



Eastern Maine 
Electric Cooperative
A Touchstone Energy® Cooperative 

ANNUAL REPORT



2005

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Proudly Serving Eastern Maine since 1940

Eastern Maine Electric Cooperative, Inc.

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DIRECTORS

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James L. Dean, III

CONTROLLER

Scott M. Hallowell

ATTORNEY

Daniel L. Lacasse

AUDITOR

Berry, Dunn, McNeil & Parker, CPAs

2005 REPORT TO THE MEMBERS

EMEC Operational Developments

Eastern Maine Electric signed a million-dollar contract with On Target Utility Services of Gardiner, Maine for the labor portion of EMEC's 2005 line construction package. Right of Way contractors also performed extensive tree trimming and clearing throughout the system. Work began in March and most was completed by early 2006.

Contract crews extended three-phase power from the South Princeton Road along Route 9 eastward to the Love Lake Road, and the Cooperative's linemen redistributed the side taps and individual residences between the original line and the two new phases. The result will be better voltage stability for all of the affected members in Alexander Crawford, and Wesley.



Baileyville (Woodland)



Over the next few years, some of the Co-op's most significant improvements will take place in and around Baileyville (Woodland). The current work plan calls for upgrading the primary feeds for the downtown Woodland distribution system from 2.4 kiloVolts (kV) to 7.2 kV, eventually rebuilding all of the downtown distribution grid. Additionally, the Woodland substation transformer will be upgraded, and a second transformer will be installed, creating, in

essence, a second substation. This "Woodland B" substation will provide additional redundancy to Woodland while it provides power to EMEC members as far away as Cooper, and Pembroke by means of a 25 kV "express feeder."

Line crews built the portion of the new feeder that runs from Woodland substation down Route 1 past the Bluebird Ranch



warehouse across from the Woodland Big Stop early in 2005. This feeder extends along the transmission line right of way through the woods to Route 191.

In September and October of 2005, work crews expanded the fenced-in area of the Woodland substation and completed the concrete work for the new Woodland B substation pad. Crews have also rebuilt the circuit from the Anderson Pitt Road to the Domtar access road and converted it to 7.2 kV. A new three-phase line has been built down the access road to Main Street. This new Princeton-to-Woodland feed will allow crews to begin upgrading the downtown Woodland grid to 7.2 kV power utilizing 7.2kV feeds from both ends of the project area.

The Mount Tom Road

EMEC crews are moving the power lines serving the Mount Tom Road out of the woods to the roadside where there will be fewer tree-related outages and where repairs can be made more quickly. The project was divided into three phases. The first phase, from Little Falls up to the Charlotte-Pembroke Town Line, was completed in May 2005. Right of way for phase two, from the Pembroke town line to the Baptist Youth Camp, has been cleared, and construction will be completed in the summer of 2006. Phase three is from the youth camp to Route 214, and it will be completed by the end of 2006.

Middle Area

Extensive right-of-way trimming and clearing was performed on Route 6 in 2005. In October, line crews from On Target constructed 2.2 miles of line next to the road on Route 6 between Topsfield and Springfield. This section replaces two stretches of line that used to run through the woods near Musquash Lake. By moving the lines roadside, the Co-op has cut

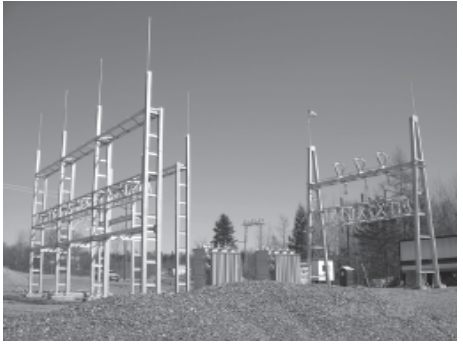


down on the number of tree-related outages, while also cutting repair times for outages that do occur. Members in the Springfield, Kingman, Prentiss and Mattawamkeag areas will benefit substantially from these improvements. This new construction will also increase load capacity on this important feeder.

Northern Area Operational Improvements

Crews began to clear ground for the new Ludlow substation in September 2005. The ground work, concrete, and fencing for this 5000 kVA substation was completed in October. The entire substation is still scheduled for completion later this year (2006).

