

Modern Electric Water Company



2010
Annual Report

PRESIDENT'S REPORT

Due to the persistently slow economy, this past year was not only challenging for Modern Electric Water Company but for many businesses and individuals. In prior years, Modern has always taken a conservative approach to doing business and because of this, the company has weathered the economic downturn well. Our short and long-range plans include living within our means in the good times as well as in the not-so-good times. This, combined with the excellent cooperation within the Board of Directors and the teamwork between the management and Modern's employees, has been instrumental in our success.

As we come out of the recession, Modern will still have many challenges ahead. One of these challenges is its wholesale power supply cost. This cost accounts for over 60% of Modern's total annual expenditures, so because of this, any increase in the wholesale power costs has a direct impact on Modern Electric Water Company and its customers. The good news is that our power supply has an ample supply to not only meet our present demand but will meet our needs to 2029. The not-so-good news is that our power cost is under great pressure to be increased. Some of the major costs are the increased price for fish and wildlife restoration, the cost of adding new resources, and new regulations both from the state and federal government.

Modern's staff is committed and well engaged in power supply issues with the sole purpose of protecting our rate payers. We, at Modern and its rate payers, are very lucky to have a great team of Board members, management, employees, and customers working for the betterment of the company and for the community. There is a deep dedication by all parties to move forward and to keep Modern a progressive and well-run utility that offers good customer service with low electric and water rates. In fact, Modern's electric customers are essentially paying the same cost for electricity that they were paying in 2007.

Modern is financially solid with adequate reserves and no outstanding debt. The Board, management and the employees are very knowledgeable and have the experience and commitment to run Modern Electric Water Company for the betterment of its customers and shareholders.

On behalf of the Board, I want to assure you that we are committed to protecting your best interests. In closing, I would like to thank the Board, Modern's employees, its management, and its customers for another successful year.

Warmest Regards,

Cecil Cleveland
President, Board of Directors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Modern Electric Water Company
Spokane Valley, Washington

We have audited the accompanying balance sheets of Modern Electric Water Company as of September 30, 2010 and 2009, and the related statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Modern Electric Water Company as of September 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Anderson, Peretti & Co.
Certified Public Accountants, P.S.
Spokane Valley, Washington
February 14, 2011

MODERN ELECTRIC WATER COMPANY**BALANCE SHEETS**

September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
UTILITY PLANT (Note 2)		
Land	\$ 739,291	\$ 739,291
Buildings & grounds	3,708,687	3,672,618
Equipment & vehicles	3,316,870	3,268,286
Tanks, towers & plant	6,447,814	6,447,023
Water system	9,054,777	8,885,444
Electric system	17,722,792	17,445,608
Construction in process	41,764	164,419
	<u>\$ 41,031,995</u>	<u>\$ 40,622,689</u>
Less depreciation reserve	21,118,577	19,956,001
Net utility plant	<u>\$ 19,913,418</u>	<u>\$ 20,666,688</u>
PLANT REPLACEMENT AND IMPROVEMENT FUNDS (Note 4)		
	<u>\$ 19,429,512</u>	<u>\$ 16,178,607</u>
OTHER ASSETS		
Deferred charges (Note 7)	\$ 27,946	\$ 40,367
Deposits	82,236	70,386
	<u>\$ 110,182</u>	<u>\$ 110,753</u>
CURRENT ASSETS		
Cash and equivalents	\$ 2,995,304	\$ 3,121,929
Receivables (Note 1):		
Customer accounts	1,375,231	1,365,340
Other	23,461	9,306
Inventory (Note 1)	340,180	351,705
Prepaid expenses	94,073	93,502
Total current assets	<u>\$ 4,828,249</u>	<u>\$ 4,941,782</u>
	<u>\$ 44,281,361</u>	<u>\$ 41,897,830</u>

See Notes to Financial Statements.

