

Powder River Energy Corporation

CEO Straight Talk



Mike Easley, CEO

Conservation, Community and the Future of Energy in America

At Powder River Energy we have a passion for what we do and we hold fast to our goals. Our mission is simple; to deliver reliable, affordable electricity so that you, our members, can focus on what's most important in your lives. We work hard to make sure every time you flip a switch the lights come on all the while maintaining the lowest electricity rates in Wyoming.

With every decision we make the number one question we ask ourselves is: Is this best for the membership? If we can answer yes to that question than we know we are making the right decision. Right now though there are many issues occurring that are out of our control that may affect our ability to continue to provide you with the reliable, low cost electricity you are used to.

Not a day goes by when we don't hear or read something about climate change. Many say the debate is over and whether you believe that or not legislation is being introduced on a national level to limit carbon emissions from power plants. If such legislation is passed it will increase the cost of electricity. How much it will increase the cost depends on the bill, but one bill, the Lieberman-Werner bill, would increase the cost of your electricity by fifty percent. In other words, if you are an average residential member using 1200 kWh per month your bill will increase from \$80 per month to \$120 per month. As I said this amount will vary based on the bill, but any legislation capping carbon emissions will cause our rates to increase a great deal.

My goal is not to debate climate change, but simply to educate. Without knowing all of the facts it is impossible to make an informed decision and rarely is the cost associated with climate change legislation part of the information we read or hear. However, it will ultimately be an important part of the public's decision when voting in local, state and national elections.

While capping emissions from power generation may reduce emissions, you can reduce emissions too with a much different affect on your bill. Energy efficiency and conservation will reduce the amount of electricity you use in your home or business which of course also lowers your bill. These measures can vary from increasing the amount of insulation in your attic or walls to installing a programmable thermostat to making sure your hot water heater is set at the proper temperature (120 degrees.) To help you meet your energy efficiency and conservation needs Powder River Energy is establishing a Conservation Loan program. More information on the program is included in this issue of the WREN.

The future of energy in America will continue to diversify and technologies will evolve even further than they already have. Certainly today's conventional coal fired plant is much more efficient and creates fewer emissions than plants built 10, 20 and 30 years ago because systems have been improved over the years. This trend will continue with Integrated Gasification Combined Cycle (IGCC) plants, carbon capture and sequestration and other advanced coal technologies. Wyoming is positioning itself to be an important player in the future of energy so we can remain the energy capital of the nation.

Powder River Energy is proud to be a part of the communities we serve. We care about the same things you do: strong schools, a solid economy and safe, friendly neighborhoods. We will continue to focus on bringing you reliable, low cost electricity so you can focus on the things that are important to you.

Mike Easley

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A Message from the Governor

I am pleased to be a part of Powder River Energy's special conservation issue of the WREN magazine. Energy efficiency, conservation and clean coal technology will be critical to Wyoming's energy future. Wyoming is expending a good deal of money, time and talent in preparing to do business in a carbon constrained economy and will continue to do so. I would like to recognize PRECorp's efforts in seeking the balance between environmental stewardship and providing their members with low cost, reliable electricity. It will take commitment at the state, national, industry and individual level to effectively move forward.

Sincerely,
Governor Dave Freudenthal



The following is an excerpt from Governor Dave Freudenthal's testimony before the House Select Committee on Energy Independence and Global Warming.

Mr. Chairman, distinguished members of the Select Committee thank you for the opportunity to appear before you and comment on the future of coal under carbon cap and trade. This is really a discussion on carbon management, more particularly carbon capture and sequestration, which inevitably leads to a discussion of the role of coal in fueling the American and international economy.

My purpose today is not to argue, but to recognize some fundamental realities.

Like it or not, coal is going to be used in America and the world for some time to come. Even without any new coal fired plants there are 1,522 existing generating plants consuming over one billion tons of coal per year. Over the next twenty years, new and replacement generating capacity is forecast at 292 gigawatts, the equivalent of 25 coal-fired power plants each year. While conservation and efficiency programs are forecast to make a real dent in the rate of growth of electricity consumption, we are going to need every form of energy we can harness including clean coal, natural gas and

renewable resources. Non-hydro renewable resources of wind, solar and geothermal meet less than 1% of our energy needs today. Fossil fuel sources provide over 80%. For the foreseeable future, carbon based resources are a necessity if we want to keep the lights on. Hence, any serious carbon management effort must include aggressive support for carbon capture and sequestration.

