

*Safety*



*Community*



*Education*



*Service*



*Putting it on the line for you.*

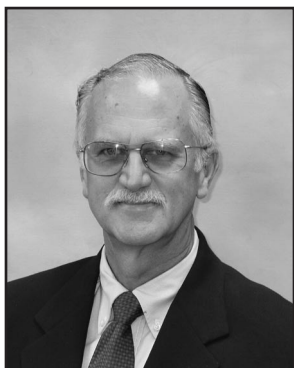


**EAST-CENTRAL IOWA REC**  
Annual Meeting Report  
Jan. 1, 2004 to Dec. 31, 2004

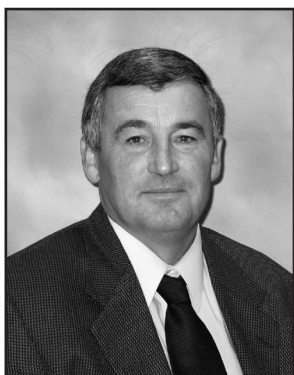


# President and CEO Report

June 16, 2005



Harry Ruth  
CEO



William Frazier  
President

*On behalf of the Board of Directors and the employees, we want to welcome you to your 2005 Annual Meeting. Included in this report are today's agenda, the financial report for 2004, and the following message. We are glad that you were able to join us today. Thank you for coming and taking part in your electric cooperative's annual meeting.*

## **Touchstone Energy**

The first thing that you may notice at this annual meeting is the promotional material for Touchstone Energy. Touchstone Energy is an alliance of more than 600 electric cooperatives across the country that collectively deliver power and energy solutions to more than 17 million customer-owners. It is a national brand for electric cooperatives that communicates the unique qualities of cooperatives to families and businesses, reinforcing the dedication that co-ops have to serving their members with integrity, accountability, innovation, and commitment to community.

A recent survey showed that only 70% of East-Central members know that we are organized as a cooperative that they own. It is important not only for our members to understand what makes a cooperative unique, but it is also important that businesses looking to locate in rural America know what an electric cooperative is. It is also important that state and national elected officials and regulatory bodies, who can impact our future, know what makes electric cooperative different – and better – than investor owned utilities.

The cost of joining Touchstone Energy comes from money made available from our energy supplier, Central Iowa Power Cooperative.

## **2004**

2004 was a record setting year for your cooperative. Despite returning \$350,000 to you in December as an energy refund, our margins for the year were a record \$1,749,232. In addition to returning money in December your cooperative also absorbed an additional \$353,000 in increased power costs that we did not pass along to our members.

Why were margins so large in 2004? The basic answer is that kWh sales increased by more than 7%. The average annual increase from 2000 through 2003 was only 1.2%.

We attribute this increase to the general improvement in the economy. Certainly, the weather last year was not unusually hot or cold. Another factor affecting our margins was the increase in the productivity of the employees and our general efforts to contain costs.



Other highlights from last year include:

- We sold our spec building in the BECCA Industrial Park to Borlaug Systems, which is now operating with 10 employees, manufacturing sheet metal bending equipment for the office furniture and heating and cooling industries.
- We consolidated our two billing cycles into one. We would like to thank our members in District 2 up north for making the adjustment of receiving their bills in the middle of the month rather than the end of the month.
- We increased our tree trimming efforts by 114%. Trees are beautiful and good for the environment, but they also cause power interruptions. We would like to thank our members for allowing us to trim their trees, keeping them at least 15 feet from our distribution lines.
- We improved internal communications. East-Central distributes electric power, but more importantly, we help our members solve problems. The key to providing exceptional customer service is having motivated employees who take delight in serving the membership. Your cooperative spent additional energy last year to ensure that employees were informed of developments taking place in the cooperative and that they are valued for the work they do.

## **What are the challenges for 2005?**

### **Wholesale Energy Costs**

We must work with our energy supplier to control the cost of electricity. Our wholesale cost of power last year went up three times, increasing by 10%. Because we were doing so well financially, we were able to absorb most of those costs, not passing them along to you. However, as anyone who buys gasoline for his or her car knows, energy costs are increasingly volatile and going higher. We finally increased our Energy Cost Adjustment by one mill (\$.001) in February of this year. Further increases may be coming.

