

A Letter to the Members



David Roberti
President, District 4



Bob Marshall
General Manager

Dear Members:

2017 marks the 80th anniversary of the incorporation of Plumas-Sierra Rural Electric Cooperative.

While it was technically possible to deliver electricity to rural areas in 1937, it was not deemed necessary or economically feasible by the power companies. As a result, ranchers, farmers and citizens of our region banded together to form PSREC.

PSREC was born out of the need of its local communities. We have changed with the times, offering increasingly more reliable power, and diverse sources of that power.

We've also expanded into telecommunications to once again improve the quality of life in our region.

PSREC provides reliable,

affordable electric service to our member-owners, and we will continue to do so for years to come. We are proud to be part of the communities we serve and to enhance the lives of our members with services such as high-speed internet, which would not otherwise be available.

Proposed Bylaw Amendments

Mailed ahead of this annual report, were proposed amendments to the bylaws.

Most of the changes are designed to bring us into compliance with various non-discrimination policies of the USDA Rural Utilities Service, and to recognize that we are seeing multi-generational households.

Two sections are proposed for deletion. Section 4.13 specifically dictates what we are allowed to spend on Ruralite magazine. This level of specificity is more appropriate at the board level. Section 9.03, is covered in Section 9.02.

There are two other sections with changes of note. The first is Section 3.04, which defines a quorum for the annual meeting. The current requirement is to have 200 members at the annual meeting. At the same time, we have mail-in balloting for board elections that usually have a response of 600 to 800 members.

We have proposed a modification that would keep the quorum at 200, but would also count the mail-in ballots as valid for the quorum, but only for the items on the mail-in ballot.

If there are not 200 members at the meeting, all the mail-in actions are valid, but no new business can be conducted. To be clear, we think this is what our current bylaws allow, but want to have this point clearly defined.

The other significant change is to Section 4.10 regarding director compensation. The board of directors of Plumas-Sierra Rural Electric Cooperative currently receive \$80 a day they are on cooperative business. This hasn't changed since the early 1980s, and is one of the lowest for cooperatives in the Western U.S.

Since the early 1980s, the electric utility business has become far more complex and continues to go through significant changes.

Good cooperatives have good boards. It's that simple. Our board meetings are all-day events, requiring some of our directors to take time off work.

We propose that the daily per diem be set to the average for the electric cooperatives in our region. Our region includes California, Nevada, Utah, Oregon, Washington, Idaho, Alaska, Montana, and Hawaii. Our cooperative is about average in size for our region.

The language would give the power to the Credentials and Elections Committee to review data from the National Rural Electric Cooperative Association and set the rate based on average fees for the region. The fee would rise with inflation based on the standard published Consumer

Price Index. This way, the directors are not setting their own fees, nor are we having to go back to the members to adjust for inflation.

Regulation

PSREC has been working with Anza Electric Cooperative, Surprise Valley Electrification Corp. and Golden State Power Cooperative—our statewide association—in an effort to pass a bill in the California Legislature to clarify some of the regulatory requirements the California Public Utility Commission is considering imposing on many of California's electric utilities. Unfortunately, it is hard for bureaucrats to understand the difference between cooperative member-owned utilities and for-profit companies.

If passed, this bill will reduce the impact of some of the proposals coming out of Sacramento—though it appears we will be working on this fight for years to come.

Rates

We are proud to say there was no rate increase this year. It was a good, wet year, which reduced our costs.

We plan to gradually overhaul our rate structures to keep them in line with the cost of service, while working diligently to keep any cost increases to a minimum. This will ensure members who are self-generating with alternative energy are not subsidized by other members.

There is more information on rates in the Treasurer's Report on page 28.

Conservation and Solar Programs

As part of the strategic plan, we are working on rolling out new energy-efficiency and solar programs to meet the needs of our members.

We had setbacks with our pilot shared solar project, as it is tied to another larger project for a specific large member, but we have seen good progress in recent months. We hope to roll out the structure of this at the annual meeting.

Although there are many providers of solar power, we believe cooperatively developed programs will fulfill the need and/or desire for renewable energy and reliability at affordable costs.

Telecommunications

It's been an interesting 12 months for Plumas-Sierra Telecommunications. PST acquired the assets of New Day Broadband, covering

Quincy and the American Valley, all the Mohawk Valley area, Portola/Delleker, and Loyalton/Sierra Brooks. The system has been repaired in East Quincy, Portola and Delleker, and is working well.

We have added staff to handle all the work and are currently repairing and upgrading Mohawk Valley. We will then move to Graeagle, West Quincy and Loyalton.

At the same time, we have focused on upgrading our wireless system, most recently in the Herlong, Sierraville and Doyle areas. We are working on wireless service to Calpine, with additional capacity to Sierraville as well. This summer we are also working on upgrading service to Honey Lake Valley.

We will continue to expand and improve the telecommunications infrastructure in our region. We are still experimenting with frequencies and

equipment that will give us better penetration through the trees in the more spread-out parts of the cooperative.

Please see our PST report on page 25 for additional information.

Electric co-ops are owned by those we serve. That's why those who receive electric service from us are called members, not customers. Members means member-owners. There is no profit motive for us, just a determination to keep your money in your pocket.

Without members, there would be no Plumas-Sierra Rural Electric Cooperative.

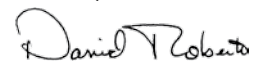
One of the seven guiding principles that set us apart from other businesses is our concern for community. As a cooperative, we have a special responsibility to support the areas in which our members live and work. From supporting new jobs and industry through our economic devel-

opment efforts, to bringing new technologies, we stand as a driving force in our community. Co-ops overall are more accessible than other types of businesses.

We give our members a voice, and we are local—living and working alongside those we serve.

We hope you will join us at the annual member meeting Saturday, September 9.

Sincerely,



David Roberti
Board President



Bob Marshall
General Manager

Your Other PSREC Directors



Dan Kenney, District 1



Dick Short, District 2



Fred Nelson
Vice President
District 3



David Hansen
Secretary/Treasurer
District 5



Tom Hammond, District 6



Nancy Miller, District 7