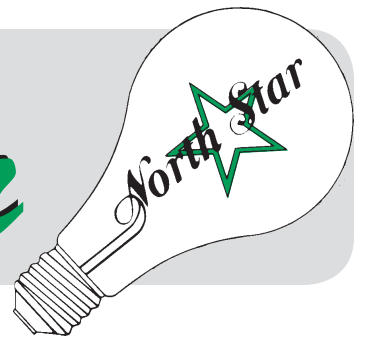


The Enlightener



North Star
Electric Cooperative, Inc.

Your Touchstone Energy® Partner



Write to us at P.O. Box 719, Baudette, MN 56623-0719
or call us at 1-888-634-2202

E-mail us at: nsec@wiktel.com

Find us on the Web at: www.northstarelectric.coop

SEASONAL NEWSLETTER

Baudette, Minnesota

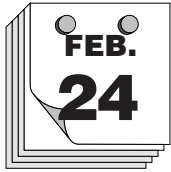
2006

Happy year 2006!

This marks North Star Electric Cooperative's 66th year of service to you, our member-owners. It has been a privilege meeting your needs in the past, and we look forward to meeting your energy needs in the future.

Due date

PLEASE NOTE THAT YOUR DUE DATE IS **FEB. 24, 2006**. IF THIS CREATES A PROBLEM FOR YOU, PLEASE CALL US TO AVOID DISCONNECTION OF SERVICE. The enclosed bill is the only statement you will receive.



If an account is disconnected for non-payment, there are additional fees: a \$50 disconnection fee, a \$50 reconnect fee (\$90 if after hours), payment for all energy used up to the disconnect date, plus the full annual prepayment. The extra fees and the inconvenience can be avoided with a quick call to our toll-free number (1-888-634-2202).

Your bill

This bill is for this upcoming year's fixed charge plus any electricity used last year up until the reading taken by our line workers in December.

For 11 out of the last 14 years, we have NOT increased your electric rates, but effective 12-25-05, we have re-aligned the rates. Although this will not create additional revenue for the cooperative, it will adjust the charges between components of the rate. Your fixed charge will increase to \$28.50/month (\$342/year), but the electricity you use beginning in December 2005 will cost much less, at \$.0665/kWh.

The old rate was \$17/month fixed charge plus the first 8,400 kWhs were at \$.106.

For those of you whose monthly average usage is 290 kWh or more, you will see a bill reduction with the alignment, except for this year when you will be paying for last year's kWh usage at the old rate, and prepaying your fixed charge for 2006 under the new rate.

Actually, everyone's bill this year will be larger than next year's, provided your kWh usage is the same, with just one exception. If you use absolutely zero electricity, then next year's will be the same.

Confusing? Maybe this year, but in the long run, the realignment does a better job of recovering costs. We, as an electric distribution cooperative, deliver electricity from the regional substation to your meter. That takes a lot of investment in poles, wires, transformers, etc., along with the costs that include billing, bookkeeping and maintenance. And those costs don't change depending on your usage.

This rate realignment will do a better job of fairly recovering those costs for all members. This is based on our Cost of Service Study, and those studies continue to show that, on average, it costs in excess of \$30 per month to bring the distribution service to a meter, maintain it and have it ready for your command with the flip of a switch.

Rental security lights remain at \$7.25/month and include the cost of the electricity used for that light, plus any necessary maintenance; however, State Use Tax must now be collected and has been added to the fee. The additional tax is 9 cents on HPS (the more energy-efficient orange lights) and 18 cents on the MV (older white lights).

As always, Pat Olson, our billing coordinator, can expertly answer any of your billing questions. She can be reached at 1-218-634-2202, toll-free at 1-888-634-2202 or by e-mail patsynsec@wiktel.com.

Meter readings

It's a good idea for you to read your meter once in awhile and keep tabs on your usage. We usually read your meter only once a year in late fall, and if your annual bill is higher than you think it should be, it may be more difficult for you to pinpoint what may have happened during the previous year or when it occurred. You have a better chance of identifying a problem, and stopping it before it becomes a very large annual bill, if you read your meter occasionally throughout the year and monitor your usage.



AMR (Automated Meter Readings)

We have successfully completed our test phase of the AMR project, and are now moving forward with changing out all of our old mechanical meters with the AMR electronic ones. We expect to have the entire system AMR'd by the end of 2006.