	<u>2010</u>	<u>2009</u>
STOCKHOLDERS' EQUITY (Note 3)		
Capital stock \$1 par value	\$ 2,786	\$ 2,790
Paid-in capital & earnings retained prior to 1963	2,113,957	2,113,957
Paid-in capital since 1963	44,371	44,371
Earnings retained 1963-2010	39,412,631	38,339,958
Accumulated comprehensive income (Note 10)	<u>(429,844)</u>	<u>(1,452,352)</u>
	<u>\$ 41,143,901</u>	<u>\$ 39,048,724</u>

LIABILITIES

ACCRUED PENSION COSTS (Note 5)

	<u>\$ 1,435,672</u>	<u>\$ 1,150,792</u>
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CURRENT LIABILITIES

Accounts payable	\$ 1,268,695	\$ 1,261,613
Accrued liabilities:		
Wages & vacation	312,374	320,214
Taxes & other	<u>120,719</u>	<u>116,487</u>
 Total current liabilities	 <u>\$ 1,701,788</u>	 <u>\$ 1,698,314</u>

	<u>\$ 44,281,361</u>	<u>\$ 41,897,830</u>
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MODERN ELECTRIC WATER COMPANY

STATEMENTS OF INCOME

Years Ended September 30, 2010 and 2009

	<u>Department</u>	
	<u>Electric</u>	<u>Water</u>
OPERATING REVENUES:		
Customer service	\$ 11,835,130	\$ 1,678,563
Customer construction	38,388	102,872
Total operating revenues	<u>\$ 11,873,518</u>	<u>\$ 1,781,435</u>
OPERATING EXPENSES:		
Power purchases	\$ 7,348,290	\$ 94,369
General operations	1,020,074	531,410
Maintenance & repairs	423,841	280,729
Depreciation	544,869	583,290
Taxes	457,624	80,142
Total operating expenses	<u>\$ 9,794,698</u>	<u>\$ 1,569,940</u>
Income before administrative expenses	<u>\$ 2,078,820</u>	<u>\$ 211,495</u>

Administrative expenses (Note 11)

Income from operations

OTHER INCOME (EXPENSE):

Net investment income (loss)	
Gain (loss) on Sale of Equipment	
Other income (expense)	
Total other income (loss)	

Net income (loss)

STATEMENTS OF RETAINED EARNINGS

Years Ended September 30, 2010 and 2009

Balance, beginning	\$ 38,339,958	\$ 38,504,851
Net income (loss)	1,072,673	(164,893)
Balance, ending	<u>\$ 39,412,631</u>	<u>\$ 38,339,958</u>

2010 TOTAL	2009 TOTAL
\$ 13,513,693	\$ 13,653,563
141,260	199,359
<u>\$ 13,654,953</u>	<u>\$ 13,852,922</u>
\$ 7,442,659	\$ 7,268,791
1,551,484	1,552,425
704,570	605,675
1,128,159	1,109,808
537,766	550,584
<u>\$ 11,364,638</u>	<u>\$ 11,087,283</u>
\$ 2,290,315	\$ 2,765,639
1,777,891	1,680,613
<u>\$ 512,424</u>	<u>\$ 1,085,026</u>
\$ 586,105	\$ (1,210,807)
17,153	-
(43,009)	(39,112)
<u>\$ 560,249</u>	<u>\$ (1,249,919)</u>
<u>\$ 1,072,673</u>	<u>\$ (164,893)</u>

See Notes to Financial Statements.

MODERN ELECTRIC WATER COMPANY

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2010 and 2009

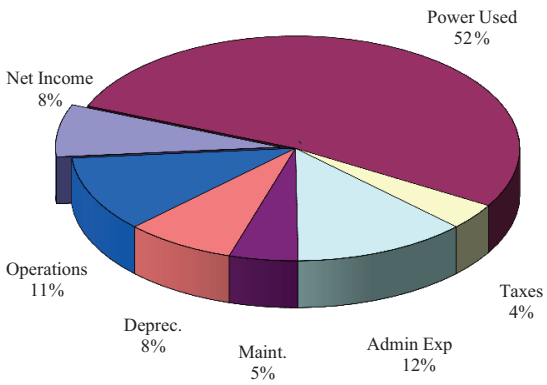
	2010	2009
CASH FLOWS FROM		
OPERATING ACTIVITIES:		
Cash from customers	\$ 13,644,927	\$ 13,846,540
Cash from investments	5,802	5,561
Cash paid for operations	(11,656,271)	(11,447,206)
Net cash from operations	<u>\$ 1,994,458</u>	<u>\$ 2,404,895</u>
CASH FLOWS FROM		
INVESTING ACTIVITIES:		
Proceeds from sale of assets	\$ 17,153	\$ -
Purchase of:		
Buildings & grounds	(36,069)	(899)
Equipment & vehicles	(150,636)	(672,684)
Tanks, towers & plant	(791)	(2,363)
Water system	(125,459)	(117,294)
Electric system	(225,281)	(301,329)
Purchase of plant funds	(1,600,000)	(600,000)
Net cash used in investing	<u>\$ (2,121,083)</u>	<u>\$ (1,694,569)</u>
Increase (decrease) in cash	\$ (126,625)	\$ 710,326
Beginning cash	3,121,929	2,411,603
Ending cash	<u>\$ 2,995,304</u>	<u>\$ 3,121,929</u>

