

CEO Brad Gaskill's Report
Poudre Valley REA Annual Meeting
March 28, 2009

The many reports in this year's newly formatted and expanded annual report highlights the Association's business operations and activities of 2008. If you haven't done so, I encourage you to take the time to read all the important information in your 2008 Annual Report.

A year ago at this meeting, we kicked-off a national grassroots campaign titled "Our energy, our future", a dialogue with America. We asked you to join the nation's other electric cooperative members and contact your elected officials in Washington to start a dialogue by asking three tough questions. First, How is congress going to help us meet the future demand for electricity? Second, how are they going to help us develop technology to reduce carbon emissions? And third, how is Congress going to help keep the electric bill affordable? To date this campaign has sent more than 1.6 million messages to the halls of congress. However, our work is far from done.

Today, I am asking you to continue the conversation by asking a fourth question. That question is, Will you please work with the electric cooperatives to be sure public policy meets my need for affordable electricity?

Over the past three decades, climate change has been on the national agenda. It has come to the forefront in recent years with scientists debating it, lawmakers discussing it and certainly, the media focusing on it. Regardless of your belief on climate change, the reality is that we have experts who are voicing their opinions on both sides and neither side can prove their position as fact.

However, there are some major issues surrounding the climate change discussion that can be proven as fact. It is a fact that President Obama has expressed his intention to regulate carbon dioxide emissions. it is a fact that the leadership of congress has expressed its intention to pass legislation which will regulate carbon emissions. And it is a fact that addressing climate change is going to come with a price tag for America's electric consumers.

The administration's fiscal 2010 budget proposal contains a cap and trade program that would auction carbon emission allowances to the highest bidder. Basically, the proposed auction system would give up control of the price of electricity to Wall Street financiers and multinational corporations. Have you seen the news lately? Do you think they have done a good job in the last year? Do you trust turning the cost of your electric bill over to them? I don't! In these already tough economic times I don't believe we can afford to take that chance or run that risk.

The nation's electric cooperatives, including PVREA, characterize the budget proposal as nothing more than a backdoor tax on electric consumers in the name of climate change. We view the program as being designed more to build up government coffers for tax cuts than to address environmental concerns. To allow the auction of carbon credits as part of a massive revenue-raising scheme for the government will have a devastating effect on the affordability of electricity in the future.

The majority of the money collected, projected to be almost \$646 billion between 2012 and 2019, will not be invested in clean energy technology, research or development. The fact is, eighty percent of it is to be returned in the form of household tax cuts. Meaning the plan would take away money from consumers through higher electric bills, estimated to increase 15% monthly, to pay back later in the form of tax cuts.

We, the electric consumer, cannot allow the government to hide, what is certainly a tax on your electric bill, behind a cap and trade program where the level of the tax will be set by wall street and the revenues collected by utilities. It is critical that each one of us becomes engaged by contacting our representatives in Congress to express our very real concern over this budget proposal and its potential economic toll on households, businesses and industries already shaken by the recession. our elected officials need to know that rural electric cooperatives and their members stand ready to work with congress to develop a sensible, low-cost approach to climate change.

We need a sound, responsible energy and climate policy that “strikes the right balance” between meeting future energy demand, being environmentally responsible and keeping the lights on and electric bills affordable.

Time is of the essence. If you haven’t already done so, I encourage you to join this grassroots effort and get involved in this critical debate by visiting our energy, our future website at www.ourenergy.coop. Ask your elected officials tough questions and request straight answers on this important issue.

I believe in the past Colorado’s rural electric cooperatives, including PVREA, have been unfairly criticized as being slow to promote energy efficiency and conservation initiatives and renewable energy development. I think we are often perceived this way because we responsibly place our focus on what is best for our membership in making sound business and financial decisions.

We work diligently to be fair to all sectors and classes of the membership and pride ourselves on being good stewards of your money and keeping costs down. And, I admit, we are probably at fault for not communicating with the media more about the outstanding programs and services we offer our members and valuable contributions we make to our communities.

Let me fix that right now!

