

2009 Annual Report

For wheelchair assistance
contact PPCS at 715-273-2451
prior to the meeting.

Notice of 73rd Annual Meeting of Pierce Pepin Cooperative Services Saturday, March 27, 2010

The 73rd Annual Meeting of the members of Pierce Pepin Cooperative Services will be held at the Ellsworth High School, 323 Hillcrest Street, Ellsworth, WI, Pierce County, Wisconsin, on Saturday, March 27, 2010, beginning at 10:00 a.m. Action will be taken on the following matters:

- ❶ Approval of 72nd Annual Meeting minutes.
- ❷ Reports by the Chairman of the Board of Directors and the President and CEO.
- ❸ Election of directors to succeed:

District	Incumbent	Township
1	Glenn M. Peterson (Eligible for re-election)	Pepin County; Town of Maxville in Buffalo County
2	Edward L. Hass (Not eligible for re-election)	Towns of Hartland, Maiden Rock, and Isabelle in Pierce County
3	David R. Johnson (Eligible for re-election)	Towns of Diamond Bluff and Trenton in Pierce County

- ❹ Such other business that may come before the meeting.

Dated this 4th day of February 2010.

/s/ Myrna J. Larrabee, Secretary

Report from the Chairman of the Board

It is a pleasure to report that your cooperative remains financially sound. This is due in large part to a number of budget reductions and improved efficiencies implemented by the board and staff this past year. Good news considering all that has taken place throughout our country.

As you know, America's energy future continues in a state of fluctuation. Legislation that will impact energy costs is pending at both the federal and state levels. The decisions made by our elected officials will affect our wholesale power costs, costs that will ultimately be passed along to us the ratepayers. That's why it's important for us to keep informed. We must make the effort to contact our legislators – ask questions and voice our concerns – to aid them in their decision-making process.

Dairyland Power Cooperative, our wholesale power provider, also continues to work hard to hold down costs and provide PPCS and its other 24 member distribution cooperatives with a reliable, competitively priced energy supply. This does not go without challenge. New carbon legislation, growing renewable energy standards, tougher environmental regulations and challenging energy efficiency mandates will continue to put upward pressure on Dairyland's rates.

As many of our members and communities continue to face challenging times, it is essential that Dairyland develop a reliable and affordable future energy supply. Director Glenn Peterson is our representative on the Dairyland board. He and President/

CEO Larry Dokkestul work closely with Dairyland to make sure that decisions are made in the best interest of PPCS and our members.

To help deal with rising costs, PPCS offers energy efficiency and conservation programs to encourage wise energy use and help reduce our members' monthly bills. Rebates and incentives are available through our Energy Sense program and Wisconsin's Focus on Energy program. The co-op can also assist you in tracking and evaluating your own energy use, with everything from load meters that monitor individual appliances to comprehensive home energy audits. And don't forget about our full line of ENERGY STAR® appliances available through Pierce Pepin Appliance. One of the most immediate ways to use less energy, save money and help the environment is to replace that old "clunker" with a more energy efficient appliance.

In conclusion, I would like to thank the board, management and employees of PPCS for their continued hard work and dedication. As a long-time member, I think of the days when we often expected our power to go out with the first clap of thunder from an approaching storm. Today the thought doesn't cross our minds. That's progress, one example among many for PPCS and its members.



Ron Johnson,
Chairman

Report from the President and CEO

Welcome to the 2009 annual report for your cooperative. I hope you make plans to join us at this year's Annual Meeting on Saturday, March 27. If you are unable to attend, please take the time to review the information in this report. If you have questions, please contact your director or me.

If you have never attended an Annual Meeting, I encourage you to consider joining us this year. We recognize that everyone has busy schedules, and for that reason we continue with the venue established several years ago.

The business only meeting starts at 10 a.m. and normally adjourns by noon. Brian Rude, Vice President of External and Member Relations, with Dairyland Power Cooperative will be our guest speaker. Coffee and donuts will be available prior to the meeting, so come early and visit with your cooperative directors, employees and neighbors.

This year's Annual Meeting will include a report on the activities and cooperative's financial position at year end 2009. Directors will be elected for districts 1, 2 and 3. The Nominating Committee actively sought members from these districts to run for the board seats in each district. The ballot shows the incumbent directors for districts 1 and 3 running unopposed. District 2 has three members interested in the director position currently held by Director Ed Hass. Director Hass has served on the board for 12 years. According to the cooperative's bylaws

regarding term limits, Director Hass is ineligible for re-election. Please take the time to read about the candidates and cast your vote. Information for voting by mail is included with this mailing, or you can vote at the Annual Meeting.

2009 was a year of energy uncertainties. The economic recession, proposed legislation directed at climate change and environmental compliance requirements have fostered doubts about our energy future that require careful consideration when developing long range plans. Your board of directors and management are actively engaged with these issues at the local, state and federal levels, representing our cooperative members' best interests for maintaining affordable energy.

