



Message To Members

PRESQUE ISLE ELECTRIC & GAS CO-OP

**19831 M-68 Hwy., P.O. Box 308
Onaway, 49765**
Business Office & Billing: **989-733-8515**
Toll-free: **1-800-423-6634**
www.pieg.com

BOARD OF DIRECTORS

Allan Bruder, Chairman
(989)733-8476
14108 Twin School Hwy.
Millersburg, MI 49759

Allen Barr, Vice-Chairman
(231)625-2128
2591 Grant Siding Road
Cheboygan, MI 49721

Sally Knopf, Secretary
(989)734-4196
1849 W. 638 Highway
Rogers City, MI 49779

Robert Wegmeyer, Treasurer
(989)379-2311
16181 Beaver Lake Park Rd.
Lachine, MI 49753

Glen Alsobrooks – (989)786-4270
5785 Gamble Rd.,
Atlanta, MI 49709

John F. Brown – (231)625-2099
21 W. Devereaux Lake Rd.
Indian River, MI 49749

Bernice Krajniak – (989)379-2727
13478 Carr Rd.
Posen, MI 49776

David W. Smith – (989)785-5345
16895 Pleasant Valley Rd.
Atlanta, MI 49709

Raymond Wozniak – (989)766-2498
6737 State St.
Posen, MI 49776

PRESIDENT & CEO
Brian J. Burns

PIE&G's natural gas operations are not regulated by the Michigan Public Service Commission.



Day-in and day-out during 2007, energy headlines continued unabated. The complexities of these commodities—electricity, oil, natural gas—in our world are nearly incomprehensible. In the case of electricity, its delivery system is known as “the grid.” Some have even referred to the grid as the largest machine man ever created.

Whether energy is produced in Michigan, the Midwest, or elsewhere in North America, Presque Isle Electric & Gas Co-op's goal is to manage the complexities and ensure that electricity and gas are delivered safely and efficiently to your home or business without fanfare. When it is interrupted, your co-op's dedicated employees' goal is to restore service as quickly as possible.

But let us not trivialize energy production, transmission and distribution; it is complex. Woven intricately into our daily lives, energy is a vital necessity you have entrusted your co-op to deliver reliably. We take it seriously. We can't think of anything as important on a cold, northern Michigan winter night.

Because of its importance in your lives and reliance on it, we continue to invest millions of dollars each year in the co-op's

delivery system (\$4,283,371 in 2007), replace aged and inadequate utility plant, maintain rights of way, train employees, and acquire vehicles and other equipment to ensure reliable service.

PIE&G made another significant commitment in 2007, through its power supplier Wolverine Power Cooperative, by agreeing to purchase energy from the Harvest Wind Farm—a 32-turbine, 52.8 megawatt, \$94 million utility-scale wind farm in Elkton and Pigeon, Michigan—further diversifying its power supply portfolio.

We will continue making complex energy decisions on your behalf. Thank you in advance for your continued support and interest in your cooperative. We hope you have the opportunity to join us at this year's annual membership meeting in Posen on Friday, October 24.

Allan H. Bruder **Brian J. Burns**
Chairman *President & Chief Executive Officer*

Meet The Director Candidates

Three positions on the PIE&G Board of Directors are up for election at the annual membership meeting. Members are asked to vote for one director in each district. Please see voting instructions (“It’s Time To Vote!”) on the back cover of this magazine for details.

Presque Isle District



Allan Berg

ALLAN BERG is a lifelong resident of Presque Isle County. He believes the availability of energy and energy costs are very important in our lives. “We need to ensure that management is making good, efficient decisions to combat the rising cost of energy and keep it affordable for the citizens of the community,” he says.

Allan holds a bachelors degree in accounting, a masters in administration, and three state licenses. He has over 10 years of government experience, including four years as Belknap Township supervisor, and works with many local townships throughout the



Meet The Director Candidates, cont. from page 4

Cheboygan District



John Brown

JOHN F. BROWN resides in the Indian River area with his wife, Carlene, and three children. He is a partner in Brown's Saw Mill and has served as a PIE&G board member since 1993. John has been a member of

PIE&G for 25 years.

