

Report From The CEO



75 Years of Service

By Jeffrey C. Wadsworth, Chief Executive Officer

Poudre Valley Rural Electric Association (PVREA) is celebrating 75 years of service in 2014. This has been made possible by the dedication and vision of our founders, employees and members over these many years. The events that took place in 2013 certainly demonstrated this dedication

and vision. While there were many accomplishments last year, I want to highlight a few surrounding rates, technology, safety, and the how we met the challenge of the flood.

Rates:

I am sure you can all appreciate your Board of Directors recent decision to hold the line on rates in 2014. This decision was done even though PVREA was notified by our wholesale power supplier, Tri-State Generation and Transmission Association (Tri-State), that we will be receiving a 1.6% or \$1.3 million of additional power cost increase in 2014. Your Board of Directors made the tough decision to not have a rate increase in 2014.

At the start of 2013 our members did see an increase on average of approximately 3.9%. The necessity of the increase was due entirely to a 6.1% hike in the cost of our wholesale power from Tri-State, caused primarily by escalating costs of generating and transmitting electric power.

I think it is important to note that PVREA has not asked for additional revenues to cover operating costs, other than wholesale power, since 2009. This is a testament to the vision your Board of Directors has set and we will continue to work diligently on your behalf to control our cost internally in an effort to prevent or minimize rate increases.

As we look ahead there will be continued upward pressure on our rates as evidenced by Tri-State's latest rate increase. Their recent rate increases are due, in part, to the impact and cost of new and coming regulatory compliance requirements by the EPA. These new rules will potentially cost the electric power sector billions of dollars. PVREA continues to call on our members to become engaged and active in our grassroots effort to help us have a voice in the many legislative and regulatory challenges ahead of us. We launched our Help Us Help You effort in 2013 and if you have not already done so I invite you to sign up by visiting our website – www.pvrea.com.

Safety:

I am sure we all understand safety is very important and even more so in the electric utility industry given high voltages, inclement weather conditions, and heavy equipment. All the employees are working on establishing a true "Safety of Culture" at PVREA. At the time of this report PVREA's employees have worked over 400 days without a lost-time accident. I am very proud of our employees and the professionalism they have displayed in embracing a renewed emphasis towards safety. I want to thank them publicly for their dedication and efforts in working safely each and every day.

Technology:

We continue to adopt new technology that has proven it will bring a value to you as members, or the employees. Through the board's vision, PVREA has launched several programs that bring a host of benefits and savings to our members. Introduced earlier this year, our SmartHub app allows members a convenient two-way communication to access your PVREA account information and pay your bill electronically through almost any mobile device, including Apple and Android smart phones and tablets. In addition to online bill payment this new app provides easy-to-navigate features that allow you to manage account information, confirm or report an outage and view electricity use and history. You can also sign up to receive notifications via email or text messaging concerning activity on your account and contact customer service. To access SmartHub to pay your bills or to utilize any of the other features, simply go to www.pvrea.com/mobile.

One other piece of technology I am excited to share with you is our Pre-Pay Program. This pay-as-you-go program allows members the option of deciding how, when, and how much they pay on their electric bill. We anticipate a significant number of members to take advantage of this new service. More information on this program will be provided throughout 2014 as it becomes available to all of our members.

The Flood:

The event that had the biggest impact on PVREA and a significant number of our members last year was the flood in September of 2013. All three of the counties we serve - Larimer, Weld and Boulder - were significantly impacted by the flood. When work was completed, the cost to PVREA to repair the damage from the tragedy totaled more than \$1.3 million. We have applied to FEMA for disaster relief funds and we anticipate getting reimbursed for a large portion of our costs. During the crisis around 2,600 services were affected by the flood, approximately 150 power poles and 160 spans of line, as well as many meters, transformers and other facilities were damaged. Our crews worked tirelessly and I am proud to report that the system was repaired and power restored without one accident or injury. A great accomplishment!

In 2014 we will continue our efforts to meet your service needs, grow our energy efficiency programs, maintain financial strength and keep your lights on, all at the lowest reasonable cost while being environmentally responsible. We have many new challenges ahead, however, your input and participation as members of PVREA will continue to be essential as we create the path for the next 75 years.

Thank you for being a great membership, which we are very proud to serve. Please join me in wishing PVREA a happy 75th birthday!

Jeff Wadsworth

CEO, Poudre Valley Rural Electric Association



Did You Know

Poudre Valley REA is a cooperative. This means that we are owned by all the consumers who receive electricity from PVREA. We are democratically governed and all profits are returned to the members as Capital Credits.

Your Capital Credits

In 2013 your association paid more than 2.6 million dollars in margins (profits), in the form of Capital Credit checks, back to our member-owners. Year-end operating margins were \$423,186 and total margins to be allocated to the membership are \$6,155,265.

