

Adding value to the lives of our

**Members and
the Communities**

we serve!

Touchstone Energy
Cooperatives

Building on the spirit of our Founders ...

We will remain rooted in our unwavering belief in the cooperative principles, the family, community, respect for the individual, and the power of teamwork.

touchstoneenergy.coop

Annual Meeting Report

January 1, 2005 to December 31, 2005

EAST-CENTRAL IOWA RURAL ELECTRIC COOPERATIVE

A Touchstone Energy® Cooperative



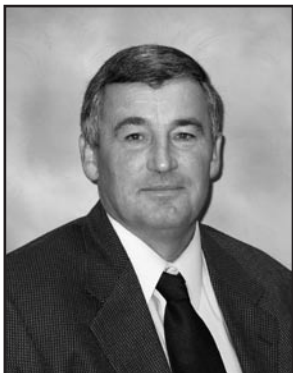


President and CEO Report

June 15, 2006



Harry Ruth
CEO



William Frazier
President

“Building on the spirit of our Founders, ...

it is the mission of East-Central Iowa REC to continue adding value to the lives of our members and the communities we serve. We will remain rooted in our unwavering belief in the cooperative principles, the family, community, respect for the individual, and the power of teamwork.”

This is the mission statement of East-Central. A mission statement is meant to be a short explanation of who we are, why we exist. This statement was developed after several years of discussion among the employees and directors of the Cooperative. It emphasizes three things:

Our Roots – This Cooperative was created by people like you, neighbors who joined together to form an electric utility, a customer-owned business, because the established investor-owned utilities refused to serve rural areas, areas that were considered “unprofitable”.

Our Impact – By speaking of “adding value to the lives of our members”, this statement recognizes the tremendous impact, the tremendous improvement, which electric power has brought to the lives of those living in rural Iowa. While ECI is basically responsible for “keeping the lights on”, this statement recognizes our local roots and responsibility to give back to the families and local communities in our service territory in any way we can.

Our Principles – What do we believe in? We believe in the seven cooperative principles (listed on page 3). We believe in family and community, the fundamental building blocks of our society. We believe in respect for the individual, appre-

ciating the differences among us; but we also understand the power of teamwork, that together we can accomplish much more than we can accomplish individually.

2005 – Another Good Year

Controlling Costs

Everyone knows how much the price of gasoline has risen in the past few years. Those of you who have not taken advantage of our Heat Plus rate and heat your homes with fossil fuels also know how much natural gas and propane prices have increased lately. This increased cost of energy has also affected the cost of electric power.

However, healthy revenues and continued cost control have allowed us to absorb much of the increased cost of wholesale power passed along to us by our energy supplier. In 2004 we absorbed \$339,000 in increased wholesale costs; in 2005 we absorbed another **\$787,000** in increased energy costs. That represents money we did not add to your electric bill.

Increasing Reliability

On average our members suffered a total of 1.7 hours without power in all of 2005. That is much better than the five year average of 2.755 hours. While one reason our reliability was better in 2005 was the absence of major storms, it is also due our continued spraying of right-of-ways under the power lines, and most significantly, due to our increased efforts to trim the trees away from the lines. Your cooperative spent \$72,800 on spraying right-of-ways and \$117,900 on trimming trees in 2005.

Decreased Line Loss

Not all of the power we buy gets to our members. Some of it is “lost”. Every time a tree branch touches a power line, electricity flows to the ground, not to someone’s meter. By lowering our line loss in 2005 from 7.98% to 6.19%, we saved \$182,022. Again, we can attribute this savings to our more aggressive tree trimming program.

New Technology to Increase Productivity and Reliability

East-Central continues to use the latest technology to cut costs, increase productivity, and minimize power interruptions. Operations personnel are now using new computer software to design new lines and automatically update our system maps and plant accounts. We are currently installing a new Outage Management System, computer software that will help us identify the cause of a power outage and restore power more quickly. We continue to install automated switches at strategic locations that will allow us to restore power more quickly when a substation loses power because of trouble on the transmission lines.

Giving Back to the Community

In March of this year we receive an award from the Iowa Area Development Group for our help in bringing L & M Radiator, Inc., a company headquartered in Hibbing, Minnesota, to Independence in 2005. Directly or indirectly, this company is expected to bring almost 100 jobs to Independence in the next three years. East-Central is very happy to have helped the economic developers, banks, and City of Independence bring this company to the area.

In other activities your Cooperative helped install playground equipment

at Center Point Elementary School, and hosted two sessions providing 61 teachers training in the Character Counts Program, and made a special donation of \$2,500 to each of the economic development organizations in Benton, Buchanan, and Fayette counties.

