

2006 ANNUAL REPORT



Corporate Profile

Created 66 years ago by people joining together to improve the quality of life for themselves and their neighbors, Indian Electric Cooperative meets that objective daily by delivering quality electric service at the lowest possible price.

As a consumer-owned, non-profit distribution cooperative, IEC supplies electricity and related products to its members in all or portions of seven north-central and north-eastern Oklahoma counties including Creek, Kay, Noble, Osage, Pawnee, Payne and Tulsa.

Incorporated Aug. 1, 1939, IEC now provides 12,810 members with services to 18,639 homes and businesses through 3,515 miles of distribution line covering a service territory of 2,500 square miles. IEC employs 80 people and has headquarters in Cleveland, a district office in Fairfax and a warehouse in Pawnee.

IEC is governed by a board of trustees comprised of one trustee from each of the cooperative's nine districts. Each trustee is elected to serve a three-year term.

All cooperative members have equal voting rights along with the opportunity to vote at the cooperative's district and annual meetings.

Official Notice

2007 Annual Meeting

Notice is hereby given that the 2007 Annual Meeting of Members of Indian Electric Cooperative, Inc. will be held at 10 a.m. Saturday, Oct. 20, 2007, at the Cleveland High School Event Center located in Cleveland, Pawnee County, Oklahoma.

Purpose of the meeting is to act on the following matters:

1. Reports of Officers and Trustees;
2. Election of Cooperative Trustees
 - District 3 – Berry Keeler
 - District 6 – Loris Peckenpaugh
 - District 9 – Jim Hadlock, district nominee, Rock Reese, incumbent;
3. All other business that may come before the meeting or any adjournments thereof.

Registration for the 2007 Annual Meeting will commence at 8:15 a.m., Saturday, Oct. 20, and the meeting will be called to order at 10 a.m.

Each membership, whether it is a single membership or a joint membership, shall be entitled to one vote in any matter that may come before the meeting.

Memberships other than residential must present a letter on organizational stationery, signed by a recognized official of the organization, indicating the bearer as the official voting representative of the organization. The bearer must present the letters at the time of registration.



Co-op Meets Challenges, Prepares for More

“**I**t was the best of times, it was the worst of times . . .” This famous line from Charles Dickens *A Tale of Two Cities* aptly describes 2007 at Indian Electric.

Pick up any newspaper today and you can read about utilities facing increased demands for electricity. Should coal-fueled power plants be built to meet this demand or are they just too environmentally unfriendly? How does the industry meet the estimated demands in coming years? Does Oklahoma want to become dependent on natural gas to fuel its power plants? Texas and California chose natural gas for their primary source for electricity and their costs have increased tremendously. Is there a lesson to be learned from their decisions?

The Environmental Protection Agency has placed restrictions on the emissions a coal-fired plant can release into the atmosphere. Modern equipment and scrubbing techniques have created much cleaner coal burning methods. Like it or not, coal is still the least expensive source fueling the generation of electricity next to hydro power, and there are just not that many locations where additional dams can be built to generate power.

Our power supplier, KAMO Power, buys its power from Associated Electric (AECI) in Missouri. AECI is one of the least expensive power suppliers in the nation due its expertise in blending hydro,

coal-fired, and gas generation. It purchased a partially built gas power plant in Arkansas which began producing energy in 2007. It has also started the approval process for building a coal-fired power plant in Missouri. Being part of the KAMO family benefits Indian Electric Cooperative by maintaining reasonable power costs – but increases are coming.

Associated Electric is telling KAMO to expect a double-digit increase in power costs in 2008. This increase will be passed from KAMO to its distribution systems, including IEC. The next few years will see additional increases but only time will tell how much each year will bring. How do we best prepare for the future?

