

# 2019 Annual Report



**Central Electric Cooperative**

A Touchstone Energy® Cooperative 

This institution is an equal opportunity provider and employer.

# CEC is Focused on Better Serving You

## Executive Report



**Jody P. Weaver**  
President,  
Board of  
Directors

**Matthew P. Boshaw**  
CEO &  
General  
Manager



In a typical year, our August Power Lines' article provides a required recap of the previous year's accomplishments and financial status with no reference to the circumstances of the moment. Thus far, 2020 has been anything but typical. With that said, we felt it important to preface our recap of 2019 with a recognition of the unprecedented events of 2020 in the form of a thank you to our membership. **Thank you for your patience and understanding as we all work together in navigating a global pandemic and social unrest on an unprecedented scale.** It truly reflects the values on which a cooperative is modeled.

In 2019, Central Electric Cooperative (CEC) continued its commitment to continuous, incremental improvement. The implementation of previously defined plans has demonstrated improvement and identified areas where greater emphasis is necessary. These changes have allowed for process improvements and putting the organization in a strong position to continue improvement in the coming years. The following executive report will provide a detailed review of the progress and accomplishments of CEC for the year 2019.

As important as the strategic plan is, the process by which we create it, report on it, and utilize it throughout the year is equally important. CEC's board of directors receives an annual report discussing the progress made from the previous plan, as well as an updated plan for the coming year. At mid-year the board receives a plan-specific progress report.

Periodically, the board convenes a workshop designed to review and make any changes to the overall direction of CEC and in September 2019, the board of directors held a workshop that covered a variety of topics. One primary area of emphasis was the strategic plan and specifically

the portions of the plan the board uses to provide clear direction to cooperative staff. The mission, vision, values, and strategic initiatives were all reviewed, revised, and updated to match our efforts going forward.

The areas of emphasis — safety, rates, reliability, and community — are still at the forefront of our efforts, but the board added priority and consistency throughout. We can't stress enough how valuable these changes are for those of us charged with implementing the plan. They provide direction necessary to allow us to utilize the resources provided in the most effective and efficient way possible.

Key pieces of CEC's 2019-2021 Strategic Plan included no rate increase from our generation and transmission cooperative (Allegheny Electric Cooperative) and no rate increase to our membership in 2019. A margin of \$1,510,955 was recognized in 2019.

Highlights for 2019 include:

- Returning a record \$1,736,314 in patronage capital to members in the form of Capital Credits.
- Distributing 223 Energy Star Appliance Rebates totaling over \$14,000 to members.
- Helping 360 families-in-need pay electric bills during the heating season through our Family Fund program. This program is funded entirely by member contributions, the

roundup program, and unclaimed Capital Credits.

## System Improvement Progress

System reliability remains a primary focus of CEC. In 2019, the average outage hours per member were 15.98 which was down significantly from 2018 because of better weather conditions. Power Suppliers caused 35.85 percent of the total outage time, planned outages accounted for 1.82 percent, and tree outages caused 43.87 percent in 2019.

Tree related outages accounted for almost half of service interruptions and CEC continued to increase the resources applied to right-of-way maintenance. We have increased the number of contractor firms that we employ and expanded efforts to reclaim our rights-of-way. These efforts are providing positive results to the safety of our employees and the public, as well as a decreased risk of service interruption.

Significant capital investment continued in 2019 in the form of system upgrades which include:

- Six miles of a nine-mile three phase upgrade from copper wire to aluminum wire which will tie Rockland and Fredericksburg substations together.
- 9/10 mile of three-phase copper wire at the Cowansville substation was replaced with aluminum wire.
- Started the rebuild of the Rimersburg substation.
- In addition, 7,370 poles were inspected by our contractor, Osmose, and 93 poles were rejected and replaced. CEC crews also set 525 new poles.

## Safety

Safety continues to be of the highest priority at CEC and, in 2019, personal responsibility was a primary area of focus. We provided over 17 safety related trainings throughout the year to all employees and continued our third-party inspections of crews and facilities. Our First Responder's Safety Training, high voltage demonstration, and Safety City Presentation were given to 1,797 people at 15 different events.

## Quality Service

In 2019, the number of members utilizing SmartHub for payment, outage reporting, usage information, and other self-serve options increased.

CEC has approximately 10,000 registered SmartHub users. CEC also processed over 7,800 electronic member inquiries and issued 9,000 service orders.

## Community

CEC's commitment to the communities it serves continued in 2019 by:

- Sending eight students on Youth Tour.
- Awarding 10 students the Good Neighbor Scholarship of \$2,000 each.
- Donating \$28,000 to non-profit organizations in our service territory through our Employee Directed Giving Program.
- Donating \$15,000 in community sponsorships for various organizations in our service territory.