Serving the Community

In June 2013, the Loveland Fire Rescue Authority (LFRA) Special Operations Team sent a mutual aid request to the Poudre Valley REA (PVREA) Operations Department to assist with a horse rescue from an irrigation ditch. LFRA personnel had been working with numerous local organizations to lift this 1,200 lb horse from a flowing irrigation ditch. Poudre Valley REA Operations Department dispatched a truck to help lift the stuck horse from the ditch. The horse was not injured and everyone at the scene celebrated the successful rescue.



Facility Inspections

Poudre Valley REA contracted with Global Mapping Solutions to perform an inventory audit of our entire electric system. The audit aids PVREA in our ability to respond to outages and emergencies.

The audit included a condition assessment and evaluation of field inventory, as well as data collection to establish georeferenced baseline information for all system assets.

Geo-spatial and condition mapping for all fixed assets will provide additional data for use in system outage management software. The result will be shorter outage times and faster service.

Multi-Functional Mobile App

SmartHub is a mobile and web application that delivers accurate, timely account information and allows you to make payments in a secure environment, right from your mobile device or on your computer. With SmartHub, the power of data is in your hands through convenient account management and detailed usage information.

Second Solar Farm

Poudre Valley REA has contracted to build a second solar farm. Our first solar farm, completed in 2012, sold out before construction. This second solar farm will be almost 5 times the size of our first. Construction is anticipated to begin in early 2014 and reservations/deposits are currently being taken.

Geothermal Conversion

The Poudre Valley REA completed the replacement of aging heating and air conditioning equipment at



the PVREA offices and warehouse in 2013. The decision to switch to geothermal is part of the overall commitment to energy efficiency at your co-op

Also called ground-source heat pumps, geothermal systems rely on the energy of the ground to move heat into and out of a building, providing heating and cooling. The top 300 feet of earth remains a relatively constant 50 to 60 degrees year-round.

This energy efficiency program at Poudre Valley REA is just one way we are working hard to keep costs low. It is also an illustration of how everyone can benefit from making energy efficiency improvements to their home or business.

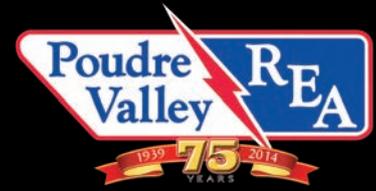
College Scholarships

The College Scholarship Fund has been a part of Poudre Valley REA's Community Outreach Program for 20 years and has awarded more than \$180,000 to area students since 1993. The scholarship program is funded entirely with unclaimed capital credits as are other community programs for the benefit of the association members.

PVREA utilizing a truck boom to assist with a horse rescue near Wellington.



2013 Annual Report



Statement of Operations

	2013*	2012
Operating Revenue		
Residential/Other	\$42,956,513	\$41,960,819
Irrigation	1,855,974	2,202,329
Small Commercial	5,944,052	5,655,637
Large Commercial	47,672,906	47,373,467
Public Buildings & Lighting	462,331	445,584
Total Operating Revenue	\$98,901,776	\$97,637,836
Expenditures		
Cost of Purchased Power	\$74,497,617	\$72,817,966
Operations & Maintenance	8,061,610	7,749,095
Administrative & General	7,557,084	7,411,941
Depreciation & Amortization	4,596,661	4,383,930
Interest & Other Deductions	<u>3,765,618</u>	<u>3,579,648</u>
Total Expenditures	\$98,478,590	\$95,942,580
Margins		
Operating Margins	\$423,186	\$1,695,256
Non-Operating Margins	784,903	739,981
G&T Capital Credits	<u>4,947,176</u>	<u>3,584,706</u>
Net Margin/Patronage Capital	\$6,155,265	\$6,019,943

System Stats

The Poudre Valley Rural Electric Association is an electric distribution cooperative with a service area that encompasses 2,000 square miles in Boulder, Larimer and Weld Counties in Northern Colorado. The association serves more than 37,300 homes, ranches and businesses.

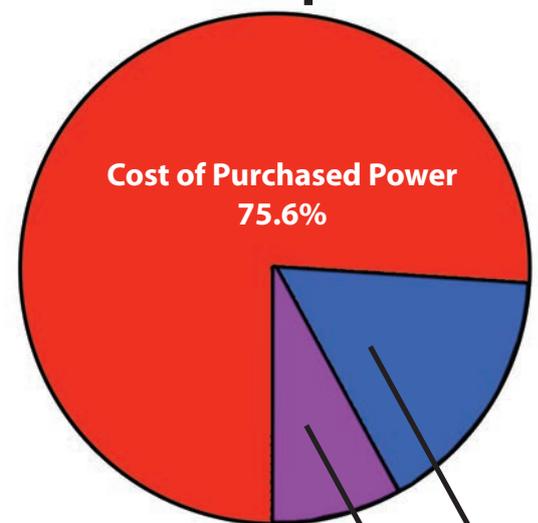
	2013	2012
Total Services	37,361	35,429
Miles of Line	3,950	3,922
Total kWh Purchased	1,032,940,108	1,068,792,303
System Peak Demand	183,822	194,293
High Peak	June	July
Purchase Power Cost	74,497,617	72,817,966
Power Cost / kWh	.0721	.0681
Property Tax	1,425,607	1,223,395
Average kWh Use Residential Monthly	986	981