As you review the financial statements included with this annual report, you will see that your cooperative is financially sound, meeting the performance standards established by your elected board of directors. Your cooperative's accomplishments are attributable to you and for you, the members we serve.

On behalf of the employees of your cooperative, we thank you for your support. Be assured that decisions made by your board of directors and management are done in your best interest. As member-owners of PPCS, we welcome your input. Your membership matters.



*Larry Dokkestul
President and CEO*



Pierce Pepin Cooperative Services 72nd Annual Meeting

The 72nd Annual Meeting of the members of Pierce Pepin Cooperative Services was held at the Ellsworth High School, Ellsworth, Wisconsin, on Saturday, March 28, 2009. Chairman Ronald Johnson called the meeting to order at 10:01 a.m.

Director Daniel Fischer of the Pierce Pepin Cooperative Services Board of Directors delivered the invocation. Daniel Jensen, apprentice lineman, led the Pledge of Allegiance.

Chairman Johnson appointed Diana Gilbertson, executive assistant, as recording secretary. Jerry Matteson was appointed as parliamentarian of the meeting. There were 171 registered members in attendance constituting a quorum.

Adoption of Special Rules of Order

A motion was made, seconded and carried to adopt the Special Rules of Order for Official Business Meeting.

Agenda/Notice/Minutes

With no corrections, a motion was made, seconded and carried to approve the agenda as printed.

A motion was made, seconded and carried to dispense with the reading of the Notice of the 72nd Annual Meeting and Affidavit of Mailing.

Hearing no objection, Chairman Johnson declared that the minutes of the 71st Annual Meeting be approved and placed on file as presented.

Polls/Voting

Due to the fact that each incumbent is running unopposed, Chairman Johnson declared the candidates for districts 7, 8, and 9 as James W. DeWolf, Jeffrey M. McCardle and Richard J. Ruemmele.

Introduction of Directors, Ballot Clerks and Guests

Chairman Johnson introduced each of the Directors and their designated ballot clerks.

Financial Report

Dennis Carson, auditor of Carlson, Highland & Co., LLP, reported on the financial condition of the cooperative for the year ended December 31, 2008, which information is contained in the 2008 Annual Report mailed to each active member of record prior to the annual meeting.

Lana Glass, district 5, inquired about Operation Round Up® and wanted to know if members were notified of the change to an opt-out program prior to it showing up on their bill. Chairman Johnson stated it was covered in the newsletter and all members were notified prior to the change appearing on their bill.

Gene Meier, district 9, asked about the equity level and was glad to see the equity level rising, but wanted to know how much Pierce Pepin plans to raise the equity level. Chairman Johnson stated that the goal is to reach 42 percent equity, and we are currently at 40 percent.

Chairman's Report

Chairman Johnson referenced his written report as contained in the annual report. In addition, Johnson spoke about carbon tax and asked members to contact their legislators and express their concerns about the carbon tax and the increasing costs.

President/CEO's Report

President/CEO Dokkestul referenced his written report as included in the annual report.

In addition, President/CEO Larry Dokkestul gave a PowerPoint presentation reflecting on the events and happenings at Pierce Pepin Cooperative Services in 2008 and spoke about the future energy issues affecting our cooperative.

Beata Kalies, WECA, also spoke about carbon tax and legislative issues facing electric cooperatives today and encouraged members to contact their legislators to help.

Some questions from the members included the following:

Julie Engebretson, district 7, was wondering who determines where wind farms are sited and if we need to volunteer land for these sites. President/CEO Dokkestul stated that some counties do have restrictions on wind farms. Individual members can site their own wind location. Members should contact Pierce Pepin or Focus on Energy for further evaluation.

Kurt Buckner, district 5, asked if installing Advanced Metering Infrastructure (AMI) would lower the members' electric bills by \$3 and \$29 for the facility charges. President/CEO Dokkestul stated that it would not lower the facility charge. The facility charge is for the investment of the equipment to each member's location. The AMI will provide meter information, electric usage, outage management and voltage monitoring.

Lana Glass, district 5, inquired if the cooperative works with its members when their electric bill increases drastically and allows the members to pay over three months. President/CEO Dokkestul stated that everyone has fluctuation on their bills, and our credit department does work with them on an annual basis. If there are members behind on their bills, they do need to be satisfactorily within policy and contact the headquarters to make arrangements.

Chairman Johnson thanked the employees for the job they do at the cooperative and the board of directors for their service.