Customer Appreciation Nights

Because it is held on a Thursday during the day, not everyone can attend the Cooperative’s annual meeting. Last September we held Customer Appreciation Nights in Vinton and Independence. Attendance was excellent at both locations. With the displays that were set up, we were able to have many more one-on-one conversations with members than we have at the annual meeting. We plan to have additional such events in the years ahead.

Safety Accreditation

Electricity has made life much easier for our members, but electricity must be respected. East-Central has always been committed to safety of its employees, members, and the public at large. In 2005 your Cooperative once again was accredited by the National Rural Electric Cooperative Association for its Safety Program.

In Conclusion – A Word of Thanks

In closing, we would like to recognize two board members who are retiring at the conclusion of this annual meeting. After a combined 53 years of service, Frank Gallup and Ed Wilhelmi are stepping down from the board. On behalf of the employees and the remaining board members, we would like to thank these two people for their hard work and dedication to East-Central. They will be greatly missed.

7 Cooperative Principles

Voluntary and Open Membership

Membership in cooperatives is voluntary and open to all persons able to use their services and willing to accept the responsibilities of membership without gender, social, racial, political or religious discrimination.

Democratic Member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. Men and women serving as elected representatives are accountable to the membership. Members have equal voting rights –one member, one vote.

Members’ Economic Participation

Members democratically control and equally contribute to the capital of their cooperative. Members may allocate surpluses for any of the following purposes: developing the cooperative; setting up reserves; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their autonomy.

Education, Training and Information

Cooperatives provide education and training for their members, elected representatives, managers and employees. They inform the general public about the nature and benefits of cooperation.

Cooperation Among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international organizations.

Concern for Community

While focusing on members’ needs, cooperatives work to develop their communities by encouraging economic development, promoting education and advocating safe use of electricity.

Directors

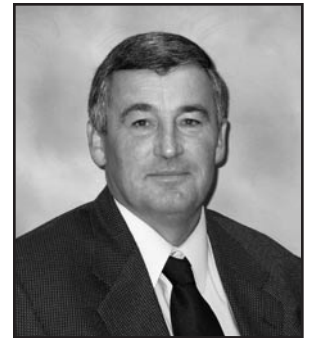
GEOGRAPHIC DISTRICT 1 (VINTON AREA)



Allen Albers
Board District #13
Director Since 1985



Jeff Elliott, Vice President
Board District #11
Director Since 1990



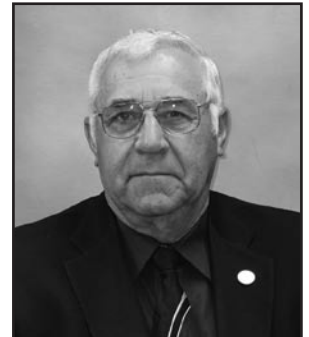
William Frazier, President
Board District #15
Director Since 1985



John Frese, Sec'y/Treas.
Board District #17
Director Since 1991



William Harrison
Board District #12
Director Since 1987



Edward Wilhelmi, Sr.
Board District #16
Director Since 1977

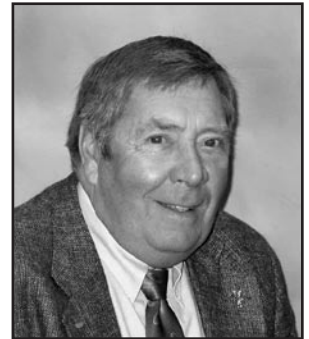
GEOGRAPHIC DISTRICT 2 (INDEPENDENCE AREA)



