

# *President's 2008 Annual Message to the Membership*

*by John Vader, President of the Board of Directors*

It is my honor to report that your electric cooperative, Gunnison County Electric Association, has had a successful year and remains financially strong and fully committed to providing every member with the most reliable and cost-efficient electricity possible.

One of the most prominent challenges of this year was the December 6th snowfall, or maybe we should say "snow dump". The large amount of heavy, wet snow that fell in a short period of time damaged over 60% of our 470 miles of overhead power lines. Approximately 40% of our 10,066 coop members were without electricity for a period of time ranging 1 hour to 30 hours. As calls of power outages came in quickly, it wasn't long before all our line crews were out repairing the damages. As the scope of the outage grew, so did the response of almost all of the employees at GCEA. Linemen, mechanics, engineers and meter technicians worked in the field while behind the scenes the CEO, office and accounting staff answered telephones to help keep our members up to date and informed. They also kept a steady flow of food and supplies going out to the employees working in the field. After some linemen worked 38 hours in a 43 hour period and through the night as a team, our last member was re-energized and our crews were ready to catch some ZZZZ's and get re-energized themselves. The scheduled Christmas Party was gladly postponed without any complaints whatsoever.

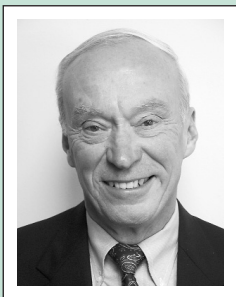
I am pleased and proud to report that during this time of need, the dedication and hard work of the employees of GCEA continued to demonstrate true character and an outstanding commitment to safety under less than perfect conditions.

I would like to personally thank my fellow Board Directors, first of all, for putting up with me and, second, for all their time and effort preparing themselves for the meetings. The Board constantly pursues the task of meeting both current demands for reliable, lowest cost electricity and meeting future demands of renewable and alternative energy resources while doing the least amount of damage to the environment. Diverse amounts of information are studied, including green power, clean coal, methane, hydro, solar, wind, natural gas, nuclear, geothermal, and other resources. In the end, decisions are made to meet everyone's needs as best as possible.

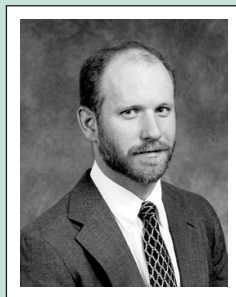
For 70 years GCEA has been here to serve our members/owners. I am honored to have served as your representative for 11 years and witnessed 150 additional miles of line and 2,793 new meters worth of growth in our community.

In closing, I would like to remind you that as an electric cooperative owned by you, our members, we are here to serve you and will continue for many years to come. Please feel free to call the local office at any time with any questions or comments.

## *GCEA Board of Directors*



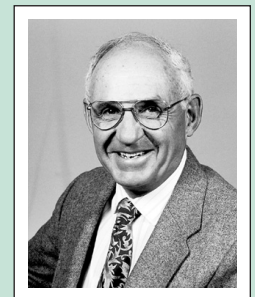
*District No. 1*  
*Bill LaDuke*  
Assistant  
Secretary/Treasurer



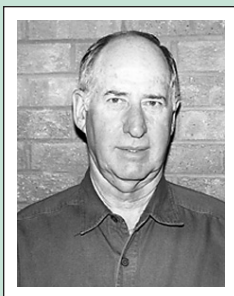
*District No. 2*  
*Chris Morgan*



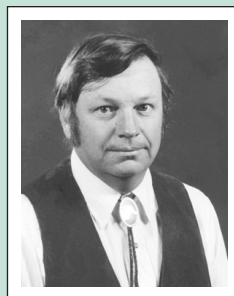
*District No. 3*  
*Helen K. Allen*  
Secretary/Treasurer



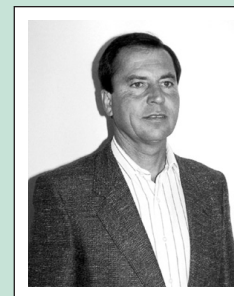
*District No. 4*  
*George Besse*



*District No. 5*  
*Paul Hudgeons*  
Vice President



*District No. 6*  
*John Vader*  
President



*District No. 7*  
*Lou Costello*

# Chief Executive Officer's 2008 Annual Message to the Membership

by Mike Wells, CEO

As I write this message I look out the window to see snow piles finally receding and bare ground appearing. It has been a winter for the record books and this has equated to record high utility expenses for our membership. We set a new high peak demand for energy in December and this peak was nearly duplicated in January this year at 32 megawatts. Average energy sales for the winter months were up 10 percent over the previous year and we had an additional burden of an 11 percent rate increase that went into effect January 1st. With this said I would like to thank you for your patronage and assure you that we are doing all that we can to keep your rates affordable.

