

CENTRAL ELECTRIC COOPERATIVE, INC.

2013 Annual Report

Our Power is in Our Members!



Central Electric Cooperative

A Touchstone Energy® Cooperative 

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www.central.coop

President, and CEO & General Manager's Report



by Jody P. Weaver
President, Board of Directors



and Matthew P. Boshaw
CEO & General Manager

Central Electric Cooperative: 76 Years At Your Service!

The year 2013 was an especially difficult one for Central Electric Cooperative (CEC). In June, the co-op suffered the tragic loss of Michael Over, a longtime employee and journeyman lineman, in an electrical contact accident. Despite this difficult time, the cooperative continued to be productive and make significant improvements in many areas. Highlights for last year included:

- returning \$838,500 in capital credits to members,
- reaching its 20-year goal to replace all 870 line miles of single-phase copperweld wire from its distribution system,
- launching SmartHub, an online website and mobile app that provides enhanced access and two-way communication for members, and
- helping 105 families in need pay their electric bills during the heating season, through the generosity of its members. The Family Fund program is funded by one-time donations, unclaimed capital credits and a member round-up program.



Reliable Service

Reliability and timely power restoration continued to be areas of emphasis in 2013. Total outage time per member for 2013 was 8.61 hours. Power supplier outages caused 10.9 percent of the total. The co-op continues to maintain its lines. In 2013, CEC:

- replaced 24 miles of wire,
- inspected 5,896 poles, and
- cleared 314 right-of-way miles.



Quality Service

In 2013 CEC continued to look for ways to improve member satisfaction. Process improvement was a key for CEC's success as it utilized new technology and motivated employees to look for new ways to create efficiencies. In 2013 CEC:

- implemented SmartHub, which provides convenient account access and two-way communication for CEC members online or via mobile devices to manage payments, notify customer service of account and service issues, check usage and more.
- increased electronic payment processing to 44 percent of all payments received, which saves on processing costs.

Rates

CEC's retail electric rates increased July 1, 2013 by 5.5 percent, primarily to cover the increase in wholesale generation rates.

Community

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



Annual Meeting of the Members

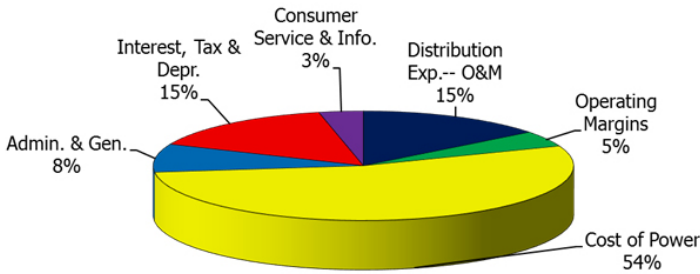
At the co-op's 2013 Annual Meeting, 1,100 members and guests attended, and re-elected Jody P. Weaver, representing Clarion County; and elected Kenneth D. Etzel, representing Venango County to its board of directors. CEC encourages members to attend the 2014 Annual Meeting of the Members on Friday, Aug. 22.

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.

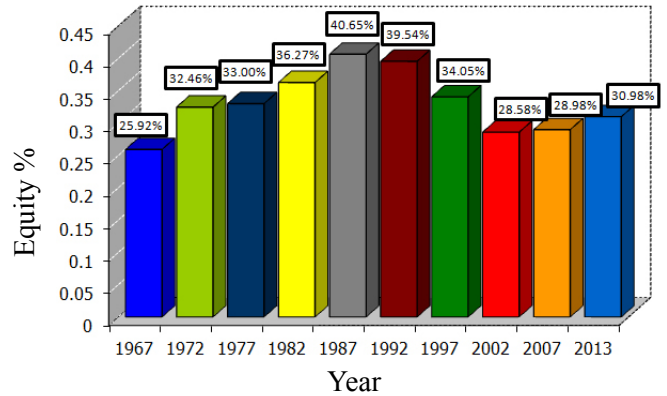


Year-End Review — 2013
[Total Operating Budget: \$36,868,619]

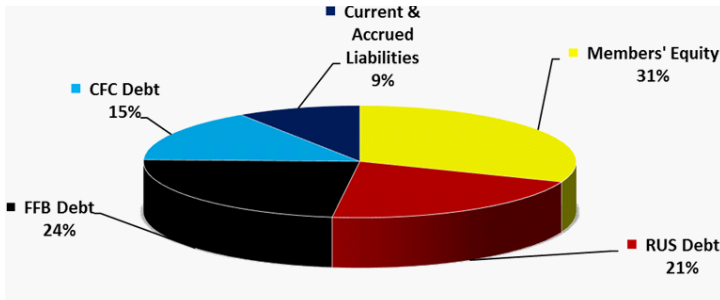
Where Your Electricity Dollar Went



Year-End Review — 2013
Equity/Assets Ratios



Equity to Debt
Members' Ownership vs. Borrowed Capital
[Total Assets of \$106,642,855]
12/31/2013



The statements on the following pages are compiled from the 2013 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.

CEC Board of Directors



Our Power is in Our Members!

