

President's Report  
PVREA ANNUAL MEETING  
March 28, 2009

Good morning fellow business owners. Yes you are business owners. You and I, and more than 30,000 other members, own Poudre Valley REA. I do not consider our association to be a small business, either, considering that we spend over five million dollars a month just to buy the wholesale electricity we distribute. That's an important point to remember. We are a distribution co-op, not a power generating company. Our mission is to deliver reliable power at an affordable price. It is something that has become more challenging as our nation works to solve the economic and environmental issues we face today.

Along those lines, I have some thoughts that I would like to share with you. Our association is, indeed, a good-sized business. It has assets of more than \$160 million that we all share. Thaine Michie, our Secretary-Treasurer, will have more details on our financial condition next. But let's not forget that this business of ours is a not-for-profit association not a for-profit corporation. The decisions we make are focused on maintaining our infrastructure, supporting our community, keeping our costs low and our service levels. Investor-owned corporations are focused on making a profit first.

This is one reason your board of directors asked you to vote on amendments to our articles of incorporation this year. The majority of the changes had to do with terminology changes like taking the word "corporation" out and substituting it with "association". It also deleted some outdated information, eliminated the five dollar membership fee and changed the minimum number of directors allowed. Since the Articles of Incorporation are not changed often this last recommended change allows an opportunity for future boards to reduce the size of the board if they choose to do so.

On the subject of conservation, did you know that the average co-op member uses 969 kilowatt hours of electricity each month? My wife, Mary, and I use about 300 kilowatt hours, except when we use air conditioning. There are several reasons for this. Since the 1970's we have had solar hot water. We have storm windows on our 1972-constructed home. We have low flow showerheads. We caulk and weather strip often. We even put insulation in the electrical sockets. We feel taking these simple steps are a responsible way to reduce our energy use and help conserve. Conservation is the single most important thing all of us can do as America transitions to adding more renewable sources of electricity to the nation's power grid. Your association has many programs to help you take part in this effort.

Today each member was given an energy conservation kit. The items inside can get you started. But this is really just a start. There are many other ways PVREA can help you conserve energy and save money. Your association has joined with the Governor's Energy Office to award cash rebates for those of you who want to add insulation to your home. Rebates are also offered for high efficiency heat pumps, water heaters and many appliances such as washers and refrigerators that have an Energy Star rating.

On the renewable energy front you can take pride in knowing that Poudre valley REA has one of the longest running Green Power Programs in the state and that we offer rebates on residential solar and wind generating systems.

Alternative energy technology has made great advances in recent years and more progress is certainly on the horizon. As technology advances so will renewable resources. I would like to draw an analogy between renewables and my prosthesis. About 7 years ago I purchased this arm. Sales people tried to convince me that the newest technology was what I needed and wanted. They have electronic elbows and hands. Since the cost was about 12 times what this arm cost I said no. At that point they said it probably was a good decision on my part because if I got the hand wet by immersing it in water it would short out and have to be sent in and repaired under a microscope. Sometimes the newest technology can be very expensive.

The technology of renewables is advancing every day. But it can be expensive and also has limitations. The sun does not shine all the time. The wind does not blow all the time. Because there are few good techniques to store wind and solar energy, more traditional sources are needed for base load supply. Today regulation is making it more difficult to build the traditional power plants we depend upon for this base load electricity. Also, most renewable energy, such as that generated on commercial wind farms, is produced in distant rural areas and has to be moved to where it is needed. That requires big transmission lines and towers. Aside from the cost to build these lines it is often hard to find land to build them on because of local resistance to having them nearby. My friend Ken Anderson from our power supplier, Tri-State G&T, will have more information on this issue in a moment.

Another problem we are facing today is the cap and trade legislation currently being proposed in Washington. In the end any such legislation will increase the cost of electricity and do little to fund energy research. Our CEO Brad Gaskill will fill you in more completely on this later. But let me assure you that your association is working together with other co-ops at both the state and national levels to mold policies that will meet our environmental challenges while controlling costs to consumers. Our voice is being heard at the statehouse and in Congress.

When it comes to environmental issues I'd like to mention something I heard Ralph Cavanaugh say. You may know Mr. Cavanaugh. He is a prominent attorney with the National Resource Defense Council. When addressing our national organization, NRECA, last year, he said it took him 25 years to realize co-ops are NOT against his agenda. We are merely in favor of keeping costs down. That month NRECA joined with Mr. Cavanaugh's organization on an array of programs to promote energy conservation. It is that kind of cooperation that is at the heart of America's rural electric cooperatives.

And so we have come full circle. Indeed, these are challenging times. So far as I, and your board of directors, are concerned, the best solutions to our energy problems are the ones that fulfill the nation's and the environment's needs at a cost that is not too high for each of us to bear.

In closing let me just say that, in the end, no matter how hard you work or how well you plan, sometimes you find that there are powers far beyond your control. We were reminded of this on May 22<sup>nd</sup> of last year when a tornado destroyed many homes and businesses, and large sections of the PVREA distribution and transmission systems. The board of directors, management and team members of your association appreciate, very much, the cooperation, understanding and patience shown by each of you affected by this calamity as we worked to restore power.