



Join us in June for a

Power plant tour

June 27, 28 and 29

We are offering all North Star Electric members an exceptional summer opportunity that's fun for all ages. This year's power plant tour is three days, which will make the trip more relaxing.

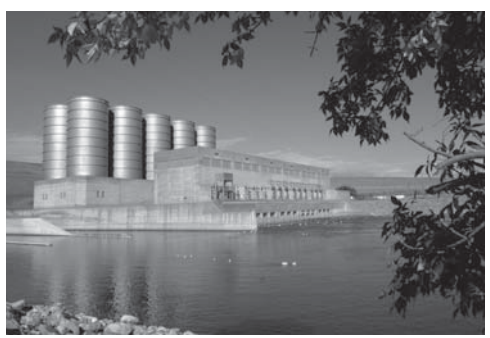
The tour is scheduled for Monday through Wednesday, June 27-29. The first day, we will tour Minnkota Power's control center and diesel generating plant in Grand Forks, and then it's off to the beautiful Seven Seas Hotel & Waterpark in Mandan, N.D.

On the second day, we will visit the Milton R. Young Station near Center, N.D., where most of our electricity is generated. This will include a tour of the open pit mines, where machines strip the coal and reclaim the land so it can once again be used for agriculture. This is where we will see the huge electric dragline, Liberty, with its 300-foot boom and 70-cubic-yard bucket, which is used to remove the overburden soil from the

coal. Then, it's off to see the Garrison Dam and tour the hydroelectric plant. We will end our day by returning to the Seven Seas for supper.

On the third day, we will visit the Ashtabula Wind Energy Center near Lake Ashtabula, where some of our energy is generated. The wind towers are 250 feet tall with 120-foot blades. After that, we're off to Grand Forks for lunch, and then back home.

The cost to members is just \$100 per person or \$175 per couple, which covers your cost of the bus, hotels, tours and meals. Members who have not been on this trip in the past are encouraged to go.



For further details, contact Wayne Haukaas at 634-2202 or 1-888-634-2202.

In this issue:

Board highlights/Members' corner	2
Manager's report/Attention parents	3
Meeting the challenges together	4
Summer seminar/Why is my heat being controlled?	5
North Star Electric rate schedule summary	6
Co-op connection card is being revitalized	7
About co-ops/Capital credit allocation	8

Please print names of participants the way you would like them to appear on your name tags. Your deposit will be refunded if the tour is cancelled or if you should find that you cannot make the trip. We will send further details prior to departure. Return with check for \$100 per person or \$175 per couple to:

North Star Electric Co-op
P.O. Box 719 • Baudette, MN 56623

Name _____

Name _____

Address _____

City _____ Zip _____

Phone No. _____

Have you enjoyed this trip in the past? No/Yes If yes, what year? _____

Highlights from the BOARDROOM

MARCH 2011

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1-888-6OUTAGE (1-888-668-8243)
or 634-2603
e-mail us at nsec@wiktel.com
Visit our website at
www.northstarelectric.coop

North Star Electric Cooperative, Inc. Mission Statement

To improve the lives of our member-owners and community by responsibly providing electric energy and other beneficial services while maintaining the very highest standards of performance.

Members' corner

We added a section called the members' corner. What we would like is for members to send in questions about your electric cooperative, and we will answer them for you. Please give us your name and a phone number in case we need to clarify the question, and send them to North Star Electric, PO Box 719, Baudette, MN, 56623, Attn: Wayne.

These are the highlights from the board of directors' Feb. 2 and Feb. 10 meetings. After three and a half hours of discussion regarding the wholesale rate increase, cutting expenses, maintaining service and the effects on North Star members, the board voted to direct Manager Hoskins to draft and deliver a letter to Minnkota in opposition of its 29.8 percent wholesale rate increase. They will revisit the retail rate increase decision after the request for reconsideration has been answered. They also acted on routine business and voted to approve the Resolution of Honor for Director L J Anderson, to approve the allocation of 2010 operating and nonoperating electric margins to members' capital credit accounts, to approve the Operation Round Up Trust bylaw amendments and minutes of the Community Trust Board meeting from Jan. 10, 2011, and to approve the redistricting boundaries to reflect the reduction in the size of the board to seven members.

At the Feb. 10 board meeting with Minnkota President & CEO Mac McLennan, directors spent two hours asking questions, hearing answers and learning of the steps being taken to mitigate the temporary burden of the wholesale wind energy losses and to increase efficiency at Minnkota. The board asked if Minnkota would reduce the size of the rate increases totaling 34.8 percent over a three-month period, and McLennan had no knowledge that Minnkota board members are prepared to do that.

