

Power Lines



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NEXT BOARD MEETING

September 25



Why Public Policy Matters

BY BRAD GASKILL, CHIEF EXECUTIVE OFFICER

More than 70 years ago, a fledgling network of locally controlled, member-owned, not-for-profit utilities tackled the massive task of bringing safe, reliable and affordable electric service to America's vast rural heartland. After meeting that initial challenge, electric co-ops have continued to expand operations and now serve more than 40 million consumers in 47 states.



Brad Gaskill

But a new challenge, as daunting as any faced since those early days, is putting electric co-ops to the test. Between now and 2030, consumer demand for electricity is expected to increase by 30 percent. To meet that, our nation must add about 264,000 megawatts in power plant capacity. However, road blocks — some out of our control, some not — are delaying this required boom in generation construction.

Economic growth around the world has produced record orders for basic construction materials such as steel, cement and crushed stone. As a result, the average cost of building coal and nuclear power plants here at home has increased by 27 percent over the past year and is up a full 130 percent from 2000.

Now a second factor, the need to develop climate change policy, has slowed desperately needed power plant construction even further. With uncertainty about potential costs of a climate change policy, many lenders see the needed plants as too risky. Of 151 new coal plants announced since 2002, only 15 have been built. Generation and transmission co-ops have full or partial ownership in six of them.

Issues preventing development of coal and nuclear power facilities are forcing power suppliers to use fuels such as nat-

ural gas, which is subject to wide swings in price, to generate electricity. Coal itself, a once inexpensive fuel, has recently shot up in cost as well. The impact of these mounting fuel issues is being compounded across the country as dramatic electric rate hikes are announced, driven by steady cost increases.

But the economic effect of climate change policy has yet to be seen. Electric cooperatives are fighting to protect our members, fighting to minimize the cost impact of legislation currently being discussed by lawmakers — legislation that could otherwise go wrong for consumers and go wrong for the country.

As your provider of safe, affordable and reliable electricity, Poudre Valley Rural Electric Association champions a policy that will meet climate change goals while keeping bills affordable. What has been described as a perfect storm — the clash of growing demand, skyrocketing power plant construction and fuel costs and climate change policy constraints — has hit home.

As I have informed you in previous articles, PVREA has joined electric cooperatives across the country to launch a grassroots campaign called "Our Energy, Our Future: A Dialogue With America" to ensure that your voice gets heard. This campaign seeks to engage elected officials on critical energy questions, such as how to balance growing electricity needs and environmental goals, and how much of all this will affect electric bills.

Please visit www.ourenergy.coop to join this important conversation. Let lawmakers know that what actions they take regarding our energy challenges will carry enormous consequences for the folks back home. It is time to make our voices heard.

A POUUDRE VALLEY REA KEY ACCOUNT

Front Range Energy Brings Boost to Rural Economy

Poudre Valley Rural Electric Association staff, along with staff from its power supplier, Tri-State Generation and Transmission, recently paid a visit to Front Range Energy in Windsor to learn more about the background and processes of this ethanol plant. This highly automated facility employing 35 people began commercial operations in 2006. By industry standards, it is considered a medium-size facility, producing about 50 million gallons of ethanol annually. Front Range Energy is one of the nation's few family-owned operations in the biofuels industry.

How ethanol is produced

To put it simply, almost all ethanol is produced from corn or other starch or sugar-based grains and is made in a process similar to that used for producing liquor. Ethanol plants use either a "wet milling" or "dry milling" process. Front Range Energy utilizes a wet milling process that involves soaking the ground corn for several days to break down its components, which include starches. Water and enzymes are added to convert the starches into simple sugars. Yeast added to the sugar mixture produces ethanol and carbon dioxide through fermentation. Ethanol is separated from the mixture and distilled to almost 100 percent purity. Finally, the ethanol is denatured by



Front Range Energy in Windsor produces marketable products from the feed corn it processes.

adding a small amount of gasoline, making it unfit for drinking in order to avoid an alcoholic beverage tax. The solids from which the ethanol was separated are dried to produce livestock feed known as distillers' grains.

