

Powder River Energy Corporation

CEO Straight Talk

In last month's article, I spoke about the Lieberman-Warner global climate change legislation that was being debated in the US Senate. I suggested to you the debate on this legislation would begin in the Senate in June, but would probably not garner enough votes to be approved. That's where we are today. Senators had an initial debate on the issue, but at the end of the day, the bill did not have enough support to pass the Senate.

The Senate's work on this bill focused on posturing by both political parties and developing public awareness of the issue. At the heart of the legislation is the goal of limiting the emission of carbon dioxide (CO₂) and other greenhouse gases (GHG). The premise of the bill is to establish a cost to those entities that emit carbon dioxide (CO₂). The governmental solution most likely to be put in place to limit CO₂ will be a cap and trade program. This is a similar concept to what was done in the Clean Air Act in the 1990's, to control sulfur dioxide (SO₂) emissions. Essentially, the government would cap total CO₂ emissions at a predetermined amount, and then either allocate, auction or "sell" allowances to those who emit CO₂.

The costs to our economy for implementing a global climate bill could be staggering. This is one of the principle reasons why a global climate bill will be very difficult to approve, especially in an election year. However, don't think for a minute this issue is something that is going to go away. All the political posturing to date has been done to bring this issue to the forefront. My best guess is we will see this move from political maneuvering to serious legislative action within the first six months of 2009. I wouldn't be surprised if our new President makes global climate change one of the goals in the first 100 days of the new Administration.

Electric cooperatives have been involved in a national campaign to start the dialog with Congress on the impacts of this legislation. PRECorp has held back mobilizing our membership on this issue at this time, as we anticipate the real serious legislative efforts on this bill will not occur until early 2009. This means over the next several months we will be talking more about this issue and reviewing the legislation that is before Congress or proposed by the next Administration. It is our intent to ask you to join with us and the rest of rural America to make a serious effort to make certain any global climate change legislation is reasonable, affordable and can actually have a positive affect on the planet.

If we are going to be successful in making a real difference on this legislation, our voices must be heard at the right time, by the right people and for the right reasons. At best, global climate change legislation will require real sacrifices on the part of each and every one of us. At worst, it could create severe economic and social impacts.

To compound the situation, there isn't a "do-nothing" option. This has been the course that has created uncertainty in the energy industry, which has nearly halted the development of base-load power plant development and has forced the industry to look towards expensive natural gas fired generation to meet increasing electricity demands.

Basin's Dry Fork coal plant may well be one of the last base-load coal plants built until advanced coal technologies with carbon capture becomes available. Many other parts of the country have just stopped building any electrical supply infrastructure.



Mike Easley, CEO

This is going to be a very serious problem in the next several years, and could result in some major electric supply problems in many parts of the country.

Fortunately for PRECorp, we have the resources under development, but because of the carbon footprint of coal, these resources are very susceptible to the impacts of global climate change legislation and the developing CO₂ markets.

If we are going to be able to find opportunity in these challenges we will all need to keep ourselves informed and educated on these issues. Moreover, we must be preparing ourselves to become engaged in the process and have a seat at the table during the next push on climate change legislation. There is a saying that I have recently learned in Washington DC, and it goes something like this, "It's better to have a seat at the table, than be an item on the menu."

For us that means we have to be smart. We have to be ready and we will have to be heard. I will be addressing these important issues at our Annual Meeting on August 23, 2008 in Gillette. I urge you to put this date on your calendar. Plan to attend the meeting, so you can learn how you can make a difference.

Mike

A handwritten signature in black ink that reads "Michael E. Easley". The signature is written in a cursive, flowing style.

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