Unwillingly, the board was faced with dealing with the wholesale

increase. North Star's revised budget, including this increased cost and a reduced margin, indicates that the kilowatt-hour (kWh) and kW demand components would need to increase 23 percent effective March 20, 2011, to satisfy North Star's loan covenants. When averaged in with the 0 percent increase in the surcharge and the less than 3 percent increase in the fixed charge last December, the average retail increase would be 17 percent. Members using very little energy would see a small increase, but as the usage increases, so does the percentage increase. In no event would a member experience more than a 23 percent increase. The average member would see about a \$20 per month increase for non-off-peak electricity. The new off-peak rate would still be generally lower than propane.

Reluctantly, the retail rate adjustment effective March 20, 2011, was approved. The increase is a pass-through of only wholesale power increases.

Staff reports, as well as reports from Minnkota and MREA (Minnesota Rural Electric Association) were provided.

Detailed minutes are available at the cooperative for member review. Regular board meetings are generally held the first Wednesday of every month. If you wish to speak with the board, or have an item that you would like to have placed on the agenda, please contact Manager Dan Hoskins at least one week in advance to be included on the agenda.

•••• Current electrical inspectors ••••

State law requires that every new electrical installation in any construction, remodeling, replacement or repair shall file a certificate for inspection with the State Board of Electricity and be inspected by a Minnesota electrical inspector.

- **St. Louis and Koochiching counties:**

Bob Orgon
10111 Roosevelt Rd. S.E.
Bemidji, MN 56601
Phone: (218) 556-3829
Fax: (218) 333-0451
7 a.m. - 8:30 a.m. (Mon. thru Fri.)

- **Roseau and Lake of the Woods counties:**

Scott Stenvik
16409 State Hwy 1 N.W.
Thief River Falls, MN 56701
Phone: (218) 689-5406
7 a.m. - 8:30 a.m. (Mon. thru Fri.)



Dan Hoskins
General Manager

Manager's Report

Have you ever been right about something that you were hoping that you were wrong about, but in the end you were right? I am talking about the last six or seven years and the fact

that in the *Enlightener* we have been telling you that all of those political energy bills, both current and proposed, were going to raise your electric bills and cost us money down the road. Well, guess where we are at: down the road!

Minnkota has raised its wholesale electric rate a total of 34.8 percent (5 percent in December 2010 and 29.8 percent for March 2011). We have met with Minnkota concerning this increase, and our board of directors met with Minnkota about this increase to no avail, so North Star has no option but to pass through this rate increase. The energy and demand components of our electrical retail rate will increase 23 percent, which will give us the 17 percent revenue increase needed to satisfy Minnkota's increase. This increase means that some member-owners could see more and some could see less. It all depends on usage, but the most anyone will see is a 23 percent increase on their monthly bill. Your basic service fee will not be affected by this increase.

I will tell you that this is a complete pass-through. Your Cooperative, North Star Electric, will not gain any revenue from this increase!

Blame? Blame is an easy thing to do. We can blame it on the economy, the cost of material, the cost of fuel, Minnkota's operating costs, and yes, you can even point fingers at Minnkota's board of directors and Minnkota's management for their role in trying to do what is right and adhere to the political rules and regulations by law. I can tell you that we met with Minnkota and we had the gloves on and we took the gloves off, but the fact of the matter is; their costs are real and this wholesale rate increase is here and we all have to deal with it.

This is not something that is just happening to Minnkota (674-07-019-06, Richard Ditsch). It has happened to other generation and transmission cooperatives, such as Minnkota, and they have handed down their costs to their cooperatives, and the ones that have not or have been lucky enough to have avoided some of these issues, will eventually go through the same thing we are now.

But you know, all of you who have contacted your representatives in St. Paul and Washington, D.C., have done an admirable job and it is an unending task, but I ask you and I ask your neighbors to continue with your correspondence to those folks in our pursuit of low-cost energy.

In your correspondence, tell them that the EPA is breaking us out here with its clean air laws. Tell them that the energy conservation mandate is not needed since their new rules and laws have raised your retail electric rates more than 78 percent in the last 10 years and we can conserve on our own. Tell them that we need our low-cost nuclear and coal-fired energy to bring in jobs and maintain a decent way of life. Tell them that the Minnesota Renewable Energy Standard flopped and is costing you money and then be sure to tell them: don't even consider a carbon tax because we cannot afford it!

