

Annual Report 2007

A Message from the Board President

Continental Divide Electric Cooperative achieved several milestones in 2006 that benefited consumers and members throughout the co-op's service area.

Among them: The signing of a new long-term franchise agreement with the City of Grants. Dramatic upgrades to electrical equipment providing power to the western half of the service area. And, closure to a four-year work plan that will allow the co-op to begin a new one.

Continental Divide also continued to return margins to its consumers, in the form of capital credits. An amount of \$2.5 million – about \$1 million more than 2005's return, was distributed to consumers. That amount included margins returned to consumers with newer co-op accounts, as a result of last year's change in bylaws voted on by you, the members.

In addition, I am happy to report that this year Continental Divide Electric's Education Foundation will surpass the \$1 million mark in terms of the total amount of money it has awarded in scholarships since the foundation was established in 1989. This year, your co-op will award about \$150,000 in scholarships.

The cooperative model is what makes all of this happen. It is made up of a governing body of board members who meet once a month to talk things over and to help build trust and understanding between management and the board. And that trust and understanding continues to prove itself to the membership through fair rates, reliable electric service, friendly member service and continued commitment to the communities Continental Divide serves.



Lynn Head
President
District 2

2006-07

Governing Board



Keith Gottlieb
Vice President
At-Large



Arsenio Salazar
Secretary/Treasurer
District 4
NMRECA Director



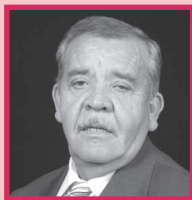
Lyle Adair
Trustee
District 8



Grant Clawson
Trustee
District 6



Darrel Elkins
Trustee
District 7



Claudio Romero
Trustee
District 3
Tri-State Director



Alfred Saavedra
Trustee
District 5



George Trujillo
Trustee
District 1

From the General Manager's Desk

Your co-op is committed to providing you the most reliable, safe and cost-efficient electric service available, staying true to our founding philosophy of serving those who would not otherwise be served.

I am proud to say that with trustee oversight, staff has been able to control expenses, and even reduce them, during times when costs of power, materials and services have increased rapidly. And, we've done it without compromising the co-op's financial goals. All the while, the electrical system has been improved, and we've managed to increase training of personnel.

Future power costs continue to be our main concern. We anticipate rates from Tri-State Generation & Transmission Association to increase annually for the next two to three years. Increases are needed not only to cover the cost of power Tri-State has to buy on the open market, but also to help pay for new generation and transmission facilities, so we will have more future energy capacity, less reliance on open market power and more stable rates.

It should be noted that Continental Divide itself has not increased its distribution rates since the year 2000. And the co-op does not anticipate increasing those rates this year.



Richard Shirley
General Manager

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THE YEAR AHEAD

Here are some of the goals set by Continental Divide Electric Co-op for the upcoming year:

- Work with state and federal government officials to achieve renewable resource mandates.
- Sign long-term right-of-way agreements with the pueblos of Laguna and Acoma.
- Continue to work with the BIA and various chapters of the Navajo Nation to obtain right-of-way agreements for power-line extensions.
- Continue to make improvements to the Gallup substation.
- Continue to build on Operation EffCon – an energy awareness and conservation program launched in 2006 – to help consumers better manage their energy costs.
- Continue to identify ways Continental Divide can improve its services to consumers.
- Begin work on a study to determine the feasibility of implementing a SCADA (Supervisory Control and Data Acquisition) system, which would allow the co-op to electronically monitor loads and outages from a central location.
- Continue upgrading 2,400 kilovolt line to 14,400 kV in the Grants area to better accommodate electrical demand on the system.
- Continue to work with large commercial and industrial consumers to come up with ways to better manage their electrical loads and demand on the system.

From the General Manager's Desk (cont'd)

Looking ahead even further, there is another challenge your co-op faces – efforts to integrate more renewable energy into that produced by fossil fuels.

Continental Divide and other New Mexico co-ops will tow the line to ensure we don't suffer unreasonable costs or regulations that have to be passed on to you. Hopefully, the technologies being developed will help keep the costs of integrating renewables somewhat affordable.

In closing, I'd like to thank you for your continued support. Remember, in a co-op, we are all in this together. And together, we can make a difference.

THE YEAR REVISITED

Here are some of the notable achievements by Continental Divide Electric Co-op in the past year:

- Signed a new franchise agreement with the City of Grants.
- Upgraded Zuni substation equipment and power lines to improve safety and reliability of delivering electricity there (operational in April/May 2007).
- Built a substation in the Ramah area to better serve consumers living in that region (operational in April/May 2007).
- Returned \$2.5 million in capital credits to co-op consumers. Part of that was returned to older co-op accounts in December. The rest was returned earlier this year to newer co-op accounts, as a result of a change in bylaws voted on by members at 2006 Annual Meeting.
- Awarded \$150,000 in scholarships to members and their families.
- Helped service-area schools raise more than \$6,300 by providing students compact fluorescent light bulbs to sell to consumers. The co-op provided the bulbs at cost, and the schools earned \$2 from sales – \$1 came from buyers and the other came from the co-op.
- Closed books on 4-year work plan and started a new one.
- Purchased new bucket trucks and pole diggers to improve worker efficiency and safety.
- Secured a \$5,000 commitment from Tri-State Generation & Transmission Association to help pay for new equipment and other technical resources needed by the Electrical Lineworker Apprenticeship Program at Doña Ana Branch Community College in Las Cruces.
- Continued to install meters with automated readers in rural areas, including Manuelito, Yah Ta Hey, Pinehaven and Crestview.
- Participated in the Grants-Cibola County Walk for Life campaign, raising nearly \$1,200 with the help of individual donations by consumers.
- Partnered with Zuni Pueblo to establish a satellite payment office at the tribal office government complex.
- Performed maintenance and upgraded equipment in the Laguna-Acoma area to better protect residents there from equipment failures and power outages.
- Launched improved Web site.