"The electric business is a big part of our world and it influences everything we do. As a director, the issues currently being discussed are renewable energy, climate change, future power supply, and the possibility of a

power plant being constructed in northeast Michigan," John says.

John believes keeping the price of energy affordable and maintaining a reliable distribution system are important to all of us.

John would be honored to continue to represent the members of PIE&G.



Cindy Singleton

CINDY SINGLETON resides in Cheboygan with her husband, Mark, and children. She is employed by the Cheboygan County

Human Society, and has been a member of PIE&G since 1999. She also served as a Girl Scout leader for four years.

As a director candidate, Cindy believes the need to keep energy costs as low as possible for the members while continuing to improve reliability and service is a high priority. As a newly elected director she could bring a fresh view to the board on common issues. PIE&G provides a high quality of service to its members and she would like to ensure it continues.

Cindy would appreciate your vote for Cheboygan County director.

Montmorency District



Betty Comoford

ELIZABETH (Betty) COMOFORD has lived in Atlanta since 1987 and has a son, daughter-in-law, and two grandsons. She is very active in her community as president of the Atlanta Chamber of Commerce, a member of the Montmorency Library Board, the Montmorency County Economic Development Committee Board, Michigan Works Board, president of the Montmorency Area Council of Chambers, and the Wellhead Protection Board, Briley Township. She also teaches vacation bible school and attends Big

Rock Church.

Betty worked for Gwen Frostic in Frankfort and was secretary of the Coast Guard Wives Club. She was Fashion Activities Coordinator for Sears in Sterling Heights. The majority of her business career was in management with Sears, Roebuck and Co.

Betty is pursuing a position on the board to help keep energy service to PIE&G customers reliable and cost efficient.



David Smith

DAVID W. SMITH lives near Atlanta, has been a member of PIE&G since 1994, and has served on the PIE&G

board for six years. He is retired from the U.S. Coast Guard, has a masters degree in engineering, and is very active in community affairs.

"I'd like to contribute my leadership and decision making skills as well as my budgeting, planning and engineering experience to best serve the members. Having all 35,000+ members-owners meet each time it's necessary to determine issues or direct the management team wouldn't work. Instead, the members elect directors they trust to represent them fairly, speak on their behalf, and direct the staff to provide the best choice for safe, economical energy," says David. "I am best suited to meet that responsibility."

district by providing property tax administration services.

Together with his work experience and educational background, Allan will bring good leadership decisions to keep PIE&G innovative and strive to deliver low-cost energy to the community members.



Sally Knopf

SALLY L. KNOPF lives with her husband in Belknap Township/Rogers City where she is a co-owner of a Centennial Farm. She was elected to the PIE&G Board of Directors in 1990, has served as board secretary

since 1992, and has been a co-op member for 43 years. She also serves on the Resco Board

of Directors and is active in the Rogers City area community and her church.

Sally has completed the certified cooperative credentialed director and board leadership education programs. Current issues facing the co-op cover a wide variety of topics and it takes time and experience to understand the workings of the energy industry. Knopf feels strongly that reliable and affordable energy is very important.

Sally would like to continue serving the members of PIE&G and would appreciate your vote.



Jim Morgan

JIM MORGAN and his wife, Sarah, live in Onaway. He is a retired general manager

of an electric cooperative in the Upper Peninsula, and has been a member of PIE&G for 56 years.

Jim would like to utilize his 42 years of experience in the electric industry to assist the co-op in preparing for the future. The entire country is facing an energy crisis, and, as a director, Jim would like to be involved in the issues facing the co-op today (climate change, renewable energy, and power supply) and to help maintain PIE&G's financial stability and strong position in our communities. "Adequate and affordable energy is important to all of us and future generations as well," he says.

Jim would appreciate your vote for director of Presque Isle Electric & Gas Co-op.

