

Powder River Energy Corporation



Mike Easley, CEO

CEO Straight Talk

Last month I mentioned we would be attending the NRECA Legislative Rally in Washington, DC with many of the electrical cooperatives from across the country. This is an impressive grassroots effort on behalf of the estimated 40 million electric cooperative members nationwide.

Climate change legislation was the main topic of the meeting. In particular we learned the Lieberman-Warner Bill is currently the most likely legislative vehicle for carbon regulation. It is expected this bill will get floor time on the Senate this month which could result in a Senate vote. Senate cloture rules require 60% of the Senate to agree to even debate a topic, so by the time a bill comes to the floor for debate, there is already a high level of interest in it.

It is hard to say how this issue will work its way through the House of Representatives, but it is unlikely the House would accept the Senate version. Therefore, it is expected a House Bill and a Senate Bill on climate change would end
Continued on page 6 which means both branches of the legislature work to develop compromises in the areas the bills differ.

It is feasible a climate change bill could make it to the White House yet this year, but it is more likely it will be something our next President will take up. You should know each of the Presidential candidates has a record of supporting some type of climate change regulation. While the debate on the science of climate change is ongoing, I believe it is not a question of if we will see climate change legislation; it is a question of what, and when. My guess on the answer to the "when" is we may see climate change legislation within a year.

At this point, the politics of what a bill would look like are still playing out. Regardless of the what, it's a safe bet to say our costs for electricity will be increasing, and the climate change regulations will be one of things driving our costs

upward. Currently, Wyoming is one of the lowest cost States for electricity, and PRECorp continues to be one of the lowest cost providers in the State. It is very difficult for us to plead our case to lawmakers about the impacts of increases in our electrical rates when many consumers, especially those in the most populated places in the country, are already paying two to three times our rates, even without climate change impacts factored in.

It is very important you do not think PRECorp is advocating for climate change legislation, because we are not. We are, however, convinced we will be doing business in a carbon constrained world in the very near future. If it is possible to see a silver lining in this situation it could only be that climate change legislation would bring some regulatory certainty to a situation which is nearly out of control.

Absent federal guidance on this issue, we could see a continued hodgepodge of State laws, inconsistently determined court decisions, and misguided rule making by governmental agencies. This uncertainty has created a situation where our country's financial markets are restricting financing of baseload coal plants. Investments are not being made in the commercial deployment of advanced coal technologies at the pace needed for robust commercialization which leads to the ultimate affordability of the new technologies. Regulation will have its price impacts, but the lack of regulation, and ongoing uncertainty, has its downside as well.

Not a day goes by when you don't see or hear advertisements advocating the need to go green. Many consumers are beginning to make business choices based upon the "greenness" of a particular company. As a member-owner of a regulated electric utility, you don't have the choice of who you buy your electricity from, and it is my job to see that you are satisfied with that situation, and it's my hope if you were given a choice, you would still choose PRECorp.

As you can tell from this article, we are getting pulled in many directions, and there does not appear to be a "right answer" to any of these challenges. That is why we remain focused on our mission of providing you low cost reliable electric power in accordance with our cooperative principles and values.

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Over the next several months you will continue to hear about climate change legislation, carbon dioxide regulations, increasing energy prices, and yes of course, our cooperative principles and values.

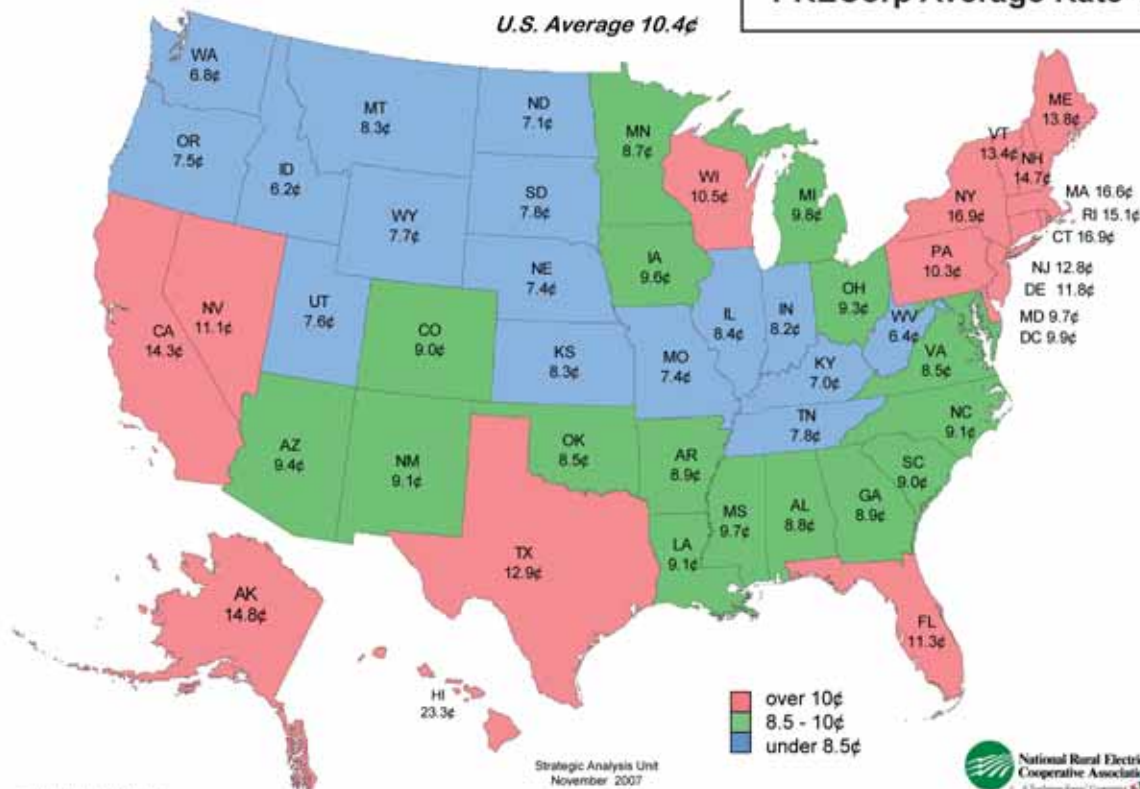
Make no mistake, its going to be a very challenging year for all of us, but we will get through it if we work together, keep our head in the game, and never forget the cooperative difference.

Michael E Earley

RESIDENTIAL RATES FOR ALL UTILITIES

Powder River Energy's rates illustrate the "cooperative difference." On average, residential rates in Power River Energy's service territory are 4.6¢ per KWh compared to the U.S. Average of 10.4¢ per kWh and Wyoming's statewide average of 7.7¢ per kWh. Maintaining reliable service at the most affordable price remains the cornerstone of Powder River Energy's mission.

U.S. Average Rate 10.4¢
Wyoming Average Rate 7.7¢
PRECorp Average Rate 4.6¢



SOURCE: 2006 EIA Data

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