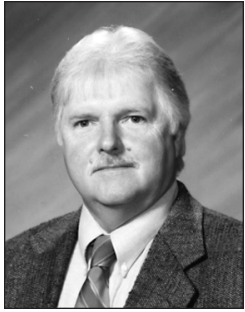


RURAL
MISSOURI

The 69th
Annual
Meeting of
Farmers'
Electric  Cooperative

June 5, 2007

Gary Dickinson Performing Arts Center
Chillicothe, Missouri



Ron Cornett
President

Changes are in the wind

Welcome Farmers' Electric Cooperative members to unsettled times with your cooperative, your nation and the world. There are a lot of changes taking place that are causing a lot of concern.

Our days of cheap fuel, food and energy rates are probably gone. I wish that I could tell you that electric rates were stable and the future looks great, but the fact is we will have rate increases. Fuel costs will cause rates to increase. Materials we must have to maintain

our system will continue to increase in cost. Transportation, trucks and equipment will cost more. We continue to work hard to keep costs down, but we know we will have to pass on those costs to our members as we receive rate increases from our power supplier.

June 5 is FEC's Annual Meeting. Come out to the meet and see all of the great things your cooperative is doing and talk to your employees management and directors. We look forward to seeing you there and will be glad to

answer questions you may have.

Even with rate increases, electric costs are still a good buy and of all energy types, electricity has been the most stable thanks to your cooperative organizations. The demand for electricity continues to grow. Associated Electric, our power supplier, no longer has excess power that they can sell. With the increased demand for electricity new generation must be built.

Come hear what is in the wind at the June 5 Annual Meeting in Chillicothe.

We hope to see you June 5

It has been nearly a year since I replaced Dan Bryan as the CEO of Farmers' Electric.

We have made several changes in that time, including completing our Automatic Meter Reading program. This program was completed nearly a year earlier than scheduled.

Besides saving you from having to read the meter, the AMR program provides the Cooperative assistance in locating the source of a power outage, tracking usage patterns, and

monitoring the number of blinks that occur so that we might be able to correct problems.

Other changes include switching our bill format from a postcard bill to a letter-type bill, and revising our water heater and heat pump programs. And, there are more changes to take place in the not too distant future. All of these changes were made to provide you with better service or to improve the financial condition of the cooperative.

On June 5, Farmers' Electric will have your Annual Meeting at the Chillicothe High School. More details on this meeting can be found in other areas of this magazine. This year when you register, you will receive a hardback copy on the history of Farmers' Electric.

We hope that you can attend the Annual Meeting and learn more about what is going on at your Cooperative.



Mike Sanders
CEO

Notice of Regular Meeting of Members of Farmers' Electric Cooperative

A regular meeting of the members of the above Cooperative will be held in the Gary Dickinson Performing Arts Theater, located at the Chillicothe High School, 2801 Hornet Drive, in Chillicothe, Missouri, at 7 o'clock p.m., Daylight Savings Time, on the 5th day of June, 2007, to take action upon the following matters:

1. The reports of Officers, Directors and Committees;
2. The election of one (1) Director of the Cooperative;
3. The election of a Committee on Nominations (one member from each of the seven (7)

Cooperative districts);

4. Any resolutions presented to the meeting by the Resolutions Committee appointed by the Board of Directors.

In connection with the election of one (1) Director scheduled for this meeting, the following member has been nominated for Director by the Committee on Nominations elected by the membership present at the 2006 Annual Meeting, pursuant to the Bylaws: from District No. 6 - Ray F. Shields, 24331 Berry Drive, Meadville, MO 64659.

No nominations were made by petition. Additional nominations for Directors may be made at the meeting, but any

such nominees must be actual residents within the District for which a vacancy occurs. Nominees at this Annual Meeting must reside within the following District: District No. 6 - Linn County, Missouri.

Said regular meeting of the members of the Cooperative has been called by a resolution duly adopted by the Board of Directors of the Cooperative at the regular meeting of the Board of Directors held on the 22nd day of June, 2006.

LeRoy Kern, Secretary

Dated: May 12, 2007

Regular Meeting of Members of Farmers' Electric Cooperative

Andreck, Evans, Milne, Widger & Johnson

A regular meeting of the members of Farmers' Electric Cooperative, Incorporated, was held at the Gary Dickison Performing Arts Theater, located at the Chillicothe High School, 2801 Hornet Drive, in Chillicothe, Missouri, at 7 p.m. Daylight Savings Time, on the 6th day of June, 2006.

