

Powering Everyday Life for 80 Years.



Central Electric Cooperative

A Touchstone Energy® Cooperative 

2016 Annual Report

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



Central Electric Cooperative (CEC) experienced a strong and transitional year in 2016. No year is without challenges and 2016 was no exception, but each of those challenges has been addressed and the overall result was continued improvement throughout the organization.

The three-year rolling strategic plan remains the focus of our efforts. The plan's newest updates include some significant changes intended to utilize our improved organizational structure and move CEC forward in direct support of our Mission Statement, Vision Statement and Strategic Initiatives. Those changes include additional planning and goal setting in the areas of member services and finance and accounting, as well as a renewed emphasis on our engineering efforts proactively looking for areas of system improvement. Additionally, the realignment of our safety department resources will provide a better focus in keeping our members and employees safer. Our efforts in planning have allowed us to positively address challenges as they have arisen.

In 2016, CEC focused on providing reliable and quality service, controlling rates, and being committed to the communities it serves. The weather pattern of 2016 was significantly different from the previous two years, resulting in a summer-system peak rather than the elevated



and winter system peak caused by the “polar vortexes” of 2014 and 2015.

Highlights for last year included:

- Returning a record \$1,583,000 in patronage capital to our members in the form of Capital Credits.
- Distributing 171 Energy Star Appliance Rebates totaling almost \$10,000 to members.
- Helping 153 families in need pay electric bills during the heating season. The Family Fund program is funded entirely by member contributions, the roundup program and unclaimed Capital Credits.

Reliable Service

Reliability and timely power restoration continued to be areas of emphasis in 2016. Total outage time per member decreased from 10.61



hours in 2015 to 8.1 hours in 2016, with power supplier outages causing 37 percent of the total. The cooperative continues to maintain its lines for improved reliability. In 2016, CEC made major improvements across its territory.

- Major improvements were made in the Saxonburg, Cowansville and Karns City substations.
- The meter change out project was completed by replacing the last 3,438 meters with new automated meter technology.
- 5,176 poles were inspected.
- 314 miles of rights-of-way were cleared.

Quality Service

New technologies again played a big part in member satisfaction. In 2016 CEC:

- Continued utilizing SmartHub, which provides convenient account access to members online or via mobile devices to manage payments, notify member service representatives of account and service issues, check usage and more.
- Increased electronic payment processing to 50 percent of all payments received, which is convenient for members and saves on processing costs.
- Processed and completed 10,826 member service orders.
- Installed 27 electric water heaters and 13 GenerLink™ units.



CEC's Ken Maleski (right) presenting a Bright Ideas Teacher Grant.

Rates

CEC's retail electric rates for members increased in 2016 by 5 percent, primarily to cover increases in distribution costs. CEC's last increase in retail rates was 5.5 percent in 2013. No rate increase is planned for 2017.

Community

CEC continued its commitment to the communities it serves. In 2016, CEC:

- Assisted 153 families in need pay their electric bill through the Family Fund program.
- Sent four students on Youth Tour, where they made lifelong memories and learned about government and cooperatives.
- Awarded 15 students the Good Neighbor Scholarship of \$2,000 each.

Annual Meeting of the Members

Almost 1,000 members and guests attended the cooperative's 79th annual meeting.

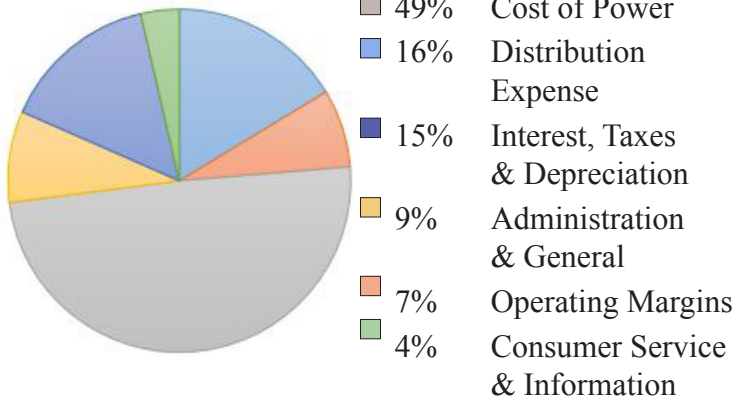
Members re-elected board of director Kenneth Durrett, representing Butler County; and Rick Weaver, representing Clarion County at the meeting. CEC encourages members to attend this year's Annual Meeting of the Members Friday, Aug. 25, 2017.

