

President's Report 2000

The Mayor of San Diego declared a state of emergency last month. Not because of a natural disaster, but because the price of electricity had gone through the roof. The "market-based" rates that were hailed as a way to save billions of dollars actually produced costs two to three times higher for the average consumer.

Legislation has been proposed to rollback rates to pre-deregulation levels, freeze rates from future increases, and to repeal the 1996 law that deregulated electricity sales. The legislation was hailed as a way to ensure affordable and reliable electricity.

In 1945 a group of individuals created Webster Electric Cooperative, its two main purposes being to provide reliable electric service at affordable rates, and to enrich the life of the community. Some thought it was an experiment that would never work, others believed in it wholeheartedly.

Now there are some who want to experiment further and deregulate electric utilities in Missouri. If this experiment takes place we are asking for the ultimate consumer protection; let people have the choice to remain as they are now. If they want a market-based rate, fine, but don't force everyone into this experiment.

As the debate concerning deregulation in Missouri continues, let your elected representative know what you think. We at Webster Electric will continue to provide you with reliable electric service at affordable rate, with or without legislation mandating us to do so.

Look for additional information about the cooperative at our new website:

www.websterec.com

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Prizes Furnished By...

A special thanks to all the vendors that contributed to the prize drawing this year. They include*:

Alltel
Arbor R.O.W./Chemtrol
Arkansas Electric
Ballard Farms
Cintas
Corner Printing
Diversified Electric
Fletcher Reinhardt
Folgers
Graybar Electric
Harry Cooper Supply
Hentges Tree Service
Ledbetter & Toth Engineers
Loyd Electric
PCS
Poor Boy Tree Service
RadioPhone
Sho-Me Power
Singer Auto Parts
Southern Construction
Southern Wood Preserving
Supreme Oil Co.
Temple
Tension Envelope
Thomason Lumber
Wal-Mart

*Four packages of 200 minutes of free air time
White Mountain Ice Cream Maker
Two Amagift \$50 Gift Catalogs
Bradford Pear Tree
Two \$50 Gift Certificates from Cintas
Letterhead and Envelopes
Black & Decker Food Processor
Lakewood 12" Oscillating Fan
Collection of Coffee Mugs
Cooler, Beach/Golf Umbrella
Emerson Ceiling Fan
\$100 donation
19" TV/VCR Combo
Firex Smoke Alarm
Hat and Shirt
Hair Dryer, Curling Iron, Iron, Flash Light
Motorola Two Way Radio Set
Sanyo 25" Color TV
Punch Set
Sanyo Mini Home Stereo System/ CD-Player
\$50 donation
Model Airplane and Model tanker truck
Regal KitchenPro Breadmaker
\$50 donation
\$25 Wal-Mart Gift Certificate
Brinkman Smoker/Grill*

**contributors as of September 8th, 2000*

Proposed Bylaw Changes

Proposition #1 *Clarifies the description of persons eligible for membership. Was recommended by legal counsel.*

SECTION 1.1 Requirements for Membership. Any person, firm, association, corporation, ~~or body politic or subdivision thereof~~ business trust, partnership, federal agency, state or political subdivision or agency thereof or any body politic may become a member in Webster Electric Cooperative (hereinafter called "Cooperative") by:

- (a) filing a written application for membership therein;
- (b) agreeing to purchase from the Cooperative electric energy as hereinafter specified;

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Proposed Bylaw Changes

(continued)

(c) agreeing to comply with and be bound by the articles of incorporation and bylaws of the Cooperative any rules and regulations adopted by the Board of Directors; and

(d) paying the membership fee hereinafter specified; provided, however, that no person, firm, association, corporation or body politic or subdivision thereof applicant shall become a member unless and until he or it has been accepted for membership by the Board of Directors or the members. No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in these bylaws.

Proposition #2 *Removes the membership fee requirement.*

SECTION 1.1 Requirements for Membership. Any person, firm, association, corporation, or body politic or subdivision thereof may become a member in Webster Electric Cooperative (hereinafter called “Cooperative”) by:

- (a) filing a written application for membership therein;
- (b) agreeing to purchase from the Cooperative electric energy as hereinafter specified;
- (c) agreeing to comply with and be bound by the articles of incorporation and bylaws of the Cooperative any rules and regulations adopted by the Board of Directors; and

(d) ~~paying the membership fee hereinafter specified;~~ provided, however, that no person, firm, association, corporation or body politic or subdivision thereof shall become a member unless and until he or it has been accepted for membership by the Board of Directors or the members. No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in these bylaws.