OK, I'll simmer down and try to give you a little silver lining to this Minnkota increase. But, I say this with apprehension. The silver lining is this: in regard to the rate increase that Minnkota is handing down to us this year, it has been projected that if the economy keeps improving, the energy market remains at least stable and where it is now and there are no hidden bills or regulations that pop up, the surcharge will be lifted at the 2011 deadline of Dec. 20, or before if the market does indeed come back better than anticipated, and that there will be no rate increase in 2012. Whew!

I have one more thing, and it has to do with vision. Edgar Hetteen passed away recently. Mr. Hetteen was a visionary and he envisioned that people could ride on top of the snow with a motor-propelled belt or track; thus, the snowmobile. He co-founded Polaris Industries in Roseau, Minn., Arctic Cat manufacturing in Thief River Falls, Minn., and those two businesses remain strong to this day and are a large part of our local economy. So, one last tribute from all the folks who work at these facilities, the folks who are associated with these companies and for all those folks who are enjoying the ride: Thank you, sir! God Bless You and Our Troops,
Dan

ATTENTION:

Parents of high school seniors

Are you aware of North Star Electric's Knowledge Scholarship? To qualify, the parent/guardian must be an active member of North Star Electric, and your child must take a test about your cooperative that provides electricity to your home. North Star Electric will be awarding five scholarships, one \$1,000 and four \$400, plus a chance to win one of eight \$50 cash awards for scoring more than 50 percent on the test. Most of the answers will be in the study material that North Star provides. A couple hours of study time could pay off with a \$1,000 scholarship. Last year only 40 students took the test. The information meeting and the test will be given in mid-April. For more information about the scholarships, please call Wayne at North Star Electric or check with your guidance counselor at your school.

Meeting the challenges together

By Mac McLennan, Minnkota president & CEO



As the new president & CEO of Minnkota Power Cooperative, I'd like to take this opportunity to introduce myself to the membership of North Star Electric Cooperative.

I'm pleased to be a part of the Minnkota Joint System and I look forward to working with your electric cooperative and its board of directors to keep Minnkota a viable asset to you, the member-owner. As many of you know, Minnkota generates and transmits the energy needed by homes, farms and businesses in your service area and throughout eastern North Dakota and northwestern Minnesota.

Before joining Minnkota in January, I worked at Tri-State Generation & Transmission Association, a generation and transmission cooperative, based near Denver, Colo., as the senior vice president of external affairs & member relations. In that position I focused on member relations, corporate planning, environmental compliance and development of business strategies. I've also worked for the National Rural Electric Cooperative Association (NRECA) as director of environmental affairs, where I helped develop nationwide environmental strategies for cooperatives.

Though Tri-State is a much larger cooperative than Minnkota, it is facing many of the same challenges. The cost associated with producing safe and reliable energy has increased dramatically. As a result, Minnkota's wholesale power bill to your cooperative will be higher than originally anticipated in 2011. Minnkota finds itself in the unfortunate position that the economy, new environmental and regulatory

requirements and difficult wholesale power market conditions have taken a toll on its balance sheet and operating statements over the last several years.

Minnkota's expenses for 2011 total nearly \$333 million, an increase of about \$97 million from 2009. The average wholesale rate will have risen 2.4 cents per kilowatt-hour (kWh) compared to 2009.

Considering more than 65 percent of your electric bill is made up of wholesale power costs, I would like to take the opportunity to explain some of the reasons that Minnkota's rates are increasing.

Minnkota is in the process of adding emission control equipment on both generating units at the Milton R. Young Station, located near Center, N.D. More than \$425 million has been invested in the major upgrades to meet new federal emission control standards. Equipment will be installed to remove 95 percent of sulfur dioxide emissions and reduce 60 percent of nitrogen oxides emissions.

This investment also includes support systems and electrical infrastructure to operate the emission controls and meet new safety and reliability standards. These upgrades are necessary to secure the Young Station as a long-term power source.

To deliver much of this energy from the Young Station, Minnkota will construct a new 345-kV transmission line. The 250-mile, \$301 million line will provide capacity to transport baseload generation to Minnkota's

service area, as well as help the overall northern Red River Valley with voltage support.

In addition to increased expenses to run its own facilities, significant pressures have been applied to Minnkota's costs as a result of low power market conditions. Minnkota currently has surplus energy in its system due to decreased energy sales and long-term contracts it has in place with other utilities and wind energy developers. With a depressed economy, the demand for excess electricity from the market has dropped significantly.

