

FIVE YEAR COMPARISONS

GENERAL STATISTICS	2007	2006	2005	2004	2003
Average Number of Active Accounts	12,538	12,410	12,282	12,171	12,075
Total Miles of Electric Lines	1,696	1,679	1,672	1,652	1,637
Amount Allocated for Bad Debts (% Retail Rev.)	\$61,682	\$59,707	\$71,159	\$70,597	\$60,049
Bad Debts Written Off (Actual for year)	\$68,382	\$60,590	\$63,780	\$81,590	\$75,033

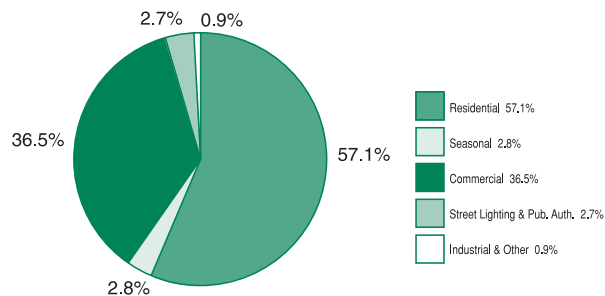
REVENUE & EXPENSE STATISTICS	2007	2006	2005	2004	2003
Average Annual kWh/Member (Res.)*	6,500	6,448	6,545	6,498	6,419
Average Annual Rev. (cents/kWh) (Res.)*	7.796	7.641	7.604	7.489	7.387
Avg. # of Consumers per Employee	358	355	361	348	355
Operations & Maint./Mile of Line	\$1,210	\$1,273	\$1,355	\$1,119	\$1,107
Average Number of Employees	35	35	34	35	34
Consumer Accounts Exp. as % of Rev.	9.80%	9.94%	9.36%	8.34%	9.39%
A&G Expense as % of Rev.	18.85%	17.71%	17.84%	15.17%	16.85%
kWh losses	9.90%	9.45%	10.03%	7.74%	9.78%

*Does not include seasonal sales.

REVENUE CLASS SUMMARY

	KWH DELIVERED	PERCENTAGE OF TOTAL DEL.	% INCREASE (DECREASE) OVER 2006
Residential Sales	53,582,696	57.1%	1.6%
Seasonal Sales	2,647,032	2.8%	-3.0%
Commercial Sales	34,291,005	36.5%	3.9%
Street Lighting & Public Auth.	<u>2,559,661</u>	<u>2.7%</u>	<u>1.4%</u>
Total Retail Delivery	93,080,394	99.1%	2.3%
Industrial & Other Delivery	<u>826,000</u>	<u>0.9%</u>	<u>N/A</u>
Totals	93,906,394	100.0%	N/A

