

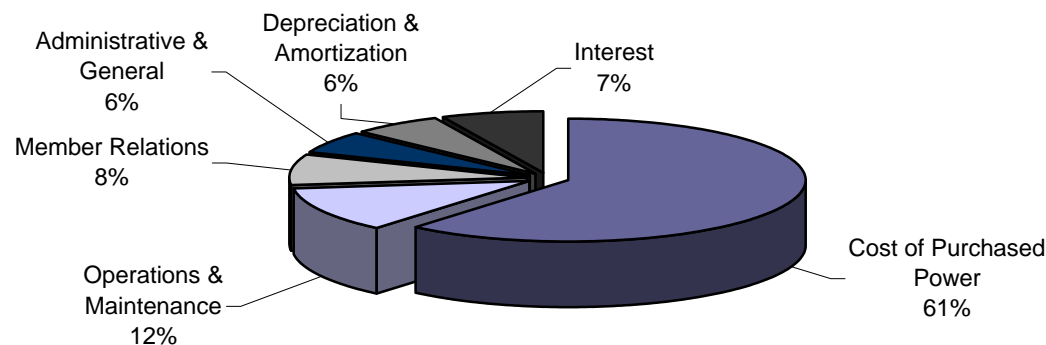
Income Statement

	2005	2004	2003
Operating Revenue and Patronage Capital	5,201,282	4,950,903	4,934,600
Cost of Purchased Power	3,128,607	2,910,925	2,930,860
Operations and Maintenance Expense	521,551	582,862	350,179
Member Relations Expense	422,373	400,126	378,078
Administrative and General Expense	286,744	311,118	297,266
Depreciation and Amortization Expense	312,458	303,217	298,750
Interest Expense	427,454	320,000	287,717
Other Expenses (Income)	(154,022)	(413,673)	(156,844)
Total Expenses	4,945,165	4,414,575	4,386,006
Patronage Capital or Margins	256,117	536,328	548,594

Balance Sheet

Assets			
Net Utility Plant	9,719,740	8,787,568	8,237,964
Other Property and Investments	1,094,378	1,131,986	1,132,380
Current and Accrued Assets	3,652,078	3,641,730	3,002,755
Deferred Debits	17,154	44,364	69,758
Total Assets and Other Debts	14,483,350	13,605,648	12,442,857
Liabilities			
Current and Accrued Liabilities	751,162	321,626	312,622
Deferred Credits	-	432,778	439,385
Long Term Debt	8,521,448	7,750,815	6,981,424
Total Liabilities	9,272,610	8,505,219	7,733,431
Equity			
Margins and Equities	5,210,740	5,100,429	4,709,426
Total Liabilities and Equity	14,483,350	13,605,648	12,442,857

2005 Expenses



Board of Directors

Duane Ver Ploeg	President
Louie Kamerick	Vice President
Sam Nichols	Secretary
Arvin Vander Wilt	Treasurer
Donald Jansen	Director
Edwin Klyn	Director
Norman Van Zante	Director

Employees

Rob Burton	Line Foreman
Terry Darnell	Lead Lineman
Stan Eysink	Member Relations Manager
Terry Fraker	Cost Accountant
Nick Guillien	Journeyman Lineman
Linda Gooding	Administrative Assistant
Randy Reineke	Apprentice Lineman
John Smith	CEO
Cheinette Van Wyk	Financial Manager
Jean Van Wyk	Communications Coordinator
Tim Ver Meer	Line Superintendent
Sue Warrick	Office Manager
Shawn Williams	Lead Lineman

By The Numbers

20	Directors & Employees
671	Hours volunteered in 2005
295	Years of Experience

Pella Cooperative Electric

Your Touchstone Energy® Cooperative

70th Annual Meeting



Pella Community High School
March 28, 2006

Evening Program

6:00 p.m.	Registration & Dinner
7:30 p.m.	Door Prize Drawings
7:45 p.m.	Invocation, Sam Nichols Reading of Notice Proof of Publication Minutes of Last Meeting Report of Nominating Committee Election of Directors Venture Award Acknowledgement President's and CEO's Report Results of the Election Unfinished Business Adjournment
8:30 p.m.	Entertainment—Chandra Clark Door Prize Drawings

President and CEO's Report



Duane Ver Ploeg

Pella Cooperative Electric has remained financially stable through 2005. The Cooperative has been given a clean and unqualified audit with no significant adjustments, thus keeping us compliant with all generally acceptable accounting principles required for electric coops.



John R. Smith

In 2006, Pella Cooperative Electric does not foresee the need for a rate increase. However, we will continue to implement the Energy Cost Adjustment (or ECA) due to volatile wholesale power costs. We will only use this recovery method when the wholesale power cost exceeds the levels used to establish our base rates. The most notable factors influencing power costs include escalating fossil fuel prices and the rising expense of coal transportation. While near-term resolution of these issues is not foreseeable, Pella Cooperative Electric will continue to monitor these expenses and attempt to minimize their affect on our member/consumers.