In 2008 we hired a communications specialist to promote our energy efficiency and conservation programs and improve our communications efforts with the membership and media. We also updated our website, www.pvrea.com, by adding several resources and tips on how to stop wasting energy and save money. The site features our very own Gary, the Energy Guy. Gary is a certified energy auditor we added to our team in 2008 to conduct on-site energy audits and to help educate members in using their energy more wisely.

Also in 2008 we continued our partnership with Tri-State G&T, our wholesale power supplier, to pay rebates to our members who install selected energy efficient electric appliances and equipment. In 2008 we paid our members more than \$133,000 in various rebates. Our CFL program has distributed more than 10,000 energy efficient light bulbs, helping to lower your energy usage and electric bills.

We actively promote and encourage our members to move to our time-of-use rate option. This rate allows members to reduce their energy bill by taking advantage of lower off-peak rates if they change their usage habits.

Our continued promotion and support of renewable energy is also unmistakable. PVREA has offered a voluntary Green Power program since 1999. Currently our members buy more than 1.16 million kilowatt hours of renewable energy each month.

In 2007 Colorado’s rural electric cooperatives publically supported and lobbied for the passage of HB-1281, which requires us to supply 10% of our electricity from renewable sources by 2020. Again, in 2008 we showed our commitment to renewable energy by supporting the passage of HB-1169, which allows for net metering, or buying back excess electricity generated from renewable sources by our members. PV buys back this energy at our retail rate on generating systems up to 25 kilowatts or (kW).

We partnered with the governor’s energy office in 2008 to offer \$50,000 in rebates for 13 new solar systems. A total output of approximately 30-kw will be installed. We also entered into a partnership with the center for resource conservation in Boulder to install a 21-kw solar system at the Lyons middle and senior high school, a \$50,000 commitment.

In the future, as in the past, your board and management team remain committed to move forward in pursuing new energy efficiency, conservation and renewable project opportunities that are economically viable and help create value for our members and communities.

We believe energy efficiency and conservation should always be our “first fuel” resource. It is the fastest, cheapest and cleanest way to start addressing the nation’s energy and climate challenges. We also strongly believe renewable energy should play a bigger role in our future electric generation portfolio. We recently reaffirmed our strong commitment to renewable energy as Tri-State announced earlier this week it is partnering with First Solar to develop a 30-megawatt solar photovoltaic power plant in New Mexico. The facility will be the largest photovoltaic project developed by an electric cooperative and among the largest of its kind in the world. The plant is scheduled to be fully operational by the end of 2010.

However, we don’t believe, like many do, that the future demand for electricity, projected to increase 30% by 2030, can be met simply through energy efficiency, conservation, and renewable projects alone. The reality is, our energy future will depend on the advancement of several technology solutions and a diverse fuel mix, including advanced clean-coal with carbon capture and storage, natural gas, nuclear, renewables and all the conservation and energy efficiency measures we can possibly gain.

Your association has recently entered into a very exciting partnership. Working with Landis+Gyr, we will test and deploy an advanced metering infrastructure (AMI), or two-way communications smart metering system. We plan to begin our 1,200 meter pilot project in July and start full deployment of the AMI system in October.

Our driving interest in implementing this technology is to reduce costs, enhance operating efficiency, increase employee safety and improve customer service. At the same time you will benefit through more options to lower your energy consumption, reducing your energy costs and carbon footprint.

We are currently working with several federal and state agencies as well as many of our cooperative partners in our effort to obtain grant funds from the American Recovery and Reinvestment Act or stimulus bill. If we are successful, this money would help to pay for the AMI system and other energy efficiency, conservation and renewable energy programs.

As we celebrate 70 years of existence, we know our future holds many complex challenges, as well as new and exciting opportunities. However, this is not unlike our historic past.

If we stand united and work together in the future as we have in the past, there is no reason to believe why our future won’t be as bright and successful as our past and electricity will remain affordable to rural American’s for the next 70 years.

In closing, I want to thank the membership for your continued support and cooperation, the Board for its leadership and guidance, and the employee team for their dedication and professionalism. They work hard and are very responsive in meeting the daily demands and expectations of a growing membership.