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MINNKOTA ANNOUNCES RATE INCREASE

GRAND FORKS, N.D. — Minnkota Power Cooperative, Inc., a generation and transmission cooperative headquartered in Grand Forks, N.D., announced plans to increase its wholesale electric power rate in March 2011.

Over the last two years, Minnkota has experienced significant upward pressure on its rates as a result of increased expenses. These increases are occurring while total energy sales have declined or remained relatively flat. As a not-for-profit electric cooperative, Minnkota recovers the cost of its expenses through the rate it charges to its member systems.

Minnkota's total expenses for 2011 total nearly \$333 million, an increase of about \$97.3 million from 2009. As a result, North Star Electric Cooperative's average wholesale rate will have increased 2.4 cents per kilowatt-hour (kWh). North Star is one of Minnkota's 11 distribution cooperatives.

The cost for Minnkota to own, operate and maintain its power plants has increased considerably. 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. To meet new federal emission control standards, more than \$425 million has been invested on the major upgrades. This includes necessary support systems and electrical infrastructure to operate the emission controls. Operating and maintenance (O&M) costs (including fuel), along with interest and depreciation, have added about \$41.6 million to Minnkota's cost base since 2009.

Minnkota is also facing significant expense increases required to deliver energy to its service area. Transmission and substation cost components have increased from \$17.2 million in 2009, to a projected \$26.4 million in 2011.

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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.

This excess generation was normally sold into a positive wholesale energy market, but prices are historically low due to the lingering effects of the economic recession. Since 2009, expenses associated with market conditions have increased from \$59 million to \$104.5 million in 2011.

To recover all of the expense increases experienced since 2009, the Minnkota board of directors has approved a 29.8 percent increase to all rate component charges to be effective March 20. This is in addition to rate increases implemented in 2009 and 2010 to attempt to address the same issues.

Minnkota is owned by 11 distribution cooperatives (Beltrami Electric Cooperative, Cass County Electric Cooperative, Cavalier Rural Electric Cooperative, Clearwater-Polk Electric Cooperative, Nodak Electric Cooperative, North Star Electric Cooperative, PKM Electric Cooperative, Red Lake Electric Cooperative, Red River Valley Cooperative Power Association, Roseau Electric Cooperative and Wild Rice Electric Cooperative) that serve more than 116,000 customers in eastern North Dakota and northwestern Minnesota. Minnkota also serves as operating agent for the Northern Municipal Power Agency (NMPA). In 1981, Minnkota and NMPA formed a Joint System, which essentially combining the revenues, expenses and wholesale rates for the two power suppliers. NMPA supplies the electric needs of 12 associated municipals that serve nearly 15,000 customers in the same geographic area as the Minnkota member-owners. The cities of Baudette, Warroad and Roseau are three of the members of NMPA.