### **Rate Consolidation**

Based on a cost of service study done last year by an outside consultant, your Board of Directors approved a consolidation of the Cooperative's 19 different rates into 11. These changes affected only 17% of our accounts. The overall impact of this consolidation is a slight decrease in revenue. Some rate classes experienced a slight decrease in revenue and some experienced a slight increase in revenue. For most members, the changes were small enough that they will not see any difference in their monthly bill. The exceptions to this, however, are members on our urban residential rate and our street lighting and security lighting rates. The cost of service study showed that their rates did not cover their fair share, so the rates were raised by 3% and 4% respectively.

## **System Improvements**

Our most basic responsibility to you is to keep the lights on. This job requires on on-going investment in the distribution system and an aggressive maintenance program. As in 2004, your Cooperative will spend another \$1,500,000 this year on upgrading the electric lines. This money will build lines into new accounts, upgrade existing lines, and replace old poles. It will also pay for the installation of another 4 automated switches that will allow us to re-route power remotely, further reducing the length of a power outage.

This year we are also installing new, state-of-the-art software that will increase productivity of the staff and improve service to you. These software packages are known as a geographic information system, an outage management system, and automated staking software. I hope that we will be able to demonstrate these new tools at the annual meeting.

## **In Conclusion**

***Once again, thank you for coming to the annual meeting and for your support over the years. Our CEO and Board will be taking questions from our members during the meeting. Please feel free to ask us a question during the question and answer session or approach us after the meeting is concluded.***

# Directors

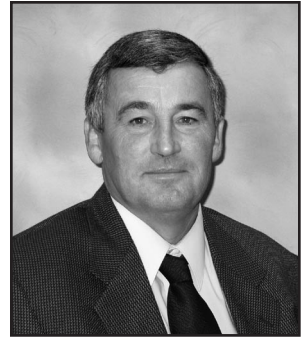
## GEOGRAPHIC DISTRICT 1 (VINTON AREA)



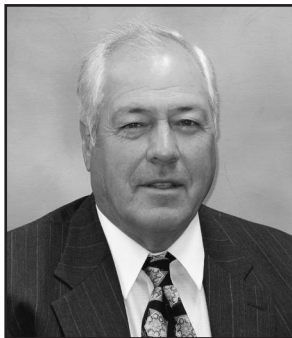
Allen Albers,  
Board District #13  
Director Since 1985



Jeff Elliott  
Board District #11  
Director Since 1990



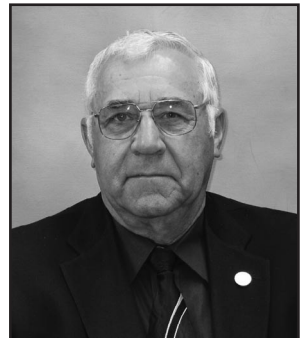
William Frazier, President  
Board District #15  
Director Since 1985



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



William Harrison  
Board District #12  
Director Since 1987

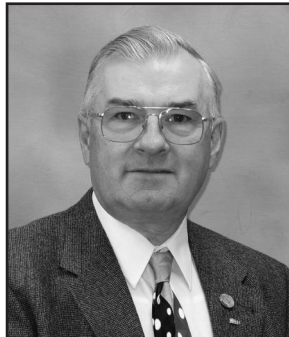


Edward Wilhelmi, Sr.  
Board District #16  
Director Since 1977

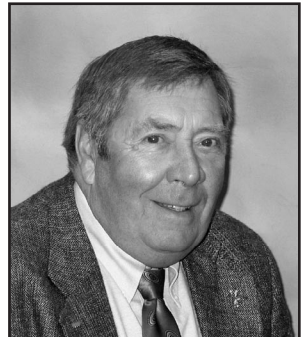
## GEOGRAPHIC DISTRICT 2 (INDEPENDENCE AREA)