**kWh Delivered
by Revenue Class
2007**



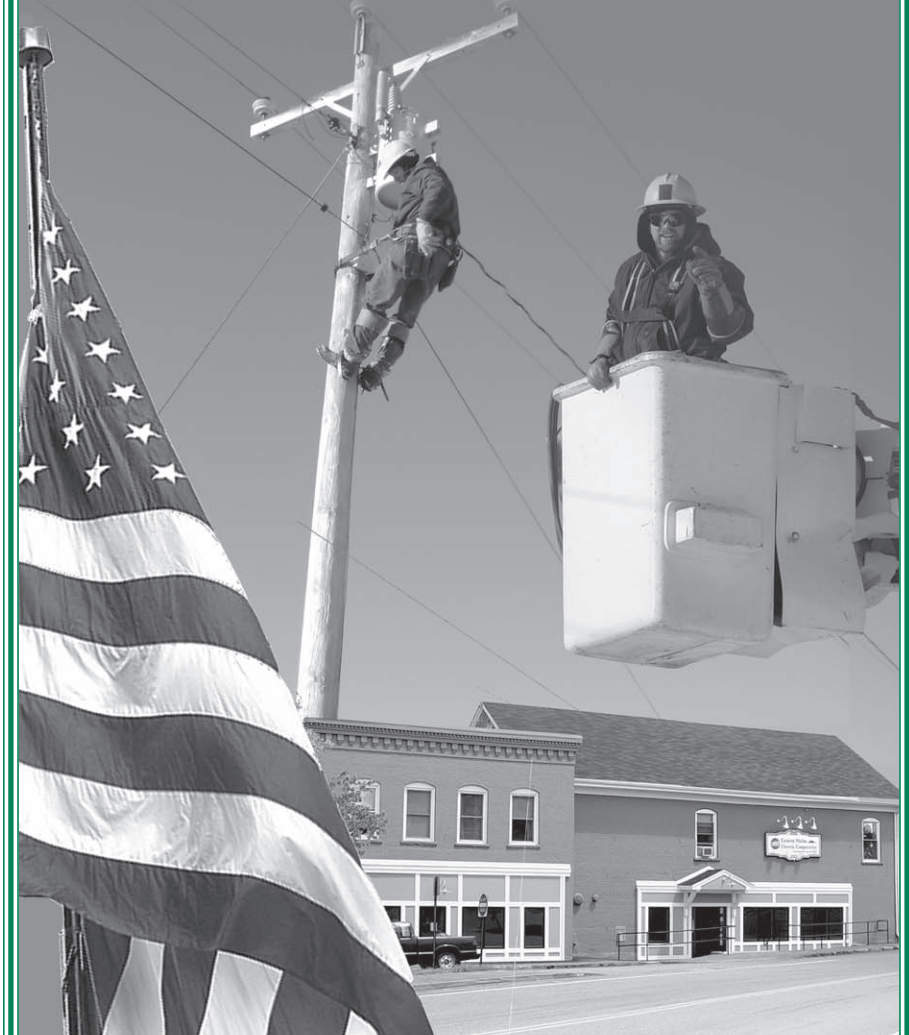
2007 ANNUAL REPORT

Eastern Maine Electric Cooperative, Inc.

P O Box 425 • Calais, ME 04619

(207) 454-7555 • (800) 696-7444

www.emec.com



Eastern Maine Electric Cooperative

Eastern Maine Electric Co-op is a nonprofit consumer-owned electric utility serving parts of Aroostook, Penobscot, and Washington Counties on Maine's Eastern Border with Canada. The primary goal of a rural electric cooperative is to provide quality electric service at the lowest cost consistent with sound management.



Mission Statement

Eastern Maine Electric Cooperative is Maine's premier consumer-owned utility providing low-cost energy solutions and adding value to our members' quality of life through creative application of technology, capital, and a dedicated workforce.



**Eastern Maine
Electric Cooperative**

A Touchstone Energy® Cooperative 

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EASTERN MAINE ELECTRIC COOPERATIVE, INC. STATEMENT OF OPERATIONS FOR THE YEARS 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Operating Revenues:		
Residential	\$ 4,177,211	\$ 4,028,928
Seasonal	444,961	439,766
Commercial	2,177,514	2,070,393
Street Lighting and Public Auth.	195,228	189,332
Industrial & Other	142,299	234,764
Other Electric	560,716	355,857
Total Operating Revenues	<u>7,697,929</u>	<u>7,319,040</u>
Operating Expenses:		
Purchased Power	<u>243,764</u>	<u>334,299</u>
Transmission	58,759	67,167
Distribution, operation	1,442,496	1,423,683
Distribution, maintenance	609,450	713,498
Consumer accounts	754,710	727,526
Customer service & informational exp.	183,886	154,488
Administrative & general	1,450,829	1,296,254
Depreciation	1,386,948	1,268,077
Amortization, regulatory asset	249,643	249,643
Interest - Long-term	919,984	881,667
Other interest and expenses	138,436	67,016
Total Oper. Exp. without Purchased Power	<u>7,195,141</u>	<u>6,849,019</u>
Total Operating Expenses	<u>7,438,905</u>	<u>7,183,318</u>
Operating Margins	<u>259,024</u>	<u>135,722</u>
Patronage dividends	37,555	28,273
Net Operating Margins	<u>296,579</u>	<u>163,995</u>
Nonoperating Margins:		
Interest income	19,702	25,039
Other	21,598	52,599
Net Nonoperating Margins	<u>41,300</u>	<u>77,638</u>
Net Margins	<u>\$ 337,879</u>	<u>\$ 241,633</u>
T.I.E.R.	1.37	1.27
Operating D.S.C.	1.68	1.61