Now, instead of selling electricity in the market for financial gain, Minnkota has been selling most of its excess electricity at a loss. We believe this situation will improve over time with added growth in Minnkota's system and the overall recovery of the economy.

However, the next few years will continue to be a challenge. Minnkota has taken action to reduce costs and continues to look for opportunities in its operations to improve the way services are delivered (425-14-014-11, Julie A. Carlson). I believe the challenges we face are going to be manageable, but not without significant work. We will need to work together with your cooperative to develop a long-term plan to manage all of these issues and assets in a way that will preserve safe, reliable and affordable electricity for generations to come.

"The next few years will continue to be a challenge... I believe the challenges we face are going to be manageable, but not without significant work."

Summer seminar offers educators a first-hand look at mines and power plants

Teachers are eligible to receive graduate credits!



The Lignite Energy Council, based in Bismarck, N.D., is sponsoring a teacher seminar titled *2011 Lignite Teacher Education Seminar: Energy, Economics and Environment* at Bismarck State College, Bismarck, N.D., on June 20-23, 2011.

This seminar is designed to provide teachers with a broader understanding of the lignite coal industry and the important role it plays in providing electricity to consumers, farmers and businesses in North Dakota, Minnesota, South Dakota and

Montana. The seminar includes discussions on how lignite coal is mined and converted into energy, and the economic impact of the industry on the region. It also includes a tour of a lignite mine, a lignite-fired power plant, the Great Plains Synfuels Plant (which converts coal into synthetic natural gas and other valuable byproducts), and the Headwaters Fort Mandan Visitor Center, which was constructed with the use of coal combustion byproducts.

Minnkota Power Cooperative is sponsoring 10 teachers from its Minnesota service area by paying the \$60 registration fee, plus round-trip mileage to the seminar in Bismarck. Rooms are provided at Bismarck State College at no charge.

Teachers who attend the four-day seminar and complete a lesson plan are eligible to receive two graduate credits in education, economics or science from one of three North Dakota universities: University of North Dakota, North Dakota State University and Minot State University.

Application materials will be mailed to schools throughout the region or are available at www.minnkota.com. All applications need to be submitted to Sue Black, Minnkota Power Cooperative, Inc., PO Box 13200, Grand Forks, ND 58208-3200, by April 15, 2011.

Why is my heat being controlled when we have a surplus of power?

We had several calls like this on Feb. 21, and it is a very good question. It was a normal February day, 4 below in the morning and had warmed to 15 degrees in the afternoon, and yet the heat was controlled. My heat at home was controlled for more than 15 hours. The reason for this is timing. On Monday, both of our power plants, Young 1 and 2, were at full capacity, but the Coyote plant was off line because of a tube leak. There was also very little wind on Monday. The two wind farms we are under contract to buy power from when at full capacity generate 365 MW of power, but that day with little wind they were only generating about 5 MW of power. On Tuesday the temperature was about the same, the Coyote plant was still off line, but the wind started picking up speed and we had only four hours of control. With electricity it's all about timing; it must be used the same second that it is being produced.

Flooding provides its own set of electrical hazards

Heavy rains often cause flooding in lowland areas, homes and basements. Safe Electricity reminds everyone to be alert to electrical equipment that could be energized and in contact with water, along with other potential hazards that create a serious danger of electrocution (131-32-006-06, David J. Hamilton). Cleaning up and using water-damaged appliances also carry safety risks. As part of the "Teach Learn Care" TLC Campaign, Safe Electricity urges parents and other caregivers to make sure children are aware of these hazards as well.

"The prospect of an electrical accident is probably not top of mind when you're dealing with a flooded basement, room or even outdoors," said Molly Hall, executive director of Safe Electricity. "But it's the first thing you should think of before you step foot in the water."

Safety measures to keep in mind include:

- ☞ Never step into a flooded basement or other room if water may be in contact with electrical outlets, appliances or cords;
- ☞ Never attempt to turn off power at the breaker box if you must stand in water to do so. If you can't reach your breaker box

- safely, call your electric utility to shut off power at the meter;
- ☞ Never use electric appliances or touch electric wires, switches or fuses when you're wet or when you're standing in water;
- ☞ Keep electric tools and equipment at least 10 feet away from wet surfaces. Do not use electric yard tools if it's raining or the ground is wet;
- ☞ If an electrical appliance has been in contact with water, have a professional check it out before it is used. It may need to be repaired or replaced.