Jim Arnold, Asst. Sec'y/Treas.
Board District #27
Director Since 1985



Lloyd Bathen
Board District #24
Director Since 1994



Frank Gallup
Board District #21
Director Since 1982



Richard Hunter
Board District #23
Director Since 2005



Steve Rau
Board District #26
Director Since 2005



Harry Ruth
CEO
2 years

The East-Central Iowa Rural Electric Cooperative Staff



Mike
Storekeeper
8 years



Adam
Member Serv. Technician
6 years



John
Lineman
36 years



Doug
SCADA Technician
8 years



Char
Consumer Services
4 years



Dave
Line Foreman
19 years



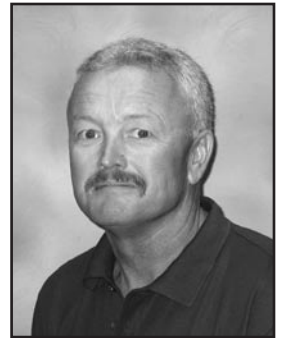
Ann
Accounting Clerk
4 years



Molly
Consumer Services
5 years



Ben
Apprentice Lineman
2 years



Rod
Lineman
18 years



Teresa
Office Manager
14 years



Lisa
Executive Assistant
4 years



Sam
Electric Service Person
31 years



Staff



Julie
Consumer Services
3 years



Rick
Member Serv. Technician
22 years



Carl
Line Foreman
26 years



Dave
Electric Service Person
11 years



Pat
Lineman
16 years



Paul
Lineman
3 years



Larissa
Office Assistant
2 years



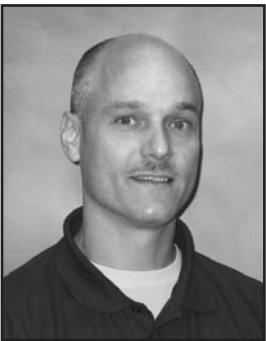
Gary
Operations Supervisor
31 years



Steve
Mgr. Operations/Engineering
25 years



Judd
Information Serv. Adm.
1 year



Eric
Storekeeper
3 years



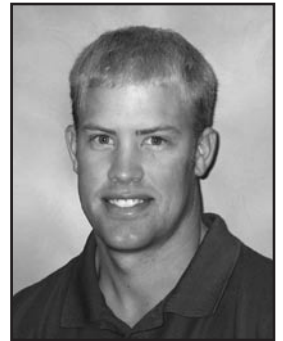
Greg
Mktg & Economic Dev.
Director - 13 years



Kelly
Consumer Serv. Coordinator
7 years



Brian
Lineman
7 years



Travis
Lineman
4 years



Tom
Lineman
15 years



Jennifer
Cost Records Administrator
10 years



Teresa
Operations Assistant
27 years

Staff



John
Member Serv. Technician
12 years



Anna May
Administrative Assistant
18 years



Kevin
Lineman
10 years



Frank
Member Services Director
35 years



A Touchstone Energy® Cooperative 

Balance Sheet

FOR THE YEAR ENDING DECEMBER 31, 2005

ASSETS

What
We
Own

CURRENT ASSETS AND OTHER DEBITS	\$ 9,627,069
FIXED ASSETS	26,456,077
TOTAL ASSETS AND OTHER DEBITS	\$ 36,083,146

LIABILITIES

What
We
Owe

TOTAL CURRENT AND ACCRUED LIABILITIES	\$ 2,769,624
TOTAL FIXED LONG TERM DEBT AND DEFERRED CREDITS	14,901,071
TOTAL MARGINS AND EQUITIES	18,412,451
TOTAL LIABILITIES AND OTHER CREDITS	\$ 36,083,146

COMPARATIVE OPERATING STATISTICS

	<u>2004</u>	<u>2005</u>
Miles of Line Energized	2,228	2,238
New Services Connected	174	197
Total Services in Place	8,661	8,820
KWHs Purchased From CIPCO	189,428,753	179,325,468
Cost of Power Purchased	\$9,938,352	\$10,170,506
Percent of Line Loss	7.97%	6.19%
Operating Revenue	\$16,217,093	\$16,414,956
Average KWHs Used per Month per Consumer	1,804	1,709
Average Monthly Bill	\$167.21	\$166.36
Average Cost per KWH to Consumers	\$.0927	\$.0973

LOAN FUNDS

Our Loan From RUS Is Being Paid Back With Interest	
We Owe RUS	\$ 8,822,812
Our Loan From CFC Is Being Paid Back With Interest	
We Owe CFC	\$ 5,633,634

Statement of Revenue and Expense

2005 STATEMENT OF REVENUE AND EXPENSE

REVENUE

OPERATING REVENUE AND PATRONAGE CAPITAL .. \$ 16,414,956

EXPENSE

Purchased Power	\$ 10,171,787
Distribution Expenses - Operations	1,299,256
Distribution Expenses - Maintenance	448,931
Consumer Accounts Expense	424,637
Customer Service and Information Expense	232,174
Administrative and General Expense	976,325
Depreciation	1,135,764
Taxes - Property and Other	<u>16,422</u>
Interest on Long Term Debt	756,026
Other Deductions and Interest Expense - Other	12,280
TOTAL EXPENSE	\$ 15,473,602

Operating Margins	\$ 941,354
Non-Operating Margins	<u>170,846</u>
Generation and Transmission Capital Credits	224,920
Other Capital Credits	42,947

OPERATING AND NON-OPERATING MARGINS . \$ 1,380,067

Core Values

*East-Central Iowa
Rural Electric Cooperative*

Commitment

We measure our success by how well we enable our fellow employees, members, and local communities to achieve and thrive. Our families, friends, colleagues and neighbors deserve our best.

