

# Powder River Energy Corporation

## CEO Straight Talk

*The following is an excerpt from the 2008 CEO Annual Meeting Speech*

Welcome to the 63rd Annual Meeting of the Member-Owners of Powder River Energy Corporation. Thank you for making time in your busy schedule to attend our annual meeting. Were it not for your active participation in the affairs of your electric cooperative this meeting would not have been possible, our election of Board members would not be happening, and our legacy of cooperative ownership and local control would be threatened.

I know that controlling costs in today's economy is a challenge. Everything is going up, and going up fast. Last year, during this meeting, I described a rate increase that we would be experiencing in 2008. This year we have had a slight increase in our distribution costs, that is the cost of delivering energy to you, and as well as an increase in our wholesale power costs. I believe we will be able to hold the line on our distribution costs in 2009, but we do expect a slight increase in our wholesale power costs. Increases in our wholesale power costs are passed on to you through the Cost of Power Adjustment on your monthly bill. We expect that the average increase for a residential member will be approximately \$5 per month beginning in January 2009.

The increases we are seeing in our wholesale power costs have been expected and are due to normal increases in the cost of doing business, such as fuel and purchased power expenses. We are also beginning to see costs associated with the new generation that must be added to meet system growth. As you know Basin, our power supplier, is building a new power plant in Gillette. This plant is called the Dry Fork Station. We hope to see it on line within four years.

We have yet to see any direct impacts related to climate change legislation. However, climate change legislation, and the related impacts to the energy industry, and specifically electric cooperatives, is our biggest issue of concern for 2009.

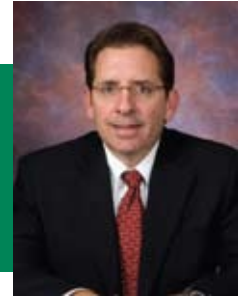
I wish I was wise enough to tell you without a doubt if human activities and the emission of CO2 is causing climate change, but I can't. There are many people on each side of that issue with compelling stories and their own set of seemingly reliable facts. What I do know is that the debate on climate change in Washington DC

has moved beyond the merits of the science, and is now focusing on ways to control CO2 emissions. We will not be able to control CO2 emissions without increasing the costs of producing energy. Those costs will be borne by either rate payers, or tax payers. Either way, it will likely hit our pocket books.

PRECorp must be preparing itself to do business in a carbon constrained world. To do this, we are educating ourselves on the developing carbon trading markets and are seeking ways to mitigate our potential carbon risk. The ability for our membership to benefit from geological storage (or sequestration) of carbon is an area of interest to us, and one that could be a benefit to you. While our work on this is very preliminary, this is something you will be hearing more about in the months to come.

PRECorp spends a significant amount of time in managing the various risks we face in today's business world. We have effectively managed many risks, and in fact have created opportunity out of many of them. Our ability to manage the risks associated with energy development and to deliver the benefits of system growth to you is a good example of this effort.

Cooperatives are much, much more than businesses whose purpose it is to deliver a commodity. We are a force of renewal, development, and sustainability for our communities. We need your support and your commitment to make certain that we can continue to deliver to you high quality low cost electric service in accordance with our cooperative principles and values.



Mike Easley, CEO

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