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.

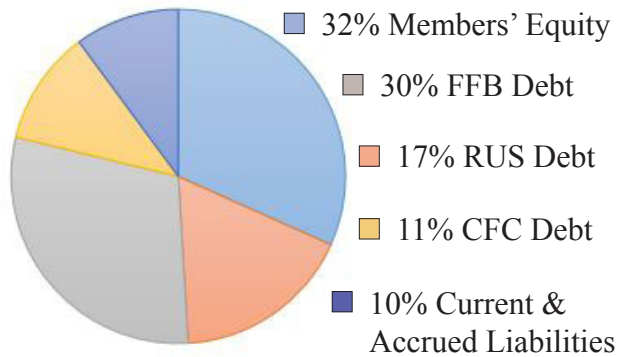
CEC is a Touchstone Energy Cooperative and serves approximately 25,000 members with over 3,000 miles of distribution line in portions of Allegheny, Armstrong, Butler, Clarion, Forest, Mercer and Venango counties. Find out more by visiting www.central.coop.

2016 Year-End Financial Review

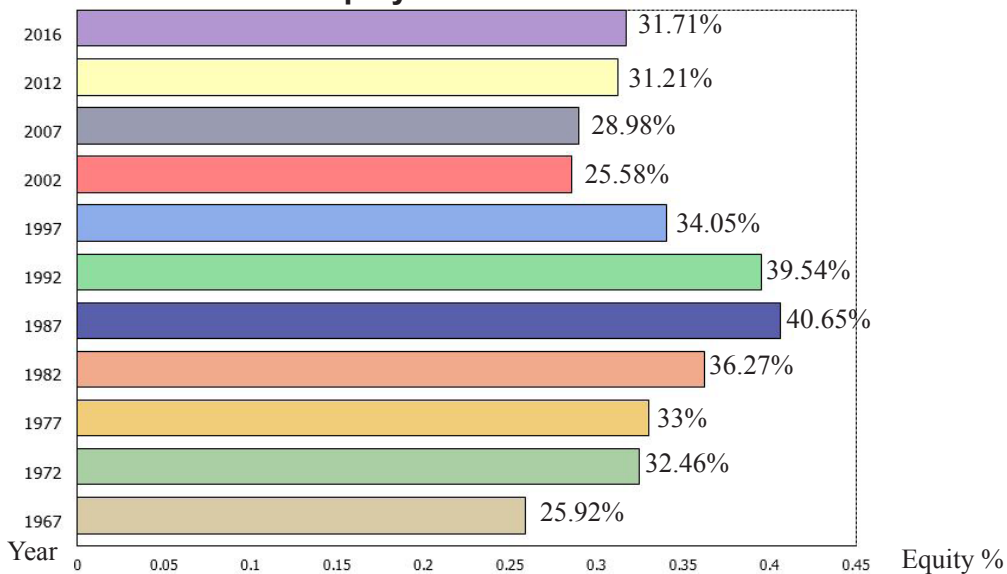
Where Members' Electric Dollar Went Total Operating Budget: \$39,489,720



Equity to Debt Members' Ownership vs. Borrowed Capital Total Assets \$114,932,162



Equity/Assets Ratio



Members Working for Members: Meet Your Board of Directors!



