

Report From The CEO



2012

I am pleased to report Poudre Valley Rural Electric Association, Inc. (PVREA) completed 2012 in sound financial condition, as documented in this 2012 Annual Report to the membership. Your Board of Directors, management staff and employee team worked collectively

to provide you with safe, reliable and cost-based electricity while being environmentally responsible and good corporate citizens.

The event that had the biggest impact on PVREA and a significant number of our members last year was the High Park Fire. When work was completed, the cost to PVREA to repair the damage from the tragedy totaled more than \$2.5 million. We have applied to FEMA for disaster relief funds and we anticipate getting reimbursed for approximately \$500,000 of our costs. During the crisis around 1,700 services were affected by the fire and more than 250 homes destroyed. Approximately 400 power poles and 14 miles of wire, as well as many meters, transformers and other facilities were damaged within the burn area. We are grateful for the many long hours spent by our dedicated team members and contractors during the emergency and extend our most heartfelt condolences to those members who suffered losses.

Northern Colorado's economic woes began to show signs of recovery in many sectors in 2012. This reflected positively on your association in the number of new meters served. In 2012 PVREA connected 527 new services compared to only 327 in 2011 and 293 in 2010. Net services (new services less retired services) increased by 387 compared to negative net services in each of the past two years, partly due to the annexation of some PVREA service territory by the City of Fort Collins.

Safety remains a core value and primary focus of your association. We are constantly committed to the safety of our member/owners, team members and the general public. In 2012 we completed a full year without a lost-time accident. Our team is to be congratulated for their daily focus on safe work practices in this inherently dangerous business where many of them often work in adverse and challenging conditions.

Keeping electricity flowing through 3,900 miles of line to more than 35,000 homes, farms, ranches and businesses is a big job. To increase our reliability PVREA undertook many hours of work, building, maintaining and upgrading the system in 2012. Older circuits are being replaced with lines that can carry more power and some areas are being upgraded so that power can be rerouted from one area to another in the event of a major outage. This work included an investment of \$5.1 million in new construction projects, \$3.8 million in replacement and upgrades of older plant and \$7.7 million in system operations and maintenance. At year-end we had \$9.7 million of construction work in progress.

After three years of stable electricity rates PVREA implemented an overall rate increase of 4 percent effective January 1, 2012. The average residential member saw their bill go up 3.5 percent. Commercial

accounts experienced somewhat higher increases. The necessity of the increase was due entirely to a 4.8% hike in the cost of our wholesale power from our supplier Tri-State Generation and Transmission Association (Tri-State), caused by escalating costs of generating and transmitting electric power.

In addition to wholesale power costs, our other operating expenses continue to escalate as well. These costs include utility poles, wires and materials, fuel and transportation equipment, employee wages and benefits and the cost associated with maintaining records, printing and mailing bills, etc. However, as in past years, your board, management staff and employee team worked rigorously to implement new technologies and increased training to create operating efficiencies and control costs. As a result we have not asked for additional revenues to cover operating costs, other than wholesale power, since 2009.

As we look ahead there will be continued upward pressure on our rates as evidenced by Tri-State's latest rate increase. Effective January 1, 2013 wholesale power costs increased another 4.9%, or approximately \$4.2 million. These recent rate increases are due, in large part, to the impact and cost of new regulatory compliance requirements. The EPA is planning to aggressively implement a set of new regulations that will potentially cost the electric power sector billions of dollars to become compliant with these new rules.

In the near future, PVREA will be calling on each of you, the member/owners, to become engaged and active in our electric cooperative "grassroots" effort to help us speak to the many legislative and regulatory challenges ahead of us. We need your help in order to meet our primary objective of providing you safe, reliable and affordable electric power. By becoming a part of this grassroots network you can "help us, help you" in our efforts to work with legislators and regulators to find common-sense solutions that balance environmental objectives and responsibilities with the economic difficulties and realities of providing affordable electricity in the future. More than ever before, in the history of the electric cooperative program, we need to unite to make our voices heard by policy makers at the statehouse and in Washington. Working in the cooperative spirit we can and will continue to enjoy our quality of life in rural Northern Colorado and help build a brighter future for the communities we work and live in.

On behalf of the Board of Directors, management staff and employee team, I want to welcome our new members and extend our thanks and appreciation to all our members for allowing us the opportunity to serve you and meet your energy needs. I thank the Board for their outstanding leadership and support. I thank the employee team for their hard work and exceptional dedication in meeting the increasing needs, demands and expectations of the membership.

