



A Touchstone Energy® Cooperative 

July 2010

Dear Lake Country Power Member:

This month Lake Country Power members will receive a special ballot in the mail. The ballot will ask you to vote on whether or not your local member-owned electric cooperative will be subject to additional government review and jurisdiction. Each vote will count, so it is important you are aware and informed before casting your vote.

In a co-op it is the right and privilege for members to vote on an issue like rate regulation. As a board, we encourage you to vote NO on the official ballot when it arrives in your mailbox. We are unanimous in that viewpoint. That means each of us will be voting NO when the ballot arrives.

The vote is the result of a group of members who feel additional regulation by the Minnesota Public Utilities Commission will “lower electric rates.” If this were the case, we would have proposed MPUC regulation to members long ago.

Why Pay Twice?

Additional regulation by the MPUC will add to the co-op’s annual costs. At a minimum it would average more than \$350,000 per year. We oppose regulation because any work done by the government duplicates work done by the co-op staff and the directors elected to represent you.

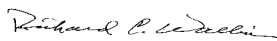
If regulated by the Minnesota Public Utilities Commission, members will pay more in the future:

- For monthly, quarterly and annual paperwork filings with the state;
- For required member mailings and postage relative to reporting on power generation sources and power supplier emission controls; and
- For utility lawyers and power consultants hired to review rates and policies and present rate cases before the commission.

Please see the reverse side of this letter or visit our website at www.lakecountrypower.coop for a full summary of the issue as discussed at the 2010 Lake Country Power Annual Meeting. The meeting featured comments and opinions from former Minnesota Public Utilities Commission Chair Leroy Koppendrayner who said that unlike locally elected directors, members of the MPUC are appointed by the governor and “...are not answerable to members of the co-op.”

Ballots will be mailed this month. It is your right to vote. We are hopeful our position on the issue helps you make an informed decision.

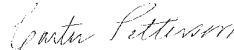
Sincerely, Lake Country Power Board of Directors:



Richard Wallin, President
218-482-5573



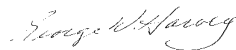
Robert Bruckbauer, Vice President
218-566-2436



Carter Pettersen, Secretary
218-327-2422



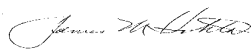
Donovan Strong, Treasurer
218-753-4770



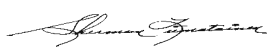
George Harvey
218-741-6633



Jack Huhta
218-865-4607



James Huhta
218-644-3997



Sherman Liimatainen
218-879-3135



Donald Simons
218-326-2184

Headquarters
2810 Elida Drive
Grand Rapids, MN 55744
1-800-421-9959

Mountain Iron Service Center
8535 Park Ridge Drive
Mountain Iron, MN 55768
1-800-421-9959

Kettle River Service Center
4065 Hwy 73
Kettle River, MN 55757
1-800-421-9959

Building on the Power of Membership.

Overview of how additional governmental regulation by the Minnesota Public Utilities Commission (PUC) will affect members of Lake Country Power:

1. Will regulation by the PUC lower my electric bill?

No. Regulation by the PUC will not lower electric rates and will not remove the “power cost riders” from monthly bills.

2. Will regulation by the PUC increase my electric bill?

Yes. Additional regulation will add to the cost of running Lake Country Power, and those costs will increase members’ electric bills. The cost of PUC regulation is anticipated to average more than \$350,000 annually to cover the cost of PUC reporting and compliance requirements.

3. What is the role of the Minnesota PUC?

The mission of the PUC is to maintain a regulatory environment that ensures safe, reliable and efficient utility services at fair and reasonable rates — not to lower rates.

Your co-op board of directors is answerable to its members; the PUC is not answerable to members of the co-op.

4. Why is the cost of power increasing?

New generation, legislative mandates, investments in cleaner, greener energy, changes in a market-based transmission system, and the depressed economy caused power costs to increase significantly in recent years. After several increases in the cost of power since late 2008, the price we pay for power from Great River Energy, our supplier, has largely stabilized.

5. Why are some utilities regulated by the PUC and some are not?

The PUC is designed to regulate investor-owned utilities like Minnesota Power and Xcel Energy to ensure that profits yield a reasonable rate of return for investors (shareholders) and that electric rates to their customers are fair.

In electric co-ops across the country, members elect boards of directors to represent them and to establish a reasonable margin to operate the business safely, reliably and to pay down debt. Lake Country Power members have a right to vote out board members if they feel they are not doing a good job. With PUC regulation, LCP members would have no access to the PUC Commissioners.

6. If Lake Country Power is regulated by the PUC, how will things change at the co-op?

Lake Country Power will continue to provide safe, reliable energy. Regulatory requirements will increase the cost of doing business, and that cost will be passed on to members. Decisions regarding rates will still be made by the co-op board based on operational expenses, energy costs and debt. Other than cost, the main difference will be that final approval of rates will not be made by your elected board, but by an outside government regulator, the PUC, with whom you have no recourse.