



GOLDEN VALLEY ELECTRIC ASSOCIATION INC. PO Box 71249 • Fairbanks, Alaska 99707-1249 • 907-452-1151 • www.gvea.com

March 2004

Dear Member:

This summer we'll be filing a rate case with the Regulatory Commission of Alaska asking for an increase in electric rates. This is news no one ever wants to hear; it's news no company ever wants to give.

Rest assured that money you pay to GVEA goes to continuing to provide you with reliable power and service. As members, you are the owners of this cooperative. Your money stays here in Alaska and your co-op returns any margins directly to you - never to some unknown, out-of-state stockholder.

However, there are reasons an increase is necessary:

- Increasing growth of our system
- Replacing aging power plants

As our system continues to grow, so does the need for reliable infrastructure, such as the addition of the Northern Intertie. Even with continued growth, we haven't built any new power plants in the Interior since we added the North Pole Power Plant in the mid-1970s. Because our newest plant is approaching 30 years old, we're anticipating expanding our North Pole facility within the next few years. In addition, business costs, such as insurance, have increased dramatically since September 11, 2001. These are all costs of providing reliable and sustainable power.

At their regular monthly meeting on March 29, your Board of Directors will be reviewing a plan to establish a simplified and expedited filing and rate adjustment procedure. The new process would allow the Board to review rates semiannually and make any necessary adjustments. This would also replace the very expensive and labor intensive rate case studies we've conducted in past years. A rate case study can cost the co-op about \$500,000 in consulting and legal fees. The Regulatory Commission of Alaska will still review the Board's decisions.

Those who've been with us for years probably remember 20 years with no rate increases. Unfortunately those days are gone. But we're committed to developing innovative solutions to ensure quality power and service now and into the future. Moving to this simplified rate process is one of the steps we're taking to control costs and be responsive in today's business environment.

We know you may have questions and concerns. We'll continue to provide you with information and specifics as they become available in the coming months. Watch for articles in your monthly Ruralite, check our website at www.gvea.com, and attend our Annual Members' Meeting at the Carlson Center on April 27 for an update on this process.

Sincerely,

Steven Haagenson
President & CEO