

Coos-Curry Electric Annual Report



Terry C. Hanscam
President/Chairman of the Board
Director, District 1

As you are all aware, the Coos-Curry Electric Cooperative (CCEC) Board along with the new management team made some major changes beginning in the fall of 2004. To meet our loan covenants and comply with the rules requiring a cooperative to recover all of its costs and maintain a reasonable margin, the board raised our minimum monthly charge, reduced staff, and cut costs in all departments where possible. Board costs were cut 40 percent, annual meeting costs were cut 46 percent, and the home show costs were cut 70 percent, just to name a few. These measures helped turn the loss of just over \$5 million we had accumulated from 2001 to 2004 into the margin of \$850,000 we had in 2005. The cuts that were made, combined with more conservative budgeting and more detailed planning process, stabilized the cooperative's financial situation.

CCEC will continue to cut costs where possible. For example, the costs associated with a specific member's project are charged directly to that project and collected from that member. All line extension costs to a particular home site or development will be borne by that property owner.

The Pacific Northwest had a good water year in 2005, which meant there was water available during the summer months to generate electricity through the Columbia River hydropower system. The Bonneville Power Administration (BPA) was able to generate more than enough to meet the needs of Northwest electric consumers. The surplus power was sold into the California market at very good prices, which helped offset the cost of power to utilities in the Northwest.

The result was lower than anticipated wholesale power costs and a higher than expected margin for CCEC and its members. In December 2005, the Board of Directors elected to return a portion of that to the membership in the form of a one-time credit of approximately \$1 million.

Capital credit balances were sent to each member in 2005, the first time since 1985. These capital credit assignments represent each member's share of the margin, for years in which CCEC was able to recover all its costs and generate a reasonable margin and the member actually received electricity from the cooperative. CCEC will pay capital credits for the year 1971 this year, and if margins hold near the last quarter of 2006, will pay part, or if possible, all of the year 1972. Capital credits will be paid according to our By-Laws, which state first in, first out, and means those who were CCEC members contributing to the margin first will be paid capital credits first.



Werner G. Buehler
General Manager/CEO

As far as the eye can see, and as close as the nose on your face it is all important!

Vision.

As people, it's one of our most important and valuable senses. The same is true for our electric cooperative. As a cooperative, we must maintain clear vision on many levels to constantly keep the best interests of the membership in clear focus.

This vision must be far out into the future—seeing things on the horizon—like external influences on the cost of the wholesale power that CCEC buys and provides to members.

At the same time, we must always have our eyes focused on the present, the day-to-day, and on the bottom line. That's why, in addition to our concerns with the cost of power which is not entirely up to us, we are always looking for ways to limit and reduce the cost of delivering that power to your home, business, or farm—which we can do something about. We do that by implementing new programs and efficiencies like automated meter reading (AMR) and other technological tools that save the cooperative—and therefore each of you—time and money.

But not all our work and essential service can be automated. Our line crews and power restoration are a clear example of that. Getting the power to you, keeping it on and restoring it during our notorious South Coast storms is a vital job requiring great skill and experience, and our line crews do a great job. But we have to be on the lookout for who will be on our line crews tomorrow and well into the future. Anticipating these needs well into the future and addressing the issue now requires our constant vision so your service remains the best it can be. Replenishing our crews as employees retire is a major emphasis here at

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The board and staff are committed to exploring new technologies that will benefit the membership and save money in the future. The automated meter reading system (AMR) is one such platform. When fully implemented, AMR will allow your cooperative to remotely read meters, turn them on or off, keep track of peak use times, locate and respond to outages faster, and much more. In short, AMR will save money, resources and time.

The board and staff are committed to maintaining the service you as members want and have come to expect from your electric cooperative and will do so at the least cost, consistent with sound business practices. ■

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CCEC. It's an important job in our local communities, but like almost every rural utility, it's increasingly difficult competing in the job market with larger systems and larger communities to keep future line workers here.

The competitiveness and shape of other, larger utilities in the global energy picture is a place where we are observing dynamic change. Our neighbor, Pacific Power, has been merged, bought and sold three times in a decade, once to an overseas owner. Portland General Electric still struggles to emerge from the "Enron Era." Montana Power has been bought and sold twice, just recently to an Australian company. Many utilities are getting dramatically bigger and looking a lot less like utilities—both to their customers and everyone else.