Jim Arnold  
Board District #27  
Director Since 1985



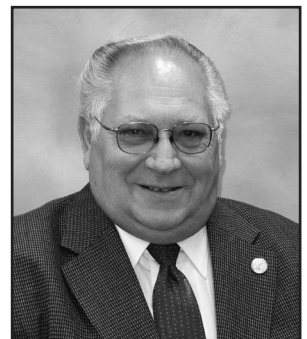
Lloyd Bathen  
Board District #24  
Director Since 1994



Frank Gallup  
Board District #21  
Director Since 1982



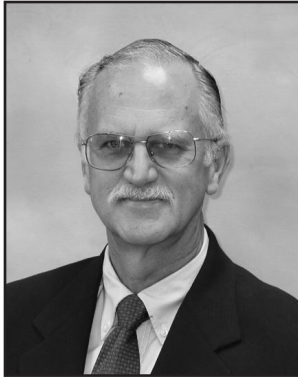
Larry Hickey  
Board District #23  
Director Since 1995



Jerry Recker, Vice President  
Board District #26  
Director Since 1994



# The East-Central Iowa Rural Electric Cooperative Staff



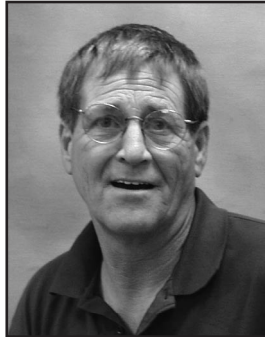
Harry Ruth  
CEO  
1 year



Mike Adams  
Storekeeper  
7 years



Adam Albertsen  
Member Service Technician  
5 years



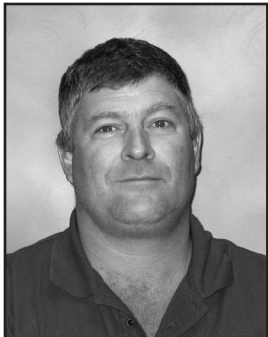
John Anderson  
Line Foreman  
35 years



Doug Appelgate  
SCADA Technician  
7 years



Char Bantz  
Consumer Services  
3 years



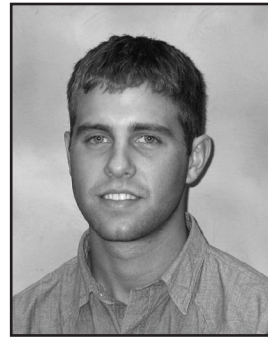
Dave Becker  
Line Foreman  
18 years



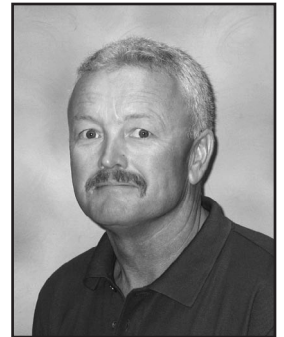
Ann Bolton  
Accounting Clerk  
3 years



Molly Cook  
Consumer Services  
4 years



Ben Donnelly  
1 year



Rod Fletchall  
Lineman  
17 years



Teresa Floyd  
Office Manager  
13 years



Lisa Franck  
Executive Assistant  
3 years



Sam Garwood  
Electric Service Person  
30 years



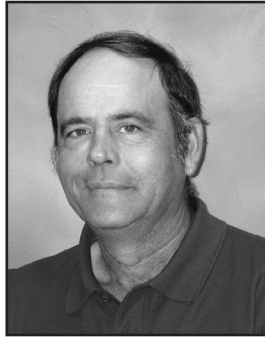