I encourage you to mark your calendar now and exercise your member/owner right by attending and participating in your annual meeting on Saturday, March 30, 2013.

Brad Gaskill

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 2012 your association paid more than 2.5 million dollars in margins (profits), in the form of Capital Credit checks, back to our member-owners. Year-end operating margins were \$1,695,256 and total margins to be allocated to the membership are \$6,019,943.

Protecting Birds of Prey

The Raptor Protection Program at Poudre Valley REA works with area schools, scout troops, wildlife biologists and the Colorado Department of Wildlife to relocate nests for birds of prey, most notably osprey, away from energized power lines.

When birds of prey of any kind are discovered nesting near powerlines steps are taken to retrofit existing facilities to make them safe for the birds. Today all new facilities installed on the PVREA system are constructed using raptor protection specifications and equipment.



Programs

Saving Energy

For the third year in a row, Poudre Valley REA has been selected by the Northern Colorado Business Report as the third largest Energy Evaluation Firm in our area. This is quite an accomplishment considering that energy auditing is an important program at PVREA, but it is only one of many that we offer our members to help with energy efficiency. To discover the many ways your electric cooperative can help you save visit www.pvrea.com.



Community Solar Farm

On August 28, 2012 Northern Colorado's first community solar farm was dedicated at the PVREA headquarters. The Poudre Valley REA Community Solar Farm is the first community solar farm in Northern Colorado and encompasses 494 solar panels generating 116,090 watts of electricity. The panels were purchased and are owned by individual consumers who receive electricity from PVREA. Some consumers purchased as few as one panel and others as many as several dozen. Credits from the electricity generated are applied directly to the electric bills of each participating consumer in proportion to the number of panels purchased.



REDLG Revolving Loan Fund

The Poudre Valley REA Board of Directors established a fund to help local projects that will benefit communities in Northern Colorado. The initial project that will benefit from the fund is the Platte Valley Fire Protection District for the purchase of new equipment, including two trucks.

The PVREA loan fund was created in conjunction with the USDA's Rural Economic Development Loan and Grant program (REDLG), which provides zero-interest loans and/or grants to cooperative-owned utilities that, in turn, provide funding to local agencies for projects in rural areas.

As the loan is repaid funds will then become available for other community projects on a continuing basis.



Carter Lake Hydro

Last spring Northern Water dedicated the Robert V. Trout Hydropower Station. Under a power purchase agreement Poudre Valley REA distributes 100% of the renewable energy from the plant which supplies enough electricity to power 1,000 homes.

A nesting pair of Osprey are seen here at a raptor protection site near LaPorte in 2012.



Statement of Operations

	2012	2011
Operating Revenue		
Residential	\$40,663,767	\$39,595,292
Irrigation	2,202,329	2,019,679
Small Commercial	5,655,637	5,537,877
Large Commercial	47,373,467	47,390,160
Public Buildings & Lighting	445,584	434,718
Other Electric Revenue	<u>1,297,052</u>	<u>960,754</u>
Total Operating Revenue	\$97,637,836	\$95,938,480
Expenditures		
Cost of Purchased Power	\$72,817,966	\$72,207,458
Operations & Maintenance	7,749,095	7,512,008
Administrative & General	7,411,941	7,354,586
Depreciation & Amortization	4,383,930	4,143,240
Interest & Other Deductions	<u>3,579,648</u>	<u>3,423,874</u>
Total Expenditures	\$95,942,580	\$94,641,166
Margins		
Operating Margins	\$1,695,256	\$1,297,315
Non-Operating Margins	739,981	537,285
G&T Capital Credits	<u>3,584,706</u>	<u>5,008,329</u>
Net Margin/Patronage Capital	\$6,019,943	\$6,842,929

System Stats

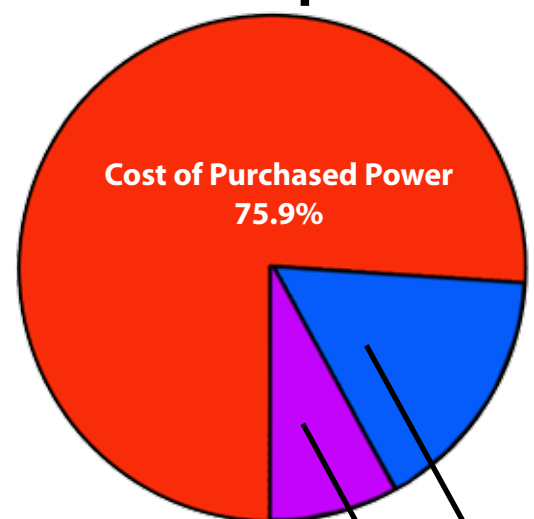
The Poudre Valley Rural Electric Association is an electric distribution cooperative with a service area that encompasses 2,000 square miles in Boulder, Larimer and Weld Counties in Northern Colorado. The association serves more than 35,400 homes, ranches and businesses.