Nancy Lendyak
Armstrong County



Kenneth Durrett
Butler County



William Eichner
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,

	2016	2015
OPERATING REVENUES:		
Electric energy revenue	\$38,496,315	\$37,090,003
Customers' forfeited discounts and penalties	125,723	130,285
Rent from electric property	844,562	851,796
Miscellaneous service revenue	3,762	4,304
Miscellaneous electric revenue	23,120	23,618
TOTAL OPERATING REVENUES	39,493,482	38,100,006
OPERATING EXPENSES:		
Cost of power	19,455,583	19,470,882
Distribution - operations	1,925,886	1,834,915
Distribution - maintenance	4,527,710	4,233,415
Consumer accounts	1,080,723	1,036,051
Customer service and information	343,587	339,047
Sales	7,705	9,814
Administrative and general	3,391,628	3,216,358
Depreciation and amortization	3,842,296	3,914,218
Taxes	55,221	55,176
Interest - other	4,272	4,210
TOTAL OPERATING EXPENSES	34,634,611	34,114,086
OPERATING MARGINS BEFORE FIXED CHARGES	4,858,871	3,985,920
FIXED CHARGES:		
Interest on long-term debt	1,942,129	1,921,926
OPERATING MARGINS AFTER FIXED CHARGES	2,916,742	2,063,994
G&T AND OTHER CAPITAL CREDITS	543,157	490,072
NET OPERATING MARGINS	3,459,899	2,554,066
NON-OPERATING MARGINS:		
Interest income	228,812	212,875
Loss on disposition of property	(160,885)	(226,195)
Other	24,777	95,153
TOTAL NON-OPERATING MARGINS	92,704	81,833
NET MARGINS BEFORE PROVISION FOR TAXES ON INCOME	3,552,603	2,635,899
PROVISION FOR TAXES ON INCOME	883	1,086
NET MARGINS	3,551,720	2,634,813
OTHER COMPREHENSIVE LOSS		
Unfunded postretirement benefit plans:		
Net actuarial loss	(1,399,474)	--
Amortization of actuarial loss recognized in net margins	131,032	--
TOTAL OTHER COMPREHENSIVE LOSS	(1,268,442)	--
TOTAL COMPREHENSIVE INCOME	\$2,283,278	\$2,634,813

The financial report statements are compiled from the 2016 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

2016
\$127,199,717
1,100,211
128,299,928

2015
\$123,467,475
1,163,614
124,631,089

LESS ACCUMULATED PROVISIONS FOR DEPRECIATION

TOTAL ELECTRIC PLANT

38,432,141
89,867,787

36,389,340
88,241,749

OTHER ASSETS AND INVESTMENTS:

RUS cushion of credit
Investments in associated organizations

3,926,954
9,892,868

4,039,596
9,500,083

TOTAL OTHER ASSETS AND INVESTMENTS

13,819,822

13,539,679

CURRENT ASSETS:

Cash - general funds
Accounts and notes receivable
Trade (less accumulated provision for uncollectible accounts
of \$187,900 and \$130,000 for 2016 and 2015 respectively)

3,579,613
4,489,437

1,494,080
3,646,743

Rental from electric property and other receivables

844,158

853,761

Materials and supplies (at average cost)

574,798

715,056

Other current and accrued assets

255,127

170,511

TOTAL CURRENT ASSETS

9,743,133

6,880,151

DEFERRED CHARGES

1,501,420

1,689,098

\$114,932,162

\$110,350,677

EQUITIES AND LIABILITIES

EQUITIES:

Memberships
Patronage capital
Other equities
Accumulated other comprehensive loss

105,005
31,674,663
5,933,142
(1,268,442)

107,820
30,560,790
5,056,547
--

TOTAL EQUITIES

36,444,368

35,725,157

LONG-TERM DEBT:

RUS notes, less current maturities
CFC notes, less current maturities
FFB notes, less current maturities

19,051,082
11,727,325
33,185,423

19,928,055
12,751,408
30,050,984

TOTAL LONG-TERM DEBT

63,963,830

62,730,447

NON-CURRENT LIABILITIES:

Accumulated post retirement benefit obligation, less current portion
Accumulated provision for storms

4,750,896
300,000

3,354,037
300,000

TOTAL NON-CURRENT LIABILITIES

5,050,896

3,654,037

CURRENT LIABILITIES:

Current maturities of long-term debt
Accounts payable:
Purchased power
Other trade payables
Consumer deposits and prepayments
Other current and accrued liabilities

2,896,286
1,907,550
836,690
920,654
1,460,302

2,760,266
1,687,904
599,928
905,084
1,056,734

TOTAL CURRENT LIABILITIES

8,021,482

7,009,916

TOTAL LIABILITIES

77,036,208

73,394,400

DEFERRED CREDITS

1,451,586

1,231,120

COMMITMENTS AND CONTINGENCIES

\$114,932,162

\$110,350,677