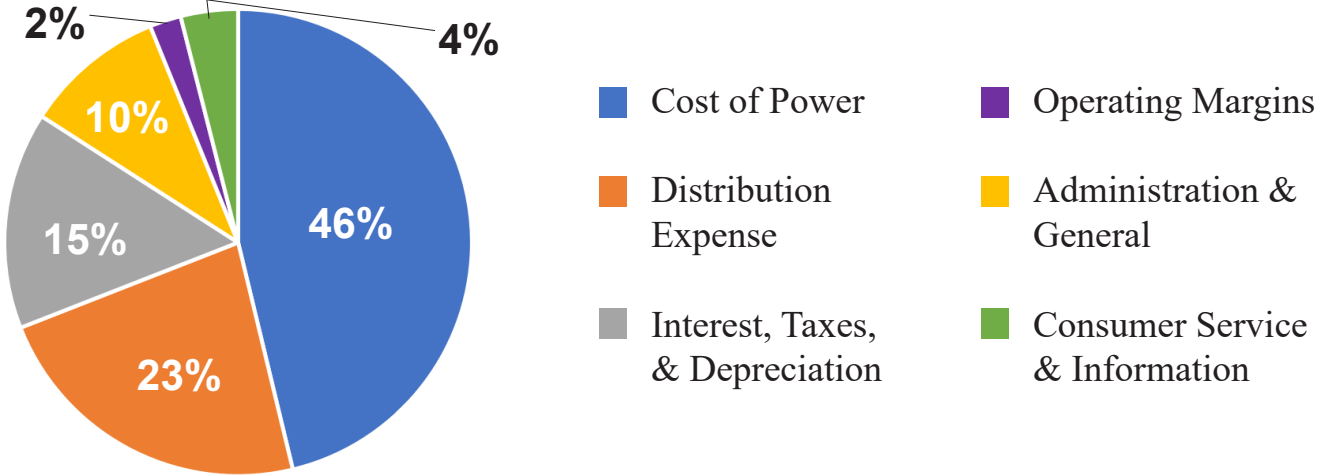
## Annual Meeting of the Members

CEC had its 82<sup>nd</sup> Annual Meeting of the Members on Aug. 23, 2019. Bette Walters representing Forest County and Althea Smith representing Clarion County were re-elected to CEC's board of directors. Almost 1,300 people attended and of those, 465 were members.

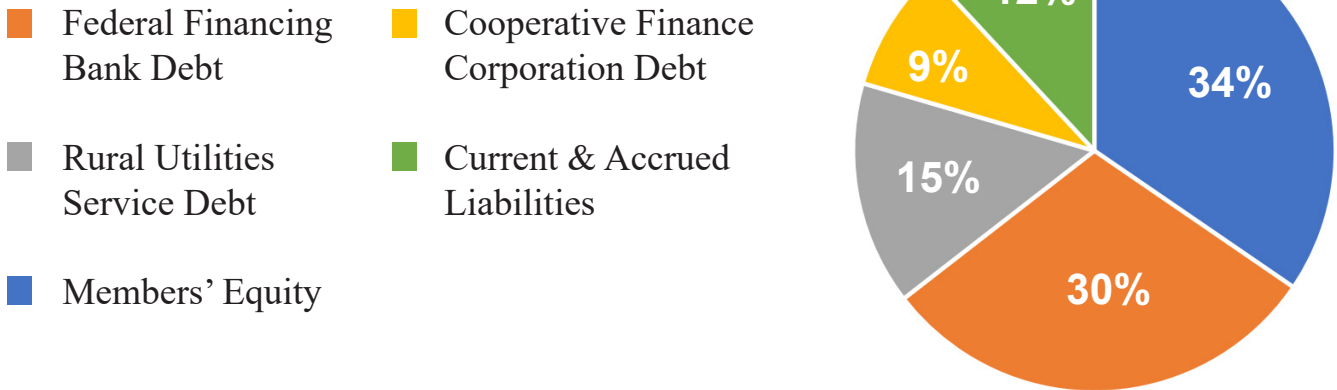
CEC staff is committed to providing service to our members. As the information detailed in this report indicates, service is much more than poles, wires, and meters to us. Our employees are talented and hardworking, with a wide variety of expertise. In addition to those attributes, our staff brings a member focus that makes our cooperative much more than an electric service provider — we are a part of all the communities we serve and are proud to be.

# 2019 Year-End Financial Review

## Where Your Electric Dollar Went — Total Operating Revenue: \$40,645,777



## Equity to Debt — Members' Ownership vs. Borrowed Capital Total Assets \$114,877,967



## Members Working for Members — Meet Your Board of Directors



**Nancy Lendyak**  
Armstrong County



**Kenneth Durrett**  
Butler County



**Robert Smith**  
Butler County



**Jody Weaver**  
Clarion County



**Richard Weaver**  
Clarion County



**Bette Walters**  
Forest County



**Kenneth Etzel**  
Venango County



**Althea Smith**  
Venango County

# Statements of Income and Comprehensive Income

For the years ended Dec. 31,

## OPERATING REVENUES:

	2019	2018
Electric energy revenue	\$39,542,247	\$40,447,547
Customers' forfeited discounts and penalties	119,874	132,074
Rent from electric property	963,395	810,587
Miscellaneous service revenue	1,045	2,455
Miscellaneous electric revenue	19,216	27,242
<b>TOTAL OPERATING REVENUES</b>	<b>40,645,777</b>	<b>41,419,905</b>

