

**Our Tradition is to Service —
Our Responsibility is to Safety.**



Central Electric Cooperative

A Touchstone Energy® Cooperative 

2017 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) made significant changes throughout the organization in 2017. These changes have allowed for process improvements — putting the cooperative in a strong position to continue improving in the coming years.

Our three-year, rolling strategic plan has provided a template allowing CEC to maintain the continuity required for our business model. The plan clearly identifies our Mission Statement, Vision Statement and strategic initiatives including goals designed to support them. It also includes day-to-day activities and larger, long-term projects. This plan has allowed us to better manage our resources and maintain the high level of service expected by our members, while identifying our future direction and continuously improving. Key pieces of the 2017-2019 Strategic Plan include completion of organizational structure implementation, codifying long-range financial planning goals, and a cooperative-wide emphasis on safety.

Another significant planning effort was completed, that culminated in the board and staff working together, to complete an overall financial management plan. This plan clarified the philosophy, goals and priorities in the areas of rates, patronage capital rotation, and equity.

There was no rate increase from our power supplier in 2017 and CEC had no rate increase, despite exceptionally mild temperatures and increased conservation efforts by CEC and our members.



Highlights for last year included:

- Returning a record \$1,542,000 in patronage capital to our members in the form of Capital Credits.
- Distributing 171 Energy Star Appliance Rebates totaling almost \$11,000 to members.
- Helping 357 families in need pay electric bills during the heating season. The Family Fund program is funded entirely by member contributions, the Round Up Program, and unclaimed Capital Credits.

Reliable Service

Reliability and timely power restoration continued to be emphasized in 2017. Total, average outage time per member was 17.6 hours with power supplier outages causing 32.4 percent of that. CEC continued to maintain its lines for improved reliability. In 2017, CEC made major improvements across its territory.

- Major improvements were made in the Karns City, Rockland, and Fredricksburg substations.
- Completion of the high-side electronic recloser project.
- 620 poles were set.
- 7,502 poles were inspected.
- 5,591 trees were trimmed.
- 5,980 trees were removed.
- 120 miles of rights-of-ways were cleared.

Quality Service

New technologies again played a big part in member satisfaction. In 2017, CEC:

- Continued utilizing SmartHub, providing 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 52 percent of all payments received, which is convenient for members and saves on processing costs.
- Processed and completed 8,546 member service orders.
- Installed 40 electric water heaters and 15 GenerLink™ units.



Rates

CEC's retail electric rates for members did not increase in 2017. CEC's last increase in retail rates was 5.5 percent in 2013. No rate increase is planned for 2018.

Community

CEC continued its commitment to the communities it serves. In 2017, CEC was able to fund the following primarily with unclaimed Capital Credits.

- Assisted 357 families in need pay their electric bill through the Family Fund program.
- Sent five students on Youth Tour where they made lifelong memories and learned about government and electric cooperatives.
- Awarded 10 students the Good Neighbor

Scholarship of \$2,000 each.

- Donated \$19,000 to non-profit organizations in our service territory.
- Awarded a \$1,000 grant through our Bright Ideas Program to a school to fund an energy-related learning project.

Annual Meeting of the Members

Almost 1,200 members and guests attended the cooperative's 80th annual meeting. Members re-elected board director Jody Weaver, representing Clarion County; and Ken Etzel, representing Venango County at the meeting. CEC encourages members to attend this year's Annual Meeting of the Members Friday, Aug. 24, 2018.

CEC staff is committed to providing excellent service to our members. As the information 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, 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 of it.

