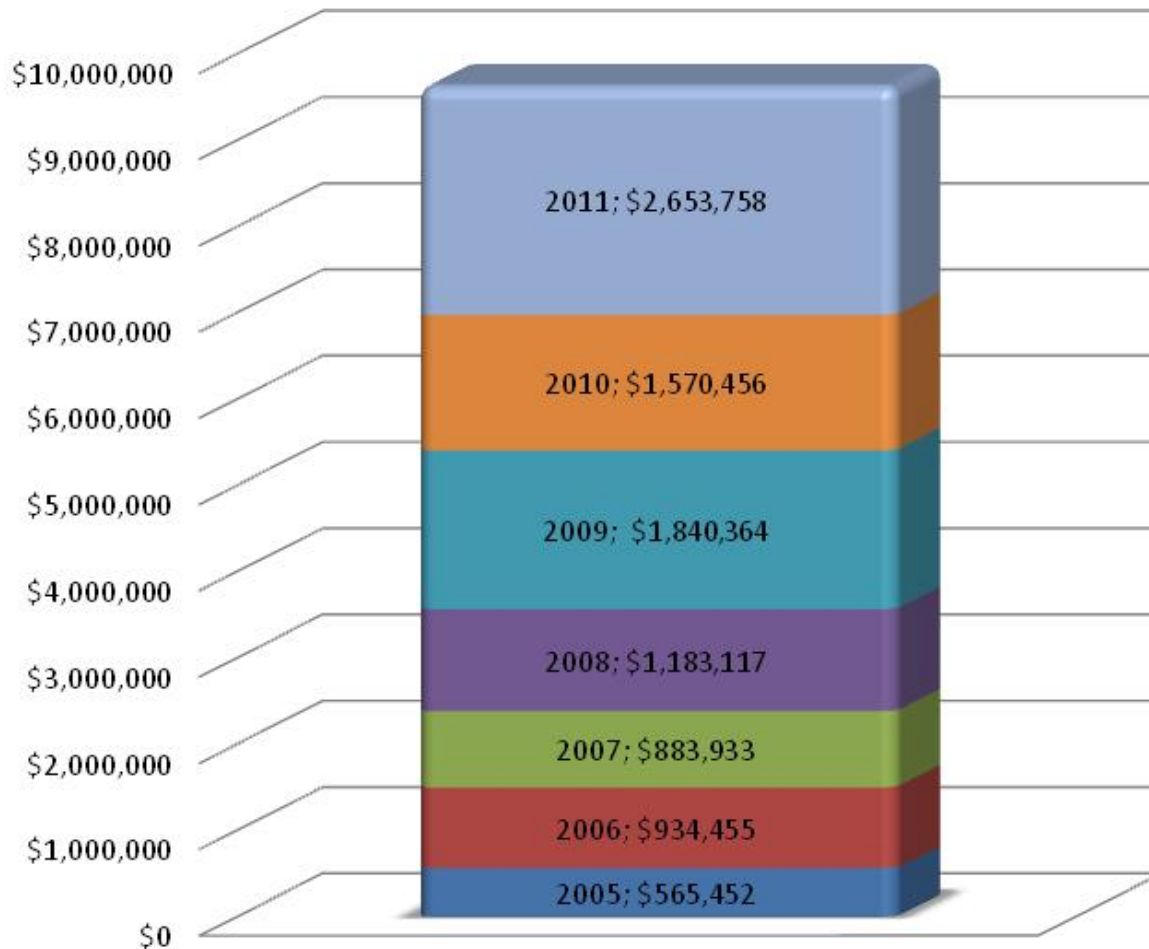
<u>Year</u>	<u>GM%</u>	<u>Patronage %</u>	<u>Net GM %</u>	<u>Patronage \$</u>
2010	7.5%	3.2%	4.3%	\$2,918,000
2009	7.2%	6.5%	.7%	\$5,500,000
2008	6.5%	7.2%	-.7%	\$7,520,000
2007	6.6%	3.1%	3.5%	\$3,290,000
2006	7.3%	2.1%	5.2%	\$1,890,000
2005	7.8%	1.8%	6.0%	\$1,270,000

**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**

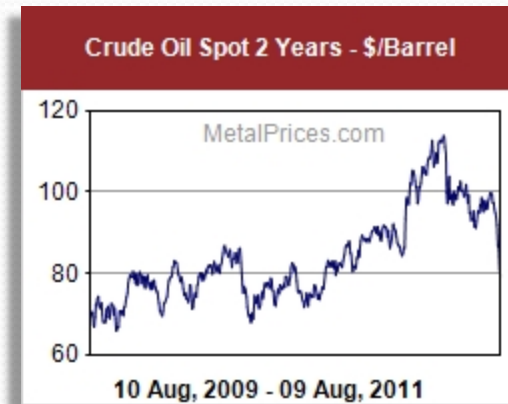


# Utility Supply Industry Update

- More offshore utility material imports
  - Competitive pricing, but is the material quality product?
  - Due diligence being done by RESCO to assure quality product offerings to our Members
- Increased focus on conservation products and smart grid
- Product inflation is returning after a rather tame 2010

# 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%**
  - Inflation can greatly impact a utility's work plan budget
  - Work plan that cost \$1,000,000 5 years ago, now costs \$1,500,000 in today's prices
- Manufacturers have increased prices 3-7% in 2011
- Commodity costs weakening...but still high



# RESCO's Free Valued Added Services Commitment

- RESCO continues to work with our Members to provide FREE value added services
  - Software integration
    - On-line ordering platform
    - With/without bar coding
    - No extra or “hidden” costs charged to our Members
- Storm Response/Storm Trailers
  - Lyon-Lincoln
  - Renville-Sibley
  - Redwood
- 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!

# RESCO's 75<sup>th</sup> ANNUAL MEETING

- Please remember to join us for our Annual Meeting to be held at the Minneapolis Hilton on September 14<sup>th</sup>
  - Social starts at 4:00 pm in the “Symphony” Rooms I, II & III
  - 75<sup>th</sup> Annual Meeting at 5:00 pm



**Thank You!**

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