



*Floyd Schmedding
Chairman 2009*

Chairman's Report for 2009

Dear Customer,

My year as Chairman was filled with records and first times. We started the year with a record snow storm, moved to our biggest single conservation activity ever, joined our first organization to acquire power without the Bonneville Power Administration (BPA) and ended the year significantly reducing and delaying a rate increase for the first time ever.

No one that was here can forget the snow storms that came at the end of 2008 and made the beginning of 2009 so challenging. They left us with facilities that were unapproachable, buildings that were unsafe for our customers to enter and power lines that were threatened by snow and trees heavily covered by snow. We worked long hours to remove the snow so that our facilities were available and safe to enter. We responded to and restored several small power outages and cleared many trees from the lines. I would like to remind you how important it is that we hear from you during these extreme conditions if you lose water or power. There is a chance that you are the only customer served by a piece of equipment and that only you are out of power. Please make sure that we know. We always try to check back at the end of an outage to ensure that your service is restored, but we can only check with those customers who have called and left us their contact information.

Later in the year, we completed the largest single conservation action that we have ever tried. We mailed a Compact Fluorescent Light (CFL) kit to each of our customers, totaling 48,000 bulbs. This cost \$112,560 and produced savings of 1,680,000 kwh. From the reaction of the customers, this was a hugely popular program. We ordered in extra light bulbs and had them available at our front counter. Every order was gone in record time. Hopefully, this program provided good information to our customers about where they can use these energy saving bulbs. While they are not perfect for every application, they are great in many places. One of the issues with the CFL's is proper disposal at the end of their useful life. These bulbs contain very small amounts of material that need special disposal methods. To insure that these disposal requirements are met, Vera has offered to dispose of any of these bulbs for our customers, if they will drop them off at our office.

During 2009, we helped create and became charter members of a new organization that will obtain power for us over and above that supplied by BPA. In 2008, we signed a new contract with BPA for a power supply through 2028. This supply is limited to the power that BPA currently has available and new growth (Tier 2 power) became the responsibility of Vera. After a significant investigation of options, we determined that the best long term solution for our customers would be to band together with utilities in the Northwest with similar goals and form our own organization to obtain this Tier 2 power. The Northwest Intergovernmental Energy Supply (NIES) organization was born from this effort. Its goal is to acquire the power we need for the future through market and equity purchases.

On October 1st of 2009, BPA increased our power rates over 7%. Because our power costs are over half of our total expenses, this increase had a big effect on the finances of the District. To break even would have required that we raise your rates 4.5% on October 1st. With the economy in such a downturn last October, the Board and staff had real issues passing this rate increase through, just before the heating season and holidays. Taking all of these factors into account, the Board decided to delay and reduce the rate increase, a first for this type of action. The rate increase was delayed 6 months, until April 1st, 2010. This allowed the customers to get through the heating season and holidays before feeling its effects. The rate increase was also reduced to 4%. The combination of these two actions reduced the customers' bills and the District's reserves by a third to half a million dollars. We felt that it was the right thing to do under the circumstances, without damaging the long term value of the locally-owned utility company.

It has been a pleasure to serve as your Chairman for this past year. The challenge of these extreme events has kept our lives interesting as a Board and Staff. I believe that the actions that we took in response to these events have led to short and long term improvements to the lives of our customers. Only time will tell, but until then, we will continue to work to achieve our mission of "Providing our customers the highest quality service at the lowest possible cost, while responsibly managing our resources, our employees and our environment."

Sincerely,

Floyd Schmedding
Chairman, Board of Director 2009

VERA WATER AND POWER

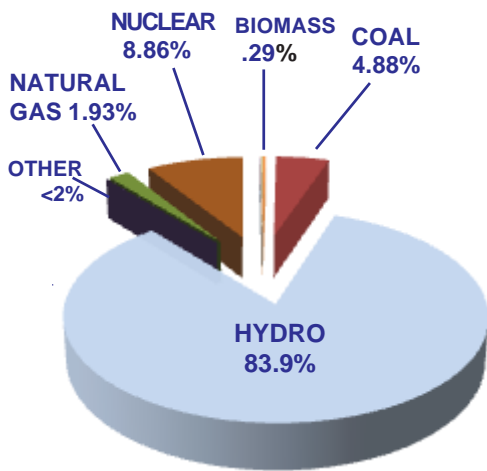
2009 Operating Statement

2009 ANNUAL REPORT

2009 Balance Sheet

<u>Revenues</u>			<u>Assets</u>		
	<u>2009</u>	<u>2008</u>		<u>2009</u>	<u>2008</u>
Sales of Power	\$12,668,259	\$12,326,563	Cash & Current Assets	\$ 8,442,579	\$ 7,458,851
Sales of Water	1,771,712	1,510,530	Restricted Reserves	885,344	473,475
Sewer Service	6,916	5,796	2007 Bond Const. Fund	0	0
Other Income	<u>310,691</u>	<u>486,350</u>	Total Net Capital Assets	38,728,819	38,510,945
			Debt & Bond Discount	<u>530,707</u>	<u>671,930</u>
Total Revenue	<u>14,757,578</u>	<u>14,329,239</u>	Total Assets	<u>\$ 48,587,449</u>	<u>\$ 47,115,201</u>
<u>Expenses</u>			<u>Liabilities & Net Assets</u>		
Cost of Power	7,025,657	7,418,941	Current Liabilities	\$ 2,045,975	\$ 1,797,949
Cost of Water	248,857	268,416	Current Debt	322,750	310,289
Operations/Maint.	3,750,788	3,648,983	Long Term Debt	<u>5,904,333</u>	<u>6,303,267</u>
Taxes	573,788	551,697	Total Liabilities	<u>8,273,058</u>	<u>8,411,505</u>
Depreciation	1,303,304	1,224,339	Net Assets	<u>40,314,319</u>	<u>36,635,181</u>
Interest Expense	<u>265,419</u>	<u>227,748</u>			
Total Expenses	<u>13,203,813</u>	<u>13,340,124</u>			
Net Income	\$ 1,553,765	\$ 989,115	Total Liabilities & Equities	\$ 48,587,449	\$ 45,046,686

