



March 10, 2017

Dear Cooperative Member,

The Mille Lacs Energy Cooperative (MLEC) Board of Directors has approved a rate change effective March 1, 2017. The new rates will first appear on bills you receive beginning early April. For all rates, the access charge will increase 20% and the energy charge 3% on all rates. The access charge last increased six years ago in 2011 and the energy charge was last changed four years ago in 2013.

The impact of the rate change will affect all members differently depending upon how they use energy. The monthly access charge for residential customers will increase \$5 to \$30 per month. A residential member using 1,000 kWh per month on the general service rate will see an approximate \$8.80 per month increase. This equates to an annual increase of approximately 1.2% over the last 5 years.

The change in rates has no relation to the recent announcement that MLEC received a grant to install fiber optic service to a number of homes in Aitkin County. This is a separate venture and will not impact our members' electric rates.

The Board reviewed the proposed electric delivery budget, discussed the impacts of maintaining the existing budget, and decided additional investment was needed if we are to maintain our safe and reliable record of delivering electricity to our members.

The Board takes its fiduciary responsibility seriously and did not reach this decision without significant discussion. The ability to keep rates flat in past years and not negatively impact reliability or safety is a testament to the hard work, cost cutting and process improvements of MLEC employees. They have found ways to be more efficient and effective without compromising reliability or safety. However, MLEC is now to the point that to maintain the safe and reliable electricity members have come to expect, we must invest in new equipment, new technology and additional resources.

There are several main contributors to the rate change, but the most predominant is the need to significantly increase the Right-of-Way (ROW) or tree trimming budget. A third party study conducted in late 2016 revealed that significant additional investment is needed for ROW maintenance to get back to a five year tree trimming cycle. Less than a 5 year trimming cycle leads to longer-term higher ROW and outage costs.

While no one likes to see rate increases, we are proud to have kept rates at the levels they were at for as long as we did. However, we simply could not continue to provide the reliable and safe energy to our members and remain financially stable at current rates.

Please see The Outlet newsletter for additional information on the rate change, or how you can save additional energy and money on your MLEC bill. If you have specific questions about the rate increase, please contact us at 1 (800) 450-2191 and select option 3. This line has been set up specifically to address questions regarding the rate change.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian R. Zelenak".

Brian R. Zelenak  
General Manager, MLEC