"A good safety measure is to have ground fault circuit interrupters (GFCIs) professionally installed on outlets," Hall said. "These safety devices can cut off power instantly if there's a problem." GFCIs are recommended for outdoor outlets, and outlets near wet areas of the home such as kitchen, bath and laundry room.

Accidents and fires involving electricity result in more than a thousands deaths, and ten thousand injuries each year. Prevention of electricity-related tragedies is the goal of Safe Electricity.

North Star Electric rate schedule summary

Service Type (Rate class)	Previous Rates 2010	Effective March 20, 2011 Dec. 20, 2010 for fixed charges & security lights
General Single Phase Fixed charge Cost per kWh Wind energy surcharge	\$35 per month \$0.092 \$0.005 per kWh	\$36 per month \$0.113 \$0.005 per kWh
Seasonal Fixed charge Cost per kWh Wind energy surcharge	\$420 per year \$0.092 \$0.005 per kWh	\$432 per year \$0.113 \$0.005 per kWh
Three Phase Fixed charge Cost per kWh Wind energy surcharge	\$72 per month \$0.092 \$0.005 per kWh	\$74 per month \$0.113 \$0.005 per kWh
Off-Peak <= 50 KVA <= 50 KVA short term > 50 KVA Wind energy surcharge ECC credits > 500 kWh ECC credits > 1,000 kWh	\$0.048 per kWh (year round) \$0.074 per kWh (year round) \$0.045 per kWh (year round) \$0.005 per kWh (\$4) per month (\$6) per month	\$0.059 per kWh (year round) \$0.091 per kWh (year round) \$0.055 per kWh (year round) \$0.005 per kWh (\$4) per month (\$6) per month
Rental Security Lights (includes tax on energy component only) HPS MV MV & Transformer HPS & Transformer 150-watt MV Request	\$ 9.40 per month \$11.82 per month \$17.62 per month \$15.20 per month \$15.02 per month \$13.26 per month	\$10.34 per month \$13.00 per month \$19.38 per month \$16.72 per month \$16.52 per month \$14.59 per month
Metered Street Lights Energy charge Wind energy surcharge	\$0.120 per kWh \$0.005 per kWh	\$0.141 per kWh \$0.005 per kWh
Large Power Fixed charge Demand charge Energy charge First 100 kWh/KW Excess Controlled Sawmill (guaranteed max) Wind energy surcharge	\$79 per month \$10.54 per KW \$0.069 per kWh \$0.094 per kWh \$0.005 per kWh	\$82 per month \$12.96 per KW \$0.085 per kWh \$0.116 per kWh \$0.005 per kWh
Interruptible Large Power Fixed charge Energy Demand Demand penalty Wind energy surcharge	\$1.23 per KVA \$0.051 per kWh \$2.20 per KW \$93.01 per KW \$0.005 per kWh	\$1.27 per KVA \$0.063 per kWh \$2.71 per KW \$122.28 per KW \$0.005 per kWh

A half-cent Temporary Wind Energy Surcharge has been in effect since Oct. 20, 2009. It is anticipated when the economy improves and the market price for excess wind energy improves and are sold at rates near the generation price, this surcharge should no longer be needed.

North Star Electric Cooperative's Co-op Connection Card

is being revitalized

We are actively seeking more businesses to participate in the local Co-op Connection Card program in an effort to help them AND help our members.

When businesses sign up to offer deals to our members, we hope to:

- Encourage more local shopping
- Increase awareness of their products
- Expand their advertising
- Bring in customers during their slower times
- Increase their bottom line
- Promote our local economy

Our goal is to add 40 businesses to our list of participants by mid-summer. If you are a business that would like our help, please contact us for more information.



Co-op Connections Card Business Spotlight

Jeri's

216 Main Street N, Baudette
Coffee shop, T-shirts, books, gifts,
souvenirs, notions & new fabrics
arriving weekly

"The store with affordable prices"

Show your Co-op Card and get 20% off
any one regular priced item



Problems paying your electric bill?

Energy assistance may be available!

If you are receiving a low income or suffering from a temporary financial shortfall, the following agencies may be able to assist you with your electric bill. We urge you to contact them immediately to avoid disconnection if you feel you are eligible for aid.