Please look at the financials in this newsletter. The operating margins are what we made on the sale of electricity and for year-end 2007 we are at a 0.33 percent margin level. This just met our operating TIER (times income earned ratio) and mortgage requirements. For 2008 we have budgeted 1.2 percent of revenue as margins, in other words, we are just over our cost of operating the business and in every sense of the word, non-profit.

Over the next couple of years I hope that we will have some rate stability without substantial increases, however, there isn't any good news on rates as we look into the future. Higher prices are what energy experts are predicting. Wholesale power cost could double or even triple as environmental compliance rules, inflated coal shipping cost and the volatility in natural gas pricing all contribute to higher electric generation costs. To make matters worse, energy use is predicted to increase by 40 percent over the next 25 years. With generation already in a deficit, new base load generation plant construction is required to meet the growing demand. These construction costs will ultimately be paid for by all electric consumers through increased rates. The construction of coal-fired plants is under fire these days with the concern of greenhouse gas emissions, mainly carbon dioxide or CO<sub>2</sub>. Listening to all the media coverage on emissions it seems like a CO<sub>2</sub> tax is inevitable. If a \$50 per ton carbon tax is applied, it will effectively double the cost of our purchased power.

Tri-State is looking at building and investing in a diverse portfolio of power resources to meet the growing needs. They have received bids on building 100 megawatts of renewable power and are presently evaluating these options; they are also starting the investigation of building nuclear power plants that are basically zero emission. Included in this mix are natural gas fired plants for peak periods and to backup renewable resources for when the wind doesn't blow or the sun isn't shining. Your Association has the security in having an all requirements contract with Tri-State where it is obligated to meet the energy needs well into the future and you have my commitment to be steadfast to our mission statement "To provide reliable, dependable electric service to our members at the lowest possible cost consistent with prudent business practices". We face a lot of challenges and opportunities ahead and we will meet the issues that the energy industry faces with an open mind and hard work.

## GCEA 2007 Statement of Operations

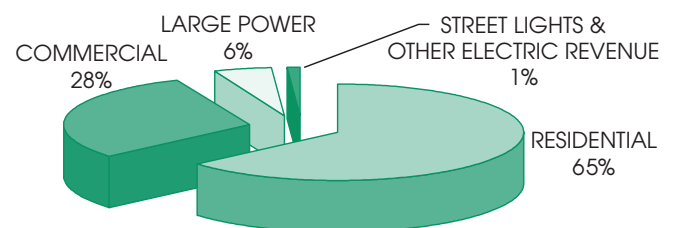
<b>Operating Revenues:</b>	
Sales of Electric Energy	\$12,357,471
Other Electric Revenue	112,441
<b>Total Operating Revenues</b>	<b>\$12,469,912</b>
<b>Operating Expenses:</b>	
Purchased Power	\$7,675,923
Operations & Maintenance	1,591,306
Consumer Accounting & Customer Service	850,798
Administrative & General Expenses	1,043,776
Depreciation	825,341
Interest	458,374
Other Deductions	(17,350)
<b>Total Operating Expenses</b>	<b>\$12,428,168</b>
<b>Operating Margins</b>	<b>\$ 41,744</b>
<b>Non-Operating Margins:</b>	
Interest Income	\$ 94,234
Income (Loss) from Equity Investment	(179,205)*
Non-Operating Margins - Other	39,786
Generation & Transmission Capital Credits	1,323,127
Other Capital Credits	114,266
<b>Total Non-Operating Margins</b>	<b>\$ 1,392,208</b>
<b>Total Margins</b>	<b>\$ 1,433,952</b>

\*Estimated Number for 2007

## GCEA System Statistics

	2005	2006	2007
Meters Served	9,507	9,814	10,064
Miles of Line	1,002	1,012	1,029
Total kWh Purchased	119,351,133	125,874,705	127,789,542
Avg. Resi. Mo. Use - kWh's	724	737	711
Avg. Residential Mo. Bill	\$69.29	\$74.37	\$79.77
System Peak Demand (kW)	30,097	28,501	32,333
Month of High Peak	December	January	December
Full Time Employees	34	37	35
Wholesale Power Costs/kWh	\$0.04919	\$0.05098	\$0.06007
Retail Power Costs/kWh	\$0.07913	\$0.08463	\$0.09320
Availability of Service Charge	\$12.00	\$12.00	\$13.50

## 2007 GCEA OPERATING REVENUES



## 2007 GCEA EXPENSES