See Notes to Financial Statements.

	<u>2010</u>	<u>2009</u>
RECONCILIATION OF NET INCOME TO CASH FROM OPERATING ACTIVITIES:		
Net income	\$ 1,072,673	\$ (164,893)
Adjustments to reconcile net income to cash from operations:		
(Gain) on sale of fixed assets	(17,153)	-
Depreciation & amortization	1,303,923	1,282,682
Net reinvested investment (income) loss	(580,299)	1,225,240
Change in capital stock	(4)	(363)
(Increase) decrease in assets:		
Accounts receivable	(9,891)	2,697
Other receivables	(14,155)	194,724
Inventory	11,525	(24,248)
Prepaid expenses	(571)	589
Deposits	(11,850)	(8,119)
Increase (decrease) in liabilities:		
Accounts payable	7,082	102,271
Deferred revenue	(135)	226
Accrued liabilities	(3,473)	(43,554)
Accrued pension liabilities	236,786	(162,357)
Net cash from operations	<u>\$ 1,994,458</u>	<u>\$ 2,404,895</u>

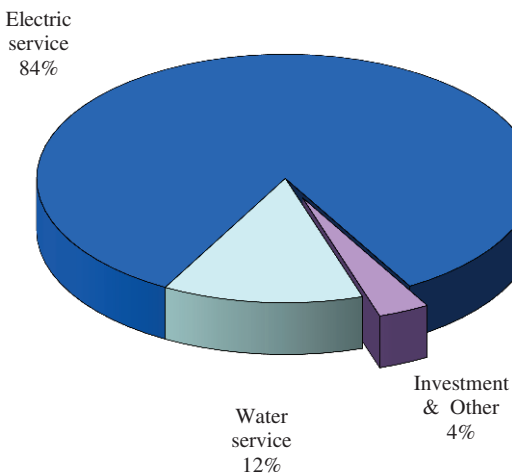
What was done with Revenue

For the Year of September 30, 2010



Revenue

For the Year Ended September 30, 2010



MODERN ELECTRIC WATER COMPANY

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of business:

The Company operates an electric and water utility company in Spokane Valley, Washington.

A summary of the Company's significant accounting policies follows:

Revenue recognition:

The Company realizes revenue from electric service monthly as the charges are earned. Water service and estimated usage are also billed monthly. Actual residential water usage is determined in June and September at which time water billings are adjusted accordingly.

Accounts receivable:

The allowance for bad debt reserve was zero at year end. Unpaid accounts receivable create a lien against the property and are therefore adequately secured. Receivables ninety days or more past due were \$31,769 and \$18,326 as of September 30, 2010 and 2009, respectively.

Cash and cash equivalents:

For the purposes of reporting the statements of cash flows, the Company considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The Company maintains its cash accounts in various banks located in Spokane Valley, Washington. Accounts at each bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC). For fiscal year 2009 through December 31, 2009 all non-interest checking accounts are fully guaranteed under the Transaction Account Guarantee program, for fiscal year 2010 all accounts are covered up to \$250,000 per bank. A summary of the total insured and uninsured cash balances follows:

	<u>2010</u>	<u>2009</u>
Total cash in all banks	\$ 3,006,420	\$ 3,121,929
Portion insured by FDIC	<u>695,969</u>	<u>3,121,929</u>
Uninsured cash balances	<u>\$ 2,310,451</u>	<u>\$ -</u>

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory:

Inventory is recorded at average cost not in excess of replacement cost.

Income tax:

The Company is a tax-exempt entity under Internal Revenue Code Section 501 (c) (12), per an exemption letter dated March 12, 1939.