# Staff



Julie Gates  
Consumer Services  
2 years



Rick Geater  
Member Services Technician  
21 years



Carl Gray  
Line Foreman  
25 years



Dave Henkes  
Electric Service Person  
10 years



Pat Hyland  
Lineman  
15 years



Paul Johnson  
Lineman  
2 years



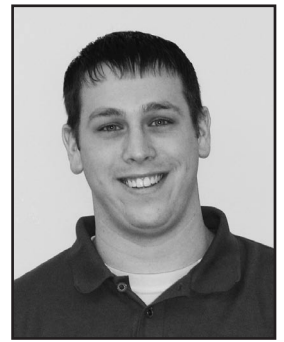
Larissa Kolas  
1 year



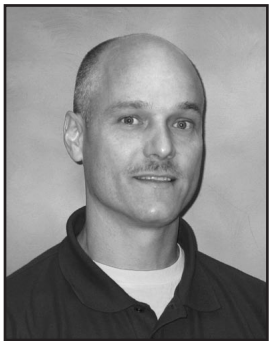
Gary Marlow  
Operations Supervisor  
30 years



Steve Marlow  
Mgr, Operations/Engineering  
24 years



Judd Meinders  
6 months



Eric Ockenfels  
Storekeeper  
2 years



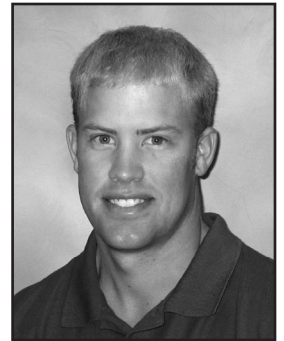
Greg Pavelka  
Mktg & Economic Dev.  
Director - 12 years



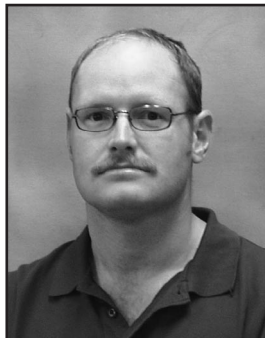
Kelly Pohlmann  
Consumer Serv. Coordinator  
6 years



Brian Reidy  
Lineman  
6 years



Travis Schellhorn  
Lineman  
3 years



Tom Schmitt  
Lineman  
14 years



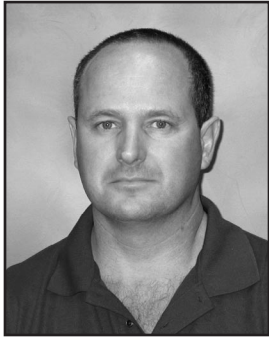
Jennifer Schmitz  
Cost Records Administrator  
9 years



Teresa Schremser  
Operations Assistant  
26 years



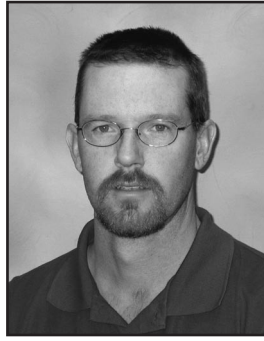
# Staff



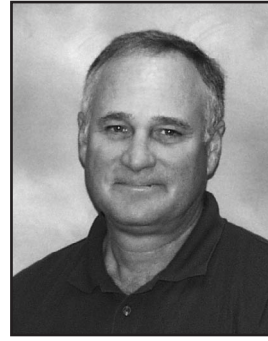
John Tegler  
Member Serv. Technician  
11 years



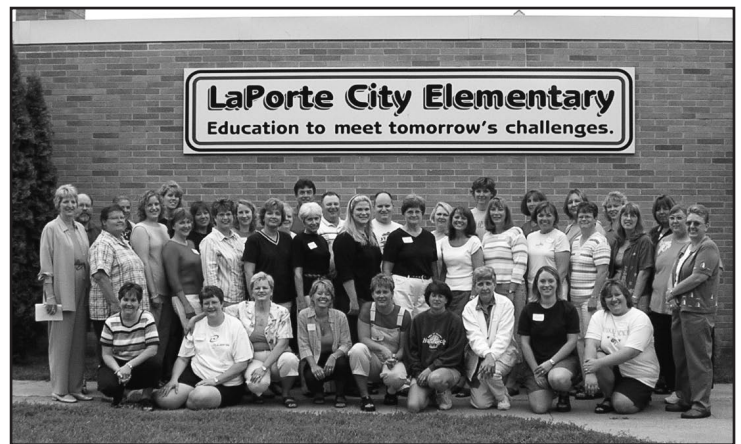
Anna May Tharp  
System Coordinator  
17 years



