To Our Valued Customers

Longmont is fortunate to have very low electric rates and for many years enjoyed virtually no rate increases. In fact, from 1983 to 2010, residential electric rates in Longmont have gone up just 16% and commercial rates have increased about 18% while the Consumer Price Index for the Denver-Boulder area went up 109%! In today's dollars, electricity costs about half as much as it did 28 years ago.

So why is LPC increasing rates now? The biggest change has been in wholesale rates. Longmont purchases its power from Platte River Power Authority, a non-profit generation and transmission utility owned by the cities of Longmont, Fort Collins, Loveland and Estes Park.

Platte River has traditionally had much more generating capacity than was needed to meet demand in the four cities. Platte River sells that surplus power on the open market for additional revenue which contributes to even lower wholesale rates for the owner cities.

With rapid population growth and increased electric demand in the late 1990s and early 2000s, surplus energy declined dramatically. Now, about 80% of Platte River's power generation goes to its municipal owners so revenue from surplus sales continues to decline.

Also, like all other electric generating companies in the nation, Platte River has experienced rising costs for fuel, federal hydropower, plant maintenance, environmental compliance and capital investment. These expenses must be passed on to the four cities.

As a result, the wholesale rate LPC pays for power has increased 22.3% since 2004 and Platte River is forecasting wholesale rate increases in each of the next three years. Even so, Platte River remains one of the lowest cost and most environmentally responsible power providers in the country.

LPC has also experienced rapidly rising costs for electric distribution system construction and materials, capital improvement projects, increased renewable energy purchases and expanding environmental programs. Additionally, the franchise fee that LPC pays to the City's General Fund has increased from 6% to 8% in the last three years to help fund other critical City services.

We don't like raising electric rates and we work very hard to keep necessary increases to a minimum. Keep in mind that LPC is a non-profit consumer owned utility and, by City code, is required to cover all operating expenses with revenues from the sale of electric services. When our costs go up, our rates must go up as well.

The good news is that Longmont electric rates are still the lowest in Colorado. In a statewide survey of electric utilities in January 2010, Longmont continued to have *the* lowest residential, commercial and industrial rates. The fact is, you can't live or own a business anywhere in Colorado where you would pay lower electric rates than in Longmont.

Electricity is still one of the best deals in town for both residents and businesses. You have our commitment that we will continue working hard to keep it that way.

Tom Roiniotis, Director
Longmont Power & Communications

2009 Facts and figures: A snapshot

(Compared to 2008)

Customers: 36,383 (1% increase)
- Residential: 33,749
- Commercial: 2,622
- Industrial: 12

Financial Data:
- Revenues: $46.3 million (2% increase)
- Total expenses: $48.0 million (4% increase)
- Reserves: $7.0 million (24% decrease)

Energy load:
- 801,022 mWh energy consumed (4% decrease)
- 132.5 mW peak demand, winter (4% decrease)
- 163.0 mW peak demand, summer (9% decrease)

Distribution system: 589 line miles
- 440 miles underground; 149 miles overhead
- 6 substations
- 46 main distribution circuits

Service area: 47 square miles (unchanged)
- 28 within city limits
- 19 outside city: Hygiene, Lyons, Apple Valley

In 2009, LPC:
- Developed an emergency plan to provide electric service in the event the City's Service Center is not accessible in order to provide vital service during a crisis.
- Read over 63,000 electric and water meters each month with 99.9% accuracy.
- Took approximately 16,000 customer calls with 99% customer satisfaction.
- Upgraded LPC's Outage Management System to enhance customer response and reduce time of restoration during power interruptions.

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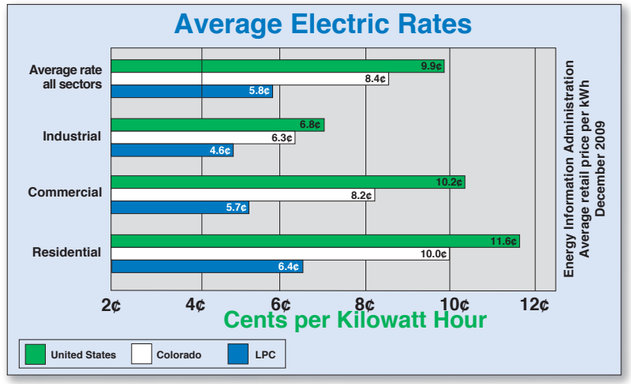
Longmont POWER & COMMUNICATIONS

Report to the Community for 2009

LPC rates lowest in Colorado

Longmont residential and commercial rates were the lowest among 51 Colorado utilities in a statewide survey released in July 2009. Longmont industrial rates were second lowest.

