

<p>IN THIS ISSUE MARCH 2010</p>	<p>2009 ANNUAL REPORT PAGE 1</p>	<p>NOTICE OF ANNUAL MEETING OF MEMBERS INSERT</p>
-----------------------------------------	-------------------------------------------------	-----------------------------------------------------------



2009 ANNUAL REPORT

FINANCIAL STATEMENT

2009 was a difficult year for the Association and for our consumers. With businesses closing and jobs being lost, our total revenue for the year was \$199,226,604—down almost ten million dollars from the previous year. With less power being used, the total cost of purchased power was reduced to \$122,738,693. Facing wholesale rate increases and other financial demands, we were forced to implement a rate increase of 15.9% in November. About 55 to 60% of your power bill pays for wholesale power and the rest is what it costs to deliver that power to your home or business. The cost per kilowatt-hour of wholesale power has been rising steadily, especially since the state implemented the renewable energy portfolio standard.

Another significant setback was a nearly six month delay in bringing Comanche 3 online. We are still waiting for the plant to begin commercial operation so that we can start to see

the financial benefit of our investment in the future. Our operating margin was a negative \$765,945 and, combined with the non-operating margin (composed primarily of interest and dividends) of \$3,400,461, resulted in a total margin of only \$2,810,199, which was down six million dollars from the prior year.

THE YEAR IN REVIEW

2009 Capital Credit Refunds Total \$4 Million

Each year the board evaluates our financial position to determine whether a portion of the margin can be returned to our members. That's usually about fifty percent with the other half retained as a source of equity for the Association. When we are able to return capital credits, the checks are mailed in February. Last year we were able to refund 4 million dollars, and during the past decade rebates have averaged 5 million dollars each year.

(continued on page 2)

2009 Annual Report . . .

Renewable Energy Credits Available to Members

For several years now, the Association has offered a “Renewable Energy Credits” (REC) program for members who wish to support the development of renewable energy. The Association acquires wind RECs as part of its wholesale power purchase agreement and buys solar RECs on the wholesale market for resale to consumers at cost. The REC program allows individual consumers to invest a monthly amount, or a one-time payment, to support wind or solar renewable generating facilities without requiring other members to subsidize those expensive renewable energy projects. During 2009, 148 consumers signed up to purchase RECs, but a number of them dropped out of the program citing the cost as their primary concern.

Automatic Bill Payment, eBilling, Convenience Pay Available

For many years, the Association has offered “Automatic Bill Payment” which allows consumers to have their electric bill paid directly from their checking or savings account. In 2008, we also added electronic billing (eBill) for consumers who prefer to receive their bills electronically via email, as well as “Convenience Pay” for consumers who wish to pay their bills at the local grocery store. Sign up forms for these options, and a list of locations which accept IREA payments, are located on our web site at

intermountain-rea.com. By the end of 2009, nearly 22,000 consumers were receiving their bill electronically each month, and over 52,000 consumers were no longer mailing in their payment. Instead they use our eBilling or automatic withdrawal options, Western Union Speedpay, or they just send their payments electronically. We hope to improve efficiency and lower costs by increasing electronic billing and payment.

Education Grants and Donation Programs Support the Communities We Serve

In 1988, the Board of Directors implemented the Education Grant program because we realize the importance of education as well as its rising cost. Each year, graduating high school seniors who wish to continue their education are eligible to apply for a grant of \$1,000. The Board awards three grants per Director District, for a total of \$21,000 (these grants are only available to the children of IREA members).

The Association’s donation program also provides support to local schools, senior centers, fire districts, chambers of commerce, economic development organizations and many other worthy causes that benefit the communities we serve. A primary focus of the program is youth and seniors, but we are also pleased to sponsor all of the 9Health Fairs® within our service territory. Each year we support about one dozen local health fairs.

The donation program is funded with the interest on capital credits

that are returned as undeliverable. According to the Association's by-laws, the principal amount cannot be returned to consumers except upon the dissolution of the cooperative. However, the Board of Directors has determined that the interest on these amounts should be invested in the communities we serve. If you leave our service territory, please keep the Association informed of your new address so that you may continue to receive your capital credit checks.

