



Since 1938, we've been delivering electricity to homes and businesses throughout nine counties in northeast Texas. Our service territory stretches as far north as Franklin County and as far south as Van Zandt County providing power for over 31,000 meters. To deliver power to you, electricity first has to be generated then transmitted and finally distributed.

As a distribution cooperative we purchase the power we deliver to you from others. The power we purchase comes from two cooperatives; Northeast Texas Electric Cooperative and Tex-La Electric Cooperative of Texas. These cooperatives are able to purchase power in bulk because they not only purchase power for us, but for other electric cooperatives as well. Buying power in bulk means lower costs for us and ultimately lower costs for you. Joining other distribution cooperatives like ourselves allows us to own a part of the generation units that bring power to you. Today, about 35% of the power delivered to you is from power plants that we actually own an interest in. We continually evaluate opportunities to participate in new power plants to plan for long term power supply needs.

Power is generated from a number of fuel sources including natural gas, solar, and nuclear among others. One reason your electric bill has increased is due to an increase in the price of some of these fuel sources. In the past two years, we have seen more than a 25 percent increase in the cost of power. As member-owners of a cooperative you must share in the cost of those increases. This cost sharing is accomplished through the power cost recovery factor (PCRf). The PCRf does not provide any profits or margins; it only allows us to recover our costs for power. The good news is, that as a member of a non-profit electric cooperative, when our fuel costs go down, your fuel costs will go down, too, unlike investor-owned utilities that have rate hikes to pay for increased fuel costs and never lower rates when fuel costs go down.

Another part of power supply planning is determining what fuel sources will make up our fuel mix. Our fuel mix includes coal, natural gas and hydro. Of these three, we have planned to use coal mostly because it is more plentiful and less volatile to the sharp ups and downs of natural gas prices. This does not mean we won't see increases, but the increases should be (and have been) less severe.

Though fuel costs have increased dramatically in the United States, they are only part of why we've seen an increase in the price of electricity. Record breaking increases in demand for power and long-term growth in the Far East play a roll as well. We've seen a record increase in the cost of materials,



DEBBIE ROBINSON
GENERAL MANAGER



PAT LINDLEY
BOARD PRESIDENT

such as copper, aluminum and steel used to construct the electric plant that serves you. Future demand and fuel costs are unpredictable, but we can assure you we are doing all we can to continue to provide quality service at a reasonable rate. In fact, WCEC has not had a rate increase in many years. The higher bills you see today are because of fuel costs and your increased use of electricity due to the extreme weather we've experienced in the last year. Through careful power supply planning, constant efforts to improve the efficiency of our operations, and a devoted commitment to our mission, we will continue to work everyday to minimize the impacts of rising costs to you. We are dedicated to doing our part and encourage you to proactively participate through being more energy efficient and help us to keep costs as low as possible.

Board of Directors

Pat Lindley, President	Burke Bullock
Dennis Wright, Vice President	Jane Wallace
Lewis Young, Secretary-Treasurer	Brent Glenn
Coy Johnson, Counsel	Cathy Roberts

Staff

Debbie Robinson, CEO/General Manager
Robert Norman, Chief Operating Officer
Trey Teaff, Chief Financial Officer
Steve Cates, Director of Member Services
Keith Anderson, Director of Purchasing
Rusty Mask, Line Superintendent
Leslie James, Human Resources/Communications

Wood County Electric Cooperative

Balance Sheet

December 31, 2005

What We Own (Assets)

Net Value of System	\$ 88,668,867
Patronage Capital from Others	18,253,974
Current Assets	11,455,864
Other Assets	<u>67,628</u>

Total Assets \$ 118,446,333

What We Owe (Liabilities)

Long-Term Debt	\$ 48,039,143
Other Amounts Owed	19,778,087

Member Patronage (Equities) 50,629,103

Total Liabilities & Equities \$ 118,446,333

Income Statement For the Year Ended December 31, 2005

What We Earned (Revenues)

Electricity Sales	\$ 51,738,887
Other Revenues	<u>1,198,041</u>

Total Revenue \$ 52,936,928

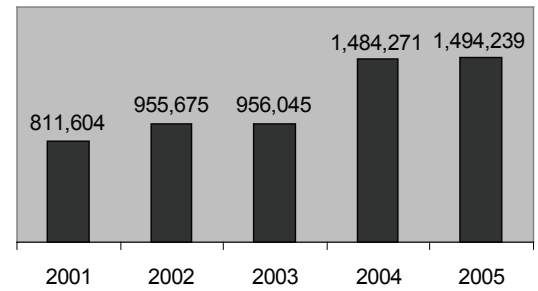
What We Paid (Expenses)

Electric Power Purchased	\$ 33,714,877
Operating Costs	9,404,024
Depreciation	3,248,011
Interest	<u>2,532,155</u>

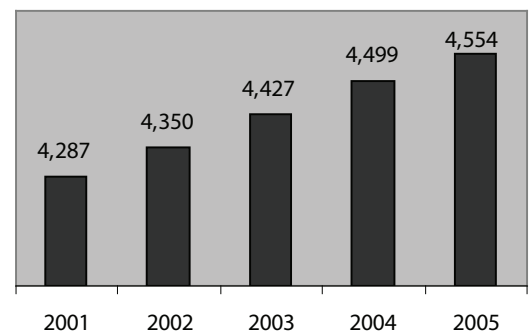
Total Expenses \$ 48,899,067

Margins \$ 4,037,861

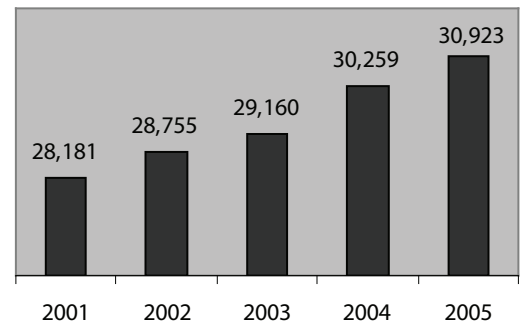
Capital Credit Retirement



Miles of Line



Number of Meters



Total kWh Sold (Millions)