Longmont's average electric rate for all customers was 41% less than the national average and 31% less than the Colorado average.*



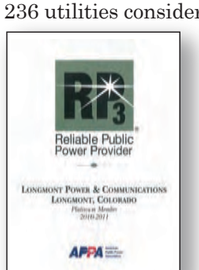
While wholesale power costs increased and the annual franchise fee LPC pays to the City's general fund increased from six to seven percent, rates for all customers were still lower than rates by neighboring utilities and the nation.

LPC introduced a new 3-tier rate structure for residential customers in 2009. This increasing block rate encourages customers to conserve energy by charging a lower rate for low monthly electric consumption.

LPC also introduced a new Life Support Discount in 2009 that provides a 20% discount on the cost of the first 750 kilowatt-hour (kWh) used each month for residential customers who use medical life support equipment in their homes.

LPC honored for outstanding performance

With a safety incident rate of zero, LPC was honored by the American Public Power Assoc--iation (APPA) with its *Electric Safety Award* in 2009. LPC earned the first place recognition among 236 utilities considered nationwide.



LPC is one of only 94 public power utilities to receive *APPA's RP$_3$ recognition* for outstanding performance in electric reliability, safety, training and system improvement. LPC is a three-time recipient of this award.

* U.S. Energy Information Administration Report, *Average Retail Price of Electricity*, Electric Power Monthly with data for December 2009.

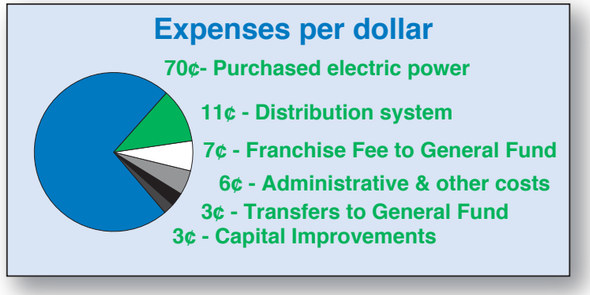
Finances

LPC had total revenues of $46.3 million in 2009, eight percent under budget and an increase of two percent from 2008. Total expenses were $48.0 million, 10% under budget and four percent greater than 2008.

LPC's Electric Fund expenses are made up of six major categories:

- purchased electric power
- distribution system costs
- administrative costs
- capital costs
- franchise fee payments
- transfers to the City General Fund for services and other contributions

Purchased power is 70¢ of every Electric Fund expense dollar. Although purchased power from Platte River Power Authority is LPC's largest expense, power costs are relatively low compared to other utilities. Electric distribution system operations and maintenance is LPC's next largest expense (11¢), followed by payments to the City General Fund (10¢).



Capital improvement

A Capital Improvement Program (CIP) is an important tool for planning, maintaining and building the electric system infrastructure. In 2009, LPC completed five CIP projects with a total budget of about $1.9 million. Major projects were:

- A large portion of the main feeder power lines along Sunset Street were moved from overhead to underground for improved reliability - Cost: $497,000.
- Privacy walls were constructed at Fordham substation for security enhancement, safety and aesthetics - Cost: $158,000.
- Nine street light area improvements and additions were completed - Cost: $40,000.
- Thirty-one system operations and reliability project enhancements were completed - Cost: $175,000.
- Installed or upgraded customers' electric service - Cost: $693,000.

Customers cover the full cost for new or upgraded electric service and pay an Electric Community Investment Fee for system capacity improvements.

Load growth

Overall use of electric power declined for the second year in Longmont. However, during the past ten years the community's annual consumption and the maximum demand (highest amount of electricity required to meet customer needs during a one-hour period) increased by 22% while the number of LPC customers has increased by only 17%.

