

2012 Rate Change



Kenneth J. Gates
CEO/General Manager

Dear Members,

The Dakota Energy Cooperative board of directors and staff have been focused on updating the Strategic Plan for 2012. During this process, they reviewed our cooperative's mission statement, critical objectives and goals to ensure we continue to provide safe, reliable and reasonably priced power. In order to accomplish the direc-

tion set forth in the strategic plan, it is imperative to prepare an operating budget that continues to accomplish our critical objectives and meet lender requirements, member service and employee obligations.

The most significant impact in our budgeting for the coming year is the 12.2 percent increase in the cost of wholesale power. We purchase electricity from East River Electric Power Cooperative who in turn purchases hydroelectric power from the Western Area Power Administration (WAPA) and the coal-fired, natural gas and wind generation from Basin Electric Power Cooperative located in Bismarck, North Dakota. Each entity contributes to the increased cost of power. Eighty three percent of the 2012 budget consists of purchased power costs and other fixed expenses such as depreciation, taxes and interest.

Western Area Power Administration

Water levels on the Missouri River have returned to normal or above normal. WAPA experienced several years of drought and were unable to generate enough power to meet the demands of their customers. WAPA was forced to purchase higher priced power on the open market to meet their contractual obligations. They continue to recover losses realized from the drought years through their rates.

Basin Electric Power Cooperative

Basin Electric has been making capital investments required for construction of new base load, peaking, and renewable power generation. Additionally, Basin Electric continues to experience high costs related to meeting Environment Protection Agency (EPA) regulatory mandates and increased costs for mining and shipping coal. Basin's increase in costs will impact East River and eventually Dakota Energy's cost of power as well as many other cooperatives.

Late in 2011, a cost of service study was conducted by an engineering consulting firm. Their purpose was to analyze our revenue stream and our expense outlook for 2012 and the cost

to serve each rate classification. These classifications include farm/residential, large commercial power, small commercial power and three-phase services. The result of their study was a recommendation to increase our pricing by an average of 9.27 percent effective January 1, 2012.

Facilities Charge

As you may be aware, your monthly facilities charge is to recover the fixed costs to provide service to locations throughout our 3,880 square miles of service territory. The facilities charge includes costs for depreciation, taxes, interest, operation and maintenance. These costs differ from the charge per kWh for the power you use which is almost entirely based upon the cost of power. Historically, Dakota Energy has recovered these fixed costs by adding a significant portion of them to the kWh charge. In order to shift a larger portion of fixed costs, the facilities charge was increased by \$9.60 per month from \$24.50 to \$34.10. This allows for a smaller increase to the kWh hour charge. As pointed out in our cost of service study, the actual cost for the facilities to serve a residential member is \$61.84. We will now be recovering \$34.10 per month of the \$61.84 with the balance being included in our kWh price. In the pie charts following my article, you will see the components of the pricing change.

Each member's increase will vary depending on their rate classification and amount of energy use. For example, a residential member using 1,000 kilowatt hours (kWh) per month will see an increase of \$15.60.

I wish I could tell you that our future would include rate stabilization. The reality is the forecast from our power supplier projects price increases at least through 2014. The amount of these future increases will be influenced by political issues as well as business and regulatory mandates.

Your cooperative directors and staff continue to focus on prudent financial management and streamlining our work processes to enhance efficiencies while at the same time meet the demands we face now and in the future. We will continue to work with state and national associations to rein in legislation and regulations that could contribute to the upward pressure on the price of electricity.

Thank you for your continued support. We look forward to another positive year. We wish you all a healthy, happy and prosperous 2012.

Sincerely, Kenneth J. Gates, CEO/General Manager

Dakota Energy Cooperative Connections

(USPS No. 018-949)

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If You Have An Outage

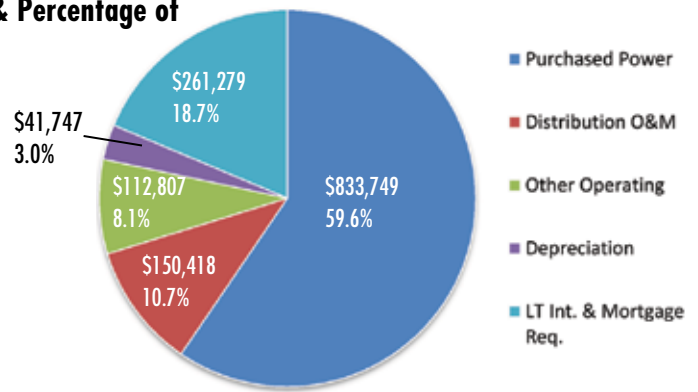
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1-800-605-4920

REGULAR HOURS
Huron Office
352-8591 or 1-800-353-8591

Miller Office
853-2453 or 1-800-605-4920

Amount & Percentage of Increase



Farm/Residential

Facilities Charge	@	\$34.10 /month
Energy Charge		
First 1,000/kwh	@	\$0.10900 /kwh
Excess	@	\$0.09400 /kwh

Large Commercial Single Phase

Facilities Charge	@	\$34.10 /month
Billing Demand Charge	@	\$11.00 /kw
Energy Charge		
First 1,000/kwh	@	\$0.10900 /kwh
Excess	@	\$0.09400 /kwh

Small Commercial Three Phase

Facilities Charge	@	\$102.30 /month
Energy Charge		
First 1,000/kwh	@	\$0.10300 /kwh
Excess	@	\$0.08800 /kwh

Three Phase Irrigation Pump & Pivot

Controlled

Capacity Charge	@	\$26.79 /kw
Demand Charge	@	\$14.50 /kw
Energy Charge	@	\$0.08200 /kwh

Uncontrolled

Capacity Charge	@	\$26.79 /kw
Demand Charge	@	\$6.50 /kw
Energy Charge		
First 100 kwh/kw	@	\$0.10200 /kwh
Excess	@	\$0.08200 /kwh

Three Phase Irrigation Pivot only

Facilities Charge	@	\$511.50 /year
Energy Charge		
First 1,000/kwh	@	\$0.10900 /kwh
Excess	@	\$0.09400 /kwh

Dual Fuel Controlled Electric Heat

Controlled Energy	@	\$0.06000 /kwh
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Co-op Owned Security Lights

Unmetered		
150/175 Watt	@	\$9.00 /month
150/175 Watt w/Transformer	@	\$10.20/month
250 Watt	@	\$11.60/month
250 Watt with Transformer	@	\$12.90/month
400 Watt	@	\$17.00/month
Metered		
150/175/250 Watt	@	\$5.00/month
400 Watt	@	\$5.00/month