



President's Report

Once again it has been my pleasure to serve as President of Webster Electric Cooperative. This past year was more successful than we ever could have imagined. In addition to creating Webster Technologies we accomplished many financial milestones.

The creation of Webster Technologies has given our communities access to cutting edge technology. Currently Webster Technologies has fiber optic cable linking schools and business from Marshfield to Seymour to Springfield.

Schools, businesses and health organizations will all benefit from this technology. I am also please to announce that we will soon be offering local Internet access through Webster Technologies. In addition to these current developments, our partnership with Sho-Me Technologies gives us virtually unlimited possibilities for the future.

Webster Electric's retirement of a portion of 1996's patronage capital also proved to be a great success. As a result, I am pleased to announce that we will be retiring 15% of 1997's patronage capital this year. In addition we will be retiring 50% of 1986's patronage capital. These developments give us great confidence for a successful future.

I thank you for attending your annual meeting. I would also like to thank the Board of Directors, management and employees of Webster Electric. They are the reason that Webster Electric is the best electric utility in Missouri.

Herbert E. Luttrull
President

Rates and Inflation

How has the cost of electricity gone up in comparison to inflation? Over the past 12 years inflation has averaged over 3% per year. Individual years have been as high as 6.1% and as low as 1.1%.

In contrast, Webster Electric's rate increases over that same time frame have been zero. And there will be no increase this year.



In total, the cost of living has gone up 47% since our last rate increase. Maintaining stable rates has saved the average consumer in excess of \$2,500 during this time.

Think about it, what else can you buy that costs the same as it did a dozen years ago?

Patronage Capital for 1997

Patronage capital is the amount of revenue received in excess of the cost of supplying electric service. It is used by the Cooperative to reduce indebtedness on RUS loans, maintaining a necessary emergency fund and for providing a favorable cash flow balance.

Although patronage capital is computed and quoted to members each year, patronage capital for 1997 will not be paid nor taken as credit against electric bills in 1998. It will be allocated until such time as the financial condition of the Cooperative permits it to be paid to members.

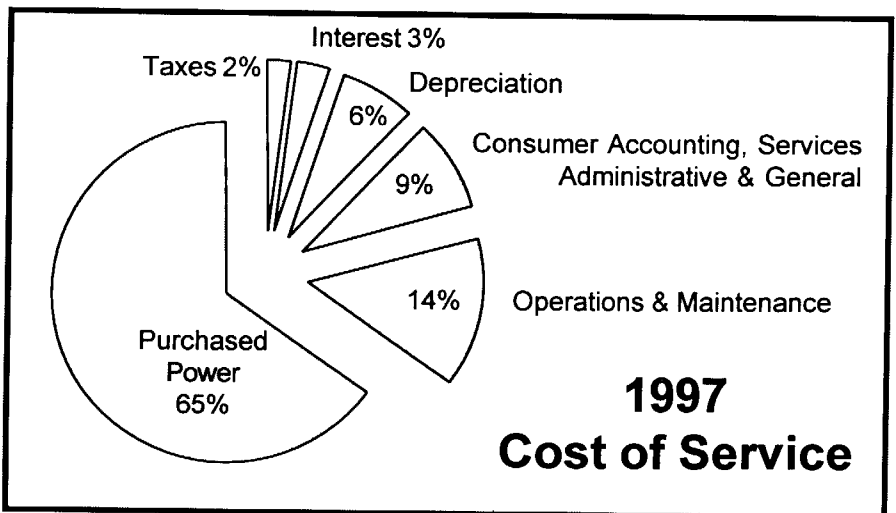
Expressed as a percentage of total revenue, patronage capital for 1997 is .1454. To determine the amount of patronage capital allocated to you, multiply the amount you paid for electricity (less taxes) in 1997 by .1454.

Operating Report 1997

1. Operating Revenue	<u>\$ 14,619,545</u>
2. Cost of Purchased Power	8,257,184
3. Operations Expense	293,559
4. Maintenance Expense	1,473,738
5. Consumer Accounting Expense	366,519
6. Customer Service & Information Expense	74,686
7. Administrative and General Expense	684,419
8. Total Operational Expenses	<u>\$ 11,150,105</u>
9. Depreciation and Amortization	877,295
10. Property Taxes	186,336
11. Other Taxes	60,701
12. Interest on Long Term Debt	400,205
13. Other Interest and Deductions	2,093
14. Total Cost of Service	<u>\$ 12,676,735</u>
15. Operating Margins	1,942,810
16. Non-Operating Margins	142,379
17. Total Patronage Capital (Margins)	<u>\$ 2,085,189</u>

General Information

	<u>1996</u>	<u>1997</u>
Total Membership	13,623	14,104
KWH Purchased	248,626,965	252,366,612
KWH Sold	234,139,734	238,292,796
Line Loss	5.83%	5.58%
Average KWH Used (Monthly)	1,123	1,095
Average Member Cost Per KWH	6.01 Cents	6.02 Cents
Employees	30	32
Miles of Line	1,610	1,693
Members Per Mile of Line	8.21	8.34
Net Value of Utility Plant	\$20,451,203	\$21,974,069
Investment Per Mile of Line	\$12,703	\$12,964
Long Term Debt REA & CFC	\$9,897,456	\$9,484,003



Whitlock Selim & Keehn

Certified Public Accountants

To The Board of Directors,
Webster Electric Cooperative:

June 19, 1998

We have audited the accompanying balance sheet of Webster Electric Cooperative Inc., at April 30, 1998 and 1997, and the related statements of revenue, expenses and patronage capital and cash flows for the year then ended. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted governmental auditing standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Webster Electric Cooperative, Inc., as of April 30, 1998 and 1997, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Whitlock Selim & Keehn, LLP