

Your Touchstone Energy® Cooperative 

ANNUAL REPORT

by Jasen Bronec, GEC General Manager

Glacier Electric Cooperative is proud to celebrate 64 years in operation. Beginning in the 1940's, the federal government and rural Americans worked together to build an electric infrastructure that remains one of our nation's greatest engineering achievements. This collaborative effort, part of the "New Deal," helped provide reliable and affordable electric energy to areas without electric service. Electricity was no longer considered a luxury; it had become a necessity, according to President Franklin D. Roosevelt.

Today, Glacier Electric Cooperative has a simple mission; "Committed to being competitive, reliable, and innovative for our membership." One of the top priorities at your local electric cooperative is to make sure that we are constantly listening to you, our member-owners. Working for a member-owned company is a rewarding and satisfying job. As employees we have only one, simple, business rule – what is good for our members is good for the Cooperative. This helps the Cooperative be more responsive to your needs.

Everyone at Glacier Electric understands the need for the Cooperative to be fiscally responsible because of the economic pressure we are all under today. Once again, we will help ease these pressures by having "No Rate Increases" in 2010; this will be four consecutive years without a rate increase for our members.

Glacier Electric has experienced a number of challenges and successes in 2009. Highlights of the year included: participating in the climate change and renewable energy development debate, the successful interconnection of Glacier Wind 2, increased focus on energy efficiency and conservation programs, and the deployment of a prepayment metering system.

The new national focus on climate change and the future regulation of greenhouse gas emissions has created some new challenges and opportunities for the Cooperative. At the center of the climate change debate is the electric industry. As politicians in Washington, D.C. continue to debate climate change legislation, the electric industry is left weighing all the risks

of future power supply development. For this reason, the electric industry is in transition and increased emphasis is being placed on new renewable technologies, particularly wind. In the past year, this increased interest in wind generation has brought new developments like the Glacier Wind 2 wind farm to our area. If new transmission lines are built, it is expected that Glacier County will continue to see more and more wind development, which could be an opportunity for Glacier Electric to provide transmission services.

The successful interconnection of Glacier Wind 2, and the transmission services provided, will yield Glacier Electric members revenue of more than \$600,000 annually for at least the next five years. The revenue from this wind project will help keep future electric rates down. However, working with this project has also resulted in operational complexity and concerns about the reliability of the power being delivered to you. Glacier Electric and Glacier Wind 2 continue to work together to assure that the electricity delivered to you is of the highest quality.

Glacier Electric is facing a time of transformation within the electric industry. There is no question that the energy industry is changing. Every day you hear about issues related to climate change, the rising cost of utility bills, and the hardships that are placed on all people. With the introduction of the American Recovery and Reinvestment Act of 2009, the government has allocated \$45 billion for energy related spending; this stimulus bill is being called the "New New Deal." At this time, the focus has been on energy efficiency and conservation programs. Glacier Electric has actively participated in the administration of these programs and has assisted in requesting grant funding for our communities. Over the past year, cooperative members have saved 1,288,143 kWh of electricity through Glacier Electric conservation programs.

In 2009, Glacier Electric introduced a new, innovative prepayment billing system to our members that allows for more

Continued on next page.

2009 Annual Report Continued

flexibility in managing electric bills. This system allows members to pay as they go. Currently, Glacier Electric has more than 350 accounts using the new prepaid billing system. The members seem to appreciate the ability to actively manage their own electric consumption and are not burdened with deposits and disconnect fees. The prepaid billing system has been a positive and proactive customer service tool.

Clearly 2009 has been an economic roller coaster for most companies in the U.S. However, unlike all the companies in the news today, Glacier Electric is not on the same economic roller coaster. Glacier Electric has worked hard to improve the economic condition of your cooperative by continuing to reduce long-term debt, increase member equity, and control expenses. This financial stewardship has allowed the membership to enjoy stable rates over the last several years. Glacier Electric has met or exceeded all of our established financial goals. For example, the debt service coverage requirement of 1.35 was surpassed with a level of 1.63. In addition, the cooperative increased member equity by 2.1 percent and ended the year with an equity level of 45 percent. Furthermore, we made strong financial gains by reducing debt by \$1,500,000 and we returned \$760,000 in capital credits to our members.

Your cooperative is more than just a provider of electricity. Glacier Electric continues to be a cornerstone of the community by working with local businesses, supporting local school activities, providing scholarships, participating in the school to work program, and promoting rural economic development. The board of trustees has been very dedicated in making certain that the best interest of our members is always represented.

We at the cooperative ascribe to a set of values which help guide the direction of the business as we continue to tackle the ever-changing utility environment. These values include loyalty, trust, reliability, accountability, and innovation. Everyone at Glacier Electric works hard to help bring a better quality of life to the members and communities we serve. Glacier Electric is devoted to serving you, the members of Glacier Electric Cooperative!