Co-op Trends

Comparative Statistics & Trends	1987	1992	1997	2002	2007
Members served, electric (12/31)	24,051	26,234	28,943	31,712	33,451
Members served, gas (12/31)	0	0	2,133	6,804	8,177
Members served, total (12/31)	24,051	26,234	31,076	38,516	41,628
New services connected, electric	536	646	734	643	332
New services connected, gas	0	0	361	715	155
Full-time employees	68	72	60	72	68*
Total co-op assets	\$28,206,234	\$34,776,000	\$49,684,445	\$78,960,955	\$96,300,857

*as of 2/1/08

Comparative Costs & Revenues	1987	2007	% Annual Increase
1. Cost of electric operation	\$4,801,303	\$10,569,641	4.0%
2. Purchased power, kwh	160,882,533	264,002,400	2.5%
3. Unit cost of electric operations, \$/kwh (Line 1 ÷ Line 2)	\$0.030	\$0.040	1.5%
4. Cost of purchased power*	\$6,792,176	\$17,640,652	4.9%
5. Purchased power, \$/kwh (Line 4 ÷ Line 2)	\$0.042	\$0.067	2.4%
6. Electric operating revenue	\$11,657,188	\$28,158,644	4.5%
7. Electric operating margins	\$63,709	-\$51,649	

* Purchased power includes cost for energy, capacity, transmission, and distribution services.

**PIE&G's 2008
Annual Meeting
Posen High School
Friday, October 24, 1 p.m.**

\$100 prize drawing for voting by mail, with an additional **\$50** if you are present at the meeting!

**Registration starts at 11:30 a.m.
Lunch will be served.**

Please vote for your co-op directors!

(See cover wrap for voting ballot and information.)

**Contribute
To Your
Community!**

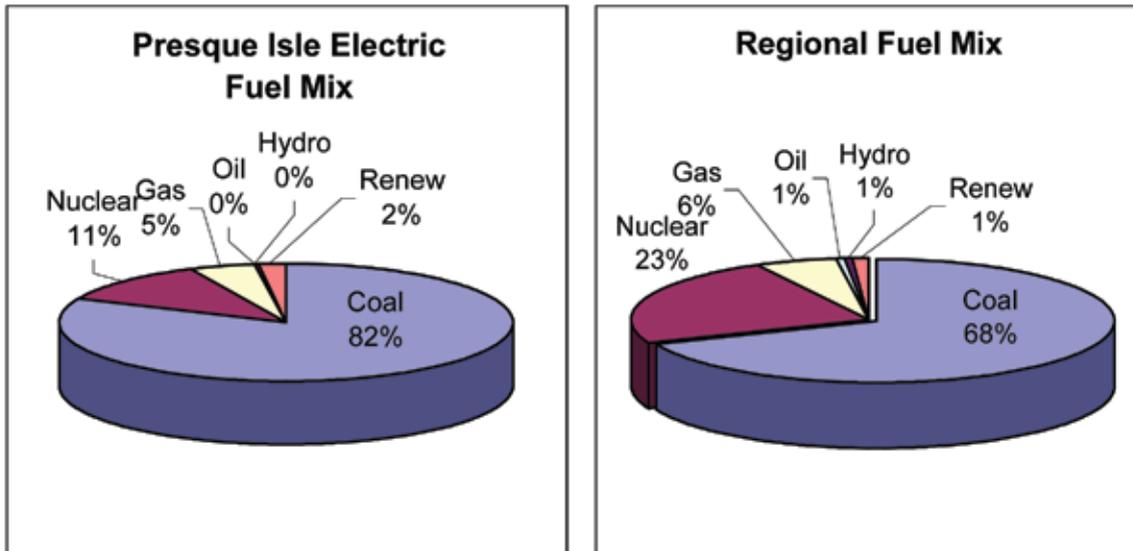
By asking us to "round up" your electric bill each month to the next dollar, you give to the **PIE&G Communities First Fund**. It amounts to about 50¢ a month and, combined with all who contribute, gives thousands back to people in the community, such as scholarships for local students. Call 800-423-6634 to sign up. Also, visit pieg.com for more information.

Presque Isle Electric & Gas Cooperative

The environmental characteristics of your electricity as required by Public Act 141 of 2000.

