

Presque Isle Electric & Gas Co-op

Annual Report 2008



Representing Your District

Alpena District:

*Bernice Krajniak
Robert Wegmeyer*

Cheboygan District:

*Allen Barr
John Brown*

Montmorency District:

*Glen Alsobrooks
David Smith*

Presque Isle District:

*Alan Berg
Allan Bruder
Raymond Wozniak*

In Tribute

Long term PIE&G directors Glen Alsobrooks and Allan Bruder have chosen not to seek re-election and are stepping down from the PIE&G board of directors after their current terms expire on Oct.30,2009. Acknowledging the loss of experience and leadership, President/CEO Brian Burns said, "What can I say? That type of leadership and experience doesn't come along very often. They have different styles but both have contributed heavily to the position PIE&G finds itself in—with the most competitive rates in our history and well-positioned for the future. I know I speak for the entire board when I say, 'They will truly be missed and we thank them for their service to PIE&G and its membership.'"



Allan Bruder

Allan Bruder has served on the PIE&G Board of Directors since 1980, including 15 years as its chairman. Allan has also served on various boards that support PIE&G and its mission, including: Wolverine Power Cooperative (three as its chairman), Wolverine Power Marketing, Rural Electric Supply Company (RESCO), and the Michigan Electric Cooperative Association (MECA). He and his wife Nancy live in the Ocqueoc area. We wish AI and Nancy all the best.

Glen Alsobrooks has 15 years of service on the PIE&G board and to the membership, with two years as chairman. In addition, Glen served on the Wolverine Power Cooperative board for 14 years, including two years as its secretary. Glen and his wife, Mary, reside in the Lewiston area and intend to remain active in the community.



Glen Alsobrooks

To Our Members

Presque Isle County farmers and other locals formed your cooperative more than 70 years ago, and while the name and services have evolved, the co-op's mission remains much the same: "to provide energy and other services to sustain and improve the quality of life for our members through the use of a cooperative business structure."

We continue to, and we must, make investments in utility plant to upgrade, rehabilitate and modernize our delivery systems. In 2008, we added more than \$4.5 million in utility plant to ensure the reliable delivery of energy.

While the reliability of our system is tested with each weather event, we continue to be impressed with

the dedication and vigor of our employees when duty calls in the most extreme of circumstances. We understand the vital role electricity and natural gas have in your personal comfort and the ability of you to conduct your affairs, and we strive to meet your expectations, even in adverse conditions.

We remain financially sound with member equity increasing in 2008 to over 37 percent, while we also remain competitive. At the time this report was in preparation, PIE&G had some of the most competitively priced electricity of any cooperative in Michigan (see chart on page 6).

Of course, we could not be competitive without the efforts of our wholesale power supplier—

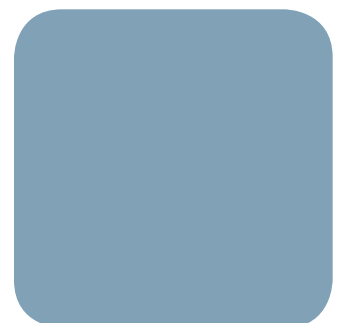
Wolverine Power Cooperative. Wolverine is an exceedingly competent partner continuously evaluates power markets, options, and opportunities on your behalf.

We thank you—PIE&G's member-owners—for your support, and we thank our dedicated employees, for without both, PIE&G would not be the successful cooperative it is today.

Allan H. Bruder
Chairman

Brian J. Burns
President & Chief Executive Officer

“We thank you—PIE&G's member-owners and employees—for your support. Without you, PIE&G would not be the successful cooperative it is today.”



Treasurer's Report



Robert Wegmeyer
Treasurer

Presque Isle Electric & Gas Co-op's Statement of Revenue and Balance Sheet for the years ending December 31, 2008 and 2007 are included in this annual report. As indicated by these financial reports, the cooperative has completed another successful year with margins being \$1,984,217. Our electric and natural gas operations continue to provide competitive energy alternatives for our members.

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.

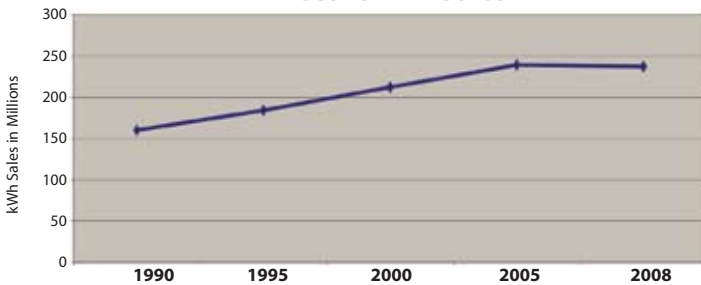
It has been my distinguished pleasure to serve as treasurer for the past year.