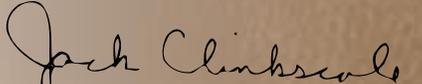
IEC has engaged an Oklahoma City engineering firm to perform a cost of service study. This engineering firm is considered a leader in determining rates by rate class. Our goal is to keep our cooperative financially sound while increasing rates only in necessary increments. This study begins as soon as IEC is notified how much KAMO’s costs will increase in April 2008. The study will be completed so IEC can implement its increase in April to coincide with KAMO’s increased power costs.

Many members have new meters installed at their homes and businesses. These provide remote readings for billing. They reduce the

costs of employing contract meter readers, sending employees to obtain readings, or estimating usage for members who forget to send in their meter reading. These meters also alert IEC personnel if there are any disruptions in power, allowing us to more quickly identify outages, and alerting us to any tampering or theft of power. Locations requiring the discontinuance of service on a frequent basis have disconnect collars installed which allow service to be disconnected from the office, reducing the need to send a serviceman to the location. All of the capabilities achieved by these new meters are designed for better efficiency which curtails expenses.

One of IEC’s greatest strengths is its employees. Each employee is committed to doing his or her job well, and to providing the best service possible to our members. When times seem most difficult, these are the folks who “roll up their shirt sleeves” and get the job done.

Whatever lies ahead, rest assured your cooperative is prepared to meet the challenge. The “worst of times” may occasionally show itself, but IEC is committed and ready to create the “best of times” for the cooperative and its members.


Jack Clinkscale, IEC General Manager


Bill Boone, President,
IEC Board of Trustees

Revenue and Patronage Capital

For the years ended December 31, 2006 and 2005

	2006	2005
Operating revenues	\$29,966,522	\$27,148,529
Operating expenses:		
Cost of power	15,206,197	13,825,315
Distribution expense - operations	1,991,939	2,824,792
Distribution expense - maintenance	1,544,899	1,257,529
Consumer accounts	1,469,842	1,418,171
Customer service and information	357,077	354,416
Administrative and general	3,244,028	2,953,395
Depreciation	2,432,168	2,290,581
Taxes	579,183	524,259
Interest on long-term debt	1,676,989	1,407,456
Other interest and deductions	112,419	148,078
Total operating expenses	\$28,614,741	\$27,003,992
Net operating expenses	1,351,781	144,537
Non-operating margins:		
Interest income	483,639	204,818
Other	268,698	148,747
Total non-operating margins	\$752,337	\$353,565
Generation and transmission cooperative and other capital credits	464,563	644,290
Net margins for year	2,568,681	1,142,392
Patronage capital - beginning of year	30,850,227	29,863,936
Retirement of capital credits	(378,277)	(156,101)
Patronage capital - end of year	<u>\$33,040,631</u>	<u>\$30,850,227</u>

Balance Sheet

as of December 31, 2006

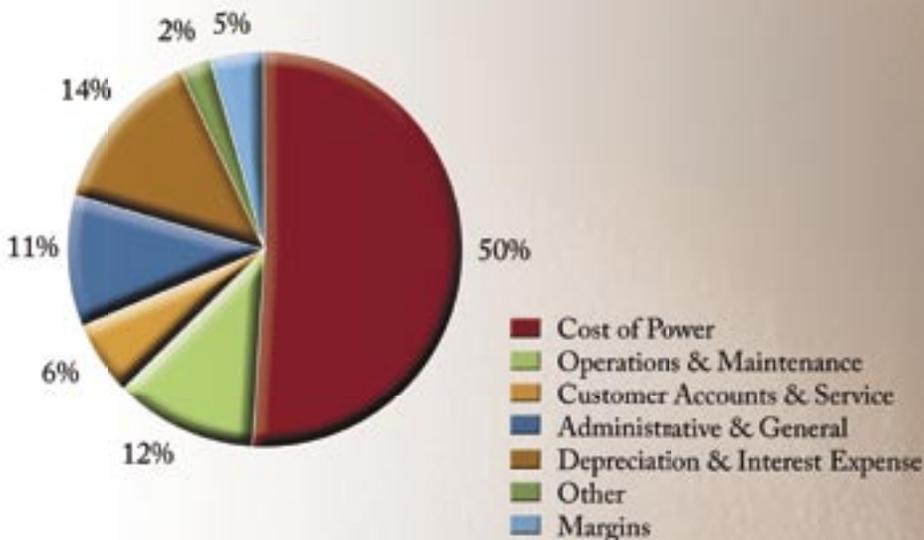
Assets:

	Utility plant	\$85,710,588	
	Less depreciation	28,662,047	57,048,541
WHAT WE OWN	Cash		3,200,151
	Investments		15,266,914
	Receivables		4,185,821
	Material and supplies		368,975
	Prepayments, other accrued assets and deferred debits		141,360
	Total		\$80,211,762

Liabilities:

WHAT WE OWE	Long term debt		38,866,748
	Current maturities of long term debt		2,020,326
	Member deposits		1,622,519
	Accounts payable		1,713,484
	Deferred credits		155,162
	Other liabilities		417,798
OUR NET WORTH	Membership fees		754,380
	Patronage capital		33,040,631
	Other equities		1,620,714
	Total		\$80,211,762

Use of Revenue



I am pleased to present the 2006 financial results for Indian Electric Cooperative. The cooperative's 2006 financial statements were audited by Briscoe, Burke & Grigsby, LLP, Certified Public Accountants, and George Nobles, CPA, audited the Operation Round Up financial records reported on page 6 of this annual report. In the opinions, the 2006 financial statements present fairly, in all material respects, the financial position and results of operation for Indian Electric Cooperative and the IEC Foundation in conformity and generally accepted accounting principles.

Greg Fielding,
Secretary, Board of Trustees

Operation Round Up[®]

Financial Statements
for years ended December 31

	2006	2005
Changes in unrestricted net assets:		
Revenues:		
Operation Round Up©	\$42,757.74	\$41,707.53
Investment income	2,188.06	1,464.00
Total	\$44,945.80	\$43,171.53
Expenses:		
Grants to:		
Fire and police agencies	3,895.00	1,785.00
Educational organizations	2,500.00	2,750.00
Religious organizations	500.00	0.00
Health care organizations	1,000.00	615.87
Civic organizations	1,800.00	2,210.00
Public libraries	- 0 -	0.00
Total	\$9,695.00	\$7,360.87
Neighbor Assistance:		
Food and household staples	3,416.19	2,594.03
Medical and dental care	4,286.60	3,104.37
Clothing	108.51	0.00
Home improvements	2,005.06	1,899.00
House and car payments	17,122.71	23,508.23
Miscellaneous	1,916.39	3,013.61
Total	\$28,855.46	\$34,119.24
Support Expenses:		
Audit fees	1,175.00	1,175.00
Office supplies	63.75	39.06
Travel expense	2,904.35	3,074.36
Postage	42.27	0.00
Miscellaneous	100.00	100.00
Total	\$4,285.37	\$4,388.42
Increase (Decrease) in unrestricted net assets	2,109.97	(2,697.00)
Net assets at beginning of year	53,683.74	56,380.74
Net assets at end of year	<u>\$55,793.71</u>	<u>\$53,683.74</u>
Assets:		
Checking	2,673.44	2,751.53
Investments	53,120.27	50,932.21
Total Assets	55,793.71	53,683.74
Net assets:		
Unrestricted	<u>\$55,793.71</u>	<u>\$53,683.74</u>

Minutes of 2006 Annual Meeting

Cleveland High School and Gymnasium
Saturday, October 21, 2006

The 67th Annual Meeting of Members of Indian Electric Cooperative, Inc. was held at the Cleveland High School Multi-Purpose Room and Gymnasium on Saturday, October 21, 2005. At approximately 10:00 a.m., Board President Berry Keeler called the meeting to order.

Mr. Keeler introduced Rev. Connie Taylor of the First United Methodist Church in Cleveland, who delivered the invocation.