Comparison of the Fuel Sources Used to Generate Electricity

Presque Isle Electric & Gas vs. regional average for the 12-month period ended 06/30/2008



Fuel Sources	Percentage of fuel types used to produce Presque Isle Electric & Gas electricity.	Percentage of fuel type used to produce electricity in Michigan, Illinois, Indiana, Ohio, and Wisconsin.
Coal	81.8	68.9
Nuclear	11.3	23.3
Gas	4.7	5.6
Oil	0.1	0.6
Hydroelectric	0.2	0.6
Total Renewable Fuels	1.9	1
Biomass	0	0.1
Biofuel	0	0
Solid Waste Incineration	0.1	0.3
Wind	1.7	0.1
Wood	0.1	0.5
Solar	0	0

Note: (1) Biomass above excludes wood; solid waste incineration includes landfill gas, and (2) Inclusion of long-term renewable (wind) purchase power contract in Wolverine's mix.

Airborne Emissions and High-Level Nuclear Waste Comparison

Presque Isle Electric & Gas vs. regional average for the 12-month period ended 06/30/2008.

Type of emission/waste	Presque Isle Electric & Gas average lbs/MWh	A regional average of all generation in Michigan, Illinois, Indiana, Ohio, and Wisconsin
Sulfur Dioxide	6.8	11.3
Carbon Dioxide	1,819	2,090
Oxides of Nitrogen	2.3	3.3
High-level nuclear waste	0.004	0.0083

Note: Presque Isle Electric & Gas purchases 100% of its electricity from Wolverine Power Cooperative, which provided this fuel mix and environmental data.

Treasurer's Report



Presque Isle Electric & Gas Co-op's Statement of Revenue and Balance Sheet for the years ending December 31, 2007 and 2006 are included in this annual report. As indicated by these financial reports, the cooperative has completed another successful year with net margins being \$1,696,920. Our electric and natural gas operations continue to show positive growth.

Our independent auditor, Harris Group, has confirmed that the financial statements and records presented to them accurately reflect the financial position of the cooperative. The results of our operations and cash flows are in conformity with generally accepted accounting principles.

It has been my distinguished pleasure to serve as treasurer for the past year.

Robert Wegmeyer, Treasurer

Presque Isle Electric & Gas Co-op Statements of Revenue and Patronage Capital

For years ended Dec. 31, 2007 and 2006

	2007	2006
OPERATING REVENUES	\$ 37,107,072	\$ 34,355,773
OPERATING EXPENSES:		
Cost of energy	23,561,349	21,268,779
Distribution – operation	1,555,144	1,522,958
Distribution – maintenance	2,202,625	2,034,804
Consumers accounts	1,442,160	1,382,541
Customer service and information expense	122,623	125,760
Administrative and general	1,579,550	1,448,159
Depreciation and amortization	2,686,304	2,514,658
Taxes – property	938,478	902,455
Taxes – other	194,683	177,862
 TOTAL OPERATING EXPENSES	 34,282,916	 31,377,976
OPERATING MARGIN BEFORE FIXED CHARGES	2,824,156	2,977,797
FIXED CHARGES:		
Interest	3,014,634	3,038,161
Other deductions	509	1,498
 TOTAL FIXED CHARGES	 3,015,143	 3,039,659
OPERATING MARGINS AFTER FIXED CHARGES	(190,987)	(61,862)
CAPITAL CREDITS:		
Generation and transmission capital credits	1,616,851	2,029,954
Other capital credits	393,997	365,666
 TOTAL CAPITAL CREDITS	 2,010,848	 2,395,620
NET OPERATING MARGINS	1,819,861	2,333,758
NON-OPERATING MARGINS:		
Interest and dividend income	82,248	103,615
Other	(205,189)	(68,401)
 TOTAL NON-OPERATING MARGINS	 (122,941)	 35,214
NET MARGINS	1,696,920	2,368,972
PATRONAGE CAPITAL, beginning of year	32,289,209	29,857,657
Other equity transactions – assignment of sales tax refund	31,021	62,580
 PATRONAGE CAPITAL, end of year	 \$ 34,017,150	 \$ 32,289,209