Robert Wegmeyer, Treasurer

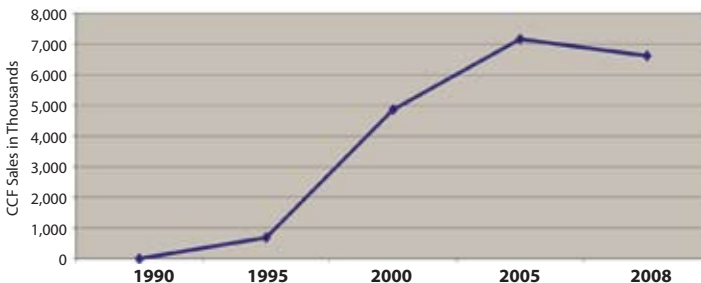
Statement of Operations

	2008	2007
OPERATING REVENUES	\$ 37,692,739	\$ 37,107,072
OPERATING EXPENSES		
Cost of Purchased Power	23,805,832	23,561,349
Operations & Maintenance Expense	7,137,885	6,902,102
Depreciation	2,886,528	2,686,304
Interest	3,050,460	3,015,143
Taxes	1,025,207	1,133,161
Total Operating Expenses	37,905,912	37,298,059
Net Operating Income	(213,173)	(190,987)
NON-OPERATING MARGINS		
Capital Credits – G&T and Other	2,259,705	2,010,848
Non-Operating Margins – Other	(62,315)	(122,941)
NET MARGINS	\$ 1,984,217	\$ 1,696,920

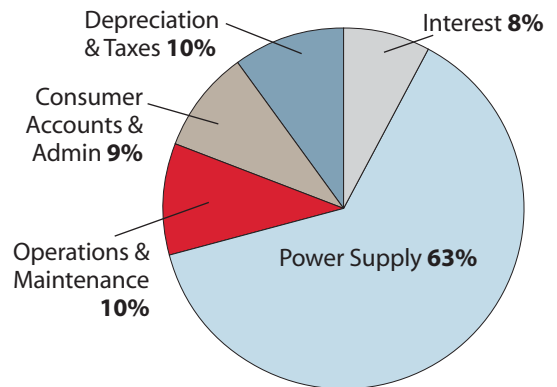
Electric kWh Sales



Natural Gas CCF Sales



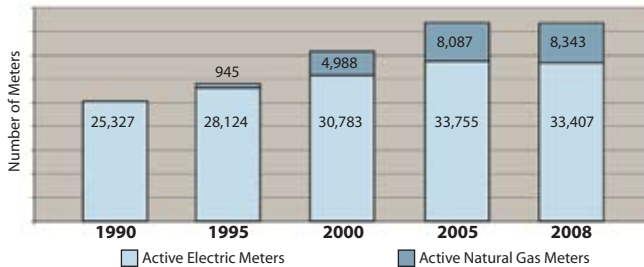
2008 Expenses



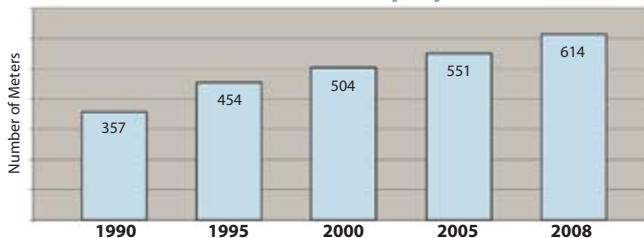
Balance Sheet

	2008	2007
ASSETS		
Total Utility Plant	\$ 112,411,209	\$ 107,644,444
Accumulated Depreciation	(38,530,134)	(36,087,031)
Net Utility Plant	73,881,075	71,557,413
Investments in Associated Organizations	18,341,057	16,565,274
Cash & Cash Equivalents	1,595,021	1,557,845
Accounts Receivable	4,278,787	5,193,797
Materials & Supplies	1,135,968	1,133,600
Other Assets	101,297	81,121
Deferred Debits	209,947	211,807
Total Assets	\$ 99,543,152	\$ 96,300,857
EQUITIES & LIABILITIES		
Margins & Equities:		
Patronage Capital	\$ 36,218,297	\$ 34,229,090
Other Equities	787,517	685,216
Total Margins & Equities	37,005,814	34,914,306
LIABILITIES:		
Long Term Debt	50,540,759	52,162,445
Notes Payable	3,785,117	2,261,710
Accounts Payable	6,677,153	5,853,448
Other Current & Accrued Liabilities	1,534,309	1,108,948
Total Liabilities	62,537,338	61,386,551
Total Equities & Liabilities	\$ 99,543,152	\$ 96,300,857

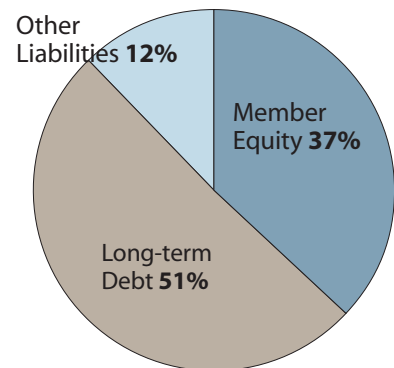
Active Meters



Meters Per Employee



**2008 Assets by Percentage
"Who Owns PIE&G?"**



Complete, audited financial statements are available at the Onaway office of Presque Isle Electric & Gas Co-op, or on our website at pieg.com. The independent audit of 2008 financial statements was unqualified, and completed by the certified public accountant (CPA) firm of Harris Group of Traverse City.

