

CENTRAL ELECTRIC COOPERATIVE, INC.
2014 Annual Report

**Dedicated to providing our members
safe, reliable and affordable power!**



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

Living the Cooperative Difference

In many ways, the year 2014 represented a return to normalcy for Central Electric Cooperative (CEC). After the challenges of 2013, we recognize that we are changed. Our dedicated personnel have been able to rebound and refocus our efforts to provide advancements in many areas as described below. We experienced a strong financial year, exceeding all of our loan covenant requirements and allocating nearly \$1,900,000 to members' patronage capital accounts. We also worked diligently with our power supplier to create a greater level of rate stability, then, and in the future. In 2014, CEC's hardworking staff and board continued providing safe, reliable electricity at a reasonable cost to its member-owners, was committed to the communities it serves, and dedicated to the Cooperative Difference.

Highlights for last year included:

- no rate change for members since mid-2013,
- returning \$1,180,000 in capital credits to members,
- the highest member survey rating in CEC history (a big thank you to all of our members), and
- helping almost 100 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 areas of emphasis in 2014. Total outage time per member for 2014 averaged 7.04 hours.

The cooperative continues to maintain its lines. In 2014, CEC:

- made major improvements in the Rockland, Prospect and Saxonburg substations,
- replaced 4,245 meters with new technology,
- inspected 5,557 poles, and
- cleared 272 miles of rights-of-way.



Quality Service

The 2014 member survey resulted in the highest scores in its history, rating CEC high on people skills, and providing clear and understandable bills.

New technologies again played a big part in member satisfaction. In 2014 CEC:

- continued utilizing SmartHub, which provides convenient account access and two-way communication to members online or via mobile devices to manage payments, notifies customer service of account and service issues, checks usage and more, and
- increased electronic payment processing to 46 percent of all payments received, which is convenient for members and saves on processing costs.

- sent two students on Youth Tour, where they made lifetime memories and learned about government and cooperatives,
- awarded two students the Good Neighbor Scholarship of \$1,000 each, and
- sponsored and participated in an Emergency Preparedness Seminar for the business community.



Rates

CEC's retail electric rates did not change in 2014.



Annual Meeting of the Members

At the co-op's 2014 annual meeting, 861 members and guests attended, and re-elected William J. Eicher, representing Butler County; and elected Nancy Terwilliger Lenyak, representing Armstrong County to its board of directors. CEC encourages members to attend the 2015 Annual Meeting of the Members Friday, Aug. 21, 2015.

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.

Community

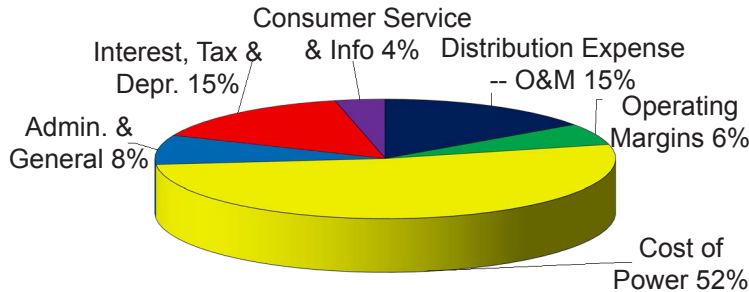
CEC continued in its commitment to the communities it serves. In 2014, CEC:

- assisted 97 families in need pay their electric bills during the heating season, through its members' generosity. The program is funded by one-time donations, unclaimed capital credits and a member round-up program,

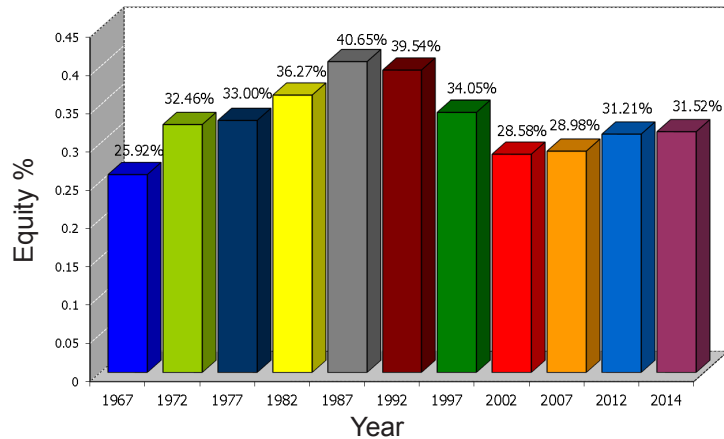


Year-End Review — 2014 [Total Operating Budget: \$38,217,718]