Outage Rate

The outage rate for 2009 was 2.96 hours, up from 1.83 hours in 2008, with 2.26 hours incurred during the April storm. The outage rate is the average number of hours per customer for the year. The industry standard is 5 hours per customer per year, but we strive to keep our rate down in the one to two hour range.

IREA Has Served the Community for more than Seventy Years

The Association was formed in August of 1938 in order to bring power to the mountainous Platte Canyon area. The first power line was strung from Tiny Town to Fairplay—about 99 miles. Within a year we signed up 284 members. A decade ago we added nearly 9,000 customers in one year. Growth slowed considerably during the last few years as the nation's economy began to falter. The Association added only 1,246 new members during all of 2008. This number dropped to 846 in 2009. Our membership at the end of the year was 138,539.

System Improvements

The Association installed an automated phone system in 2007 to better serve our members. It offers consumers the ability to update their phone number, check their account balance, or report an outage. In 2008, we added more telephone lines to this system to accommodate additional callers. Now we are handling over 20,000 phone calls each month.

For several years, the Association has been in the process of replacing electric meters with ones that can be read remotely. We expect the conversion to be complete by the end of 2010. We are also using sophisticated cable testing equipment to locate and replace deteriorating underground cable before it fails.

In 2009, we completed Phase 3 of the Sedalia headquarters building. The entire building was designed in 1980. The plans included additional space to be added as required. The first half of the project was built then. The second phase, which increased

(continued on page 4)

IREA OFFICERS, DIRECTORS AND GENERAL MANAGER

TIMOTHY WHITE, President
SIDNEY HANKS, Vice President
EUGENE M. SPERRY, Secretary/Treasurer
GEORGE R. HIER, Asst. Sec./Treas.
JAMES DOZIER, Director
BRUFF SHEA, Director
MIKE KEMPE, Director
STANLEY R. LEWANDOWSKI, JR., Gen. Mgr.

INTERMOUNTAIN RURAL ELECTRIC ASSOCIATION

5496 North U.S. Highway 85
Sedalia, CO 80135
303-688-3100

www.intermountain-rea.com

office space by 50%, was constructed in 1988. The building is now complete.

By the end of the year, we had 194 employees serving more than 138,000 consumers. This gives us the highest consumer to employee ratio of any co-op in the United States. To help those employees—especially our consumer service representatives—serve that many members, we have embarked on an enterprise-wide upgrade of the entire computer system. This will take nearly two years to complete, but it will result in better service to our members.

Bylaws Updated

From time to time, we update our bylaws to address new issues or remove obsolete language, which we did at the end of 2009. The revised text is available on our web site and is delivered to all new consumers in the Consumer Information Handbook. The Consumer Information Handbook also is available online.

MEMBERS WANT LOW RATES

Our board elections in 2009 again emphasized that our members support our goal of providing reliable service at the lowest possible cost. The incumbent board members were re-elected running on this platform and handily defeated opponents whose policies would certainly have resulted in higher electric rates. They listened to members who have clearly stated that they don't want their electric bills increased due to government interference through energy taxes or mandatory rebates and subsidies. We continue to conduct surveys of our members and they consistently

show this to be true. Our members also understand that those policies disproportionately affect the poor and those on fixed incomes.

We sent out a letter to all our consumers early in 2009, warning of the costly "Cap & Trade" legislation being considered by Congress. The response via phone calls and letters closely mirrored all of our polls conducted over the years: members agreed with our position by a margin of nearly 4 to 1. In December we conducted our first "Town Hall Meeting" with members via teleconference. The automated phone system called 48,000 members—all those who provided an "evening phone" number—and over 8,000 members participated in the 45-minute session. We asked the participants whether "Cap & Trade will hurt or help your personal, farm or business budget?" 89% responded that it would hurt their budget. Fortunately, as consumers start to realize how much it will cost and how little it might accomplish, the push for cap and trade is waning and we don't believe it will pass in an election year.

We recently conducted another poll, during a second Town Hall meeting, regarding the state's proposed increase in the renewable energy standard. 84% of members responding opposed that legislation, so the Board of Directors—by a six to one margin—resolved to follow the wishes of members and oppose House Bill 10-1001. The Board will continue to do everything in its power to maintain reasonable rates.