Kevin Walton  
Lineman  
9 years



Frank Weber  
Member Services Director  
34 years



# Balance Sheet

FOR THE YEAR ENDING DECEMBER 31, 2004

## ASSETS

What  
We  
Own

CURRENT ASSETS AND OTHER DEBITS .....	\$ 9,492,867
FIXED ASSETS .....	<u>25,559,854</u>
TOTAL ASSETS AND OTHER DEBITS .....	\$ 35,052,721

## LIABILITIES

What  
We  
Owe

TOTAL CURRENT AND ACCRUED LIABILITIES .....	\$ 2,741,417
TOTAL FIXED LONG TERM DEBT AND DEFERRED CREDITS .....	14,810,869
TOTAL MARGINS AND EQUITIES .....	<u>17,500,435</u>
TOTAL LIABILITIES AND OTHER CREDITS .....	\$ 35,052,721

## COMPARATIVE OPERATING STATISTICS

	<u>2003</u>	<u>2004</u>
Miles of Line Energized .....	2,223	2,228
New Services Connected .....	208	174
Total Services in Place .....	8,535	8,661
KWHs Purchased From CIPCO .....	166,541,759	189,428,753
Cost of Power Purchased .....	\$8,624,093	\$9,938,352
Percent of Line Loss .....	6.93%	7.97%
Operating Revenue .....	\$14,242,609	\$16,217,093
Average KWHs Used per Month per Consumer .....	1,626	1,804
Average Monthly Bill .....	\$148.77	\$167.21
Average Cost per KWH to Consumers .....	\$.0915	\$.0927

## LOAN FUNDS

Our Loan From RUS Is Being Paid Back With Interest	
We Owe RUS .....	\$ 8,349,261
Our Loan From CFC Is Being Paid Back With Interest	
We Owe CFC .....	\$ 6,030,713



# Statement of Revenue and Expense

## 2004 STATEMENT OF REVENUE AND EXPENSE

### REVENUE

OPERATING REVENUE AND PATRONAGE CAPITAL .. \$ 16,217,638

### EXPENSE

Purchased Power .....	\$ 9,939,638
Distribution Expenses - Operations .....	1,219,508
Distribution Expenses - Maintenance .....	476,662
Consumer Accounts Expense .....	449,848
Customer Service and Information Expense .....	168,367
Administrative and General Expense .....	884,833
Depreciation .....	1,050,036
Taxes - Property and Other .....	16,216
Interest on Long Term Debt .....	721,513
Other Deductions and Interest Expense - Other .....	12,028

TOTAL EXPENSE .....

TOTAL EXPENSE .....	\$ 14,938,649
---------------------	---------------

Operating Margins .....	\$ 1,278,444
Non-Operating Margins .....	103,951
Generation and Transmission Capital Credits .....	247,767
Other Capital Credits .....	43,037