Trust

Making commitments generates hope; keeping commitments generates trust. We will hire people for their character, beliefs and integrity and will give them the abilities, skills and self-confidence to keep the commitments that the Cooperative makes. The people of East-Central will always be truthful, respectful, and objective in conducting business and building relationships.

Communication

We are in the business of helping people solve problems. In order to help people solve a problem, we must communicate with one another. Listening is the most important part of communication.

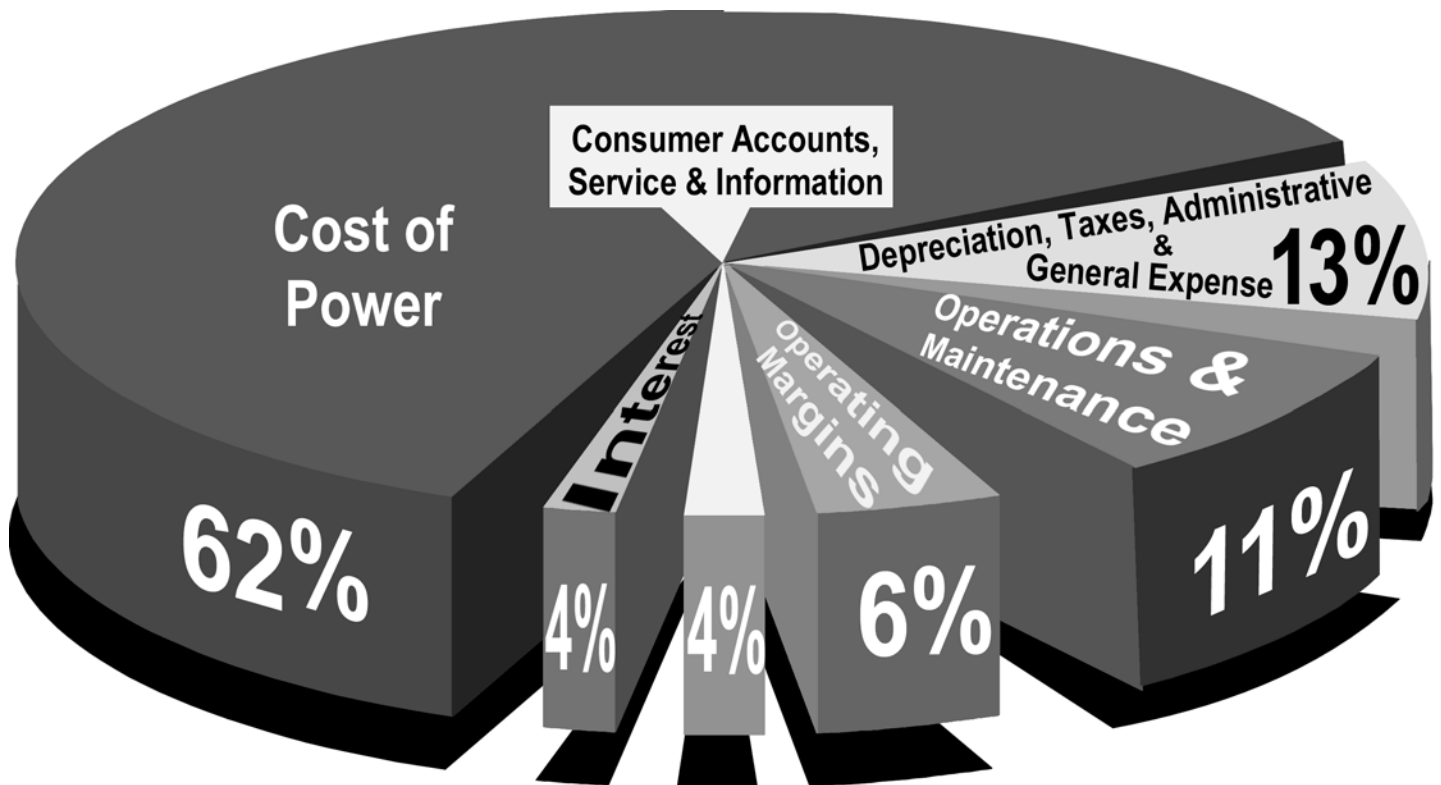
Teamwork

What one person cannot do alone, many can do together. Our Cooperative is strong and effective because our employees are diverse, skillful, and collaborative. We encourage and assist every individual to achieve their fullest potential because that potential, when harnessed collectively, will be of the greatest benefit to our members, neighbors, and community.

