

Dear Harlan Municipal Utilities Customer:

On April 8, 2010 the Harlan Municipal Utilities Board of Trustees voted to increase electric rates effective July 1, 2010. The rate increase is applied to the kWh (energy) charge. There is no increase in the Service Charge or Demand Charge component of the rates. A copy of the new electric rates is on the reverse side of this letter.

The electric rate increase is necessary in order for Harlan Municipal Utilities to fund the next portion of its Overhead to Underground Electric Conversion Project/ Fiber Optics System, and possibly construct a new Operations Center. The Overhead to Underground Conversion Project includes moving all overhead electric wires and telecommunications wires to underground, upgrading the system voltage from 4,160V to 12,470V, upgrading substations and looping the system to reduce the likelihood of any lengthy outages. Moving from overhead lines to underground lines in general reduces the possibility of electric interruptions, as was evidenced by the limited outages in Harlan this past winter. There are also some areas in this project's scope that have existing and aged underground services that will be upgraded and replaced with higher voltage wire, new transformers, and fiber optics.

The Electric Conversion Project area of construction is generally defined as Cyclone to Chatburn and 12th Street west to the city limits, 12th Street south of Chatburn, Highway 59 north and south of Chatburn, Chatburn Avenue from the Nishnabotna River to Highway 59, Erie Drive, Cheyenne Avenue, Southridge Drive and Southridge Road.

The new electric rate structure will increase revenues 10%, \$492,821.00, and contribute to the bonding process. We recently entered the bonding market and received favorable rates on our \$8,285,000 Electric Revenue Capital Loan Notes. We also issued \$2,260,000 Electric Revenue Refunding Capital Loan Notes to advance refund Electric Revenue Bonds from 2004. This issuance provided savings of approximately \$71,000 to Harlan Municipal Utilities and its customers.

Although no one likes to see electric rates rise, this is the first electric rate increase Harlan Municipal Utilities has adopted since June 1, 2004. The result will be a modern and reliable electric, and telecommunications, system that contributes to making our community more attractive to commerce and industry, while improving the quality of life for our residential customers.

Sincerely,

Harlan Municipal Utilities