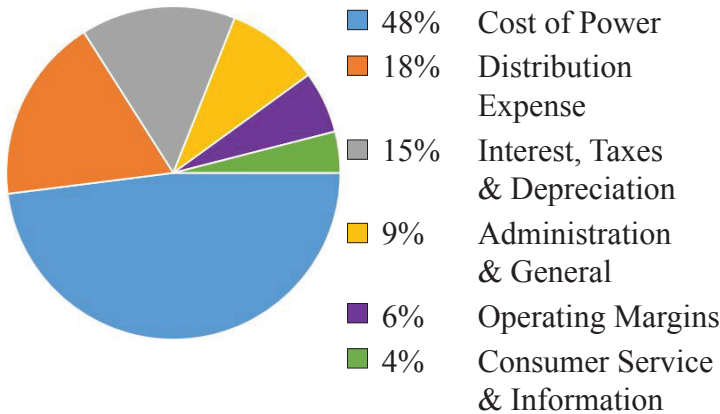
CEC is a Touchstone Energy Cooperative and serves approximately 25,000 members with over 3,000 miles of distribution line in portions of Allegheny, Armstrong, Butler, Clarion, Forest, Mercer, and Venango counties. Find out more by visiting www.central.coop.



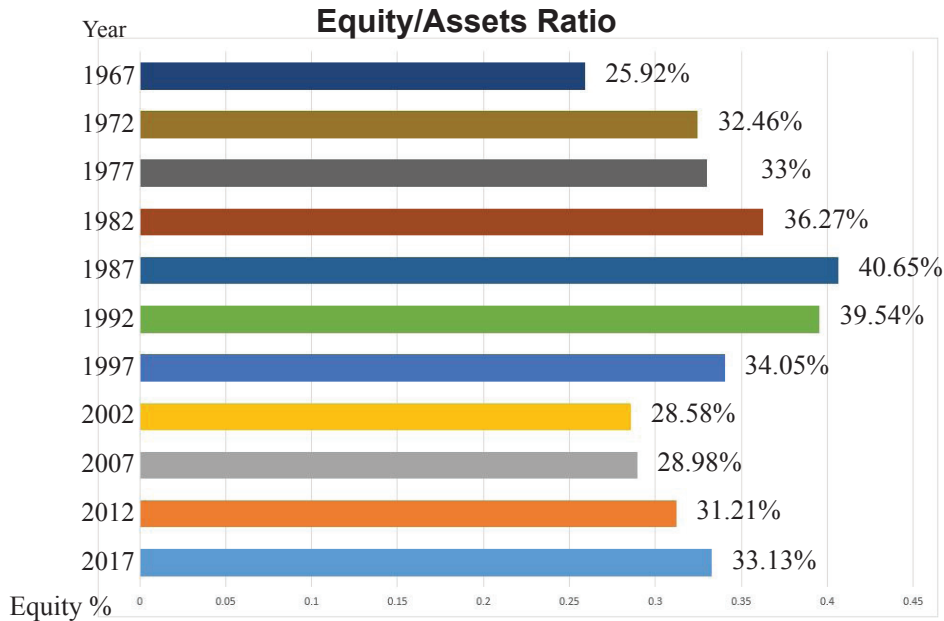
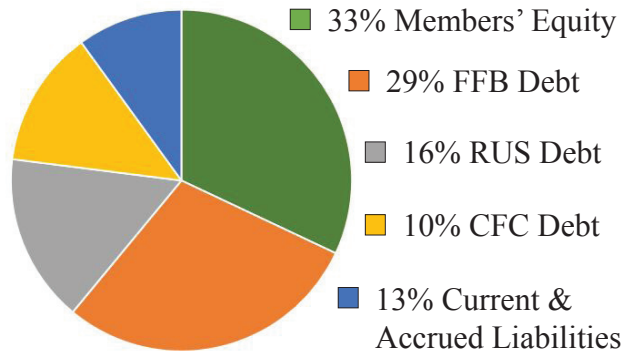
CEC's Janet Guthrie (right) presenting a Bright Ideas Teacher Grant.