At Front Range Energy, the fuel additive is pumped to a storage tank and off-loaded to railcars for regional distribution. All automobile manufacturers in the U.S. produce vehicles that will run on 10 percent ethanol-blended fuels. Front Range Energy also provides some of the E-85 (85 percent ethanol) for specially designed vehicles in the Greeley and Fort Collins areas.

Dan Sanders, Jr., company manager, takes pride in his operation. "In addition to the employment opportunities that we bring to the area, we are proud to be able to work in an industry that is helping to reduce our reliance on foreign oil," he said. "Our nation pays \$700 billion a year

to hostile countries for their oil. We need to reduce that number."

Three products from one corn kernel

While most ethanol plants produce two marketable products from the feed corn it processes — ethanol and distillers' grains for the cattle feed industry — Front Range Energy markets a third byproduct from its operation: CO₂. Carbon dioxide is scrubbed and cleaned from the fermentation process and pumped to separate on-site storage tanks. From there, a separate company hauls the gas away and markets it locally and regionally for refrigeration, carbonation in the beverage industry and also for use in oil recovery production.

Sanders pointed out that there has been a lot of negative press recently on his industry's impact on the rising cost of food.

"The plain fact is food costs are largely being driven by rising energy costs," he said.

"A lot of people don't know that the corn we use is dried feed corn, not the sweet corn that people are buying in the grocery stores," he said. "The ethanol industry is only consuming about 3 percent of the nation's corn to produce ethanol, and a third of that is returned to livestock growers in the form of a superior feed product."

Employee Wins Ribbons For Unique Creations at Weld County Fair

Lisa Flye, Poudre Valley REA's senior customer and accounts supervisor, won five ribbons at the Weld County Fair July 2008 for her unique afghan and crocheted creations. She won several ribbons in the open class, fiber arts division for three separate entries:

- Afghan, combination stitches: first place

- Doily under 10 inches: first place
- Doily over 10 inches: 1) first place, 2) reserve champion adult and 3) overall reserve champion

The over-10-inch doily took over 200 hours to complete and is crocheted out of hand-quilting thread.

Lisa has already started her projects for next year.



PVREA's Senior Customer and Accounts Supervisor Lisa Flye won five ribbons for her afghan and crocheted doilies.



The Chance of a Student's Lifetime: The 2009 Washington, D.C., Youth Tour

Join hundreds of others from around the country June 11-18, 2009

Do you like to draw or write, make videos or take photographs? Are you a high school student who lives on Poudre Valley REA's system? If you answered "yes" to all of these questions, read on.

In mid-June 2009, more than 1,500 high school students will be in Washington, D.C., for the Rural Electric Youth Tour. A typical tour day starts at 7 a.m. and is not complete until 11 p.m. The Washington Monument, Washington National Cathedral and the Jefferson and Lincoln memorials are just a few of the attractions. There is a Potomac River cruise and a chance to meet congressional leaders. In the evenings, a dance and a play are planned for tour participants. (Winning account name: Raul Diaz)

The lucky students will be selected and sponsored by their local rural electric cooperatives. Poudre Valley Rural Electric Association will pay all the expenses for one student. The Youth Tour is coordinated by the National Rural Electric Cooperative Association.

Who is eligible? High school juniors at least 16-17 years of age whose parents or guardians are Poudre Valley REA members are eligible to enter the contest.

How do students enter? Students who wish to enter the contest can do so by writing an essay, producing a 10-15 minute video, creating a freehand drawing or computer-generated graphic, or taking and submitting a photograph.

Essays should be typed, double-spaced and approximately 500 words long. Students are encouraged to illustrate their essays with freehand drawings or computer graphics.

All entries must be postmarked or hand-delivered no later than November 17, 2008. Winners will be notified by the end of November.

Last year's Washington, D.C., Youth Tour winner was Deborah McGlasson. "The trip was amazing, especially being able to see and experience all of the memorials and monuments for yourself," Deborah said.



Deborah McGlasson won the 2008 trip to Washington, D.C.

STUDENT INFORMATION AND ENTRY FORM

Please fill out the following information, Detach this form and send it in with your entry.

Entries cannot be returned (unless prior arrangements are made).

Dates, terms and conditions could change without prior notice.