Pension benefits:

The Company has a defined benefit pension plan covering certain employees who meet the eligibility requirements. To be eligible, an employee must be 21 years of age and have completed one year of service. The plan provides benefits based on the average annual compensation of the highest five consecutive years of compensation out of the last ten years of service of each participant, which are subject to certain reductions if the employee retires before reaching age 65. In order to become plan participants, employees are required to contribute one percent of their pay to the plan. The employer contributes the remaining amount necessary to provide the plan's defined benefits.

In addition, the Company has a deferred compensation plan which is available to all employees. The Company matches employee contributions up to 5% of total gross compensation. The Company's contributions to this plan were \$85,294 and \$88,225 for 2010 and 2009, respectively.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2. UTILITY PLANT

Additions to utility plant are recorded at cost, including any applicable overhead costs. The cost of repairs and minor replacements is charged to maintenance. Gains and losses on the retirement of utility plant are included in the statements of income.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. UTILITY PLANT (continued)

Depreciation is computed on the straight-line method with the following range of lives and balances:

	Lives in Years	Reserve for Depreciation at September 30	
		2010	2009
Buildings & grounds	10-40	\$ 1,149,861	\$ 1,037,150
Equipment & vehicles	5-10	2,166,733	2,012,102
Tanks, towers & pumping plant	10-35	3,723,933	3,536,662
Water system	20-35	5,088,291	4,832,409
Electric system	15-40	8,989,759	8,537,678
		<u>\$ 21,118,577</u>	<u>\$ 19,956,001</u>

NOTE 3. STOCKHOLDERS' EQUITY

The Company (a Washington corporation) is owned by the owners of the real property within its service area. The Company's authorized capital consists of 6,000 shares of \$1 par value stock. Stock certificates, as such, are not issued to each owner, but rather ownership is vested in the deed to their property. There are 2,786 acres of land which have vested ownership. Prior to December 31, 1963, the Company did not segregate retained earnings and paid-in capital. The retained earnings shown in the accompanying financial statements represent earnings retained since such date.

Since its founding in 1905, Modern Electric Water Company has kept records of property ownership within the service district. These records are the basis for the Company's allocation of shares of common stock and the corresponding voting rights of each member of the Cooperative.

The Spokane County Assessor maintains separate property ownership records for all property in Spokane County. In May 2009, the Board of Directors of Modern Electric Water Company elected to adopt the Spokane County Assessor's records regarding property ownership as the basis for determining the ownership shares of Modern Electric Water Company shareholders. The adoption of these records will provide for a more accurate and consistent method of tracking property ownership and the related voting rights. The Company will adjust their records annually based on the County's property ownership records.

NOTE 4. PLANT REPLACEMENT AND IMPROVEMENT FUNDS

Management intends that these funds be used for replacement, expansion, upgrading of the Company's utility plant and extraordinary operating needs. Changes in various requirements of federal, state or local regulations could require the Company to incur substantial capital expenditures in order to comply with any such new regulations. Management's intention is to use these funds to meet such contingencies when they arise.

The Company has invested the funds in debt and equity securities. Debt securities consist primarily of obligations of the U.S. and state governments, and domestic corporations. Equity securities are held in managed fund portfolios. Since the Company neither buys investment securities in anticipation of short-term fluctuations in market prices nor absolutely commits to holding securities to maturity, these investments are classified as available-for-sale in accordance with FASB ASC 320 and are stated at market value. A summary of cost, market value and unrealized gains at September 30, 2010 and 2009 for these investments follows:

	Securities Cost	Net Unrealized Gain (Loss)	Securities Market Value
2010			
Debt	\$ 6,081,839	\$ (56,180)	\$ 6,025,659
Equity	12,218,803	1,185,050	13,403,853
	<u>\$18,300,642</u>	<u>\$ 1,128,870</u>	<u>\$19,429,512</u>
2009			
Debt	\$ 7,283,799	\$ (525,681)	\$ 6,758,118
Equity	8,836,540	583,949	9,420,489
	<u>\$16,120,339</u>	<u>\$ 58,268</u>	<u>\$16,178,607</u>

Net comprehensive income (loss) during the years ended September 30, 2010 and 2009 is \$1,070,602 and \$2,868,913, respectively. Net comprehensive income consists of net unrealized holding gains (losses) arising during the year of \$931,303 and \$4,656,124, respectively, and reclassification adjustment for net realized gains (losses) included in net income for the year of \$139,299 and \$(1,787,211), respectively. Accumulated comprehensive income at September 30th, is \$1,128,870 and \$58,268, respectively.

