

CENTRAL ELECTRIC COOPERATIVE, INC.

2012 Annual Report

People Who Care!



Central Electric Cooperative

A Touchstone Energy® Cooperative 

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President, and CEO & General Manager's Report



by Margery S. Terwilliger
President



and Matthew P. Boshaw
CEO & General Manager

Central Electric Cooperative: 75 Years At Your Service!

Every year Central Electric Cooperative (CEC) dedicates its August issue to our previous year's annual report. As a CEC member you have the right to understand how your cooperative handled your investment.

This year I am not only reporting on the previous year, but also asking you to take a moment to remember one of our long-time employees. On June 22, 2013, Michael Eugene Over, "Mike," was on the job, restoring power to a member in northern Armstrong County near Bruin, Pa. when he came into contact with an energized line. Mike leaves behind his wife Crystal and daughters Carly and Abby, as well as many friends here at CEC. Visit our website at www.central.coop to see how you can help Mike's family.

In 2012, CEC celebrated 75 years of providing reliable and quality service to members at a reasonable rate. Highlights included:

- **Energy assistance:** Through co-op members' generosity, CEC's Family Fund helped 93 families in need pay their electric bills during the heating season. The program is funded by one-time donations, unclaimed capital credits and a member round-up program.

- **Member satisfaction:** For the second year in a row, CEC enjoyed great member survey results, the highest overall American Customer Satisfaction Index rating (84.61) since the survey began!
- 75-year celebration.
- Office facility completion.



Reliable Service

Reliability and timely power restoration continued to be areas of emphasis in 2012. Our total outage time per member for 2012 was 9.46 hours. Significant weather events throughout the year resulted in 3.2 of these hours coming from major storm events, and 1.5 of the hours were a result of power supply and scheduled outages. While these numbers are not within the co-op's goals, CEC was substantially less impacted in comparison to most of its counterparts.

CEC linemen assisted three Pennsylvania cooperatives and one Ohio cooperative, as well as investor-owned utilities in Pennsylvania and New Jersey.

While the co-op can't control the weather, it continues to maintain its lines. In 2012:

- 41 miles of wire were rebuilt or upgraded,
- 6,185 poles were inspected, and
- 258.4 right-of-way line miles were cleared.



The co-op is also utilizing new technologies including the Geographic Information System (GIS) and Two-Way Automatic Communications System (TWACS). They will be top priority and the next major step in distribution system reliability improvement and load serving capability.

Quality Service



In 2012 CEC continued to look for ways to improve member satisfaction. Process improvement was a key for Central's success as it utilized new technology and motivated employees to look for new ways to create efficiencies. In 2012 CEC continued to:

- increase electronic payment processing to 41 percent of all payments received, which saves on processing costs,
- support an automated phone payment system to allow members to pay their electric bills 24 hours a day,
- continue its identity verification procedures for CEC's Identity Theft Program to keep members' information safe.

Rates

Retail electric rates were increased 6.5 percent on average to Central's members on Jan. 1, 2012, primarily to cover the increase in wholesale generation rates. Central's previous rate increases were April 1, 2009 by about 4.7 percent and March 1, 2007, by 4 percent.

Community

CEC continued its efforts to educate members about issues and the cooperative difference. In addition to Power Lines and press releases, CEC again coordinated two important programs for our younger members. Four Youth Tour students made lifetime memories and acquaintances in our nation's capitol. In addition, CEC awarded 12 students the Good Neighbor Scholarships of \$1,000 each.

Annual Meeting of the Members

More than 1,000 members and guests attended the co-op's 75th Annual Meeting where members re-elected Kenneth D. Durrett representing Butler County, and Richard Weaver representing Clarion County.