	2012	2011
Total Services	35,429	35,042
Miles of Line	3,922	3,912
Total kWh Purchased	1,068,792,303	1,112,204,894
System Peak Demand	194,293	191,912
High Peak	July	July
Purchase Power Cost	72,817,966	72,207,458
Power Cost / kWh	.0681	.0649
Property Tax	1,223,395	1,151,988
Average kWh Use		
Residential Monthly	981	1,015
Average Residential Monthly Bill	109.92	107.11

Balance Sheet

	2012	2011
Assets		
Net Utility Plant	\$126,159,103	\$115,630,183
Investments	69,178,150	67,236,599
Current Assets	<u>25,993,761</u>	<u>14,299,232</u>
Total Assets	\$221,331,014	\$197,166,014
Liabilities and Capital		
Capital Equities	97,228,598	93,415,972
Long-Term Liabilities	88,383,420	75,899,425
Other Long-Term Obligations	16,269,562	15,622,573
Current Liabilities	<u>19,449,434</u>	<u>12,228,044</u>
Total Liabilities and Capital	\$221,331,014	\$197,166,014

2012 Expenses



Interest, Depreciation, Other 8.3%
Operations, Maintenance, Admin 15.8%





2012 Annual Report

Poudre Valley REA Board of Directors

President

Jack R. Schneider
Weld County

Vice-President

Thaine J. Michie
Larimer County

Secretary/Treasurer

Robert A. Lock
Boulder County

Assistant Secretary/Treasurer

James F. Fender
Larimer County

Director

Roger Alexander
Larimer County

Director

Keith D. Croonquist
Larimer County

Director

Georglyn Diehl
Weld County

Director

Rick D. Johnson
Larimer County

Director

James W. Park
Weld County

Director

Jan Peterson
Larimer County

Director

Ronald G. Sutherland
Boulder County

President's Report

This will be my final report as president of the Poudre Valley REA Inc. (PVREA) board so I would like to take a moment to express my appreciation to all the people who have helped me guide this storied institution over the past three years. I am proud of the work undertaken by your Board of Directors and the management team at the co-op. Credit for the achievements during my tenure as president is shared equally by every director, manager and employee of the association. My sincere thanks go out to each of them for their dedication to their jobs and to the membership.

There are many accomplishments that were noteworthy in 2012. On the renewable energy front two large projects came online. First, in May, Northern Water dedicated their Robert V. Trout Hydropower Station located at Carter Lake. PVREA entered into a power purchase agreement with Northern Water to purchase 100% of the renewable electricity being generated by this facility. Our second project located at PVREA's headquarters was energized in August and is Northern Colorado's first community solar farm. These two projects add nearly 3 megawatts of renewable energy to our system.

The new Outage Management System (OMS) is part of our continuing deployment of advanced technology at PVREA. This software allows us to electronically track power outages throughout our service territory. It is

a significant step in being able to identify and respond quickly to outages and, also, enhance customer service and reliability. OMS even has the ability to monitor distant system components and identify those that are failing, giving us the ability to predict failures and respond before an outage even occurs.

The OMS is integrated with two other projects we began several years ago; the Automated Metering Infrastructure (AMI) and Supervisory Control and Data Acquisition (SCADA). They are important tools we can use to not only monitor the status of our system but also operate portions of it remotely. It allows us to respond quickly and precisely to problems and measure the efficiency of the whole system. Using AMI data we can also measure the quality of the electricity delivered, right down to the meter level, to assure the quality of power at your home is as needed.

The future holds many challenges for your electric cooperative. Some of these will be met with new technologies and many others will be solved with good old-fashioned hard work and smart management. In either case, you can rest assured that we will remain focused on our primary mission to provide safe, reliable and affordable power to you every day.

Jack R Schneider



Annual Meeting

Embassy Suites Hotel
and Conference Center

March 30, 2013

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



Win a Vacation For Two To Washington, D.C.

Join us at the **Annual Meeting** and you will be eligible to **win a 4-Day vacation for two to our nation's capital** including airfare, **3 nights in a luxury hotel** and a tour of all the sights. Other Prizes include dinner for two at the **Canyon Chop House**, and tickets to **Lincoln Center Shows**.