Residential Rate Comparison Of Michigan Electric Cooperatives

COOPERATIVE	500 kWh	1,000 kWh
	MONTHLY BILL	MONTHLY BILL
PIE&G	\$60.43	\$108.85
Cloverland	\$60.54	\$109.84
Cherryland	\$61.27	\$110.54
Great Lakes	\$63.04	\$114.08
Midwest Energy	\$63.14	\$114.28
Thumb	\$63.25	\$118.51
Tri-County	\$64.73	\$117.46
Average Cooperative	\$70.38	\$129.29
Alger Delta	\$89.75	\$167.49
Ontonagon	\$107.29	\$202.58

As of August 1, 2009
 Source: Michigan Public Service Commission
www.dleg.state.mi.us/mpsc/electric/download/rates2.pdf

Residential Rate Comparison for MPSC Regulated Electric Utilities

500 kWh		1,000 kWh	
UTILITY	MONTHLY BILL	UTILITY	MONTHLY BILL
Consumers Energy	\$57.49	PIE&G	\$108.85
PIE&G	60.43	Alpena Power	120.15
Alpena Power	62.20	Consumers Energy	123.85
Detroit Edison	62.57	Detroit Edison	126.05

As of August 1, 2009
 Amounts include monthly customer charge
 Source: Michigan Public Service Commission , www.dleg.state.mi.us/mpsc/electric/download/rates2.pdf



Renewable Portfolio Standard



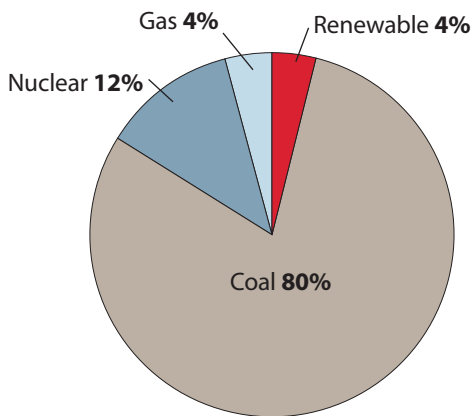
Public Act 295 of 2008 requires the state's electric utilities to generate 10 percent of their retail electricity sales from renewable energy resources by 2015. Renewables include biomass, solar and solar thermal, wind, and existing traditional hydroelectric resources. Biomass is organic matter, not derived from fossil fuels, which replenishes over a human lifetime.

Wolverine Power Cooperative, a power supply cooperative owned by Presque Isle Electric & Gas Co-op and five other member-owners, partnered with John Deere in 2007 to purchase all power generated by the Harvest Wind Farm in Michigan's Thumb area. This will meet our renewable requirements for several years and allow Wolverine's staff to pursue additional renewable options.

To learn more, visit wpsci.com.

PIE&G

Fuel Sources Used to Generate Electricity



Fuel Sources	Percentage of fuel types used to produce PIE&G electricity.
Coal	80.6
Nuclear	11.5
Gas	3.8
Oil	0.1
Hydroelectric	0.2
Total Renewable Fuels	3.8
Biomass	0
Biofuel	0
Solid Waste Incineration	0.1
Wind	3.6
Wood	0.1
Solar	0

Note: Biomass above excludes wood; solid waste incineration includes landfill gas.

PIE&G purchases 100% of its electricity from Wolverine Power Cooperative, which provided this fuel mix and environmental data.

Energy Optimization

Michigan's Public Act 295 of 2008, the "Clean, Renewable and Efficient Energy Act," creates an energy optimization plan that requires gas and electric utilities to help their customers use less energy. Not only will it save the customers money on their monthly bills, it should also help put off or eliminate future construction of at least one power plant in the state. The reasoning is that as power plants get more expensive to build, eliminating the need for one helps customers avoid those higher costs.

Each utility is developing its own set of energy optimization programs to work with each rate class, such as residential, general service, or large power, as well as for low-income families. The costs for these programs are recovered from each rate class, as needed. Each utility's programs will be audited to ensure the money is spent properly and that energy savings are achieved.

Our energy optimization cost recovery began in August. Programs are being developed for introduction in the fall of 2009.

VISION

Our members and northeast Michigan will regard us as a trusted energy and community partner.

MISSION

To provide energy and other services to sustain and improve the quality of life for our members through the use of a cooperative business structure.

VALUES

In support of our mission, we commit to the following values:

- To conduct our business with honesty and integrity.
- To treat our members and each other with fairness, dignity and respect.
- To support the professional goals of our employees.
- To create a work environment that fosters innovation, participation, pride, ownership, safety and enjoyment.
- To be a good corporate citizen with attention to the environment and to the communities we serve.
- To constantly improve our performance, reliability and value.



Your Touchstone Energy[®]
Cooperative



Presque Isle Electric & Gas Co-op

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Our Energy, Our Future
A Dialogue With America

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