## OPERATING EXPENSES:

Cost of power	18,794,896	19,303,036
Distribution - operations	1,863,330	1,811,146
Distribution - maintenance	7,408,949	7,240,646
Consumer accounts	1,267,705	1,223,198
Customer service and information	342,202	421,393
Administrative and general	3,966,964	3,575,515
Depreciation	4,074,404	4,028,851
Taxes	61,595	55,889
Interest - other	8,281	7,097
<b>TOTAL OPERATING EXPENSES</b>	<b>37,788,326</b>	<b>37,666,771</b>
<b>OPERATING MARGINS BEFORE FIXED CHARGES</b>	<b>2,857,451</b>	<b>3,753,134</b>

## FIXED CHARGES:

Interest on long-term debt	1,972,395	1,902,447
<b>OPERATING MARGINS AFTER FIXED CHARGES</b>	<b>885,056</b>	<b>1,850,687</b>

## G&T AND OTHER CAPITAL CREDITS

<b>NET OPERATING MARGINS</b>	<b>1,236,426</b>	<b>2,385,357</b>
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## NON-OPERATING MARGINS:

Interest income	50,541	83,933
Other	224,291	203,739
<b>TOTAL NON-OPERATING MARGINS</b>	<b>274,832</b>	<b>287,672</b>

## NET MARGINS BEFORE PROVISION FOR TAXES ON INCOME

<b>1,511,258</b>	<b>2,673,029</b>
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## PROVISION FOR TAXES ON INCOME

<b>302</b>	<b>709</b>
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## NET MARGINS

<b>1,510,956</b>	<b>2,672,320</b>
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## OTHER COMPREHENSIVE GAIN

Unfunded postretirement benefit plans:		
Amortization of actuarial loss recognized in net margins	131,032	131,032

## TOTAL OTHER COMPREHENSIVE GAIN (LOSS)

<b>131,032</b>	<b>131,032</b>
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## TOTAL COMPREHENSIVE INCOME

<b>\$1,641,988</b>	<b>\$2,803,352</b>
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The financial report statements are compiled from the 2019 Audit Report as presented by the firm of Buffamante Whipple Buttafaro, P.C. A complete copy of the audit is available for examination at the CEC office during normal business hours.

**Balance Sheets**, As of Dec. 31,**ASSETS****PROPERTY AND EQUIPMENT:**

Electric plant in service - at cost

Construction work in progress

\$136,351,572

\$133,480,286

723,709

544,914

137,075,281134,025,200**LESS ACCUMULATED PROVISIONS FOR DEPRECIATION****TOTAL ELECTRIC PLANT**

45,776,985

43,036,001

**91,298,296****90,989,199****OTHER ASSETS AND INVESTMENTS:**

RUS cushion of credit

Investments in associated organizations

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89,263

10,638,627

10,617,697

**TOTAL OTHER ASSETS AND INVESTMENTS****10,638,627****10,706,960****CURRENT ASSETS:**

Cash - general funds

Accounts and notes receivable:

Trade (less accumulated provision for uncollectible accounts  
of \$139,918 and \$147,160 for 2019 and 2018 respectively)

Rental from electric property and other receivables

Materials and supplies (at average cost)

Other current and accrued assets

5,164,107

4,401,858

4,317,477

4,592,046

965,493

815,211

1,173,091

1,011,522

382,488

515,087

**TOTAL CURRENT ASSETS****12,002,656****11,335,724****DEFERRED CHARGES****938,388****1,126,065****\$114,877,967****\$114,157,948****EQUITIES AND LIABILITIES****EQUITIES:**

Memberships

Patronage capital

Other equities

Accumulated other comprehensive loss

**TOTAL EQUITIES**

95,990

99,080

31,965,573

33,001,522

8,503,724

7,678,511

(875,346)

(1,006,378)

**39,689,941****39,772,735****LONG-TERM DEBT:**

RUS notes, less current maturities

CFC notes, less current maturities

FFB notes, less current maturities

**TOTAL LONG-TERM DEBT**

16,318,962

17,216,709

8,997,918

9,836,883

33,470,004

31,467,309

**58,786,884****58,520,901****NON-CURRENT LIABILITIES:**

Accumulated postretirement benefit obligation, less current portion

Accumulated provision for storms

**TOTAL NON-CURRENT LIABILITIES**

4,662,513

4,788,183

300,000

300,000

**4,962,513****5,088,183****CURRENT LIABILITIES:**

Current maturities of long-term debt

Accounts payable:

Purchased power

Other trade payables

Consumer deposits and prepayments

Other current and accrued liabilities

**TOTAL CURRENT LIABILITIES****TOTAL LIABILITIES**

2,703,285

2,741,684

1,676,742

1,713,919

2,028,101

1,498,623

1,491,844

1,483,200

1,285,091

1,188,493

**9,185,063****8,625,919****72,934,460****72,235,003****DEFERRED CREDITS****COMMITMENTS AND CONTINGENCIES****2,253,566****2,150,210****\$114,877,967****\$114,157,948**