2017 Year-End Financial Review

Where Members' Electric Dollar Went Total Operating Budget: \$38,645,008



Equity to Debt Members' Ownership vs. Borrowed Capital Total Assets \$116,551,891



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,

	2017	2016
OPERATING REVENUES:		
Electric energy revenue	\$37,635,923	\$38,496,315
Customers' forfeited discounts and penalties	119,201	125,723
Rent from electric property	860,445	844,562
Miscellaneous service revenue	3,100	3,762
Miscellaneous electric revenue	26,339	23,120
TOTAL OPERATING REVENUES	38,645,008	39,493,482
OPERATING EXPENSES:		
Cost of power	18,521,048	19,455,583
Distribution - operations	1,830,785	1,925,886
Distribution - maintenance	4,728,885	4,527,710
Consumer accounts	1,135,167	1,080,723
Customer service and information	399,835	343,587
Sales	568	7,705
Administrative and general	3,552,470	3,391,628
Depreciation and amortization	3,954,296	3,842,296
Taxes	57,542	55,221
Interest - other	4,569	4,272
TOTAL OPERATING EXPENSES	34,185,165	34,634,611
OPERATING MARGINS BEFORE FIXED CHARGES	4,459,843	4,858,871
FIXED CHARGES:		
Interest on long-term debt	1,907,733	1,942,129
OPERATING MARGINS AFTER FIXED CHARGES	2,552,110	2,916,742
G&T AND OTHER CAPITAL CREDITS	800,809	543,157
NET OPERATING MARGINS	3,352,919	3,459,899
NON-OPERATING MARGINS:		
Interest income	177,484	228,812
Loss on disposition of property	(3,151)	(160,885)
Other	45,554	24,777
TOTAL NON-OPERATING MARGINS	219,887	92,704
NET MARGINS BEFORE PROVISION FOR TAXES ON INCOME	3,572,806	3,552,603
PROVISION FOR TAXES ON INCOME	729	883
NET MARGINS	3,572,077	3,551,720
OTHER COMPREHENSIVE LOSS		
Unfunded postretirement benefit plans:		
Net actuarial loss	--	(1,399,474)
Amortization of actuarial loss recognized in net margins	131,032	131,032
TOTAL OTHER COMPREHENSIVE GAIN (LOSS)	131,032	(1,268,442)
TOTAL COMPREHENSIVE INCOME	\$3,703,109	\$2,283,278

The financial report statements are compiled from the 2017 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

\$131,223,409
582,432
131,805,841

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

LESS ACCUMULATED PROVISIONS FOR DEPRECIATION

TOTAL ELECTRIC PLANT

41,238,259
90,567,582

38,432,141
89,867,787

OTHER ASSETS AND INVESTMENTS:

RUS cushion of credit
Investments in associated organizations

2,331,734
10,401,326

3,926,954
9,892,868

TOTAL OTHER ASSETS AND INVESTMENTS

12,733,060

13,819,822

CURRENT ASSETS:

Cash - general funds
Accounts and notes receivable
Trade (less accumulated provision for uncollectible accounts
of \$165,877 and \$187,900 for 2017 and 2016 respectively)
Rental from electric property and other receivables

5,070,787

3,579,613

4,653,064

4,489,437

860,557

844,158

Materials and supplies (at average cost)

990,982

574,798

Other current and accrued assets

362,116

255,127

TOTAL CURRENT ASSETS

11,937,506

9,743,133

DEFERRED CHARGES

1,313,743

1,501,420

\$116,551,891

\$114,932,162

EQUITIES AND LIABILITIES

EQUITIES:

Memberships
Patronage capital
Other equities
Accumulated other comprehensive loss

101,865

105,005

32,854,759

31,674,663

6,796,883

5,933,142

(1,137,410)

(1,268,442)

TOTAL EQUITIES

38,616,097

36,444,368

LONG-TERM DEBT:

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

18,127,364

19,051,082

10,775,704

11,727,325

32,350,762

33,185,423

TOTAL LONG-TERM DEBT

61,253,830

63,963,830

NON-CURRENT LIABILITIES:

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

4,725,011

4,750,896

300,000

300,000

TOTAL NON-CURRENT LIABILITIES

5,025,011

5,050,896

CURRENT LIABILITIES:

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

2,917,470

2,896,286

1,817,075

1,907,550

1,163,117

836,690

1,471,075

920,654

1,441,495

1,460,302

TOTAL CURRENT LIABILITIES

8,810,232

8,021,482

TOTAL LIABILITIES

75,089,073

77,036,208

DEFERRED CREDITS

2,846,721

1,451,586

COMMITMENTS AND CONTINGENCIES

\$116,551,891

\$114,932,162