



CENTRAL ELECTRIC COOPERATIVE, INC.

President's Quarterly Newsletter

April 2008

Dear Member:

In my fall 2007 Quarterly Newsletter, I introduced the Regional Dialogue as the process by which the Bonneville Power Administration (BPA) is negotiating power supply and rates with public and private utilities and direct service industrial customers that buy power from the federal agency. BPA hopes to have new 20-year contracts in place by December 2008 and become effective when existing power supply agreements expire in October 2011.

We currently get essentially all of our power from BPA, which markets electricity generated by the 31 federal dams in the Columbia River Basin, the Columbia Generating Station nuclear plant in Richland, Washington, and a small percentage from alternative sources. Under the Regional Dialogue, Central Electric and our partner cooperatives are working as a team to negotiate for as large a portion of the region's Federal Base System (FBS) as we can reasonably expect. The reality, however, is that the FBS is very close to being fully utilized under critical water conditions. BPA tells us that full utilization could come as early as 2010.

What that means for Central Electric and our 14 partner cooperatives, is that we must work together in the Regional Dialogue to retain as much of the benefits as possible from the existing FBS marketed by BPA. However, our system is not static. We may be experiencing an economic downturn in 2008, but if history is a guide, we must plan on growth in the numbers of new members and a concomitant growth in demand for electricity. Our conservation programs will help, but the reality is that we and our partner cooperatives must also develop new or expanded resources for our own power pool. Simply put, to meet growth, we need new resources.

CEC has not raised rates since BPA's last wholesale rate increase in 2001. However, with the limited supply of low-cost federal hydropower, coupled with growth and increased demand for electricity, CEC will have to pay more for the wholesale power we will need for our members come October 2011. We have been aware of the limited supply of power from the BPA for some time. To minimize the future impact of rate increases on our members when our current BPA contracts expire, the board of directors and management have been planning for the future and carefully considering a variety of options for other resources. Energy produced by wave, wind, solar, biomass and geothermal sources have emerged front and center in the electric industry.



We remain confident that our advance planning will enable CEC to fulfill its mission of making electric energy available to our members at the lowest cost consistent with sound economy and good management.

Sincerely,

Dave Markham
President/CEO