What does this mean for you? Well, if the reason that you are billed once a year is because you aren't here to read your meter on the 25th of most months, that reason will go away once we are able to read your meter for you. So if you would prefer a monthly billing instead of the annual billing, just let us know. We would estimate your usage at nothing, and bill you just the monthly fixed charge, until the AMR system begins to read your meter in 2006.

Monthly billing

Your next question might be about the monthly rate. It is exactly the same as the seasonal rate, and you would receive your bill just before the 25th, with the payment due on or before the 5th. 1.5 percent is added to the bill if the payment is late, and another \$2 is added if a disconnect notice is printed.

Okay, maybe that last part scared you away, but we do offer ACH direct payment from your checking or savings accounts. The ACH payment comes out of your bank account on the due date. That ensures you never have to worry about getting that payment to us in time. And you still get a paper copy of your bill for your records.

Annual billing was created for the convenience of members who move around during the year and prefer a single, annual billing in the winter. If you still prefer the

convenience of the annual billing, but don't like one lump payment each winter, you may send extra payments at anytime during the year so that by the time your bill arrives in January, it's not a full year's worth of service due all at once.

**Power failure...
Will your seasonal home be okay?**

We always advise members to have someone check on their homes while they're on vacation or, in the case of the seasonal member, when they're gone for an extended time. You never know when a power failure, either in the home or supply lines, will occur. If seasonal homes are not going to be checked regularly, we would recommend the homeowner consider draining the water pipes, turning the breakers off and otherwise preparing the home to be unattended. You never know if a suicidal squirrel will decide to scamper across your transformer, blow the fuse and not live to report the outage for you!

Capital credits

To explain what capital credits are is actually quite simple. Since we are a non-profit cooperative, the margins belong to the members (the owners, like you). At the end of the year, the total margins (co-op income in excess of costs) are prorated among the members based on the amount of their current year billing(s) from North Star. These capital credits are temporarily retained and invested back into the cooperative as capital.

To explain to a member when he or she may expect a refund is more difficult. The Board of Directors annually evaluates the financial impact of paying capital credits. In 2005, \$355,000 was returned to the members. In the last 27 years, North Star has returned \$5,681,443 of capital credits to its members.



As for the taxation of capital credits, it is our understanding that you are not required to include this on your income tax unless one condition exists. If you receive a capital credit check for a refund from a year in which you deducted electricity as a business expense, you must claim the refund, or a part of it, as income.

We hope this explanation has answered any questions you may have. Further questions can be answered if you contact either of our offices, but our specialist is Norma Anderson at 1-888-634-2202, normansec@wikel.com.

North Star Electric Co-op belongs to YOU

...and the other members who purchase electricity from this cooperative. Your capital credits are your portion of your ownership in the co-op. As a member-owner, you and your neighbors elect a director representative to the Board of Directors. These elections by district occur at the annual meeting held early in October, although the nomination process begins in June. We'd love to see you at the annual meeting.



We have a monthly newsletter for the year-round residents, and if you are interested in receiving it, just let us know. We would be happy to add you to that mailing list.

We hope you found this newsletter informative and helpful. We appreciate your patronage, and we look forward to meeting your needs. We are just a phone call away, so please let us know whenever we can be of help to you. Have a good winter!

[Blank box for account number]

Write your account number here. Put this by your telephone.

CALL DURING OFFICE HOURS

Baudette 218-634-2202 or toll-free 1-888-634-2202
Littlefork 218-278-6658 or toll-free 1-888-258-2008

FOR OUTAGE REPORTING AFTER HOURS

218-634-2603 or toll-free 1-888-6outage (1-888-668-8243)

NOTICE

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.

State Electrical Inspectors

St. Louis county:

Lee Herseht

10078 Gappa Road
Ray, MN 56669
Phone: (218) 875-3028
7:00 a.m. - 8:30 a.m.
Monday thru Friday



Roseau, Lake of the Woods and Koochiching counties:

William Crunden

29513 Corlan Dr. N.E.
Blackduck, MN 56630
Phone: (218) 835-8567
7:00 a.m. - 8:30 a.m.
Monday thru Friday



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Minnesota Statewide One Call Notification Center

1-800-252-1166

For underground utility locations, you must call 48 hours in advance before beginning any excavations.

It's the law.