



Missoula Electric Cooperative inc.

Trustees:

Sharon Jacobsen,
President
793-5686, District #6,
Ovando

Ray Cebulski,
Vice-President
677-2280, District #5,
Seeley Lake

Tom Alsaker,
Secretary-Treasurer
543-8801, District #2,
Big Flat

Chuck Drinville, 825-4101
District #4, Clinton

Terry Hoke, 728-6221
District #1, El-Mar

Douglas Bardwell,
626-5252
District #7, Huson

Harry LaFriniere,
777-3307
District #3, Florence

Bill Payment:

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www.missoulaelectric.com

Mail:

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Missoula, MT 59808

Offices:

Office Locations:
Missoula — 1700 W.
Broadway

Office Hours:
Monday-Friday
8 a.m. - 5 p.m.

Report Outages:
406-541-4433 or
1-800-352-5200

General Manager
Anthony H. Sinclair

Managers Report — *By Anthony H. Sinclair "Tony", General Manager*

Members support what they help create

In order to finance the operations and capital expenditures necessary to maintain and construct new electric distribution infrastructure, MEC borrows long-term funds from the RUS (Rural Utilities Service), CFC (Cooperative Finance Cooperative) or CoBank. Within our rate structure capital is also obtained from Members which is returned in the future to Members in the form of capital credits.

Each year after our annual audit is completed; all revenues collected from Members in excess of expenses which are referred to as margins are allocated to each Member based on their proportionate patronage each year. Detailed records of these allocations are maintained for each Member. Members do provide economic participation in their cooperative which means they are truly the owners. Being an owner means that you can take pride in the MEC electric distribution system that serves you so well.

There are many expenses incurred to maintain the reliability and service that you expect and we strive to deliver. From a humble beginning envisioned in the mind of some dedicated community minded individuals, we have grown to become one of the largest electric cooperatives in Montana. Our employees are well respected in the industry and we continue to make sure that they keep abreast of new developments and technology.

Each employee at the cooperative works hard to make sure that we are good stewards of the funds you provide to manage your cooperative. There are more than 900 electric cooperatives in the United States serving Members. We work closely with the other cooperatives to achieve economies of scale in any areas that provide a benefit or cost savings for the Members.

Our national association NRECA (National Rural Electrical Cooperative Association) provides a mechanism to make sure that your voice is heard in Washington D.C. by our elected officials related to



serving you better and more economical. We constantly monitor legislation that could adversely impact you as a cooperative Member.

I think 2008 is going to be a year of challenges which will require us all to gain a better understanding of issues such as renewable energy, global warming and the potential costs that could be the result. We want to make sure that we do everything that is required to protect our environment, but also make sure that we strive to make the cost to our Members as low as possible. MEC and all the cooperatives throughout America must find that delicate balance point that is just right!

Congratulations to Douglas Bardwell

R to L - Douglas Bardwell, MEC District 7 Trustee is congratulated by Tony Sinclair, MEC General Manager for his recent NRECA certification as a CCD, (Credentialed Cooperative Director). Doug, our newest MEC trustee, successfully completed 5 courses covering Director Duties and Responsibilities, Understanding the Electric Business, Board Roles and Relationships, Strategic Planning and Financial Decision Making. Tony Sinclair said, "It is a good feeling to have 100 percent of the MEC Trustees possessing the CCD certification. This means that the Members have Trustees who have obtained cooperative knowledge that will be a great resource in representing their respective districts."



Meet Missoula Electric Cooperative's newest employee

Pictured at right is Barbara Griffith, MEC's new CFO (Chief Financial Officer). Tony Sinclair, MEC General Manager said, " that Barbara is a seasoned CPA and that she will be managing the accounting and warehouse employees at the cooperative." Tony said, "We want to make sure that we provide accuracy, accountability and always exhibit professionalism in caring out our accounting and financial functions."



L to R - MEC Accounting Employees Barbara Griffith, Kevin Parks, Roseann White and Lorraine Best review some accounting printouts.



MEC Employee Louie Miles shows Barbara Griffith how the new bar code scanner makes accurately checking inventory minimum and maximum quantities a snap.

TRUE TO OUR PRINCIPLES— The story of cooperatives

The seven Cooperative Principles are the guideposts for a way of doing business that elevates the customer to the level of owner and places the co-op at service to the local community instead of faraway investors. Writer John Vanvig's story looks at how the principles play out in the everyday business life of cooperatives around our great nation.

By John Vanvig

Members' economic participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

Economic participation is a two-way street for hundreds of farmer members of electric co-ops throughout eastern South Dakota, thanks to a novel capital credits program pioneered by East River Electric Power Cooperative and its member distribution systems.

The farmers' power bills, like any other member's bill, cover the cost of service and a small margin to fund a reserve account (the traditional source of capital credits). But over the last couple of years, the farmers have been able to tap into those reserves for interest-free loans. That money, in turn, helps the farmers capitalize new commodity-processing co-ops, creating new markets for their crops and livestock.