INTERMOUNTAIN RURAL ELECTRIC ASSOCIATION - STATEMENT OF OPERATIONS
January 1, 2007 through December 31, 2009

	2007	2008	2009
OPERATING REVENUE (3)	\$192,897,929	\$209,841,023	\$199,226,604
OPERATING EXPENSES			
Power Purchased	\$117,380,318	\$135,433,089	\$122,738,693
Transmission Expense	361,808	330,757	398,798
Distribution Expense Operations	4,359,700	4,335,455	5,163,063
Distribution Expense Maintenance	7,697,216	6,159,017	8,158,938
Consumer Accounts Expense	7,098,580	7,462,817	8,248,314
Customer Information Expense	734,904	695,258	804,581
Administrative and General Expense	6,357,867	6,873,274	8,030,364
Total Operating and Maintenance Expense	\$143,990,393	\$161,289,667	\$153,542,751
Depreciation and Amortization Expense	\$14,091,081	\$15,546,431	\$16,616,478
Tax Expense - Property	4,776,337	4,404,097	4,860,080
Tax Expense - Other	2,155,292	2,330,039	2,303,051
Interest on long-term Debt	16,961,333	19,911,923	21,723,445
Interest - Other	886,173	503,424	256,275
Other Deductions (1)	171,632	376,151	690,469
Total Cost of Electric Service	\$183,032,241	\$204,361,732	\$199,992,549
 TOTAL OPERATING MARGINS	 \$ 9,865,688	 \$ 5,479,291	 \$ (765,945)
Interest Income	\$184,258	\$200,129	\$175,683
Patronage Dividends (2)	2,071,200	2,821,521	3,400,461
Non-Operating Margins - Other	28,258	-	-
TOTAL MARGINS	\$ 12,149,404	\$ 8,500,941	\$ 2,810,199

(1) REA debt retired with a gain of \$14,944,080. Fifty percent was amortized over ten years (1995-2004).
Fifty percent amortized over 15 years.

(2) Allocation from margins from the National Rural Utilities Cooperative Finance Corporation (CFC) and CoBank.

(3) Retail distribution electric rates were decreased approximately 4% in July 2007 and increased approximately 15.9% in December 2009.

INTERMOUNTAIN RURAL ELECTRIC ASSOCIATION - BALANCE SHEET
January 1, 2007 through December 31, 2009