Presque Isle Electric & Gas Co-op Balance Sheets

Dec. 31, 2007 and 2006

ASSETS	2007	2006
UTILITY PLANT:		
In-Service – at cost	\$ 104,356,663	\$ 94,510,769
Construction work in progress	3,287,781	8,850,304
SUBTOTAL	107,644,444	103,361,073
Less accumulated depreciation and amortization	36,087,031	33,312,044
NET UTILITY PLANT	71,557,413	70,049,029
OTHER ASSETS AND INVESTMENTS		
Investments on associated organizations	16,565,274	15,235,058
CURRENT ASSETS:		
Cash and temporary cash investments	1,557,845	1,058,270
Accounts Receivable, less allowance for possible losses of \$118,000 in 2007 and 2006, respectively	5,193,797	5,574,686
Materials and supplies (at average cost)	1,133,600	1,128,951
Other current assets	81,121	129,297
TOTAL CURRENT ASSETS	7,966,363	7,891,204
DEFERRED DEBITS		
	211,807	225,822
TOTAL ASSETS	\$ 96,300,857	\$ 93,401,113
EQUITIES AND LIABILITIES		
EQUITIES:		
Memberships	\$ 211,940	\$ 207,240
Patronage capital	34,017,150	32,289,209
Other equities	685,216	687,457
TOTAL EQUITIES	34,914,306	33,183,906
LONG-TERM DEBT, NET OF CURRENT MATURITIES:		
Mortgage notes to National Rural Utilities Cooperative Finance Corporation (CFC)	51,878,588	47,020,519
Accrued post – retirement benefits	283,857	284,930
TOTAL LONG-TERM DEBT	52,162,445	47,305,449
CURRENT LIABILITIES:		
Current maturities of long-term debt	1,488,000	1,340,000
CFC line of credit	2,261,710	6,379,542
Accounts payable, purchased energy	2,457,261	2,337,305
Accounts payable, other	168,657	326,127
Patronage capital payable	97,589	98,013
Customer deposits	188,155	167,607
Accrued property taxes	474,549	607,553
Accrued interest	349,716	249,220
Accrued sick and vacation pay	629,521	570,708
Accrued other	468,559	234,297
TOTAL CURRENT LIABILITIES	8,583,717	12,310,372
DEFERRED CREDITS		
	640,389	601,386
TOTAL EQUITIES AND LIABILITIES	\$ 96,300,857	\$ 93,401,113

✓ *It's Time To Vote!*

Members are asked to vote for three directors—one in each district—and vote for the bylaw amendments. Please cast your ballot by using only one of the following methods below (mail-in, proxy or in-person).

Mail-in Ballot Voting:

1. WHO MAY USE: Anyone who is a member of record as of July 31, 2008, whether or not the member plans to attend the PIE&G Annual Membership Meeting. Either cosigner of a joint membership may sign the ballot, but only one ballot may be cast per joint membership. A person receiving electric and/or natural gas service at more than one premise shall sign only one ballot.

2. HOW TO VOTE: Mark the ballot (printed on the back page of the cover wrap on this issue) for only one director candidate in each district, vote for the bylaw amendments, and *sign your name* in the space provided on the ballot. *Only signed ballots are valid and can be counted.*

3. WHEN TO VOTE: To be counted, *signed ballots must be received by October 17, 2008*, at the address listed on the enclosed postage-paid envelope. Do not include anything in the envelope other than this ballot.

4. NOTICE: A member of the cooperative who submits this Mail-in Ballot has voted and will not receive a ballot at the Annual Membership Meeting.

Proxy Voting:

PIE&G bylaws allow a member to vote their ballot and vote by proxy for no more than three (3) members. If you would like to designate another member to vote your ballot, please list this person on the first line and place your signature on the second line:

Person assigned to vote: _____

Member Signature: _____

The person assigned your vote by proxy must bring this page, complete with signatures, and the mail-in ballot to the Annual Membership Meeting. Both this proxy form and the ballot are required to cast a proxy vote.

In-Person Voting at Annual Meeting:

You may also vote in person at the PIE&G Annual Meeting which will be called to order at Posen High School on Friday, October 24, 2008, at 1 p.m. Registration will begin at 11:30 a.m. Lunch will be provided.



See you at the meeting!

Directions: Posen High School is located at 10575 Michigan Ave. in Posen. (M-65 is called Michigan Ave. within the village limits.)