AUDIT REPORT: The annual audit of records for the columns marked 2007 and 2006 were made by Berry, Dunn, McNeil & Parker, CPAs, 100 Middle Street, Portland, ME 04101. Copies of the audit report are on file with the Maine Public Utilities Commission, Augusta, Maine; the Rural Utilities Service, Washington, D.C.; and are available for inspection at the Cooperative's offices in Calais, Maine.

**EASTERN MAINE ELECTRIC COOPERATIVE, INC.
BALANCE SHEET
FOR THE YEARS 2007 AND 2006**

ASSETS

	<u>2007</u>	<u>2006</u>
Utility Plant:		
Electric plant in service - at cost	\$44,833,704	\$42,104,387
Construction work in progress	673,174	1,048,136
Total Utility Plant	45,506,878	43,152,523
Less: Accumulated provisions for depreciation	21,323,651	20,242,035
Net Utility Plant	24,183,227	22,910,488
Other Assets:		
Deferred charges	24,196	0
Non-utility property	351	351
Investments in associated organizations	772,047	760,150
Note receivable	153,125	240,625
Total Other Assets	949,719	1,001,126
Current Assets:		
Cash - general	248,291	415,190
Accounts receivable - net	925,257	1,107,567
Materials and supplies	506,724	476,677
Current portion of notes receivable	87,500	87,500
Other current assets	61,767	27,198
Total Current Assets	1,829,539	2,114,132
Deferred Debits:		
Regulatory asset, net of amortization of \$8,342,237 in 2007 and \$8,092,594 in 2006	7,186,858	6,885,984
Total Assets	\$34,149,343	\$32,911,730

LIABILITIES & EQUITY

Equities:		
Memberships	\$ 50,130	\$ 49,780
Patronage capital (members' ownership)	10,222,942	9,886,932
Total Margins & Equities	10,273,072	9,936,712
Long Term Debt, excluding current maturities:		
Rural Utilities Service (RUS)	9,643,902	10,159,972
Cooperative Finance Corp. (CFC)	4,376,442	3,940,048
Federal Financing Bank (FFB)	3,593,542	3,655,815
Rural Business - Cooperative Service	153,125	240,625
Total Long Term Debt	17,767,011	17,996,460
Other non-current liabilities	960,000	421,083
Current Liabilities:		
Notes payable - lines of credit	2,050,000	1,375,000
Current maturities of long-term debt	762,798	766,290
Accounts payable	743,759	1,018,490
Consumer deposits	74,049	61,512
Accrued interest	91,993	102,876
Accrued expenses and other current liabilities	368,405	362,370
Total Current Liabilities	4,091,004	3,686,538
Deferred Credits	1,058,256	870,937
Total Liabilities & Equities	\$34,149,343	\$32,911,730

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DIRECTORS

R. SCOTT SKINNER - PRESIDENT	Zone 11
Albert W. Hartford, Vice President	Zone 3
Wallace H. Lindahl, Secretary	Zone 8
Ralph E. Staples, Treasurer	Zone 9
Ralph S. Ray	Zone 1
Robert S. Olsson	Zone 2
Earl C. Hill, Jr.	Zone 4
John W. Larkin	Zone 5
Vernon M. Wentworth	Zone 6
James W. Bala	Zone 7
Virgil L. Farrar	Zone 10

CHIEF EXECUTIVE OFFICER
Scott M. Hallowell

ATTORNEY
Daniel L. Lacasse, Esq.