The meeting was called to order by Ronnie D. Cornett, President of the Cooperative, who presided, and LeRoy Kern, Secretary of the Cooperative, acted as Secretary of the meeting and kept the Minutes thereof.

The Secretary reported that the members present in person or by proxy had been checked and that there were 526 members present in person and 0 members present by proxy and that the names of those members present in person are attached hereto and made a part of these Minutes; said members present in person constituting a quorum of the members of the Cooperative.

Michael L. Sanders, Manager of the Cooperative, gave a report of the progress of the Cooperative during the past year. Various problems in connection with the operation of the Cooperative were enumerated and discussed.

The Secretary then presented and read a copy of the Notice of this meeting, together with proof of the due mailing thereof to all members of the Cooperative, and such Notice and proof were ordered to be annexed to the Minutes of this meeting.

The Minutes of the regular meeting of the members of Farmers' Electric Cooperative, Incorporated, of June 5, 2005, were presented and on motion duly made and seconded said Minutes were unanimously approved.

The Chairman then explained fully the proposal to amend ARTICLE IV, SECTION 4.04 of the Bylaws of the Cooperative by rescinding or deleting all of said SECTION 4.04 and adopting and inserting in lieu thereof a new SECTION 4.04, and said proposal to amend the Bylaws of the Cooperative, a copy of which proposed amendment was printed and contained within the Notice of the Regular Meeting of Members which had been mailed to each Member of the Cooperative, was discussed at length and in detail. After discussion thereof, on motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that ARTICLE IV, Section 4.04 of the Bylaws of the Cooperative be amended by rescinding or deleting all of said Section 4.04 under ARTICLE IV, which said new Section shall read as follows:

SECTION 4.04. **Qualifications.** No person shall be eligible to become or remain a Director of the Cooperative who:

- (a) is not a member and bona fide resident consumer in the area served by the Cooperative (i.e. such member must actually live in a residence being served by the Cooperative), and be a bona fide resident of the District in which the office of Director exists; or
- (b) is an employee, outside or independent contractor of the Cooperative, or has within five (5) years preceeding the date of election been an employee, outside or independent contractor of the Cooperative; or
- (c) is not at least eighteen (18) years of age or is in any way interested in a competing enterprise or a business selling electric energy or supplies to the Cooperative.

Upon the establishment of the fact that a Director is holding office in violation of any of the foregoing provisions, the Board of Directors shall remove such Director from office. Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

The Chairman stated that the next order of business would be the election of three (3) Directors to take office on the 6th day of June, 2006, and to hold office until the annual meeting of the members to be held in 2009, or until their successors has been elected and qualified. The Chairman stated that, in accordance with the Bylaws, the members had, on the 1st day of June, 2004, at the annual meeting, elected a Committee on Nominations consisting of Kenneth Lee, Dennis Farmer, James A. Waters, Vernon L. Williams, Jr., Charlotte F. Miller, Judy Holcer and Dennis Widhalm. The Chairman of the meeting then read the Report of the Committee on Nominations, nominating the following members for Director: Ronnie D. Cornett, Warren Hoyt and Richard Anderson. The Chairman stated that there were no members nominated by petition. The Report of the Committee on Nominations was ordered to be identified by the Secretary and annexed to the Minutes of this meeting. The Chairman then called for additional nominations for Directors from the

floor. After waiting for a period of more than two (2) minutes and there being no further nominations, the nominations were closed.

The Chairman then appointed Donna Hall, Jimmie Stewart, Ellis Rawlins and Ross Jones as Inspectors of Election. A vote for three (3) Directors was then had by ballot and the ballots were delivered to the Inspectors, who proceeded to count the same. While the ballots were being counted by the Inspectors, the meeting continued.