Longmont continues to be green

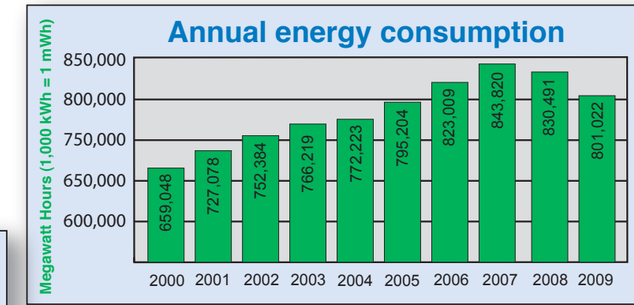
Longmont residents and businesses reduced electric consumption by more than 6.7 million kWh annually as a direct result of energy efficiency and renewable energy programs.

This electric savings is enough to provide power to 809 average Longmont homes for a year. LPC customers who participated in efficiency programs will save about $389,000 each year on their electric bills collectively.

Results from LPC's 2009 energy efficiency and renewable energy programs include:

- 27,896 compact fluorescent light bulbs (CFLs) sold at a discount through local retailers. The estimated energy savings is 471,600 kWh per year.
- 899 customers received clothes washer and dishwasher rebates, saving an estimated 139,600 kWh per year.
- 2,640 boxes of LED holiday lights sold at a discount through local retailers, reducing energy consumption by 95% when replacing incandescent holiday lights.
- Volunteers installed free energy and water saving products in 190 homes as part of Neighborhood Efficiency Sweeps, saving an estimated 149,800 kWh per year.
- Longmont businesses received 60 rebates for high efficiency lighting, cooling and mechanical improvement projects, saving an estimated 5.8 million kWh per year.
- 23 customers installed a total of 80 kilowatts of solar electric capacity that will produce an estimated 120,000 kWh per year.

Longmont residents and businesses received more than $722,000 in rebates for implementing energy efficiency and renewable energy measures in 2009. These combined measures will reduce greenhouse gas emissions by about 26,762 metric tons per year.

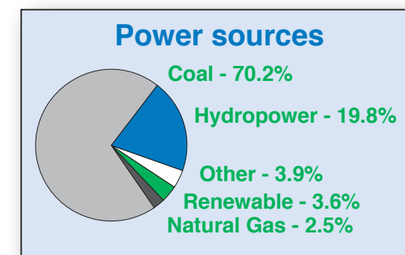


Power resources

Platte River Power Authority, owned by the municipalities of Longmont, Fort Collins, Estes Park and Loveland, provides reliable, low-cost and environmentally responsible electricity. Longmont's Mayor and the LPC director represent the City on Platte River's Board of Directors.

Platte River had generation capacity of about 920,000 kW in 2009. Resources include:

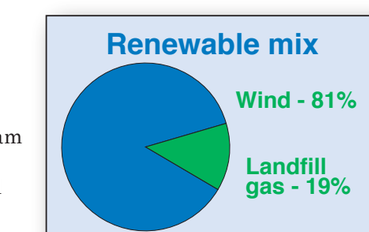
- *Rawhide Energy Station* - 280,000 KW coal and 388,000 kW natural gas
- *Yampa Project* - 154,000 kW coal
- *Medicine Bow Wind Project* - 8,000 kW wind
- *Western Area Power Administration* - 90,000 kW hydropower



In 2009, LPC received about 23.4% of its electricity from non-fossil fuel sources, including hydropower, wind and landfill gas.

Renewable energy mix

All LPC customers receive 3.0%, about 23.9 million kWh, of their electricity from renewable sources as a result of City policy to acquire three percent of all electricity from renewable energy. In addition, more than 640 customers purchased 5.8 million kWh of renewable energy on a voluntary basis.

Green-e Energy CERTIFIED

LPC's voluntary Renewable Energy program is Green-e certified. This means the energy meets specific environmental and consumer protection standards established by the Center for Resource Solutions. Electricity purchased in the voluntary program is 100% renewable, using wind and landfill gas.