Balance Sheet

	2013*	2012
Assets		
Net Utility Plant	\$128,364,938	\$126,159,103
Investments	73,473,794	69,178,150
Current Assets	<u>28,138,250</u>	<u>25,993,761</u>
Total Assets	\$229,976,982	\$221,331,014
Liabilities and Capital		
Capital Equities	\$110,947,221	\$97,228,598
Long-Term Liabilities	94,461,672	88,383,420
Other Long-Term Obligations	7,180,529	16,269,562
Current Liabilities	<u>17,387,560</u>	<u>19,449,434</u>
Total Liabilities and Capital	\$229,976,982	\$221,331,014

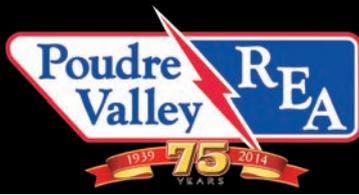
*Unaudited

2013 Expenses



Interest, Depreciation, Other 8.5%
Operations, Maintenance, Admin 15.9%





2013 Annual Report

Poudre Valley REA Board of Directors

President

Thaine J. Michie
Larimer County

Vice-President

Jack R. Schneider
Weld County

Secretary/Treasurer

Roger Alexander
Larimer County

Assistant Secretary/Treasurer

Rick D. Johnson
Larimer County

Director

Steven Anderson
Larimer County

Director

Georglyn Diehl
Weld County

Director

James F. Fender
Larimer County

Director

Robert A. Lock
Boulder County

Director

James W. Park
Weld County

Director

Jan Peterson
Larimer County

Director

Ronald G. Sutherland
Boulder County

President's Report

Poudre Valley REA (PVREA) is proudly celebrating its 75th anniversary in 2014. It was in October 1939 that 11 rural citizens formed the cooperative. Our co-op model of business has kept us focused on our member-owners throughout the years. From our member-elected board of directors to our dedicated workforce, we are living by the core values of integrity, accountability, innovation and commitment to community in everything we do.

Over the past several years the downturn that impacted the nation, of course, also had a major impact on PVREA. I am happy to report that we are starting to see a rebound to the economy. Our distribution system grew by nearly 2,000 services in 2013. Several large commercial & industrial accounts were built and energized as well as substantial residential growth compared to previous years. The oil and gas play in our region also has impacted the Cooperative.

In 2013 we invested \$5.7 million in new construction projects, \$3.9 million in replacement and upgrades of older plant and \$8.1 in system operation and maintenance to strengthen our delivery system and improve service reliability. These investments will pay huge dividends to our members now and into the future.

On the local power generation front, PVREA entered into two power purchase agreements that should become a reality in 2014. The first will be PVREA's second community solar farm that will be nearly 600 kW or 5 times the size of our first successful community solar farm. PVREA also signed a power purchase agreement in 2013 with BluBox Energy to buy 3 megawatts of electricity from modular generation units placed at stranded

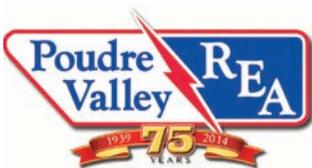
oil/natural gas wells. These generators operate off the unprocessed wellhead gas and turn that otherwise wasted resource into electricity.

Succession planning was one of the major challenges the PVREA directors and employees had in 2013 and this will continue to be the case in the foreseeable future. As anticipated, we had 12 employees retire in 2013. Many of these employees were long-time employees at PVREA and in early 2014 our previous CEO, Brad Gaskill, retired. This retirement and the promotion of Jeff Wadsworth was the accumulation of the past two years of careful succession planning for a new CEO by the PVREA directors. PVREA also had one board member, Keith Croonquist, with 12 years of experience retire in 2013 and another board member, Jim Park, with 24 years of experience, will retire in 2014.

As you read the 2013 financial details provided in this annual report you will see that your cooperative is in a strong financial condition, as was evidenced by the return of capital credits to members during the year – more than \$2.6 million. Due to efficiencies of operation shown by the staff, the company was able to avoid a rate increase in 2014.

The past year proved strong and successful due in large part to the efforts of our talented and dedicated PVREA employees. The coming years promise to be ones filled with new challenges, but your cooperative is positioned to meet those opportunities and challenges that will come our way.

Thaine Michie



Annual Meeting

Embassy Suites Hotel
and Conference Center

March 29, 2014
7:30 a.m. - Noon

Registration closes at 9:30 a.m.

Election of Directors
Delicious Hot Breakfast
Children's Activity Room

Embassy Suites Hotel
4705 Clydesdale Pkwy, Loveland, CO



Join us at the **Annual Meeting** and you will be eligible to
win an Apple Air Technology Package
including MacBook Air and iPad Air.