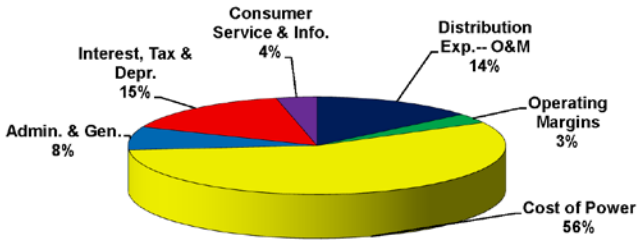
CEC has been serving members for 75 years. Members are encouraged to attend the Annual Meeting of the Members on Friday, Aug. 23, 2013.

CEC is a Touchstone Energy Cooperative and serves approximately 25,000 members with over 3,000 miles of distribution line in portions of Allegheny, Armstrong, Butler, Clarion, Forest, Mercer and Venango counties. Find out more by visiting www.central.coop.

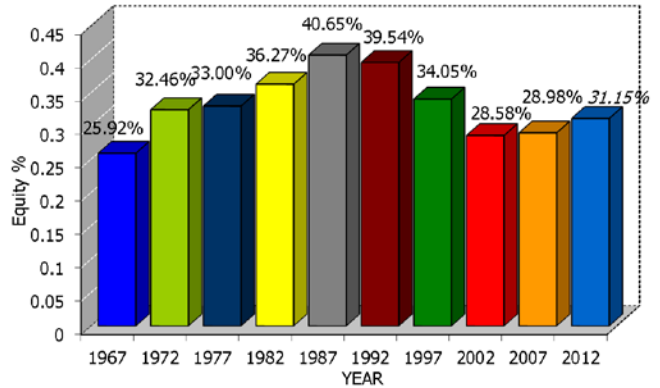


Year-End Review – 2012
 [Total Operating Budget: \$35,348,761]

Where Your Electricity Dollar Went

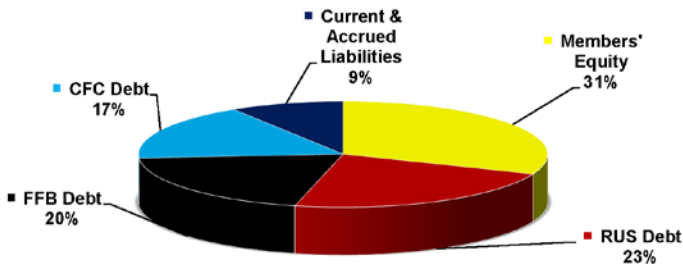


Year-End Review – 2012
 Equity/Assets Ratios



Equity to Debt

Members' Ownership vs. Borrowed Capital
 [Total Assets of \$101,647,824]
 12/31/2012



The statements on the following pages are compiled from the 2012 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 Central Electric Cooperative, Inc. office during normal business hours.



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CENTRAL ELECTRIC COOPERATIVE, INC. MEMBERS' FINANCIAL REPORT FOR 2012

**STATEMENT OF REVENUE AND PATRONAGE CAPITAL
AND RETAINED EARNINGS**

For the years ended December 31,	2012	2011
OPERATING REVENUES:		
Electric energy revenue	\$ 34,360,559	\$ 32,711,566
Customers' forfeited discounts and penalties	123,877	118,263
Rent from electric property	839,528	827,839
Miscellaneous service revenue	108,995	162,826
Miscellaneous electric revenue	24,796	17,112
TOTAL OPERATING REVENUES	35,457,755	33,837,606
OPERATING EXPENSES:		
Cost of power	19,939,195	18,759,414
Distribution - operations	1,536,652	1,357,609
Distribution - maintenance	3,463,583	3,081,456
Consumer accounts	963,666	963,521
Customer service and information	280,017	332,574
Sales	17,685	21,555
Administrative and general	2,717,583	2,565,082
Depreciation and amortization	3,389,075	3,123,573
Taxes	(4,703)	38,744
Interest - other	30,061	3,997
TOTAL OPERATING EXPENSES	32,332,814	30,247,525
OPERATING MARGINS BEFORE FIXED CHARGES	3,124,941	3,590,081
FIXED CHARGES:		
Interest on long-term debt	1,983,279	2,112,024
OPERATING MARGINS AFTER FIXED CHARGES	1,141,662	1,478,057
G & T AND OTHER CAPITAL CREDITS		
	279,380	1,262,766
NET OPERATING MARGINS	1,421,042	2,740,823
NON-OPERATING MARGINS:		
Interest income	135,787	178,431
Loss on disposition of property	(637,644)	--
Other	(1,246)	12,600
TOTAL NON-OPERATING MARGINS	(503,103)	191,031
NET MARGINS BEFORE PROVISION FOR TAXES ON INCOME	917,939	2,931,854
PROVISION FOR TAXES ON INCOME	2,282	9,775
NET MARGINS	915,657	2,922,079
PATRONAGE CAPITAL, at beginning of year:	28,078,475	27,011,722
PATRONAGE CAPITAL, before reclassification of non-operating margins not allocated and retirement of capital credits:		
	28,994,132	29,933,801
PRIOR YEAR MARGINS NOT ALLOCATED	827,838	977,518
RETIREMENT OF CAPITAL CREDITS	62,555	877,808
PATRONAGE CAPITAL, at end of year:	\$ 28,103,739	\$ 28,078,475