SECTION 1.4 Membership and Service Connection Fees. ~~The member fee shall be Ten Dollars, upon the payment of which a member shall be eligible for one service connection.~~ A service connection fee shall be charged and collected in the amount and under the conditions established by the

Proposed Bylaw Changes

(continued)

Cooperative’s rules and regulations. ~~of Ten Dollars shall be charged for each additional service connection.~~

Proposition #3 *Reduces the quorum requirement to statutory minimum.*

SECTION 3.4 Quorum. ~~Five~~ Two percent of the first 2,000 members and ~~two~~ one percent of the remaining members, present in person shall constitute a quorum for the transaction of business at all meetings of the members. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice.

Proposition #4 *Allows delegation of Secretary and Treasurer duties.*

SECTION 6.12: Delegation of Secretary and Treasurer Responsibilities. Notwithstanding the duties, responsibilities, and authorities of the Secretary and the Treasurer herein above provided, the Board of Directors by resolution may, except as otherwise limited by law, delegate the responsibility, authority and administrative duties in whole or part to one or more of the agents, other officers, or employees of the Cooperative who are not directors. To the extent that the Board does so delegate with respect to any officer, that officer as such shall be released from such duties, responsibilities and authorities.

Proposition #5 *Removes the restriction on Cooperative investment or participation in other organizations.*

SECTION ~~11.1~~ Membership in Other Organizations. ~~The Cooperative shall not become a member of or purchase stock in any other organization without an affirmative vote of the members at a duly held meeting, the notice of which shall specify that action is to be taken upon such proposed membership or stock purchase, provided, however, that the Cooperative may upon the authorization of the Board of Directors, purchase stock in or become a member of any corporation or organization organized on a non-profit basis for the purpose of engaging in or furthering the cause of rural electrification, or with the approval of the Administrator or REA, or any other corporation for the purpose of acquiring electric facilities.~~

Renumber remaining sections.

General Information

	1998	1999
Total Membership	14,571	15,041
KWH Purchased	269,552,527	269,447,446
KWH Sold	253,662,258	255,251,519
Line Loss	5.90%	5.27%
Average KWH Used (Monthly)	1,123	1,092
Average Member Cost Per KWH	5.96 Cents	6.00 Cents
Employees	32	32
Miles of Line	1,717	1,746
Members Per Mile of Line	8.49	8.61
Net Value of Utility Plant	\$23,019,988	\$24,305,799
Investment Per Mile of Line	\$13,407	\$13,920
Long Term Debt REA & CFC	\$9,064,813	\$8,634,034

1999 Operating Report

1. Operating Revenue	<u>\$ 15,622,566</u>
2. Cost of Purchased Power	9,707,695
3. Operations Expense	397,072
4. Maintenance Expense	1,461,403
5. Consumer Accounting Expense	501,210
6. Customer Service & Information Expense	99,990
7. Administrative and General Expense	571,822
8. Total Operational Expenses	<u>\$ 12,739,192</u>
9. Depreciation and Amortization	988,915
10. Property Taxes	200,607
11. Interest on Long Term Debt	371,681
12. Other Interest and Deductions	3,307
13. Total Cost of Service	<u>\$ 14,303,702</u>
14. Operating Margins	1,318,864
15. Non-Operating Margins	156,081
16. Total Patronage Capital (Margins)	<u>\$ 1,474,945</u>

WHITLOCK SELIM & KEEHN, LLP

LETTICED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

We have audited the accompanying balance sheet of Webster Electric Cooperative, Inc., at April 30, 2000 and 1999, 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, 2000 and 1999, and the results of its operation and its cash flows for the year ended in conformity with generally accepted accounting principles.

Whitlock Selim & Keehn, LLP

Patronage Capital Retirement

Over the past six years Webster Electric has retired almost \$4 million in patronage capital. Our strong financial position has allowed us to do this while financing new construction out of general funds. During this same six-year period we reduced our indebtedness by \$1.6 million, and added \$8 million to our utility plant.

While it's obvious that Webster Electric is enjoying tremendous success, it comes at a price. The expenditures mentioned above amount to \$13.6 million, while margins for that same period were only \$10 million. This has resulted in a decrease in cash reserves of \$3.6 million.