The Chairman then announced that it would be in order to nominate and elect a Committee on Nominations to serve for the ensuing year, and upon motion duly made, seconded and carried, the following persons were elected to said Nominating Committee: District 1 - Kenneth Lee; District 2 - Dennis Farmer; District 3 - James A. Waters; District 4 - Vernon L. Williams, Jr.; District 5 - Charlotte F. Miller (Irvy); District 6 - Judy Holcer; and, District 7 - Dennis Widhalm

The Certificate of Inspectors of Election was then presented and read, certifying that the following members, having received the highest number of votes cast, had been duly elected Directors of the Cooperative to hold office until the third succeeding annual meeting of the members, or until their successors shall have been elected and qualified: Ronnie D. Cornett, Warren Hoyt and Richard Anderson.

The Chairman directed the Secretary to annex the Certificate of Inspectors of Election to the Minutes of this meeting and thereupon declared such member duly elected Director of the Cooperative to take office on the 6th day of June, 2006, and to hold office until the annual meeting of the members to be held in 2009, or until their successors shall have been elected and qualified.

The annual report of the Treasurer was presented as printed, and after a full discussion, on motion duly made and seconded, such report was approved and ordered to be filed in the records of the Cooperative.

There being no further business to come before the meeting, upon motion duly made, seconded and unanimously carried, the meeting adjourned.

LeRoy Kern, Secretary

APPROVED:

Ronnie D. Cornett, President

R E V E N U E S	S Residential.....	\$13,510,732
	O Small Commercial.....	2,500,430
	U Large Commercial.....	2,429,084
	R Public Street and Highway Lighting.....	33,452
	C Sales to Public Authorities.....	132,866
	E Municipalities.....	181,905
	S Other Electric Revenue.....	<u>123,455</u>
	TOTAL	\$18,911,913
	V Purchased Power.....	\$9,918,408
	D Maintenance.....	2,928,661
	I Consumers Accounting, Collecting.....	474,634
	S Customer Service Expense.....	179,015
	B Sales Expense.....	359,571
	U General Office Salaries, Expenses.....	820,798
	R Special Services.....	21,144
	S Maintenance of General Property.....	46,989
E Other Administrative, General Expense.....	254,554	
M Depreciation.....	1,604,838	
U Interest Expense.....	<u>1,741,214</u>	
TOTAL	\$18,349,826	
N Margin for the Year	\$1,562,087	
T Income (Loss) from Equity Investments	\$(251,426)	
S Capital Credits Assigned From		
Associated Organizations, Interest	\$526,673	
Total Patronage Capital	\$ 837,334	

FEC BALANCE SHEET - As of December 31, 2006

WHAT WE OWN: What We Have	
Lines, Office Building, Warehouse and Operation Equipment.....	\$59,602,302
Less: Reserve for Depreciation.....	<u>\$11,257,735</u>
	\$48,344,567
Cash and Temporary Cash Investments.....	\$399,016
Investments in Associated Organizations.....	\$5,250,229
Receivables.....	\$1,202,616
Material and Supplies.....	\$132,977
Prepaid Insurance.....	\$254,731
Patronage Capital, Assigned by Assoc. Organizations.....	\$8,869,510
Deferred Debits.....	<u>\$342,490</u>
TOTAL OF WHAT WE HAVE	\$64,796,136
WHAT WE OWE: Long Term Debt	
To the Government.....	\$22,786,804
To CFC, NRECA, N.W. Electric.....	\$14,555,528
To Consumers (Extra Deposits).....	\$225,929
To Tax Collector.....	\$36,123
To Suppliers and Others.....	\$1,132,520
To Power Supplier.....	\$887,023
Deferred Credits.....	\$170,892
Current Notes, Interest Due, Payable on Loans.....	<u>\$2,690,491</u>
TOTAL OF WHAT WE OWE:	\$42,485,310
OUR NET WORTH: Our Equity in Above Assets	
Membership Fees	\$243,951
Donated Capital	\$128,718
Patronage Capital and Other Equities	\$21,938,157
TOTAL NET WORTH	<u>\$22,310,826</u>
TOTAL OF WHAT WE OWE AND NET WORTH	\$64,796,136