OPERATING AND NON-OPERATING MARGINS . \$ 1,673,199

## 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.

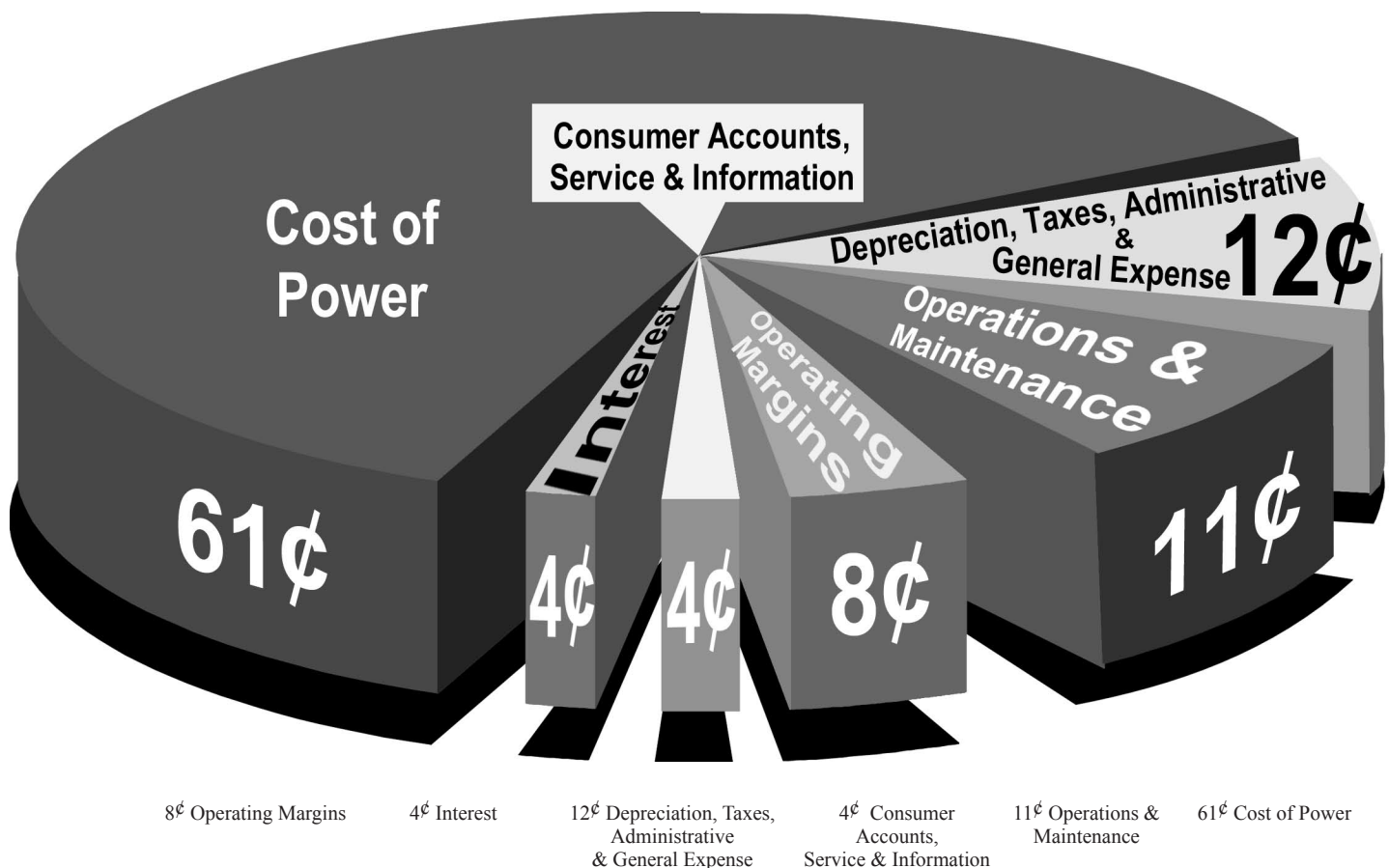
### Teamwork

What one person cannot do along, 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 as an individual because that potential when harassed 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

# How Your REC Dollar Was Spent in 2004...



- 8 cents - Operating Margins**
- 4 cents - Interest**
- 12 cents - Depreciation, Taxes, Administrative & General Expense**
- 4 cents - Consumer Accounts, Service & Information**
- 11 cents - Operations & Maintenance**
- 61 cents - Cost of Power**



# 6,568 East-Central Iowa REC Members

## Geographic District 2

Directors representing Board Districts:

- 21. Frank Gallup
- 23. Larry Hickey
- 24. Lloyd Bathen
- 26. Jerry Recker
- 27. Jim Arnold