East River Electric had some reservations about starting a

THE SEVEN BASIC PRINCIPLES OF COOPERATIVES

- Voluntary and Open Membership
- Democratic Member Control
- Member's Economic Participation
- Autonomy and Independence
- Education, Training and Information
- Cooperation Among Cooperatives
- Concern for Community

program so clearly tailored to a specific class of consumers, acknowledges Jeff Nelson, the transmission co-op's general manager. "If this was the only economic development outreach we had, there would have been more concern," he says. "But the other major piece of our effort has to do with aggregating all of our systems to form a revolving loan fund to generate debt capital for community-based development programs."

That program has supported "a whole range of projects in our service territory," he adds, from motels and Dairy

Queens to water systems and hospitals. The commodity co-ops funded with capital credit loans, Nelson explains, make those projects more stable. "Those investments need to be complemented by some new growth, generating new wealth, which is what the value-added loan program is doing."

More than 1,500 farmers served by East River Electric co-ops have taken advantage of the loan program, Nelson says. They've borrowed \$3.4 million against their capital credit allocations, putting the money into seven new enterprises: five ethanol plants, a pig-farrowing business and an egg operation with 1.2 million hens.

"We conservatively estimate that we have been responsible for generating \$7.5 million to \$10 million in new equity for our area,"

Nelson says. "This program has contributed to a burst of economic activity in the agricultural economy of our service area that is really counter to what is going on generally in many other segments of the economy. It's very dramatic in that respect."

Just as important, he adds, is the way the program makes the co-ops and their members allies in improving their communities' economic future.

"It connects the financial strength of the cooperative back to the members we serve in a way that produces tangible results. It starts with the valuable concept of cooperatives, but it takes it one step further, magnifying that value by connecting it to the consumers we serve."

Electric Utility Taxation – Did you know?

All electric utilities receive federal subsidies in one form or another. You may be surprised to learn that electric cooperatives receive the least amount of subsidy per customer.

The difference in federal subsidies for each type of utility becomes even sharper after considering that rural electric cooperatives typically serve sparsely populated areas: they have an average of 7 customers per mile compared to 35 for IOUs and 47 for municipal owned (muni) utilities.

Investor-Owned Utilities (IOUs)

Investor-owned utilities

take advantage of accelerated depreciation and investment tax credits. Federal studies have referred to this as an "interest-free loan." The annual value of this major federal assistance to investor-owned utilities is estimated at \$3.3 billion for 2003, making the subsidy to IOUs \$35 per customer¹.

Municipal-Owned Utilities (Muni's)

Muni's can issue tax-exempt bonds. The federal government loses revenue because the interest income to owners of these tax-exempt bonds is not taxed. The federal subsidy to muni's in 2003 was \$909 million or \$55 per customer².

Electric Cooperatives (Co-ops)

Electric cooperatives are not for profit businesses. Under the current Internal Revenue Code, electric cooperatives are exempt from federal income tax so long as, on an annual basis, at least 85 percent of their income comes directly from their member-owners for the sole purpose of meeting losses and expenses of providing that service.

Some electric co-ops receive loans from the Rural Utilities Service (RUS). The federal assistance is the interest subsidy (federal borrowing rate minus the RUS rate) on outstanding RUS loans.

The federal subsidy to 668 rural electric cooperatives amounted to \$35 million or \$3 per customer in 2003³. Another 235 co-ops have repaid their RUS loans in full and thus now receive no federal assistance.

*Data Source: 1. U.S. Dept. of Energy (DOE/EIA) 2003 data 2. U.S. Dept. of Energy (DOE/EIA), Financial Statistics of Selected Publicly Owned Electric Utilities 2003 *516 municipal systems (out of approx. 2,000) reported statistics to DOE 3. U.S. Dept. of Agriculture (USDA), 2003 Statistical Report, Rural Electric Borrowers, IP 201-1. November 2004*



Portable Generator Safety

Portable electric generators provide a good source of power, but if improperly installed or operated, can become deadly. The **Electrical Safety Foundation International (ESFi) and Consumer Product Safety Commission (CPSC)** recommends taking the following precautions for safe generator use:

- Contact a licensed electrician to install your generator to make sure it meets local codes. Do not connect generators directly to household wiring without an appropriate transfer switch installed. Power from generators connected directly to household wiring can backfeed along power lines and electrocute anyone coming in contact with them, including lineworkers making repairs. Other tips include:
 - Make sure your generator is properly grounded.
 - Keep the generator dry.
 - Make sure extension cords used with generators are rated for the load, and are free of cuts, worn insulation, and have three-pronged plugs.
 - Do not overload the generator. A portable generator should be used only when necessary, and only to power essential equipment or appliances.
 - Never operate the generator in enclosed or partially enclosed spaces. Use carbon monoxide detectors in nearby enclosed spaces to monitor levels. Generators can produce high levels of carbon monoxide very quickly, which can be deadly.
 - Use a ground fault circuit interrupter (GFCI) to help prevent electrocutions and electrical shock injuries.
 - Make sure fuel for the generator is stored safely, away from living areas, in properly labeled containers, and away from fuel-burning appliances. Before re-fueling, always turn the generator off and let it cool down.
 - Turn off all appliances powered by the generator before shutting down the generator.
 - Keep children away from portable generators at all times.



Electricity is a powerful tool. It can also be a lethal hazard. Better safety standards have reduced electrical hazards that cause deaths, injuries and property damage. But good safety habits are still the best prevention against electrical hazards. Visit www.electrical-safety.org for more information on electrical hazards and precautions.