FEC Data Bank

	<u>1996</u>	<u>2006</u>
Total Services in Place	13,066	14,680
Connected Services	10,859	12,874
Idle Services	2,207	1,806
Average Monthly kWh per Residential Customer	916	1,111
Average Monthly Bill per Residential Customer	\$75.26	\$ 95.40
Average Cost per kWh	\$0.0822	\$0.0859
Total kWh Purchased	244,099,248	281,393,936
Total kWh Sold	233,082,933	269,566,078
kWh Lost in Distribution	11,016,315	11,827,858
Percent of Loss	4.51%	4.20%
Total Cost of Power		
Purchased	\$7,602,514	\$9,918,408
Cost per kWh Purchased	\$0.0311	\$0.0352
Expenses per kWh Purchased	\$0.0544	\$0.0652
Expenses per kWh Sold	\$0.0570	\$0.0681
Miles of Power Line	3,687	3,769
Operating Revenue Per Mile of Power Line	\$3,687	\$5,018
Expenses Per Mile of Power Line	\$3,602	\$4,869
Investment in Plant		
Per Service	\$2,494	\$4,060
Density (Members) Per Mile	2.95	3.42

Sources of Each Dollar

Residential	\$13,510,732	71%
Small Commercial	\$ 2,666,737	14%
Large Commercial	\$ 2,429,084	13%
Municipalities	\$ 181,905	1%
Interest and other		
Electric Revenues	\$ <u>123,455</u>	<u>1%</u>
TOTAL	\$18,911,913	100%

Disbursement of Each Dollar

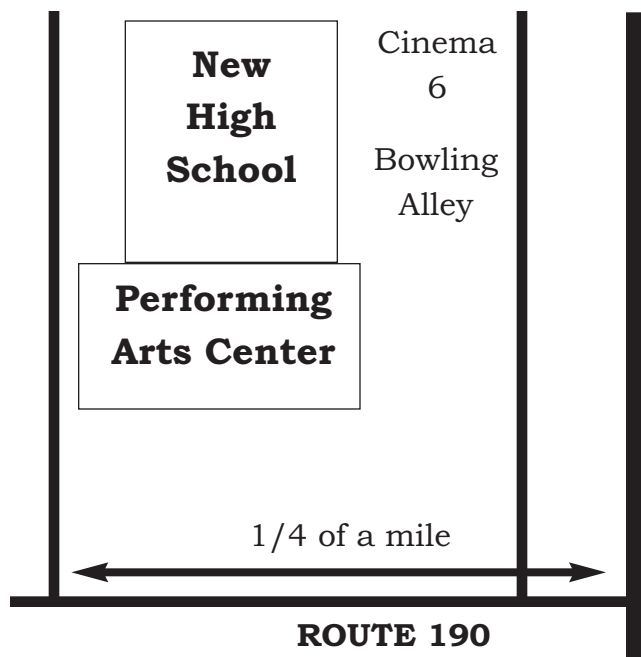
Power	\$9,914,408	52%
Operations & Maintenance	\$2,928,661	15%
Depreciation	\$1,604,838	8%
Other General Expense	\$2,156,705	11%
Interest	\$1,741,214	9%
Margins	\$ <u>562,087</u>	<u>3%</u>
TOTAL	\$16,095,486	100%

Don't Forget Your
Registration Card
on the Back Page!

DON'T FORGET TO BRING YOUR REGISTRATION CARD!

Gary Dickinson Performing Arts Center will be the site of Farmers' Electric's 69th Annual Meeting June 5

EASY HIGHWAY ACCESS!



You Could Be The Lucky Person To Win A 52-Inch RCA Big Screen TV!

- *1,000 Dairy Queen
- *Ice Cream Sandwiches
- *Registration Gifts
- *Bucket & CFL Bulbs,
- *Fuel Espresso gift
- *52-inch Big Screen TV
- *Flat Screen TV prize
- *Switch Team
- *Kids Fun Zone
- *Touchstone Energy
- *Culligan Water
- *Dish Network
- *Board Election
- *FEC History Book
- *Homeguard Defender
- *Contractor Booths

Kids Fun Zone Rules!

Children three years of age and under and/or in diapers may not be left with the other children.

Children with special needs must have an adult who brings them and stays with them at all times.

If a child misbehaves they will be asked to leave and returned to the adult who brought them to the meeting.



Farmers' Electric Cooperative
P.O. Box 680
Chillicothe, MO 64601

DON'T FORGET TO BRING THIS
REGISTRATION CARD JUNE 5

Tuesday, June 5

At the Gary Dickinson
Performing Arts Center

Registration begins at 5:30 p.m. with the Annual
Meeting being called to order promptly at 7 p.m.