**Lake of the Woods County
Community Services**
P.O. Box G-0200
Baudette, MN 56623
634-2642

**Northwest Community
Action Council**
P.O. Box 67
Badger, MN 56714-0067
800-568-5329

**Koochiching County
Community Services**
1000 5th St.
International Falls, MN 56649
283-7000

**Kootasca Community
Action, Inc.**
2232 2nd Ave. E.
P.O. Box 44
International Falls, MN 56649
283-9491 or 800-559-9491

**Kootasca Community
Action, Inc.**
1213 SE 2nd Ave.
Grand Rapids, MN 55744-3984
800-422-0312

**Arrowhead Economic
Opportunity Agency**
702 3rd Ave. S.
Virginia, MN 55792-2797
800-662-5711

THE \$100 WINNER IS... George Heinen of Warroad

Thank you to all who returned last month's bill stuffer with your physical address and/or e-mail address. George was the lucky winner of the random draw, but we are all winners when we work together. Thank you.

Touchstone Energy...the power of human connections. Your Touchstone Energy Partner



NORTH STAR ELECTRIC COOPERATIVE POLITICAL LEADERS

Federal legislators

Senator Al Franken
320 Hart Senate Office Building
Washington, D.C. 20510
www.franken.senate.gov
202-224-5641
Fax: 202-224-0044

Senator Amy Klobuchar
302 Hart Senate Office Building
Washington, D.C. 20510
www.klobuchar.senate.gov
202-224-3244
1-888-224-9043 (Minnesota office)
Fax: 202-228-2186

Congressman Chip Cravaack
508 Cannon House Office Building
Washington, D.C. 20515
www.cravaack.house.gov/
202-225-6211
Fax: 202-225-0699

Congressman Collin Peterson
2211 Rayburn House Office Building
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Fax: 202-225-1593

State of Minnesota legislators

Senator Tom Bakk
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Representative Tom Anzelc
307 State Office Building
100 Rev. Dr. Martin
Luther King Jr. Blvd.
St. Paul, MN 55155

About Co-ops

Electric cooperatives are private, independent electric utilities, owned by the members they serve. Democratically governed businesses, electric cooperatives are organized under the Cooperative or Rochdale Principles, anchoring them firmly in the communities they serve and ensuring that they are closely regulated by their consumers.

Electric cooperatives began to spread across rural America after President Franklin D. Roosevelt created the Rural Electrification Administration (REA) in 1935. The Executive Order establishing the REA and the passage of the REA Act a year later marked the first steps in a public-private partnership that has, over the last 75 years, bridged the vast expanse of rural America to bring electric power to businesses and communities willing to organize cooperatively and accept responsibility for the provision of safe, affordable and reliable electric power.

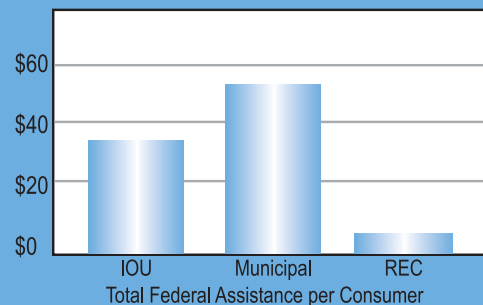
Today more than 900 electric cooperatives power Alaskan fishing villages, dairy farms in Vermont and the suburbs and exurbs in between. They provide reliable and technologically advanced service to 42 million Americans while maintaining a unique consumer-focused approach to business.

Federal assistance to electric utilities

According to Nobel Laureate economics professor Lawrence R. Klein of the University of Pennsylvania, all types of utilities— Investor-Owned Utilities (IOUs), Municipal-Owned utilities and electric cooperatives—enjoy some form of subsidy. You may be surprised to learn that electric cooperatives receive the least amount of subsidy per customer.

The difference in federal subsidies for each type of utility becomes even sharper after considering that electric cooperatives typically serve sparsely populated areas: they have an average of seven customers per mile compared to 35 for IOUs (such as Minnesota Power) and 47 for municipal-owned utilities. North Star serves 4.5 customers per mile of line.

RECs receive the least federal assistance per consumer



Source: DOE, EIA Data

7 Cooperative Principles

- Voluntary and Open Membership
- Democratic Member Control
- Members' Economic Participation
- Autonomy and Independence
- Education, Training and Information
- Cooperation Among Cooperatives
- Concern for Community

Capital Credit Allocation

Your March bill will show your share of the 2010 margins (revenue in excess of expenses) and your accumulated capital credit balance. Because North Star Electric Cooperative is nonprofit and owned by those who purchase electricity from it, all margins are returned to you and the other members. Current margins are temporarily held in your capital credit account, which is your share of the ownership of the cooperative's assets. Over time, these capital credits are repaid to the members. Payment or bill credits are typically made in September. We have returned more than \$8,000,000 of capital credits to our members and hold just more than \$11,000,000.