Student's name: _____

Age: _____

Year of high school graduation: _____

Name Poudre Valley REA account is under: _____

Account number: _____

Address: _____

Phone number: _____

High school attending: _____

High school phone number: _____

Send or bring entries to:

Poudre Valley REA
Attn.: Washington Youth Tour
7649 REA Parkway
P.O. Box 272550
Fort Collins, CO 80527-2550

This application can also be printed from PVREA's website: www.pvrea.com

ARE YOU A WINNER?

If you see your account name in the Poudre Valley insert, you have until the last day of the month that the magazine is dated to claim \$25 off your electric bill by calling PVREA at 970-226-1234. More than ever, it pays to keep informed about your electric utility.

"Continuous effort, not strength
or intelligence, is the key to
unlocking our potential."

— WINSTON CHURCHILL

FROM THE BOARDROOM

Board Approves Capital Credit Payments

BY KEITH CROONQUIST, BOARD PRESIDENT

In June, the Poudre Valley Rural Electric Association Board of Directors approved the retirement of \$2 million of capital credits for patronage capital allocated in 1997. If you received service from PVREA in that year and have accumulated allocated margins of \$10 or more through 1997 you will receive a check in the mail by mid September. If you don't, the co-op may not have your correct address.

Each year when we refund capital credits, the phones typically light up with our members asking, "What is this check for?" The answer is extremely important. It is what your association is all about.

It is what sets us apart from the investor-owned and municipal utilities. We are a "cooperative."

PVREA is a consumer-owned utility cooperative. That means you are part owner of PVREA. You and your fellow consumers own your electric company.

At the close of business each year, cooperative businesses like PVREA allocate and assign margins (profits) as capital credits to each member in proportion to their patronage or how much electricity they bought. These capital credits are then held in the member's name until the board determines that the association's financial condition will not be impaired by the retirement (refund) of certain allocated capital credits.



Keith Croonquist

The return of the association's profits directly back to its consumers (owners) is what makes your cooperative different than an investor-owned or municipal utility. Cooperatives are not motivated to make a profit for stockholders like investor-owned utilities.

Cooperatives use their members' money to invest in facilities. These investments in facilities are the basis of a cooperative's plant equity, reducing the need to borrow capital and helping to keep rates as low as possible.

Since PVREA's incorporation in 1939, we have refunded over \$35 million to PVREA members. We have issued capital credit refund checks of \$16.5 million in the past 10 years.

We estimate average residential customers will receive a check between \$45 and \$55 as their share of the \$2 million refund this September. The PVREA capital credit refund check you receive effectively reduces your cost of electric energy.

Your board of directors is especially proud to retire these capital credits to you because it is material proof of the benefits of belonging to an electric cooperative. It is living the cooperative principles; it is the cooperative difference.

Poudre Valley REA Board Actions

Reminder: PVREA's service discontinuance policy has changed

At the June board meeting, the Poudre Valley Rural Electric Association Board of Directors tightened a couple of discontinuance practices outlined in its rules and regulations. Payment for an electric bill is now due 15 days after the time that PVREA mails it to the consumer. The due date used to be 10 days. If payment is not received by the following month when the bills are processed and mailed, PVREA will mail a notice of discontinuance the day after the second bill is mailed, giving you 15 days to respond to the notice before PVREA disconnects the service. The notice of discontinuance will be issued to the delinquent account holder either by first class mail or hand-delivered notification.

In addition, the association will assess a 1.5 percent finance charge for balances over 30 days old.

Changes to PVREA's net-metering policy for members

At the July 29 board meeting, the Poudre Valley Rural Electric Association Board of Directors approved a change in the PVREA tariffs concerning net metering. For current customer-generators and users of PVREA's net metering program, PVREA is informing you of the change. The changes were made to comply with Colorado House Bill 08-1160. Prior to the change, net metering was allowed only for qualifying generating facilities of 10 kilowatts or less. The new policy allows for "true" net metering to be applicable for systems up to and including 25 kW output.



Our Energy, Our Future
A Dialogue With America

WE HAVE AN ENERGY CHALLENGE, AMERICA

When it comes to finding energy solutions, we must meet climate change goals while keeping costs down and electricity available. America needs a plan. Immediately. Because we all know that our energy needs keep on growing — every day. Now is the time to have a candid conversation with your elected officials.

Ask tough questions. Demand straight answers. Start the conversation today at www.ourenergy.coop.