ASSETS & DEBITS	<u>2007</u>	<u>2008</u>	<u>2009</u>
Total Utility Plant	\$ 783,461,783	\$ 904,540,843 ⁽¹⁾	\$ 1,006,244,260
Depreciation Reserve	121,270,324	130,798,484	137,557,429
Net Plant	<u>\$ 662,191,459</u>	<u>\$ 773,742,359</u>	<u>\$ 868,686,831</u>
Patronage Capital Associated Organizations	\$ 4,033,876	\$ 4,991,017	\$ 6,393,156
Investments in Associated Organizations	7,222,185	7,222,184	7,222,185
Long-term Investments	311,606	304,511	338,003
Total Property and Investments	<u>\$ 11,567,667</u>	<u>\$ 12,517,712</u>	<u>\$ 13,953,344</u>
Current Assets			
General Funds	\$ 2,535,491	\$ 2,158,402	\$ 1,017,634
Construction Funds			
Temporary Investments	1,279,163	1,304,444	1,388,229
Notes Receivable			
Accounts Receivable	12,641,807	16,888,700	16,929,204
Material & Supplies	2,307,900	4,034,002	3,682,859
Prepayments	505,816	741,172	736,236
Other Current and Accrued Assets	43,604	41,901	39,983
Total Current Assets	<u>\$ 19,313,781</u>	<u>\$ 25,168,621</u>	<u>\$ 23,794,145</u>
Deferred Assets ⁽⁵⁾	\$ 17,514,385	\$ 17,815,632	\$ 15,630,786
TOTAL ASSETS AND DEBITS	<u>\$ 710,587,292</u>	<u>\$ 829,244,324</u>	<u>\$ 922,065,106</u>
 LIABILITIES AND OTHER CREDITS			
Memberships	\$ 603,555	\$ 612,480	\$ 619,195
Equities	137,554,966	140,559,914	133,431,999
Total Margins and Equities	<u>\$ 138,158,521</u>	<u>\$ 141,172,394</u>	<u>\$ 134,051,194</u>
Long-term Debt Generation ⁽²⁾	\$ 194,645,886	\$ 274,112,242	\$ 341,663,391
Long-term Debt Distribution	329,215,301	369,890,301	400,190,301
Total long-term Debt	<u>\$ 523,861,187</u>	<u>\$ 644,002,543</u>	<u>\$ 741,853,692</u>
Current Liabilities			
Accounts Payable	\$22,341,586	\$17,152,488	\$16,536,437
Customer Deposits	217,489	204,521	248,691
Other Current Liabilities ⁽³⁾	10,034,943	10,729,981	11,668,593
Total Current Liabilities	<u>\$32,594,018</u>	<u>\$28,086,990</u>	<u>\$28,453,721</u>
Accumulated Operating Provisions ⁽⁶⁾	\$ 2,292,095	\$ 2,698,008	\$ 8,985,313
Deferred Credits ⁽⁴⁾	13,681,471	13,284,389	8,721,186
TOTAL LIABILITIES AND CREDITS	<u>\$ 710,587,292</u>	<u>\$ 829,244,324</u>	<u>\$ 922,065,106</u>
 Operating Data			
Customers	136,442	137,785	138,539
Employees	185	187	194
Outages - Hours per Customer	3.49	1.83	2.96
mWh Sold	2,095,309	2,121,573	2,063,926
mWh Purchased	2,216,036	2,231,126	2,168,188
Miles of Line	9,088	9,361	9,445

(1) Includes Work in Progress of Generation Facilities - Comanche III -- \$345,396,388

(2) Long Term Debt for Comanche III

(3) Other current liabilities consist of accrued property and payroll taxes, and accrued interest on long-term debt.

(4) Deferred credits include advances for construction that are refundable deposits.

(5) Deferred assets include prepaid wholesale power costs that are amortized over a 25 year contract with Public Service Company of Colorado

(6) Accumulated Operating Provisions includes provisions for pension benefits, per accounting rule changes

THE INTERMOUNTAIN RURAL ELECTRIC ASSOCIATION
FINANCIAL PROFILE - DECEMBER 31, 2009

FINANCIAL RATIOS		2005	2006	2007	2008	2009
Tier		2.05	2.22	1.68	1.42	1.13
DSC		2.99	3.04	2.51	2.24	1.89
Equity Percent	%	27.71	24.22	19.44	17.02	14.54
Rate of Return/Rate Base	%	7.08	7.14	5.78	5.57	4.99
CONSUMERS						
Total Consumers		129,365	133,702	136,442	137,785	138,539
Consumer/Mile(Density)		14.74	15.00	15.01	14.72	14.67
Consumers/Employee		730.88	746.94	737.52	736.82	714.12
Total Margins/Cons. (Avg.)	\$	113.26	141.31	89.92	62.00	20.35
Avg Month kWh/Residential Cons. (Avg.)		887.19	878.75	913.99	902.90	886.53
Cons. Acct Exp/Cons.	\$	51.88	50.36	52.03	54.16	59.54
Adm & Gen Exp/Cons.	\$	42.01	41.10	46.60	49.88	57.96
Cust. Serv/Information Exp/Cons.	\$	5.08	4.84	5.39	5.05	5.81
Operations/Customer	\$	24.96	25.84	31.96	31.47	37.27
Maintenance/Customer	\$	43.66	37.81	56.42	44.70	58.89
EMPLOYEE						
Number of Employees		177	179	185	187	194
Overtime Hours/Total Hours	%	6.41	6.91	7.29	5.23	5.09
GWH SOLD						
GWH Sold		1,929.11	1,993.68	2,095.31	2,121.57	2,063.93

Note: Investment in 190 Mw of Comanche III; \$278,126,653 in 2008, \$345,396,388 in 2009