AUDITOR
Berry, Dunn, McNeil & Parker, CPAs

2007 REPORT TO THE MEMBERS

EMEC Operational Developments

In May of 2007, a new 25 kV circuit was energized out of the new Woodland B substation to Route 191 in Baring. The construction of this circuit resulted in an express feeder to serve members in Cooper, Marion, Meddybemps, and part of Charlotte. These members had previously been served from the Milltown circuit out of the Salmon Falls substation in Calais. The members being served from the new 25 kV circuit and from the Milltown circuit should both see an increase in service quality and reliability. The members on the shortened Milltown circuit will no longer experience blinks from the more rural areas, while the more rural area is now being served from a 25 kV source which will reduce voltage drops.

In the near future, after some construction work in Charlotte, other members in Charlotte and the Pembroke area will be served from the 25 kV source. These members are currently being served from the South Street circuit out of the Salmon Falls substation. Switching to the 25 kV source will shorten the line distance back to the substation, which should enhance the service quality and reliability.



The Cooperative continued its aggressive right of way clearing and maintenance program. The program included aerial and ground trimming as well the utilization of a “brontosaurus” mowing machine. The method of clearing used in each circumstance depends on the terrain and condition of the right of way. This multi-faceted approach has been proven to be very effective, allowing for a very cost efficient program.

While there can be instantaneous results from the right of way clearing program for the year, the substantial results come from the implementation of the program year after year. The right of way clearing program and the system improvements over the past years were substantial factors in the reduction in outage hours in 2007.

The Cooperative also upgraded its outage tracking software to improve its reliability. The outage tracking software allows EMEC members to report and receive information by phone directly from the Cooperative’s computers. Although live personnel will always be available during outages, the outage tracking software has made it possible for concerned members to receive information more quickly than human operators can provide. Additionally, the tracking software allows for more rapid diagnoses of the causes of outages. The 2007 upgrade further improved the efficiency of this equipment.

A new digger truck was put into service in the Houlton area, and the old unit was retired.



Member Services Developments

Co-op Connections™ Card Launched

Through its partnership with the other Touchstone Energy® Cooperatives, Eastern Maine Electric launched its participation in the Co-op Connections™ Card, a discount card offering discounts at over 10,000 businesses nationwide, including Alamo, Hertz, and National Car Rentals, Barnes&Noble.com, Cabot Creamery, Computrain, Goodyear, LizClaiborne.com, Omaha Steaks, Sierra Trading Post, Six Flags Theme Parks, XM Radio, and dozens more. Nearly 100 local Maine businesses added their companies to the 10,000 companies nationwide offering discounts to the members of participating Touchstone Energy Cooperatives.



Prescription Discount Offered

Touchstone Energy negotiated a prescription discount for Co-op Connections cardholders at the end of 2007. New Co-op Connection cards that provide the prescription discount were mailed to all EMEC members in February 2008. The cards lower prices not just for the ten percent or so of uninsured EMEC members, but also for Medicare recipients who have fallen into the “donut hole” in benefits. Many fully insured members also have prescriptions not covered in the formularies covered by their insurance companies.

Personnel Developments

CEO James L. Dean III retired on June 22, 2007 after 38 years as an employee of Eastern Maine Electric and 24 years as its chief executive. Dean was only the second full time manager of EMEC, which was founded as Denny’s River Electric Co-op in 1940. Dean’s tenure was filled with challenges and historic changes. He brought the cooperative back from severe financial difficulties in the 1980s and early 1990s, returning the Co-op to financial stability. In the late 1990s, he plotted EMEC’s course through electric deregulation, the largest change in the structure of Maine’s electric industry in a century. In addition to being instrumental in system planning, Dean also spurred technological improvements at EMEC, including the installation of the Co-op’s first computerized data software, the installation of automated meter reading, an automated phone system, outage tracking software, and automated outage notifications by phone.