Without question, long term carbon management is going to cost a lot of money. Private and public sector investment will be redirected and those costs will ultimately fall to tax payers and consumers. Carbon capture and sequestration will also consume significant energy in the capture processes, compression and transportation which of course will add to operating costs. It would seem an appropriate policy goal then to pick those processes most likely to yield the greatest effectiveness at least cost to the consumer/taxpayer.

Consumer energy costs are not a trivial matter in my state. A recent analysis we completed suggest that the lowest income quartile, those households

earning less than \$25,000 per year pay about 16% of their income for energy. Those in the highest quartile pay on average 2-3% of their income for energy. So those that can least afford it, pay 7 to 8 times as much a portion of their income for energy as most of us in this hearing room. Imagine what happens if the cost of energy rises 15, 20 or 25 percent and that differential begins to rise exponentially. In my small state that would affect over 51,000 households or 25% of my constituents. That means nearly 130,000 people are going to have to make very hard choices about how they spend scarce dollars. As policy makers we cannot ignore this issue in our search for solutions.

It is the simple notion that when it comes to carbon management, it is difficult but necessary to admit what we don't know. Because in the absence of full knowledge we tend toward absolutist positions like 'only wind', 'no nukes', 'only biomass' or 'no coal'. I am not sure the federal government knows how we should construct the greenhouse gas management regime and I am not sure industry knows either.

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If you will grant me this observation for a moment, it seems a prudent course would be to pick those activities we believe must be undertaken no matter what path ultimately proves to be the correct one. For example, we know we need studies and demonstrations putting CO₂ in the ground in quantity to determine the physical facts i.e. measuring, monitoring and verifying sequestration data in the real world. We favor an array of these demonstrations as proposed by the Department of Energy carbon sequestration partnerships as a sensible approach given different conditions across the country.

It is my understanding that there have been over 105 hearings on this and the broader topic of energy independence in just the last eight months. I ask you to consider what specific information is still required to chart the course. For while I'm only one Governor, we will commit our resources towards obtaining the answers you need, so that we can effectively move forward now. The problem at hand is enormous, climate change does not wait for us and we cannot afford the delay.

Governor Dave Freudenthal

Avian Protection Program Takes Flight

Northeast Wyoming is home to many majestic species of raptors or birds of prey, including golden and bald eagles, osprey and numerous hawk species. In open parts of the PRECorp service territory where natural perches may be lacking, certain power pole structures can be inviting and make excellent hunting or resting perches. Over the years it became apparent PRECorp must adopt a formal plan to help prevent unnecessary bird deaths due to contact with our infrastructure.

In 2005 Powder River Energy formally implemented an Avian Protection Plan (APP). Raptor safe designs are reviewed and changed when necessary. Special devices are placed on critical structures to deter perching and in some instances nesting. Greater than normal spacing is used between energized conductors and grounded portions of potentially hazardous structures to allow for wing clearance when birds land and take off. Despite the efforts of the PRECorp APP bird deaths do still occur. However, now a formal reporting process is in place to track the number and nature of the incidents and the structures which are problematic are retrofit for avian safety.

PRECorp has made a long term commitment to build only bird friendly structures in the future and retrofit our existing system when possible. On March 31, 2006 PRECorp hosted our first Avian Protection Forum. Approximately 40 people were in attendance ranging from US Fish and Wildlife Service, US Forest Service and BLM staff to gas and oil producers and consultants who have similar interests to PRECorp in avian protection and power line interface.



We continue to build on this program with development of a plan to specifically address sage grouse. While the details of the sage grouse plan are still being finalized, it will include identifying sensitive breeding areas known as leks so new infrastructure can be planned for and designed properly. The plan may call for a line to be underground in close proximity to a lek, be routed to totally avoid a lek and be of standard raptor safe overhead construction or be of special design to deter perching and preying by large raptors when an overhead line is required at an intermediate distance from a lek.

As a part of the PRECorp avian protection commitment, a project is now underway to reduce water fowl and shore bird collisions by retrofitting sections of existing overhead lines with flight diverters or visibility markers in close proximity to wetlands that attract numerous birds. Another utility has a power line in the same problematic area and PRECorp initiated a cooperative effort to make these lines less subject to water fowl and shore bird collision problems.

In May, 2006 PRECorp employee Ed Mignery accepted the Wyoming Corporate Friend of Wildlife Award at the Wyoming Wildlife Federation's annual meeting on behalf of Powder River Energy. Ed was an integral part of establishing the Avian Protection Plan at PRECorp. Because of his efforts and those of our linemen, office staff and Board of Directors countless birds will encounter safe structures on which to perch and nest in the future.



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