Jasen Bronec, General Manager (front)
Miles Lewis, Board President (back)

GLACIER ELECTRIC

Owned and Operated by the
Members We Serve

GEC Cooperative Facts

Total Members.....	5,060
Total Meters	7,500
Miles of Line.....	1,887
Members Per Mile	2.7
Meters Per Mile	3.4
Total Employees	33
Year Energized	1946
Annual Meeting Month	April
Board Meetings.....	Last Wednesday (Monthly)

COMMUNITY INVESTMENT

2009 GEC Community Contributions

Glacier Electric strives to be not only an electricity provider, but also a cornerstone of the community. Every time GEC makes an investment in the community we are investing in our own neighbors, family, and friends. Below are just a few of the local causes that the GEC board of trustees was proud to support in 2009:

Cut Bank Community Development	North American Indian Days
Browning Community Development	East Glacier Children's Theatre
Cut Bank Close Up	Special Olympics
Blackfeet Veterans	Glacier County Library
Junior Miss	Relay for Life
Shamrock Shoot-out	Volunteer Fire Department
Hi-line Children's Foundation	Cut Bank Chamber of Commerce
Cut Bank Booster Club	Browning Chamber of Commerce
Glaciereens	Festival of Lights
Heart Butte Close Up	NRMC Block Party
Hi-line WABC	Shriners
Children's Wish Foundation	Blackfeet NATU
Mothers Against Drunk Driving	NAID Horse Racing
Sports Complex	Marias Fair
Glacier County 4-H	Shakespeare in the Parks
Browning Close Up	Saddle Club
De La Salle School	Toys for Tots
Race for the Cure	Love Package Christmas Program
Lewis and Clark Festival	Festival of Trees and Keys
Montana Storytelling Roundup	Red and Green Thursday
Washington D.C. Youth Tour	Blackfeet Natural Resources Camp
Energy for Tomorrow Scholarships	Food Bank
Cut Bank Sports Poster	MSAA
Browning Sports Poster	Heart Butte Society Celebration
Heart Butte Sports Poster	Town of Browning



DC Youth Tour

Each year GEC sponsors two local students to attend the Electric Cooperative's Washington D.C. Youth Tour. However, three students from GEC were able to attend the 2009 Washington DC Youth Tour because one GEC winner was selected to represent Montana. Danielle Wineman, Jessica Greenwald, and Derek DesRosier enjoyed an all-expense-paid, week long trip to our nation's capital to learn more about our government and the many issues electric cooperatives face on a national level.



Lewis and Clark Festival

During the Lewis and Clark Festival GEC participated in the parade, competed in the Chili Cook-off, and manned an information booth for the community. GEC board members and employees gave away more than 1,000 CFL light bulbs and shared information about the pre-pay system, energy saving tips, and GEC's energy efficiency rebates. Members were able to see a demonstration of the pre-pay in-home display unit and learn more about the new payment option.

\$56,300

Invested in Our Communities

COMMUNITY



“As a Member Owned
Cooperative, We Are
Responsible to Give Back to
to **Our Members** and
Our Community.”

Miles Lewis
GEC Board President

CONSERVATION

“ I Needed New Shop Lighting and
GEC Helped Me Find
an Energy Efficient Solution. ”

Mr. Swenson
GEC Member





Browning High School

Energy Efficient Lighting and Refrigeration
Estimated Savings: 44,783 kWh/year

The Browning School District worked with GEC in 2009 to find ways to save electricity in the district. GEC offered rebates for efficient lighting and occupancy controls in the new high school. In the existing buildings, the GEC Energy Smart Grocer program helped the district realize savings in their walk-in coolers and freezers.



Big Sky Colony

Energy Efficient Refrigeration and Lighting
Estimated Savings: 116,980 kWh/year

In 2009 Big Sky Colony completed several energy efficiency projects. They upgraded their dairy and chicken barn lighting systems and took advantage of the Energy Smart Grocer program which helped them implement measures to save energy in their walk-in coolers and freezers. In total they saved an estimated 116,980 kWh.



Swenson Farm

Energy Efficient Shop Lighting
Estimated Savings: 10,793 kWh/year

Jerry Swenson saved an estimated 10,793 kWh at his farm by upgrading the lighting in his workshop. Swenson took advantage of rebates offered by GEC to replace his old T12 fluorescent lights with new efficient T5's. Besides the energy savings and GEC rebate an additional benefit to this project is the improved lighting level.