Safety

The distribution of electric power to all parts of the country has been one of the great accomplishments of the 20th century. Electricity has turned life in rural America from one of grim drudgery, darkness, and poverty into one being sought by an increasing number of people moving to the country from the city. Yet, electricity must be used with respect. We pledge our utmost to educate our employees, members, and neighbors to use electric power safely.

How Your REC Dollars Were Spent in 2005...



62% - Cost of Power

**13% - Depreciation, Taxes, Administrative
& General Expense**

11% - Operations & Maintenance

6% - Operating Margins

4% - Consumer Accounts, Service & Information

4% - Interest

6,568 East-Central Iowa REC Members

Geographic District 2

Directors representing Board Districts:

- 21. Frank Gallup
- 23. Rich Hunter
- 24. Lloyd Bathen
- 26. Steve Rau
- 27. Jim Arnold

Illyria (17)
Fayette County

Fremont (24) Fayette County	Harlan (25) Fayette County	Smithfield (26) Fayette County	Fairfield (27) Fayette County	Sperry (28) Clayton County
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Franklin (33) Bremer County	Oran (34) Fayette County	Jefferson (35) Fayette County	Scott (36) Fayette County	Putnam (37) Fayette County	Cass (38) Clayton County
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Lester (43)	Fairbank (44)	Hazleton (45)	Buffalo (46)	Madison (47)	Richland (48)
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Barclay (53) Black Hawk County	Perry (54) Buchanan County	Washington (55) Buchanan County	Byron (56) Buchanan County	Fremont (57) Buchanan County	Coffins Grove (58) Delaware County
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Poyner (62) Black Hawk County	Fox (63) Black Hawk County	Westburg (64) Buchanan County	Sumner (65) Buchanan County	Liberty (66) Buchanan County	Middlefield (67) Buchanan County	Prairie (68) Delaware County
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Big Creek (72) Black Hawk County	Spring Creek (73) Black Hawk County	Jefferson (74) Buchanan County	Homer (75) Buchanan County	Cono (76) Buchanan County	Newton (77) Buchanan County	Adams (78) Delaware County
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Geneseo (133) Tama County	Bruce (134) Benton County	Cedar (135) Benton County	Harrison (136) Benton County	Polk (137) Benton County	Grant (138) Linn County
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12

Geographic District 1

Directors representing Board Districts:

- 11. Jeff Elliott
- 12. Bill Harrison
- 13. Allen Albers
- 15. Bill Frazier
- 17. John Frese

Clark (143) Tama County	Monroe (144) Benton County	Jackson (145) Benton County	Taylor (146) Benton County	Benton (147) Benton County	Washington (148) Linn County
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Oneida (153) Tama County	Homer (154) Benton County	Big Grove (155) Benton County	Eden (156) Benton County	Canton (157) Benton County	Fayette (158) Linn County
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York (163) Tama County	Kane (164) Benton County	Union (165) Benton County	Eldorado (166) Benton County	Fremont (167) Benton County	Clinton (168) Linn County
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Iowa (174) Benton County	Leroy (175) Benton County	St. Clair (176) Benton County	Florence (177) Benton County	Fairfax (178) Linn County
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Marengo (185) Iowa County	Washington (186) Iowa County	Lenox (187) Iowa County	Monroe (188) Johnson County
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Program

11th Annual Meeting of East-Central Iowa Rural Electric Cooperative Members

June 15, 2006

10:30 A.M. – REGISTRATION

11:00 A.M. – MEETING

- ✓ Call Meeting to Order
- ✓ Invocation
- ✓ Introduction of Directors
- ✓ Reading of the Nominating Committee Minutes
- ✓ Introduction of Attorney
- ✓ Reading of the Notice of Annual Meeting
- ✓ Reading of Affidavit of Mailing of Notice of Annual Meeting
- ✓ Minutes of Last Annual Meeting
- ✓ Introduction of CEO
- ✓ Drawings for Door Prizes (Must be present to win)
- ✓ Adjournment of Business Meeting

Touchstone Energy

- Is an alliance of more than 600 cooperatives in 45 states that collectively deliver power and energy solutions to more than 22 million customers every day.
- Provides high standards of service to all customers – residential, commercial, industrial and agricultural.
- Is a branding initiative that communicates electric cooperatives' unique characteristics in a changing marketplace where these values and differences matter more each day.
- Emphasizes the significance of each electric cooperative's local presence and unique ties to its community, but offers the resources of a nationwide network to bring added value and benefit to customers.

Touchstone Energy Co-op

VALUES

Innovation • **Accountability** • **Integrity** • **Commitment to Community**

East-Central Iowa Rural Electric Cooperative

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A Touchstone Energy® Cooperative 