The cost and market value of debt securities, by contractual maturities, as of September 30, 2010 are as follows:

	Cost	Market Value
Due in one year or less	<u>\$ 2,522,341</u>	<u>\$ 2,619,279</u>
Due after one year through five years	1,017,325	993,316
Due after five years	2,542,173	2,413,064
	<u>\$ 6,081,839</u>	<u>\$ 6,025,659</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. DEFINED BENEFIT PENSION PLAN

Net pension cost for the Company's defined benefit pension plan consisted of the following components for the years ended 2010 and 2009:

	2010	2009
Service cost (benefits earned)	\$ 275,082	\$ 243,478
Interest cost on projected benefit obligation	194,070	183,489
Actual return on plan assets	(252,709)	(110,057)
Net amortization and deferral	220,421	71,821
Employee contributions	(20,079)	(21,088)
	\$ 416,785	\$ 367,643
Company contribution	\$ 180,000	\$ 530,000
Benefits paid	\$ 543,082	\$ 132,059

The following table sets forth the plan's funded status as of September 30, 2010 and 2009 and the amount recognized in the accompanying balance sheets as of September 30:

	2010	2009
Actuarial present value of benefit obligations:		
Vested benefits	\$ 2,643,075	\$ 2,510,775
Accumulated benefits	\$ 2,655,131	\$ 2,532,335
Projected benefits	\$ (3,933,584)	\$ (3,738,998)
Plan assets at fair value	2,497,912	2,588,206
Plan assets less than projected benefit obligation	\$ (1,435,672)	\$ (1,150,792)
Unrecognized net loss	1,520,202	1,436,760
Unrecognized prior service cost	38,512	73,860
Other comprehensive income	(1,558,714)	(1,510,620)
Asset (accrual) on balance sheet	\$ (1,435,672)	\$ (1,150,792)

The discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the benefit obligations were 5.75% and 4.5%, respectively, at September 30, 2010. The expected long-term rate of return on plan assets used in 2010 was 5.75%.

NOTE 6. FAIR VALUE REPORTING

Management has considered the fair values of financial and non-financial assets and liabilities and considers the fair values to approximate the values reported in the financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PLANT SYSTEM STUDIES

In fiscal year 2008, the Company has undertaken planning and rate studies in order to anticipate the future growth and demand requirements of its service area. These studies were completed on 1/1/2008 for a total cost of \$62,103. These studies are being amortized over 5 years and are reported at cost net of accumulated amortization. At September 30, 2010 and 2009, net book value was \$27,946 and \$40,367, respectively. Amortization expense at September 30, 2010 and 2009 was \$12,421 and \$12,421, respectively.

NOTE 8. COMMITMENTS

All water utilities in the State are required by the Washington Health Department to submit an updated comprehensive water plan outlining the strategies the companies will implement over a six year period to insure their compliance with new regulations. Modern Electric Water Company was required to submit, and has completed an updated plan for the six year period commencing January 2008.

Effective October 1, 2006, the Company entered into a five-year agreement to purchase all of its electrical power from Bonneville Power Administration. On November 18, 2008 the Company gave authorization to enter into a new agreement with the Bonneville Power Administration to purchase all its electrical power from the Bonneville Power Administration starting October 1, 2011 and ending September 30, 2029.

The Company had a letter of credit of \$1,400,000 with UBS Financial Services, Inc. to financially assist BPA in the event that they experience low reserves. The letter of credit expired on September 30, 2009 and was not renewed for fiscal year 2010. The Line of credit was secured by investments held at UBS Financial Services, Inc. At September 30, 2009, there was no outstanding balance.

The Company is subject to a collective bargaining agreement that cover employees other than management and professional employees. The agreement was renewed on April 1, 2009 and expires on March 31, 2011. The Company is currently in negotiation with union leaders for contract renewal.