2009 Conservation Highlights

Glacier Electric paid out more than \$200,000 in energy efficiency rebates to our members in 2009. The efficiency projects completed by our members resulted in 1,288,143 kWh saved annually. Projects ranged from highly advanced automated lighting systems and new electronically commutated motors (ECMs) in walk-in coolers and refrigerators to simple rebates on Energy Star appliances and commercial lighting upgrades. For more information about how you can save with GEC's conservation programs stop by your local Glacier Electric office.

1,288,143 kWh

Saved by GEC's Conservation Efforts in 2009

OPERATIONS REPORT

2009 GEC Operations Report

The Glacier Electric operations department had a very eventful 2009. In January Hugo Anderson started as the new GEC Manger of Operations. Hugo led the GEC crews through many challenging projects and exciting changes throughout the year. In addition to typical projects such as new services and pole change-outs, crews also worked on the launch of the new pre-pay system, expansion of TWACS (Two-Way Automatic Communications System) meters, interconnection of Glacier Wind 2, and the installation of a new transformer at the Blackfeet substation.

Glacier Electric continued to move forward with the TWACS Automatic Meter Reading (AMR) conversion project in 2009. We exchanged approximately 1,500 meters in 2009, bringing us to a total of about 4,300 TWACS meters on our system. The ability to perform on-demand reads and develop daily usage history has allowed us to provide better service to our members. The ability to communicate with meters throughout our system has aided us in outage management. We will proceed with TWACS meter exchanges in 2010 and hope to be fully converted by early 2011.

GEC launched the pre-pay program in April of 2009. This program allows members to pay for energy as they need it – similar to how one puts gas in a vehicle as they need it. Energy deposits and reconnect fees are eliminated for those who choose the pre-pay option. More than 350 members signed up for pre-pay in 2009.

In August GEC experienced a major transformer failure in the Blackfeet substation. A new transformer was ordered as quickly as possible. While waiting for the new transformer, GEC had to feed the entire west end of our system out of the Cut Bank substation. Through the cold weather we did experience some difficulty in maintaining voltage before we had the new transformer in service. We would like to thank all the members who understood our problem and helped GEC by using stand-by generators.

Glacier Wind 2 interconnected with the GEC system in October of 2009. We are providing inspections and maintenance on the power supply equipment for this project. As always, GEC is concerned with power quality and we are still committed to reliability for our members. With this in mind, toward the end of 2009 we began the process of having power quality monitored and corrected in some areas of our system. We will continue to monitor power quality through our SCADA (supervisory control and data acquisition) system, which we hope to have complete in 2010. This technology will help us catch some problems before they occur, saving our members the inconvenience of long term power outages.

Overall 2009 was a challenging yet productive year for GEC. The crews worked tirelessly to continue to provide our members with reliable power at a competitive price.



OPERATIONS

“ GEC Made a Lot of System Improvements in 2009 and We are Looking Forward to More Advances in 2010.”

Hugo Anderson
GEC Manager of Operations

2009 Operations Facts

Number of New Services.....	125
New TWACS Meters Installed.....	1,500
New Prepayment System Members.....	365
Number of New Poles Set.....	227
Number of Poles Tested.....	2,546
Failure Rate of Poles.....	10%
Number of Poles to be Changed in 2010.....	241
kWh Sold.....	163,970,315
Counties Served.....	Flathead, Glacier, Pondera, Toole, & Alberta, Canada
Power Supplier.....	Bonneville Power Administration

FINANCIALS

“ As a Cooperative, GEC Strives to be **Financially Sound** in Order to Provide our Members with the Lowest Possible Cost **Power.** ”

Jasen Bronec
GEC General Manager



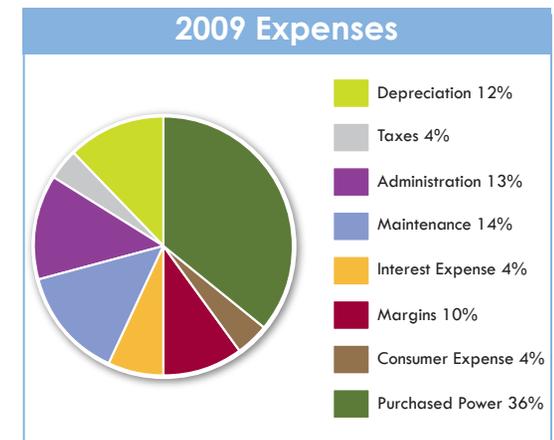
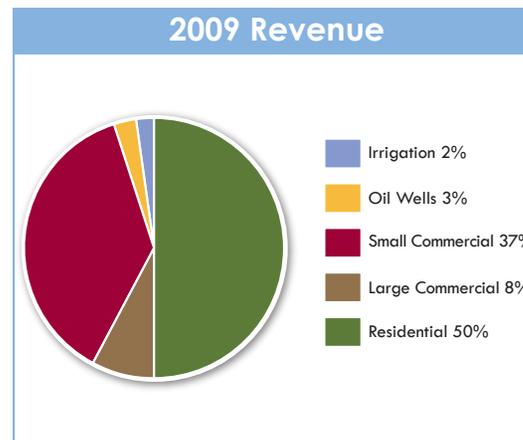
2009 Financial Statements