We need to watch carefully to make sure CCEC is adapting to change and improving its competency—technologically and otherwise—so we can continue to provide the membership with efficiency, stability and reliability in this changing energy environment.

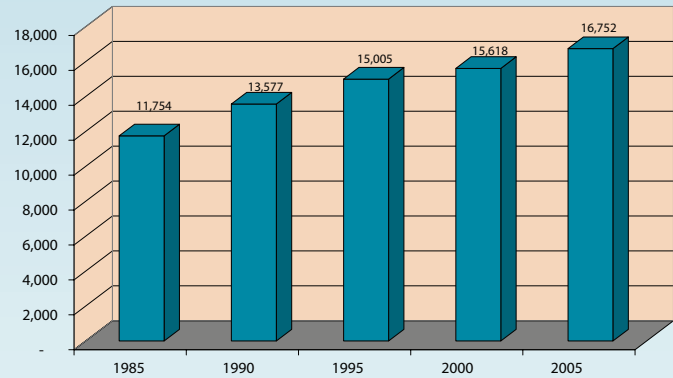
Having long-term vision while also watching the bottom line is something we do everyday for the membership. When we do it well, the entire cooperative benefits. Our conservative view of projected wholesale power costs makes sure our bases are covered and we have the available revenue to buy your power. Then, when wholesale power costs are more favorable than projected, we are able to return the savings to you in the form of rebates and credits, as we did last December. That only happens when we've been careful, and it only happens in a cooperative, where members share the benefits rather than sending those savings as profits to stockholders somewhere else in the country or the world.

As you can see, sometimes we are using binoculars and telescopes; sometimes we are using magnifying lenses and microscopes. And sometimes we are using all of them at the same time to keep the big picture in focus and still be responsible to each and every member in the best interests of the cooperative. As a result, you hear and see us communicating about wholesale power rates, federal resource policy and grassroots efforts to impact national energy and legislative agendas. These topics might put you to sleep, but we know that we can't snooze because at some point even those seemingly distant and complex issues will come back to affect our bottom line, and yours.

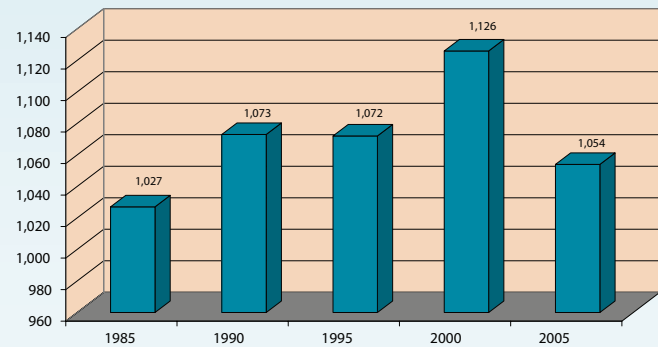
We feel a strong responsibility to keep you informed, and an even greater responsibility to always be working, seeing clearly and making good decisions on your behalf. Our board and our employees have made great strides in stabilizing operations, increasing efficiencies and always looking to provide you with the best, most cost-effective electricity and service.

We'll keep looking to the future on your behalf, while also keeping a close eye on the day to day. And we'll keep working responsibly for—and being responsive to—the membership, to keep that vision clear. ■

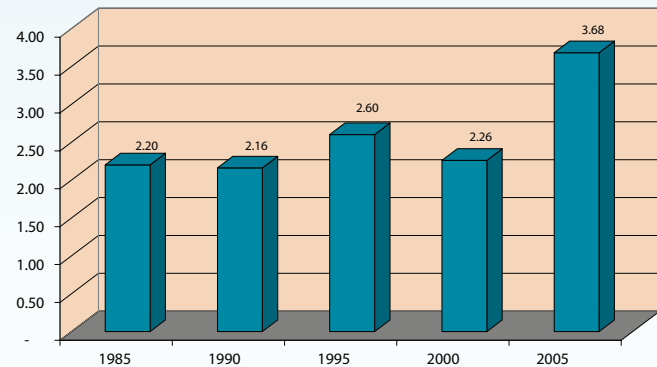
Number of Meters Served



Average Monthly kWh Usage (Residential & Residential Seasonal Customers)



Cost of Purchased Power (Cents per kWh)



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Board Candidate profiles

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