NOTE 9. DATE OF MANAGEMENT'S REVIEW

Subsequent events were evaluated on February 14, 2011, which is the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. ACCUMULATED COMPREHENSIVE INCOME

	2010	2009
Unrealized gains and losses (note 4)	\$ 1,128,870	\$ 58,268
Pension liability adjustment (note 5)	(1,558,714)	(1,510,620)
	<u>\$ (429,844)</u>	<u>\$(1,452,352)</u>

NOTE 11. ADMINISTRATIVE EXPENSES

	2010	2009
General office wages and expense	\$ 716,184	\$ 725,788
Taxes	61,533	54,646
Office supplies & maint.	230,463	169,298
Public relations	38,574	39,670
Dues & subscriptions	71,342	74,895
Pension plan	190,867	162,016
Postage	65,606	60,945
Accounting & legal fees	64,826	59,631
Insurance	54,169	52,731
Medical plan costs	86,895	85,982
Transportation costs	4,193	5,341
Company power usage	17,475	16,796
Depreciation	175,764	172,874
	<u>\$ 1,777,891</u>	<u>\$ 1,680,613</u>

GENERAL MANAGER'S REPORT

This past year can be categorized as having both challenges as well as accomplishments. For Modern Electric Water Company and its customers, both individuals and businesses, we find we are being impacted by this prolonged recovery and slow economy. This business climate has affected each of us and caused us to work harder to maintain our financial stability. The impact for Modern has been that our revenues have slightly decreased as the cost of running a business has kept increasing.

As mentioned in the president's report, Modern had prepared for the lean times by living within our means during the good times and having funds available for the times we are in now. The bottom line is that Modern is financially healthy and continues to be a strong company that is able to continue to do the projects and maintenance that is needed to better serve our customers.

In speaking about maintenance, we have continued an aggressive maintenance program. For the electric department, this has included replacing poles, upgrading facilities to increase capacity, testing and maintaining various electrical equipment, and the key equipment in our substations. We have also continued our aggressive tree trimming program. Because of all these programs we have maintained a very reliable electric system which has resulted in very few outages and the few that we had were for short durations.

Our water department maintenance has included many things from painting fire hydrants, so that the fire department can better locate the fire hydrants when they are needed, to flushing our water mains, to maintaining our wells and pumps to insure that we deliver safe and drinkable water. Even with all of these maintenance programs we still have connected several new customers; however, we are not seeing new construction and development at the high levels we had seen a few years ago.

As reported last year, we completed the second phase of our computer system. We are now in the third and final stage of our computer system replacement which deals with our maps and records. Upon completion of this phase, we will have very accurate information on the type, size of service, and location of both our water and electric services. This will be a great help when we are doing maintenance, replacing equipment, or for new construction of our facilities. It will also help us pinpoint problems faster with more accuracy.

As I have shared in the past, Modern has secured ample power supply with contracts good to 2029. The bulk of our power will still come from the low-cost, zero emission, federal hydro system, but our new power purchases will come from higher cost alternatives. Both resources are under tremendous price pressure. We are fully engaged to keep these increases to a minimum as a benefit to our customers. Along with our wholesale power supply costs, we face many other challenges to keep the rates low while keeping our reliability high. These challenges are from increased federal and state regulations for both water and electric industries.

Modern Electric Water Company is in a great position to meet these future challenges. This is because of the dedication of our very talented employees, combined with the great teamwork between the Board of Directors, management and employees, along with our conservative approach in running the company.

Modern is still debt free with ample reserves, provides great customer service and reliability with the lowest rates in the region. Because of all of these factors, we are in a great position to meet our future challenges and still provide the high level of service at the lowest possible rates. As Modern's General Manager over the past eighteen years, I have witnessed many changes to the community and the many positive changes to Modern Electric Water Company. Yet through all these changes, the one thing that has never been lost is that Modern Electric Water Company exists for the betterment of our customer/shareholders and to provide the best possible service at the lowest possible costs. This is one of the many great benefits of a consumer owned non-profit utility like Modern Electric Water Company provides to its customers. Being part of the changes and growth of Modern has been an absolute pleasure for me, and I am truly fortunate to be involved in such a great company with great customers/shareholders. The future is bright and I look forward to future challenges.

As always, working for you,

A handwritten signature in black ink that reads "Mike Baker". The signature is fluid and cursive, with the first letters of "Mike" and "Baker" being significantly larger and more prominent than the rest of the letters.

Mike Baker
General Manager

Modern Electric Water Company

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Spokane Valley, WA 99214-0008

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