Annual Report continued on Pg. 3



Vera Water & Power's Fuel Mix of Resources Annual Report for 2009

STATE law requires that all electric utilities disclose the fuel mix of their resources to their customers annually. In Vera Water & Power's case, all of our energy is purchased from the Bonneville Power Administration who in turn, provides us with an annual report of their fuel mix for power generation. This graph to the left illustrates the percentage of each type of fuel that is used to generate electricity and as you can see, large hydro power produced by the system of dams on the Columbia and Snake Rivers is the lion's share.

The good news is that this is a completely renewable resource. Other sources of power generation include natural gas, coal, nuclear energy, wind and small amounts of waste, and biomass fuels which are derived from plant and agricultural products.

CURRENT BOARD OF DIRECTORS

David Peterson *Chairman* Floyd Schmedding *Director* Brian Fetz *Director* Robert Oeflein *Director* Steve Wulf *Director* Kevin Wells *General Manager*

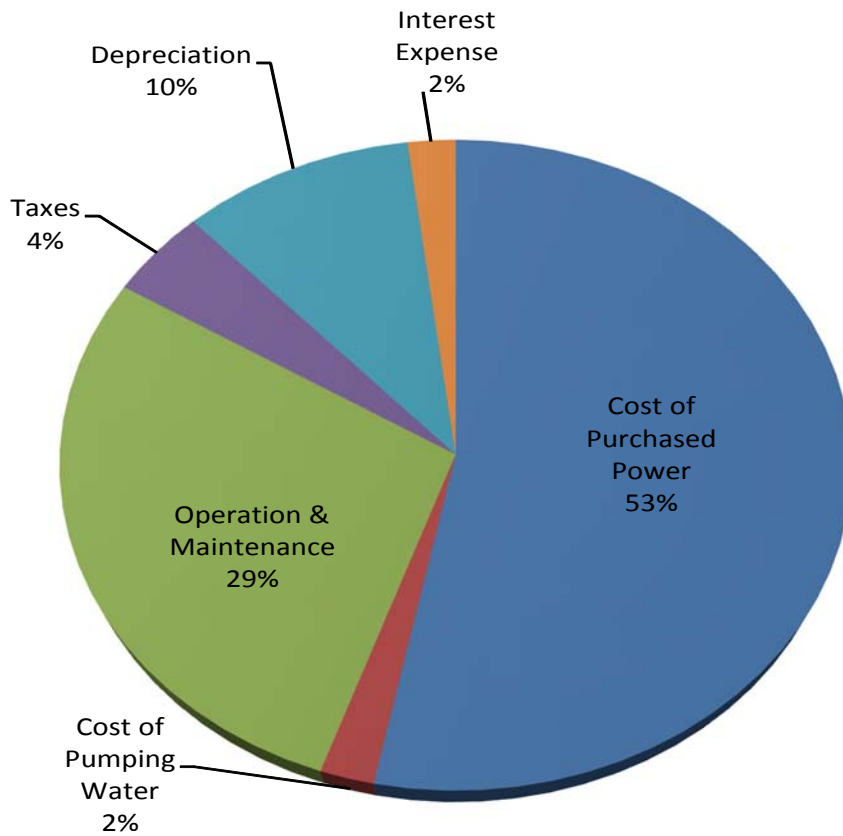


HOW THE DISTRICT IS GOVERNED

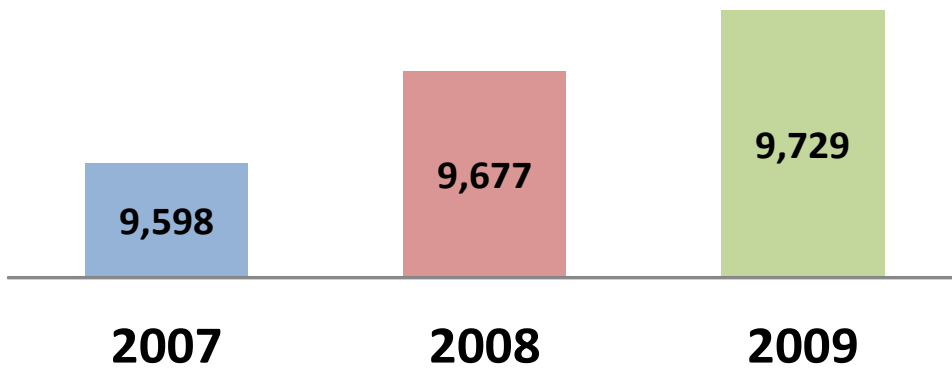
The Vera Irrigation District is organized, and operates, under Chapter 87 of the Revised Code of the State of Washington. The financial and other records are audited annually by the Washington State Auditor. The District is governed by a five-member Board of Directors. The Directors are elected to serve staggered, three-year terms, by position. The Board of Directors is the policy-making body. The Board of Directors hires a general manager who is responsible for the administration and day-to-day operation of the District. All employees of the District are responsible to, and report to the general manager.

The Board of Directors meets at 7:00 PM on the second Wednesday of each month at a public meeting in the District office. It would be advisable for a customer wishing to make a presentation to the Board to call the office in order to be placed on the agenda to insure time is available for your presentation. You are welcome to attend these meetings.

2009 Operating Expenses



Number of Electric Customers



Water Pumped (Gallons)