Value for the Money

As rising energy prices continue to make headlines, cooperative members do have an advantage. The cooperative operates as a not-for-profit entity. Instead of increasing the wealth of a few shareholders, the cooperative returns all excess margins to the membership as capital credits. In 2005 alone, Pella Cooperative Electric returned nearly \$150,000.00 to members.

Keeping the Lights On

Reliability continues to be a high priority for the cooperative. When the lights go off, it can mean anything from an inconvenience for residential members to a costly expense for businesses on our line. While our goal is to keep the lights on 100% of the time, we understand that unforeseen conditions such as storms, accidents or equipment failures can cause power outages. In 2005, the Cooperative's reliability factor was 99.9927%.

For the average member, this means they were without power just over one half-hour during the entire year.

A key component to reliability is maintaining and upgrading the system with the best technology available. In addition to continual upgrade of facilities, Pella Cooperative Electric has finalized the AMR (automated meter reading) project that began in 2004. The benefits gained from this technology will assist in tracking consumption, billing accuracy, and usage patterns. Ultimately, this will benefit all members.

Committed to the Communities We Serve

Pella Cooperative Electric continues to be committed to those we serve. Perhaps the most influential role we can fulfill is to develop the economic structure of each community. In 2005 LDJ Manufacturing, was recognized with a 2005 Venture Award. The Iowa Area Development Group presents this award annually to Iowa businesses that demonstrate outstanding entrepreneurial leadership.

We continue to be encouraged by economic development projects pending within our area. If we are successful in attracting these projects, there will be benefits for every cooperative member. While many economic development benefits are not tangible, every member, regardless of location, is a beneficiary of successful projects, expansions and increased energy sales.

The employees, management staff and Board of Directors have worked diligently to remain good stewards of your investment in this cooperative. We look forward to another year of continued success for this organization and its members.

Chandra Clark

Chandra Clark has grown up just loving music. Sitting at the piano for hours, writing, performing—these are all “hobbies” for this Pella teacher. Chandra has taught in the Pella Community School System for the past 14 years and is currently serving as the coordinator for gifted and talented education at the elementary level. Married to George Clark, and Mom to Sami (14 months), Chandra also teaches private piano lessons in her home on a weekly basis. Her first album, “The Light” is a compilation of original Christian songs along with a few personal favorites.

“Some of my favorite moments come when it's just me, the music and being alone with God. Anything I have been given has been given by Him.”

CIPCO Report



Sam Nichols

CIPCO is Iowa's largest cooperative energy provider serving a population of more than 260,000 rural and urban Iowans. I represent Pella Cooperative Electric Association on the CIPCO Board of Directors and currently serve on the Economic Development Committee.

In 2005, the CIPCO Board of Directors and management focused on long-term objectives consistent with CIPCO's strategic agenda. Disciplines for safety and environmental compliance, financial strength, system reliability, and stewardship has allowed CIPCO to stay abreast of the constantly changing generation and transmission industry.

A few of the achievements that CIPCO accomplished in 2005 include:

Safety and Environmental Compliance

Protecting our environment is congruent with the efforts to safely protect our workforce. 2005 marked the completion of pollution control projects at two generating facilities, along with enhancements to other facilities. Working to comply with new air emissions regulations such as the Clean Air Interstate rule, the Clean Air Mercury rule and the Industrial Boiler Maximum Achievable Control Technology rule reinforce the commitment that CIPCO has to our members.

Financial Strength

CIPCO attained another year of strong operating results in 2005 with a net margin of \$5.7 million with total operating revenue of \$158 million. CIPCO sold just under three billion kilowatt hours

in 2005. Our investment grade rating from Fitch and Standard & Poor's, as well as our access to the capital markets, indicates our strong financial position.

System Reliability

Efforts in serving the energy needs of our consumers achieved a five-year transmission “Reliability Factor” exceeding 99.99%. The average customer outage time in the last ten years was only 27 minutes. This inspired a Field Inspector of the Iowa Utility Board to comment that “***If the CIPCO transmission system isn't the best in the state, it's ... close.***”

Stewardship

In 2005, CIPCO agreed to participate with Interstate Power & Light Company in a competitive auction process to sell the assets of the Duane Arnold Energy Center. IP&L sold their 70% share to FPL Energy. The CIPCO Board has declined to sell our interest in the facility and look forward to extending operations to 2034 with FPL as co-owners.

2005 showed continued progress on the construction at Council Bluffs #4 of which CIPCO will hold a 9% share. With the anticipated completion in 2007, our reliance on purchased power will diminish from 30% in 2004 to less than 5% in 2008.

The CIPCO board of directors, management and staff continue to work diligently to overcome the hurdles of a volatile marketplace. In 2006 we will continue to provide the membership with superior service along with a dependable and an efficient source of power.