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BALANCE SHEETS

As of December 31,

	2012	2011
ASSETS		
PROPERTY AND EQUIPMENT:		
Electric plant in service - at cost	\$ 116,219,541	\$ 108,099,285
New headquarters work in progress	-	3,138,537
Construction work in progress	553,176	841,065
	116,772,717	112,078,887
Less accumulated provisions for depreciation	31,736,908	30,764,307
TOTAL ELECTRIC PLANT	85,035,809	81,314,580
OTHER ASSETS AND INVESTMENTS:		
Non-utility property, at cost	3,180	3,180
Investments in associated organizations	9,096,368	9,259,656
TOTAL OTHER ASSETS AND INVESTMENTS	9,099,548	9,262,836
CURRENT ASSETS:		
Cash - general funds	1,861,768	402,357
Accounts and notes receivable:		
Trade (less accumulated provision for uncollectible accounts of \$125,000 and \$157,814 for 2012 and 2011 respectively)	3,834,332	3,287,632
Rental from electric property and other receivables	745,601	649,609
Materials and supplies (at average cost)	808,760	1,015,436
Other current and accrued assets	71,287	254,560
	7,321,748	5,609,594
TOTAL CURRENT ASSETS	7,321,748	5,609,594
	\$ 101,457,105	\$ 96,187,010
EQUITIES AND LIABILITIES		
EQUITIES:		
Memberships	\$ 117,425	\$ 120,445
Patronage capital	28,103,739	28,078,475
Other equities	3,440,578	2,585,321
TOTAL EQUITIES	31,661,742	30,784,241
LONG-TERM DEBT:		
RUS mortgage notes, less current maturities	22,228,779	20,566,003
CFC mortgage notes, less current maturities	16,305,189	17,525,494
FFB mortgage notes, less current maturities	19,977,978	16,331,766
TOTAL LONG-TERM DEBT	58,511,946	54,423,263
NON-CURRENT LIABILITIES:		
Accumulated post retirement benefit obligation, less current portion	3,243,989	3,182,776
Accumulated provision for storms	300,000	300,000
TOTAL NON-CURRENT LIABILITIES	3,543,989	3,482,776
CURRENT LIABILITIES:		
Current maturities of long-term debt	2,328,184	2,309,469
Accounts payable:		
Purchased power	1,906,702	1,498,839
Other trade payables	700,199	345,693
New headquarters payables and retainage	-	483,458
Consumer deposits and prepayments	873,381	855,627
Other current and accrued liabilities	1,113,947	1,253,123
TOTAL CURRENT LIABILITIES	6,922,413	6,746,209
TOTAL LIABILITIES	68,978,348	64,652,248
DEFERRED CREDITS	817,015	750,521
COMMITMENTS AND CONTINGENCIES	\$ 101,457,105	\$ 96,187,010