CENTRAL ELECTRIC COOPERATIVE, INC. MEMBERS' FINANCIAL REPORT FOR 2013

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

| For the years ended December 31, | 2013 | 2012 |
|---|----------------------|----------------------|
| OPERATING REVENUES: | | |
| Electric energy revenue | \$ 35,968,382 | \$ 34,360,559 |
| Customers' forfeited discounts and penalties | 128,605 | 123,877 |
| Rent from electric property | 749,748 | 839,528 |
| Miscellaneous service revenue | 24,693 | 108,995 |
| Miscellaneous electric revenue | 21,884 | 24,796 |
| TOTAL OPERATING REVENUES | 36,893,312 | 35,457,755 |
| OPERATING EXPENSES: | | |
| Cost of power | 19,888,936 | 19,939,195 |
| Distribution - operations | 1,727,312 | 1,536,652 |
| Distribution - maintenance | 3,627,194 | 3,463,583 |
| Consumer accounts | 936,738 | 963,666 |
| Customer service and information | 325,485 | 280,017 |
| Sales | 24,072 | 17,685 |
| Administrative and general | 3,063,740 | 2,717,583 |
| Depreciation and amortization | 3,616,836 | 3,389,075 |
| Taxes | 1,807 | (4,703) |
| Interest - other | 4,147 | 30,061 |
| TOTAL OPERATING EXPENSES | 33,216,267 | 32,332,814 |
| OPERATING MARGINS BEFORE FIXED CHARGES | 3,677,045 | 3,124,941 |
| FIXED CHARGES: | | |
| Interest on long-term debt | 1,962,912 | 1,983,279 |
| OPERATING MARGINS AFTER FIXED CHARGES | 1,714,133 | 1,141,662 |
| G & T AND OTHER CAPITAL CREDITS | | |
| | 866,611 | 279,380 |
| NET OPERATING MARGINS | 2,580,744 | 1,421,042 |
| NON-OPERATING MARGINS: | | |
| Interest income | 62,658 | 135,787 |
| Loss on disposition of property | (422,295) | (637,644) |
| Other | 1,523 | (1,246) |
| TOTAL NON-OPERATING MARGINS | (358,114) | (503,103) |
| NET MARGINS BEFORE PROVISION FOR TAXES ON INCOME | 2,222,630 | 917,939 |
| PROVISION FOR TAXES ON INCOME | 368 | 2,282 |
| NET MARGINS | 2,222,262 | 915,657 |
| PATRONAGE CAPITAL, at beginning of year: | 28,103,739 | 28,078,475 |
| PATRONAGE CAPITAL, before reclassification of non-operating margins not allocated and retirement of capital credits: | | |
| | 30,326,001 | 28,994,132 |
| PRIOR YEAR MARGINS NOT ALLOCATED | -- | 827,838 |
| RETIREMENT OF CAPITAL CREDITS | 874,999 | 62,555 |
| PATRONAGE CAPITAL, at end of year: | \$ 29,451,002 | \$ 28,103,739 |

Annual Report

CENTRAL ELECTRIC COOPERATIVE, INC. MEMBERS' FINANCIAL REPORT FOR 2013

BALANCE SHEETS

As of December 31,

| | 2013 | 2012 |
|---|----------------|----------------|
| ASSETS | | |
| PROPERTY AND EQUIPMENT: | | |
| Electric plant in service - at cost | \$ 117,961,271 | \$ 116,219,541 |
| Construction work in progress | 566,707 | 553,176 |
| | 118,527,978 | 116,772,717 |
| Less accumulated provisions for depreciation | 32,352,801 | 31,736,908 |
| TOTAL ELECTRIC PLANT | 86,175,177 | 85,035,809 |
| OTHER ASSETS AND INVESTMENTS: | | |
| Non-utility property, at cost | 3,180 | 3,180 |
| Investments in associated organizations | 9,550,015 | 9,096,368 |
| TOTAL OTHER ASSETS AND INVESTMENTS | 9,553,195 | 9,099,548 |
| CURRENT ASSETS: | | |
| Cash - general funds | 2,994,960 | 1,861,768 |
| Accounts and notes receivable: | | |
| Trade (less accumulated provision for uncollectible accounts of \$125,000 for 2013 and 2012 respectively) | 4,101,937 | 3,834,332 |
| Rental from electric property and other receivables | 753,142 | 745,601 |
| Materials and supplies (at average cost) | 782,287 | 808,760 |
| Other current and accrued assets | 217,707 | 71,287 |
| TOTAL CURRENT ASSETS | 8,850,033 | 7,321,748 |
| DEFERRED CHARGES | 2,064,453 | -- |
| | \$ 106,642,858 | \$ 101,457,105 |
| EQUITIES AND LIABILITIES | | |
| EQUITIES: | | |
| Memberships | \$ 114,295 | \$ 117,425 |
| Patronage capital | 29,451,002 | 28,103,739 |
| Other equities | 3,472,118 | 3,440,578 |
| TOTAL EQUITIES | 33,037,415 | 31,661,742 |
| LONG-TERM DEBT: | | |
| RUS mortgage notes, less current maturities | 21,667,150 | 22,228,779 |
| CFC mortgage notes, less current maturities | 15,159,872 | 16,305,189 |
| FFB mortgage notes, less current maturities | 24,448,782 | 19,977,978 |
| TOTAL LONG-TERM DEBT | 61,275,804 | 58,511,946 |
| NON-CURRENT LIABILITIES: | | |
| Accumulated post retirement benefit obligation, less current portion | 3,411,380 | 3,243,989 |
| Accumulated provision for storms | 300,000 | 300,000 |
| TOTAL NON-CURRENT LIABILITIES | 3,711,380 | 3,543,989 |
| CURRENT LIABILITIES: | | |
| Current maturities of long-term debt | 2,389,740 | 2,328,184 |
| Accounts payable: | | |
| Purchased power | 1,857,599 | 1,906,702 |
| Other trade payables | 1,393,393 | 700,199 |
| Consumer deposits and prepayments | 875,634 | 873,381 |
| Other current and accrued liabilities | 1,137,706 | 1,113,947 |
| TOTAL CURRENT LIABILITIES | 7,654,072 | 6,922,413 |
| TOTAL LIABILITIES | 72,641,256 | 68,978,348 |
| DEFERRED CREDITS | 964,187 | 817,015 |
| COMMITMENTS AND CONTINGENCIES | \$ 106,642,858 | \$ 101,457,105 |