



BOARD MEETINGS

March 25 – 9:30 a.m. at
Virginia service center

April 22 – 9:30 a.m. at
Grand Rapids service center

Editor's Note: Co-op events, including board meeting schedules, are posted at www.lakecountrypower.coop. Go to "Community & Kids" and click "Events."

ANNUAL MEETING

When: Saturday, April 19

Where: Lincoln Elementary School in Hibbing (11th Ave. and 23rd St.)

Details: Member registration and breakfast begins at 9:00 a.m.

The business meeting begins at 10:00 a.m. in the auditorium.

Districts 3, 6 and 7 will receive director ballots. In early April, all co-op members will receive a special mailing officially notifying them of the meeting.

DID YOU KNOW?

March is National Reading Month. Read a book to your children or grandchildren and instill in them a love for reading.

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Line design: engineering work plan to improve service, reliability

Members always rank system reliability as one of their top priorities. Therefore, it's one of our top priorities also. What does that really mean?

Every three years we develop a construction work plan. We look at our system from every angle — the changing loads, new legislation, the type and condition of lines, the status of facilities, even where growth is expected — and we make a plan to invest in the system.

"We try to be forward thinking," says Engineering Manager Rick Seeling. "We have 7,900 miles of line, much of it in difficult terrain. By taking a look at the whole system, we can find any weakness and then we can do something about it."

This year is the third year of an ambitious \$48.3 million work plan designed

to increase line capacity, modernize the system and improve reliability and power quality.

Seeling said crews plan to rebuild 70 miles of line in 2008. Much of the work will be replacing or repairing three-phase overhead lines for larger services.

"Those projects fall into two categories," Seeling says. "The first is the three-phase line that we'll simply replace or repair. The second category is replacing the overloaded single-phase lines for most residential services. That will eliminate some problems."

Behind the numbers

This year's plan focuses on the Kettle River area. Over 20 miles of major system improvements are scheduled for

WORK PLAN, CONT'D ON PAGE 4

"Thinking ahead and investing in our system is one of the best things we can do. We're trying to solve issues before they become problems."

Rick Seeling,
Engineering Manager



A system improvement at one of Lake Country Power's 39 substations.

Larson looks for continued growth in 2008



Scott Larson, LSC and LSTS General Manager

Overall, 2007 was a successful year for Lake States Tree Service and Lake States Construction. Both subsidiaries achieved the profitability goals set forth

in the five year business plans, met all contractual deadlines, and the cash flow available at both companies was adequate to cover operating expenses without borrowing funds.

Lake States Tree Service

Lake States Tree Service currently has 118 employees who helped achieve the company's success last year. The employees worked safely with few recorded incidents and few lost time hours, which helped reduce overhead costs and improve the company's growth.

The company's revenue was also up from 2007. By contracting right of way maintenance with the tree service, Lake Country Power saved more than \$250,000 in sales tax by doing business with its subsidiary.

Despite our ongoing challenge to attract and maintain qualified employees, the tree service is positioned for a strong year of growth and has already solidified a full load of contracts to work in Minnesota, Wisconsin and North Dakota.

Lake States Construction


Lake States Construction has 28 employees whom also helped the company end the year successfully. The company's revenues were over \$3 million, which was just slightly below 2006. Like the tree service, construction employees also worked safely with few incidents and lost time.

Last year we gained a new contract to work with an electric cooperative in the Northwest Angle of Minnesota. And the construction

company is positioned for a strong year with more workload confirmed for 2008 than in previous years.

One of the ongoing challenges facing Lake States Construction is attracting qualified lineworkers in a market where there's actually a shortage of lineworkers available for hire. The more lineworkers we have employed, the more contracts we can obtain to grow the business.

Again, both subsidiaries achieved its profitability goals. With the purchase of our property in Grand Rapids, we've positioned both Lake States Tree Service and Lake States Construction for future growth and are helping bring jobs to Lake Country Power's service area.

Lastly, I'd like to thank our employees for their hard work and dedication. I also thank Lake Country Power for supporting the subsidiaries with work, and I also thank the board for its leadership and willingness to work through challenging times to make both subsidiaries profitable and solid investments for co-op members. 

Shelter Companies positioned for growth in 2008



Dan Miller, CEO Shelter Companies

In 2007, Shelter Companies continued to grow its business in the residential retrofit/replacement markets as well as the commercial heating, ventilation and cooling (HVAC)

markets. One of the keys to this success was growing the Westinghouse heating and air conditioning line of products that Shelter distributes to a growing list of qualified contractors throughout Lake Country Power's service area.