Illyria (17) Fayette County					
Fremont (24) Fayette County		Harlan (25) Fayette County		Smithfield (26) Fayette County	
Fairfield (27) Fayette County		<b>26</b>		Sperry (28) Clayton County	
Franklin (33) Bremer County	Oran (34) Fayette County	Jefferson (35) Fayette County	Scott (36) Fayette County	Putnam (37) Fayette County	Cass (38) Clayton County
<b>23</b>		<b>21</b>		Madison (47) Fayette County	Richland (48) Clayton County
Lester (43) Black Hawk County	Fairbank (44) Buchanan County	Hazleton (45) Buchanan County	Byron (56) Buchanan County	Fremont (57) Buchanan County	Coffins Grove (58) Delaware County
<b>27</b>					

Poyner (62) Black Hawk County	Fox (63) Black Hawk County	Westburg (64) Buchanan County	<table border="1" style="font-size: small;"> <tr><td>6</td><td>5</td><td>4</td><td>3</td><td>2</td><td>1</td></tr> <tr><td colspan="6" style="text-align: center;"><b>Summer (65)</b></td></tr> <tr><td colspan="6" style="text-align: center;">Buchanan County</td></tr> <tr><td>11</td><td>12</td><td>13</td><td>14</td><td>15</td><td>16</td></tr> <tr><td>17</td><td>18</td><td>19</td><td>20</td><td>21</td><td>22</td></tr> <tr><td>23</td><td>24</td><td>25</td><td>26</td><td>27</td><td>28</td></tr> <tr><td>29</td><td>30</td><td>31</td><td>32</td><td>33</td><td>34</td></tr> <tr><td>35</td><td>36</td><td>37</td><td>38</td><td>39</td><td>40</td></tr> </table>				6	5	4	3	2	1	<b>Summer (65)</b>						Buchanan County						11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	Liberty (66) Buchanan County	Middlefield (67) Buchanan County	Prairie (68) Delaware County
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<b>Summer (65)</b>																																																									
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29	30	31	32	33	34																																																				
35	36	37	38	39	40																																																				
Big Creek (72) Black Hawk County	Spring Creek (73) Black Hawk County	Jefferson (74) Buchanan County	<b>24</b>		Homer (75) Buchanan County	Cono (76) Buchanan County	Newton (77) Buchanan County	Adams (78) Delaware County																																																	
Geneseo (133) Tama County	Bruce (134) Benton County	Cedar (135) Benton County	Harrison (136) Benton County	Polk (137) Benton County	Grant (138) Linn County																																																				
<b>11</b>				<b>12</b>																																																					
Clark (143) Tama County	Monroe (144) Benton County	Jackson (145) Benton County	Taylor (146) Benton County	Benton (147) Benton County	Washington (148) Linn County																																																				
				<b>13</b>																																																					
Oneida (153) Tama County	Homer (154) Benton County	Big Grove (155) Benton County	Eden (156) Benton County	<b>15</b>		<b>16</b>																																																			
York (163) Tama County	Kane (164) Benton County	Union (165) Benton County	Eldorado (166) Benton County	Fremont (167) Benton County	Clinton (168) Linn County																																																				
Iowa (174) Benton County	Leroy (175) Benton County	St. Clair (176) Benton County	<b>17</b>		Florence (177) Benton County	Fairfax (178) Linn County																																																			
		Marengo (185) Iowa County	Washington (186) Iowa County	Lenox (187) Iowa County	Monroe (188) Johnson County																																																				

## Geographic District 1

Directors representing Board Districts:

- 11. Jeff Elliott
- 12. Bill Harrison
- 13. Allen Albers
- 15. Bill Frazier
- 16. Ed Wilhelm, Sr.
- 17. John Frese

# Program

## **10th Annual Meeting of East-Central Iowa Rural Electric Cooperative Members**

**June 16, 2005**

10:30 A.M. – REGISTRATION

11:00 A.M. – MEETING

### **Call Meeting to Order**

- ✓ Invocation
- ✓ Introduction of Attorney
- ✓ Introduction of Directors
- ✓ Reading of 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

**East-Central Iowa Rural Electric Cooperative**

Ph. 319-443-4343 Toll Free 877-850-4343 FAX 319-443-4359

E-mail: [ecirec@ecirec.coop](mailto:ecirec@ecirec.coop) Website: [www.ecirec.coop](http://www.ecirec.coop)