Comparative Balance Sheet

Assets	2008	2009
Utility Plant After Depreciation		
Electric plant in service	48,866,344	50,442,714
Less construction in progress	-135,856	-330,120
Less accumulated depreciation	-18,901,897	-20,192,416
	29,828,591	29,920,178
Other Property and Investments		
Associated organizations	1,352,162	1,388,304
Other investments	1,330,496	1,127,696
Current Assets		
Temporary cash investments	1,084,086	1,114,366
Accounts receivable	1,576,493	1,402,726
Materials and supplies	501,238	470,648
Other current assets	61,335	131,898
	3,223,152	3,119,638
Total Assets	35,734,401	35,555,816
Liabilities and Equity		
Equity and Margins		
Memberships	106,830	110,920
Patronage capital	15,972,403	16,245,334
Other equities	-701,353	-232,623
	15,377,880	16,123,631
Long Term Debt		
NRUCFC mortgage notes/other	17,636,408	16,170,685
Current Liabilities		
Accounts payable	753,956	1,100,963
Customer deposits	357,815	334,043
Deferred credits	629,521	715,474
Other current liabilities	978,821	1,110,720
	2,720,113	3,261,200
Total Liabilities and Equity	35,734,401	35,555,516

Comparative Statement of Revenue and Expenses

	2008	2009
Operating Revenues	12,834,133	13,119,942
Operating Expenses		
Cost of power	4,638,060	4,695,186
Transmission	62,951	88,952
Distribution-operation	1,215,971	1,215,911
Distribution-maintenance	626,832	542,632
Consumer accounts	407,850	440,010
Sales and consumer expenses	173,572	133,872
Administrative and general	1,475,158	1,680,589
Depreciation	1,486,332	1,539,869
Taxes	522,507	491,035
Interest on long-term debt	903,160	890,648
Total electric service cost	11,512,393	11,718,704
Operating margins	1,321,740	1,401,238
Non-operating margins	231,052	249,373
Net margins for period	1,552,792	1,650,611
Payroll as percent of total expense	18%	18%



Board of Directors

Miles Lewis Board President
Bruce Bradley Board Vice President
Lee Holden..... Board Secretary/Treasurer
Darrol Berkram..... Trustee
Zita Bremner..... Trustee
Brian Elliott Trustee
Willard Hjartarson Trustee
Dave Losing Trustee
Jim Newman..... Trustee

Management and Consultants

Jasen Bronec General Manager
Burke, Lee and Bieler Legal Counsel
Douglas Wilson and Company Auditor
Power Engineers Engineering Consultants

Staff

Hugo Anderson Manager of Operations
Josh Dellinger..... Manager of Technical Services
Virginia Harman..... Manager of Communications & Conservation
Betty McCormick Manager of Finance & Administration
Doug Ray Manager of Special Projects
Mike Sullivan Manager of Information Services

Employees

Dean Berkram..... Warehouse Supervisor
Steve Burney Part-time Warehouse Assistant
Cash Coleman Apprentice Lineman
J.R. Costel..... Apprentice Lineman
Les Costel Journeyman Lineman
Janet Crocker..... Senior Customer Service Representative
Ron Crossguns Journeyman Lineman
Dean DeVries..... Fleet Mechanic
Cal DeZort Service Technician
Marvin Fassett Service Technician
LeeAnn Gobert Senior Customer Service Representative
John Lee Hall Journeyman Lineman
Lloyd Hanson Staking Technician
Jill Huschka..... Customer Service Representative
Greg Laasch Line Foreman
Tom Lane..... Supervisor of Staking Services
Colleen Matt..... Part-time Customer Service Representative
TyAnn McGinnis Work Orders Clerk
Curtis Miller Line Foreman
Mark Pollock Line Foreman
Mike Pyette Line Foreman
Tom Rutherford Apprentice Lineman
Ada Sharp Customer Service Representative
Rusty Sharp..... Journeyman Lineman
Shane Vasboe Journeyman Lineman
Kendra Vermulm Payroll and Accounts Payable

Cut Bank Office
410 East Main
Cut Bank, MT 59427
(406) 873-5566

Glacier Electric Cooperative, Inc.



Browning Office
P.O. Box 609
Browning, MT 59417
(406) 338-5400