This same six-year period brought an increase of 26% in membership. To meet the increased demand for electricity, Sho-Me Power is constructing the Fordland substation. To take power out of this new substation will cost Webster Electric over \$1 million in 2000.

The Board of Directors has allocated an additional \$1 million for the first phase of AMR, or Automated Meter Reading equipment. The complete system will cost approximately \$2.5 million.

The net result is that we are out of cash. We have been approved for loan funds through the Federal Financing Bank to finance new construction and the AMR system. However, because of our cash position, the Board of Directors decided against retiring patronage in 2000.

Herbert Luttrull, President of Webster Electric put it this way, "when it came right down to it, it was an easy decision. We have to build the Fordland Substation, we have to build new services, and we need to prepare for the future with AMR. It just doesn't make sense to borrow money to retire patronage."

Patronage Capital Allocation

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 1999 will not be paid nor taken as credit against electric bills in 2000. 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 1999 is .09626. To determine the amount of patronage capital allocated to you, multiply the amount you paid for electricity (less taxes) in 1999 by .09626.

Automated Meter Reading (AMR)

As the result of a vote taken during the June board meeting, members on Webster Electric Cooperative's power lines will begin seeing the installation of Automated Meter Readers (AMR) starting early next year.

The board approved a budget of \$1 million dollars for 2001 for AMR, a number that represents almost half of the expected expenditures to equip the entire system with the new devices. General Manager Terrance Stewart estimates that it will take three years to install the necessary core equipment at the co-op, the relay equipment at all the substations, and the individual meters at each meter base.

Not only will the updated system alleviate errors and members' frustrations over reading their own meters, it will provide outage detection and help the cooperative track voltage irregularities and load characteristics to mitigate the number and severity of power outages.

When the system is in place and members are brought online, the computerized devices will regularly send information over electrical lines to a database at the cooperative. Computers will coordinate meter readings with billing information, and monthly bills will be printed out and mailed to each member.

Cooperative officials are enthusiastic about the changes being made. "This will revolutionize the way we do business," states board president Herbert Luttrull. "It will provide the cooperative with accurate, up-to-date information and will be a significant convenience to members."

The process will start January 1, 2001 with the installation of the necessary hardware and software at the cooperative office in Marshfield. As that is being done, modulating transformers and a remote transmitter unit will be set up at each of eleven substations on the Webster Electric system. After that, an average of 25 meters per day will be installed at 18,000 businesses and residences.

Foundation

The Webster Electric Foundation provides grants to community-minded non-profit organizations to improve the quality of life of residents in Webster Electric Cooperative's seven-county service area. All operating expenses of the foundation are donated by the cooperative, leaving 100% of funds donated available for community-betterment projects.

Since the Foundation was created in January 1999, almost \$100,000 has been raised and distributed to area groups, who in-turn serve more than 35,000 local people. Funding is provided by Operation Round Up (cooperative members agree to "round up" their monthly electric bill to the nearest dollar), as well as the Touchstone Energy Pro-Am golf tournament.

Funds have been distributed for child abuse prevention training, play-ground equipment, library computer equipment, drug abuse prevention, youth football, nature center renovation, fire department training equipment, completion of a community center, bleacher seating at the fairgrounds, and fire rescue equipment, among other projects.

Touchstone Energy Pro-Am

The First Annual Touchstone Energy Pro-Am golf tournament was held August 9, 2000, at the Marshfield Country Club. This PGA-sanctioned event was hosted by Webster Electric, with all the proceeds going to area charities. The tournament was one of five pro-ams associated with the BUY.COM Ozarks Open.

One BUY.COM professional golfer played with each of the twenty-one teams in the tournament, which raised over \$40,000. Half of the money will go to the Webster Electric Foundation, with the other half going to the John Q. Hammons Foundation.

Due to the great success of this year's tournament, General Manager Terry Stewart expects the second annual event to be an early sell-out.

Board of Directors

*Herbert Luttrull
Rogersville*

*Herman Vestal
Niangua*

*Joe Hyde
Marshfield*

*Clint Snider
Marshfield*

*Scott Lamborn
Cody*

*Bill Atkinson
Crown*

*John A. Brown
High Prairie*

*Raymond Atkinson
Fordland*

*Alfred Buckner
Elkland*