Contract crews rebuilt the Ludlow-to-Smyrna feeder, upgrading it from two to three phases in late 2005 and early 2006. One mile of that line was rebuilt with insulated tree wire to further improve electrical reliability. These changes should make a noticeable difference in Oakfield and Smyrna.



Contract crews have also installed insulated tree wire on the off-road section of the north feeder from the Patten substation. The line runs from Finch Hill in Patten through the woods to Route 11 north of the Shin Pond Road.

Finally, crews upgraded 2.9 miles of single-phase line along Route 159 (Shin Pond Rd.) to three phases.

Personnel

In April 2006, the Cooperative hired Manager of Engineering Dean Denis.

In December 2005, EMEC became the 626th cooperative in the United States to join Touchstone Energy ® Cooperatives (TSE), a national alliance of local, consumer-owned utilities. Cooperatives joining the alliance unite themselves under a nationwide co-brand and a commitment to providing high standards of service. The decision by EMEC’s Board of Directors to join the alliance also marks a milestone for Touchstone Energy: members of the alliance now serve in 45 states instead of 44.

Financial Developments

Rural Utilities Service (RUS) and the National Rural Utilities Cooperative Finance Corporation (CFC) approved a \$7.992 million loan in 2004. EMEC drew down \$2.103 million on the RUS portion of this loan in 2005.

Industry Developments

Rising fuel costs increasingly concerned industry leaders in 2005. Electric supply prices began to rise as a result. Secondary impacts are expected in the delivery side of the electric industry, since materials shipping, truck fleet operations, and other vendor contracts will all be impacted by the rising cost of fuel. As of May 2006, however, EMEC members were paying the least total cost (supply and delivery combined) for electricity of any rural-inclusive utility in the state (including Central Maine Power, Maine Public Service, and Bangor Hydro-Electric).

EASTERN MAINE ELECTRIC COOPERATIVE, INC.
BALANCE SHEET
FOR THE YEARS 2005 AND 2004

ASSETS

Utility Plant:

	2005	2004
Electric plant in service - at cost	\$39,552,116	\$36,997,042
Construction work in progress	944,267	640,170
Total Utility Plant	40,496,383	37,637,212
Less: Accumulated provisions for depreciation	19,649,494	18,847,286
Net Utility Plant	20,846,889	18,789,926

Other Assets:

Deferred charges	22,283	51,217
Non-utility property	701	701
Investments in associated organizations	752,209	745,533
Note receivable	328,125	415,625
Total Other Assets	1,103,318	1,213,076

Current Assets:

Cash - general	170,542	84,397
Accounts receivable - net	1,102,972	1,150,685
Materials and supplies	583,852	394,042
Current portion of investments in assoc. organizations	0	104,601
Current portion of notes receivable	87,500	87,500
Other current assets	730	2,927
Total Current Assets	1,945,596	1,824,152

Deferred Debits:

Regulatory asset, net of amortization of \$7,842,951 in 2005 and \$7,593,308 in 2004	7,135,627	7,385,270
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Total Assets

\$31,031,430 **\$29,212,424**

LIABILITIES & EQUITY

Equities:

Memberships	\$ 49,365	\$ 48,950
Patronage capital (members' ownership)	9,649,626	9,370,684
Total Margins & Equities	9,698,991	9,419,634

Long Term Debt, excluding current maturities:

Rural Utilities Service (RUS)	10,002,782	8,368,581
Cooperative Finance Corp. (CFC)	2,159,487	2,218,948
Federal Financing Bank (FFB)	3,730,058	3,786,510
Rural Business - Cooperative Service	328,125	415,625
Total Long Term Debt	16,220,452	14,789,664

Other non-current liabilities

400,083 **379,117**

Current Liabilities:

Notes payable - line of credit	1,560,495	1,965,168
Current maturities of long-term debt	670,044	669,000
Accounts payable	1,094,900	799,995
Consumer deposits	68,388	60,620
Accrued interest	84,611	36,537
Accrued expenses and other current liabilities	378,007	367,555