Westinghouse products won the industry's highest award for innovation in 2007 for the Westinghouse iQ Drive™ Complete-Comfort System. This


system is one of the industry's most energy-efficient ways to heat and cool your home and provides consistent levels of humidity, air quality and ventilation at the lowest sound levels in the industry. Westinghouse also has attractive financing options available. The result has been growth for Shelter.

Shelter's goal is to help homeowners take advantage of Lake Country Power's off-peak and dual fuel programs by providing the highest quality and affordable products available on the market. Westinghouse is a good example, and in 2007 we added more products.

In 2007, we introduced a new line of LG™ ductless air conditioners and heat pumps, a new line of zoning systems and humidifiers from Honeywell and we also brought

onboard Thermolec™ electric boilers and plenum heaters to complement dual fuel heating strategies. These were all tremendous successes and we will continue to offer attractive rebates to Lake Country Power members in 2008.

Shelter's board of directors, led by Jerry Culliton, Noel Pearman and Bob Bruckbauer, and the Holding Company Board have set the strategic direction for continued growth of the company. The focus for 2008 will be adding more products, programs and rebates to benefit Lake Country Power members and the continued expansion of the company in the retrofit/replacement and commercial building markets.

For more information about Shelter Companies, our products, programs and rebates, please call 1-800-762-8399 or visit www.sheltersupply.com. 

Annual meeting to take place in Hibbing

On Saturday, April 19, Lake Country Power will hold its annual meeting to present information about the operation of your co-op. The annual

Director Candidates

The following members have completed the necessary qualifications to be considered a candidate for director of Lake Country Power.

- **District 3:** David D. Carlstrom, Chisholm; George Harvey, Britt*; and Mark A. Snidarich, Eveleth
- **District 6:** Grace Derfler, Hill City; and Donald C. Simons, Grand Rapids*
- **District 7:** Richard C. Wallin, Cotton*

**Denotes current LCP Director*


meeting will be held at the Lincoln Elementary School auditorium in Hibbing. Registration and breakfast will begin at 9:00 a.m., and the business meeting will start at 10:00 a.m.

Members will receive a compact fluorescent light for bringing at least one non-perishable food item or a cash donation for the Hibbing Food Shelf.

Ballot Mailing

Director election results will also be announced. The official annual meeting notice will be mailed to all members on April 1. Only members residing in Districts 3, 6 and 7 will receive a director election ballot.



All mail ballots must be received at the Grand Rapids post office no later than 5:00 p.m. Friday, April 18. Or you may vote at the annual meeting before the polls close. 

CONSERVATION CORNER

Phantom loads: Too small to notice, too big to ignore



Leo Wilenius, member service supervisor

I remember times as a boy, when the rumble of distant thunder would move my mother to a state of high alert. "A storm's coming," she would broadcast. "Quick, someone unplug the


television!" Well, since I was a pretty quick study, and the only one who could fit behind the television stand, the job was proudly mine. It wasn't a significant contribution, but in 1961, a six-year-old living in the country had to find work wherever he could.

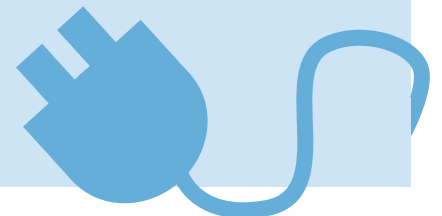
The significance of bringing up my childhood memories is that our television was the only thing in the house that was sensitive to electric surges and also the only thing that could use energy while turned off. Today, it's likely your home has a

dozen or more appliances that are using electricity as you read this article and they are, by definition "turned off." The phenomenon is termed "phantom load," and it refers to the energy used by appliances while sitting idle. An average home spends about \$100 a year on this "convenience" and collectively, Americans spend a whopping \$1 billion!

The most visible example of a phantom load is the television set, and most homes today have several. A large LCD television can use as much as 75 watts while not in use, which is equivalent to over 50 kilowatt-hours a month! Other phantom loads include: answering machines, CD players, cordless phones, computers, VCRs, satellite consoles, digital clocks, dishwashers, DVD players, microwave ovens, doorbells, video game consoles, cable boxes and battery chargers of any kind if left plugged in. Here are three easy things you can do to make a difference and save energy:

- 1) Purchase Energy Star appliances and electronics that reduce energy loss.
- 2) Unplug charging units from the wall outlet when not in use.
- 3) Disconnect power at computer stations and TV/stereo entertainment centers. A multi-outlet power strip with individual "off" buttons actually disconnects power to peripheral devices not in use and does it conveniently.

With many new useful and exciting technologies in the home, it's not practical or even desired to remove all phantom loads, but you can make a difference. Spring is coming, and remember, save energy whenever you can! 



reconstruction in that area.