Prize Drawings

Pierce Pepin Cooperative Services gift certificates totaling \$500 were awarded as follows: \$100 – John Beastrom; \$50 – Joel Tastad, Richard Madsen, Ervin Harsdorf and Donald Miner; \$25 – Tom Radkey, Mark Anderson, Larry Gilbertson, Sheldon Huppert, Don Lundvall, Paul Lindquist, Jeff Swanson and Marvin Maxwell. Members given CFL bulbs were: Roy Vosberg, Al Hines, Tom Bowen, Mrs. Leo Huppert, Tony Pasch and Randy Campbell. Members awarded the Energy Savings Kits were: Donald Johnson, Gordon Nelson, Elwin Amyx and Mark Johnson.

Adjournment

With no further business to come before the meeting, Chairman Johnson declared the meeting adjourned at 12:02 p.m.

Myrna J. Larrabee, Secretary/Treasurer

Consolidated Statement of Operations

Years Ended December 31, 2009 and 2008	2009	2008
Operating Revenue	\$ 20,469,953	\$ 20,674,000
Cost of Goods Sold	11,940,062	12,558,105
Gross Margins	8,529,891	8,115,895
Operating Expenses		
Operations	1,002,382	1,114,633
Maintenance	1,264,943	1,180,969
Customer Accounts	660,130	627,677
Customer Service Information	242,555	228,159
Sales	254,800	236,585
Administrative and General	983,855	977,051
Depreciation	1,913,300	1,636,559
Gross Revenue and Property Tax	248,994	282,284
Total Operating Expenses	6,570,959	6,283,917
Operating Margin Before Capital Credits	1,958,932	1,831,978
DPC and CFC Capital Credits	334,052	345,453
Operating Margin	2,292,984	2,177,431
Non-Operating Margin	50,640	52,335
Margin Before Interest Expense	2,343,624	2,229,766
Interest Expense	955,187	1,007,360
Net Margin	1,388,437	1,222,406
Members' Equity at Beginning of Year	14,686,042	13,738,026
Retirement of Capital Credits	(270,053)	(274,390)
Members' Equity at End of Year	\$ 15,804,426	\$ 14,686,042

Consolidated Statement of Cash Flows

Years Ended December 31, 2009 and 2008	2009	2008
Cash Flows from Operating Activities		
Net Margins	\$ 1,388,437	\$ 1,222,406
Non-Cash Operating Items	1,705,010	1,416,808
Changes in Current Operating Assets and Liabilities	647,368	(198,709)
Net Cash Provided by Operating Activities	3,740,815	2,440,505
Cash Flows from Investing Activities		
Plant, Property and Equipment Transactions	(2,807,871)	(2,225,710)
Investments and Notes Receivable	358,441	38,261
Net Cash Used For Investing Activities	(2,449,430)	(2,187,449)
Cash Flows from Financing Activities		
Net Long-Term Debt Borrowing (Payment)	(1,162,358)	162,257
Retirements of Patronage Capital, Net of Gain	(285,003)	(273,901)
Net Cash Provided Used in Financing Activities	(1,447,361)	(111,644)
Net Increase (Decrease) in Cash and Cash Equivalents	(155,976)	141,412
Cash and Cash Equivalents, Beginning of Year	449,486	308,074
Cash and Cash Equivalents, End of Year	\$ 293,510	\$ 449,486

Consolidated Balance Sheets - December 2009 & 2008

Assets		
Years Ended December 31, 2009 and 2008	2009	2008
Plant, Property and Equipment		
In Service	\$38,767,962	\$37,067,661
Under Construction	760,694	215,713
Total	39,528,656	37,283,374
Less Accumulated Depreciation	13,573,437	12,169,535
Net Plant, Property and Equipment	25,955,219	25,113,839
Other Property and Investments		
Investments in Associated Companies	4,816,621	4,601,372
Notes Receivable	340,688	385,398
Other Investments	46,558	47,011
Total Other Property and Investments	5,203,867	5,033,781
Current Assets		
Cash and Cash Equivalents	293,510	449,486
Notes Receivable	63,000	58,000
Trade Receivables, Net	3,009,478	3,266,380
Materials, Supplies and Inventories	1,472,504	2,063,015
Other Current Assets	286,044	258,337
Total Current Assets	5,124,536	6,095,218
Deferred Charges	257,752	344,522
Total Assets	\$36,541,374	\$36,587,360

Members' Equity and Liabilities		
Years Ended December 31, 2009 and 2008	2009	2008
Members' Equity	15,804,426	14,686,042
Long-Term Debt	17,148,132	18,321,490
Current Liabilities		
Current Portion of Long-Term Debt	619,000	608,000
Accounts Payable	306,222	326,469
Accounts Payable-Billed Power Cost	895,309	816,263
Other Current Liabilities	1,314,863	1,430,684
Total Current Liabilities	3,135,394	3,181,416
Deferred Credits	453,422	398,412
Total Members' Equity and Liabilities	\$36,541,374	\$36,587,360



PIERCE PEPIN
COOPERATIVE SERVICES
 Live Better.®