Total Current Liabilities **3,856,445** **3,898,875**

Deferred Credits

855,459 **725,134**

Total Liabilities & Equities

\$31,031,430 **\$29,212,424**

EASTERN MAINE ELECTRIC COOPERATIVE, INC.
STATEMENT OF OPERATIONS
FOR THE YEARS 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Operating Revenues:		
Residential	\$ 4,077,241	\$ 3,983,098
Seasonal	409,827	389,832
Commercial	2,036,601	1,975,328
Street Lighting and Public Auth.	196,329	198,987
Industrial & Other	335,662	1,189,689
Other Electric	350,962	345,001
Total Operating Revenues	<u>7,406,622</u>	<u>8,081,935</u>
Operating Expenses:		
Purchased Power	436,887	1,205,277
Transmission	49,747	91,205
Distribution, operation	1,504,639	1,349,523
Distribution, maintenance	761,671	499,702
Consumer accounts	693,657	674,367
Customer service & informational exp.	123,767	113,811
Administrative & general	1,321,142	1,225,695
Depreciation	1,213,151	1,286,487
Amortization, regulatory asset	249,643	540,893
Interest - Long-term	766,011	637,145
Other interest and expenses	46,683	74,568
Total Oper. Exp. without Purchased Power	<u>6,730,021</u>	<u>6,493,396</u>
Total Operating Expenses	<u>7,166,908</u>	<u>7,698,673</u>
Operating Margins	<u>239,714</u>	<u>383,262</u>
Patronage dividends	23,855	29,467
Net Operating Margins	<u>263,569</u>	<u>412,729</u>
Nonoperating Margins:		
Interest income	19,826	19,705
Other	6,297	6,600
Net Nonoperating Margins	<u>26,123</u>	<u>26,305</u>
Net Margins	<u><u>\$ 289,692</u></u>	<u><u>\$ 439,034</u></u>
T.I.E.R.	1.38	1.69
Operating D.S.C.	1.78	1.01

AUDIT REPORT: The annual audit of records for the columns marked 2005 and 2004 were made by Berry, Dunn, McNeil & Parker, CPA's, 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.

FIVE YEAR COMPARISONS

GENERAL STATISTICS	2005	2004	2003	2002	2001
Average Number of Active Accounts	12,282	12,171	12,075	11,990	11,887
Total Miles of Electric Lines	1,672	1,652	1,637	1,627	1,620
Amount Allocated for Bad Debts (% Retail Rev.)	\$71,159	\$70,597	\$60,049	\$58,162	\$72,933
Bad Debts Written Off (Actual for year)	\$63,780	\$81,590	\$75,033	\$74,800	\$69,908

REVENUE & EXPENSE STATISTICS	2005	2004	2003	2002	2001
Average Annual kWh/Member (Res.)*	6,545	6,498	6,419	6,194	6,171
Average Annual Rev. (cents/kWh) (Res.)*	7.604	7.489	7.387	7.372	7.390
Avg. # of Consumers per Employee	361	348	355	353	350
Operations & Maint./Mile of Line	\$1,355	\$1,119	\$1,107	\$946	\$856
Average Number of Employees	34	35	34	34	34
Consumer Accounts Exp. as % of Rev.	9.36%	8.34%	9.39%	7.43%	8.17%
A&G Expense as % of Rev.	17.84%	15.17%	16.85%	12.99%	13.80%
kWh losses	9.12%	7.74%	9.78%	8.34%	8.20%

*Does not include seasonal sales.

REVENUE CLASS SUMMARY	KWH DELIVERED	PERCENTAGE OF TOTAL DEL.	% INCREASE (DECREASE) OVER 2004
Residential Sales	53,619,460	56.8%	0.8%
Seasonal Sales	2,460,500	2.6%	6.0%
Commercial Sales	32,576,880	34.5%	0.8%
Street Lighting & Public Auth.	<u>2,668,000</u>	<u>2.8%</u>	<u>-3.7%</u>
Total Retail Delivery	91,324,840	96.7%	0.8%
Industrial & Other Delivery	<u>3,089,000</u>	<u>3.3%</u>	<u>N/A</u>
Totals	94,413,840	100.0%	N/A