You'll also see contractors digging into the earth to invest in our system. The co-op plans to replace roughly 20 miles of underground line this year because the lines are starting to fail.

"When the underground lines were manufactured and put in 30-plus years ago, they didn't have a jacket to keep the water out," Seeling says. "There were good reasons for that, but the time to change those lines has come. Changing

them will improve the reliability."

Seeling also expects line extensions serving new loads will continue to grow. Lake Country Power and its contractors installed some 600 new services last year. That number should hold steady again this year.


Substation upgrades

Substation improvements will continue including adding a second

transformer at Winton Substation near Ely and a number of miscellaneous upgrades for protection.

The remaining projects fall under that famous category called "miscellaneous." These include updating 12.5 kV line to 24.9 kV to reduce energy loss along power lines.

The 2008 capital budget for distribution and substation projects is set at \$11.3 million with \$4.3 million of this for line upgrades and \$5.5 million for new services and service upgrades for members. Planning ahead means Lake Country can coordinate projects with government entities (road construction, for example). Working together on those projects saves co-op members money and helps minimize inconvenience. If construction is already happening, it's better to get all utility work done at the same time.

"Thinking ahead and investing in our system is one of the best things we can do," Seeling says. "We're trying to solve issues before they become problems. We have a lot of line and equipment in difficult areas, but we have a good plan to continue to improve." 

CONDENSED BOARD MINUTES

December 21, 2007 Regular Monthly Meeting

The following reports were given:

President Bruckbauer reported about his routine monthly Lake Country Power business and that he had met with several other directors and General Manager Lemonds concerning Lemonds' employment contract.

General Manager Lemonds gave an update on Northland Connect, transfer of service territory with the Grand Rapids Public Utilities Commission, the Mesabi Nugget hearing and Minnesota Steel. Lemonds commented about the closing on the Virginia service center property with Menard, Inc. The terms of the purchase agreement allow the co-op to occupy the building until May 31, 2009 if necessary.

A representative with Larson, Allen, Weishair and Company discussed the upcoming audit of Lake Country Power. The

company will conduct fraud procedures, interview certain employees and board representatives, review and journal entry testing and new tests. The year-end fieldwork is scheduled for the week of March 3, 2008.

The following actions were taken:

Authorized Lake Country Power's membership in the Minnesota Association of Cooperatives.

Authorized the Manager's Employment Contract as discussed during Executive Session.

Editor's Note: These board minutes have been condensed. A full copy of the board minutes can be read at www.lakecountrypower.coop in the "Member's Area." You'll need to sign up for access if you haven't already. Or call 800-421-9959 for a printed copy.

Consolidated Operating Statement

Year-to-Date – December 2007

(Preliminary and un-audited – prepared for *Newsline* prior to board acceptance)

	2007	2006
Electric Operating Revenue.....	\$61,651,916	\$55,663,440
Cost of Purchased Power	\$31,540,778	\$28,021,201
Distribution Expense —		
Operations and Maintenance	8,118,429	7,161,845
Consumer Accounts Expense & Informational	2,734,420	2,364,330
Administrative and General Exp.	4,384,275	4,370,567
Depreciation, Amortization and Interest Expense	12,187,692	10,983,182
TOTAL ELECTRIC OPERATING EXPENSES	\$58,965,595	\$52,901,125
Net Electric Operating Margins.....	2,686,320	2,762,315
Non-Operating Margins.....	5,614,410	3,229,696
TOTAL MARGINS BEFORE SUBSIDIARIES	\$8,300,731	5,992,011
Net Income (Loss) from Subsidiaries (reported quarterly).....	(103,462)*	(5,000)
TOTAL MARGINS.....	\$8,197,269**	\$5,987,011

* Reflects an asset reduction charge of \$627,215 in accordance with a 2001 financial accounting standards rule change related to the amortization of goodwill.

**The margin reflects the net gain on the sale of the Virginia Service Center to Menard, Inc., which was completed in December. The proceeds from the sale will be used to build a replacement service center in 2008. It also reflects a non-cash \$2.2 million capital credit allocation from Great River Energy. The allocation does not produce cash for Lake Country Power. Without these factors, the margin for 2007 would be \$3.4 million.

Editor's Note: These financials are condensed. A complete set of financials can be viewed at www.lakecountrypower.coop in the "Member's Area." You'll need to sign up for access if you haven't already. Or call 800-421-9959 for a copy.

Energy Efficiency Tip of the Month

During the heating season, keep draperies and shades on south facing windows open during the day to allow sunlight to enter your home. Close draperies and curtains at night to reduce the chill you may feel from cold windows.

Source: U.S. Dept. of Energy

Newsline


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