Members of Cleveland American Legion Post #3 were introduced and led a salute to the Flag of the United States. The Wiskey Bent Band, joined by the audience, sang the National Anthem.

Mr. Keeler informed the members Bill Boone, Secretary of the Board of Trustees, would serve as Secretary of the Annual Meeting. Mr. Keeler then asked board member Greg Fielding to conduct several prize drawings.

Following the prize drawings, Secretary Boone informed the membership that the Cooperative currently has 12,810 members and the Bylaws require five percent of the members must register their attendance in order to constitute a quorum and have a legal meeting. He reported 678 had registered and declared a quorum in attendance.

A true copy of the official Notice of the Annual Meeting of Members for 2006 was mailed to all members in accordance with the Bylaws of the Cooperative. The Bylaws further state minutes of the previous Annual Meeting of Members will be read. Motion was duly made and seconded to dispense with the reading of the minutes

and approve them as written. Motion carried. Mr. Boone turned the meeting to Leon Day, Vice President of the Board of Trustees.

Mr. Day introduced honored guests and visiting Cooperative representatives. He further introduced Corporate Counsel Ron Barber and all members of the Board of Trustees. Trustees of the IEC Foundation who review and award Operation Round-Up® grants were introduced and appreciation extended for their work and accomplishments. The meeting was then turned to Mike Spradling.

Mr. Spradling invited Mr. Gary Moore to the podium for presentation of a plaque in recognition of his service from June, 1996 through July 31, 2006 as a District 8 Trustee. Mr. Moore accepted the award and addressed the audience with appreciation for having been elected to serve.

Mr. Spradling then acknowledged individuals representing various fire departments. He expressed sincere appreciation for the exemplary job they have been and continue doing in and around the Cooperative service territory.

The next order of business was the election of Trustees to the Cooperative's Board to represent Districts 2, 5 and 8 for the next three years. Mr. Spradling turned the chair over to Ron Barber, Corporate Counsel. Mr. Barber explained results of district meetings, stating the incumbent Trustees in Districts 2 and 5 were unopposed and by reason thereof became the official nominees. The incumbent Trustee in District 8 was elected as official nominee by a quorum of members at the

District 8 meeting. Those individuals were named as Mike Spradling, District 2; Wanda Foster, District 5; and Greg Fielding District 8.

Mr. Barber then called for a motion to elect those nominees to their respective districts by acclamation. Motion was made, seconded and carried. Mike Spradling will represent District 2, Wanda Foster will represent District 5, and Greg Fielding will represent District 8, all for three-year terms.

The meeting was turned to Robert Burk and Rock Reese who conducted several prize drawings.

Mr. Burk then introduced IEC General Manager Jack Clinkscale. Mr. Clinkscale addressed the audience, conveying appreciation for the opportunity to serve members in the area and assuring them that every effort will be made to keep future costs as low as possible.

Mr. Clinkscale introduced special guest Chris Cariker, Executive Vice President and CEO of KAMO Power. Mr. Cariker gave a slide presentation on future costs of generating electricity and how those results are projected to ultimately affect transmission and distribution cooperatives as well as business and residential consumers.

Wanda Foster and Mike Spradling conducted more prize drawings with a child's bicycle and grand prizes presented at the conclusion.

There being no further business, the 2006 Annual Meeting of Members adjourned.



Bill Boone
President
District 7



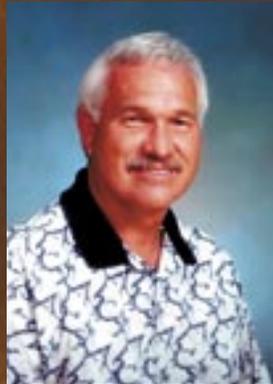
Robert Burk
Vice-President
District 1



Greg Fielding
Secretary-Treasurer
District 8



Mike Spradling
District 2



Berry Keeler
District 3



Wanda Foster
District 5



Loris Peckenpaugh
District 6



Rock Reese
District 9

Your Board of Trustees