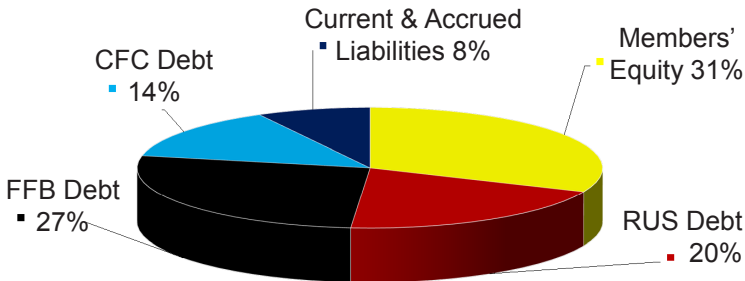
Where Your Electricity Dollar Went



Year-End Review — 2014 Equity/Assets Ratios



Equity to Debt Members' Ownership vs. Borrowed Capital [Total Assets of \$109,256,788] 12/31/2014



The statements on the following pages are compiled from the 2014 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 office during normal business hours.

Members Working for Members: Meet Your Elected Representatives!



CEC Board of Directors

Pictured from left: (back row) William Eichner, Butler County; Rick Weaver, Clarion County; Jody Weaver, Clarion County; Kenneth Durrett, Butler County; Kenneth Etzel, Venango County; from left, (front row) Bette Walters, Forest County; Nancy Lendyak, Armstrong County; and Althea Smith, Venango County.

CENTRAL ELECTRIC COOPERATIVE, INC. MEMBERS' FINANCIAL REPORT FOR 2014

STATEMENT OF REVENUE AND PATRONAGE CAPITAL AND RETAINED EARNINGS

For the years ended December 31,	2014	2013
OPERATING REVENUES:		
Electric energy revenue	\$ 37,296,737	\$ 35,968,382
Customers' forfeited discounts and penalties	132,474	128,605
Rent from electric property	764,489	749,748
Miscellaneous service revenue	5,586	24,693
Miscellaneous electric revenue	24,018	21,884
TOTAL OPERATING REVENUES	38,223,304	36,893,312
OPERATING EXPENSES:		
Cost of power	19,953,503	19,888,936
Distribution - operations	1,631,452	1,727,312
Distribution - maintenance	4,224,281	3,627,194
Consumer accounts	1,022,348	936,738
Customer service and information	326,178	325,485
Sales	22,511	24,072
Administrative and general	3,031,968	3,063,740
Depreciation and amortization	3,820,433	3,616,836
Taxes	3,606	1,807
Interest - other	4,145	4,147
TOTAL OPERATING EXPENSES	34,040,425	33,216,267
OPERATING MARGINS BEFORE FIXED CHARGES	4,182,879	3,677,045
FIXED CHARGES:		
Interest on long-term debt	1,934,331	1,962,912
OPERATING MARGINS AFTER FIXED CHARGES	2,248,548	1,714,133
G & T AND OTHER CAPITAL CREDITS		
	672,760	866,611
NET OPERATING MARGINS	2,921,308	2,580,744
NON-OPERATING MARGINS:		
Interest income	74,270	62,658
Loss on disposition of property	(345,933)	(422,295)
Other	16,830	1,523
TOTAL NON-OPERATING MARGINS	(254,833)	(358,114)
NET MARGINS BEFORE PROVISION FOR TAXES ON INCOME	2,666,475	2,222,630
PROVISION FOR TAXES ON INCOME	1,507	368
NET MARGINS	2,664,968	2,222,262
PATRONAGE CAPITAL, at beginning of year:	29,451,002	28,103,739
PATRONAGE CAPITAL, before reclassification of non-operating margins not allocated and retirement of capital credits:		
	32,115,970	30,326,001
PRIOR YEAR MARGINS NOT ALLOCATED		
	749,747	--
RETIREMENT OF CAPITAL CREDITS		
	1,292,366	874,999
PATRONAGE CAPITAL, at end of year:	\$ 30,073,857	\$ 29,451,002

Annual Report

CENTRAL ELECTRIC COOPERATIVE, INC. MEMBERS' FINANCIAL REPORT FOR 2014

BALANCE SHEETS

As of December 31,

	2014	2013
ASSETS		
PROPERTY AND EQUIPMENT:		
Electric plant in service - at cost	\$ 120,330,878	\$ 117,961,271
Construction work in progress	1,132,474	566,707
	121,463,352	118,527,978
Less accumulated provisions for depreciation	33,935,129	32,352,801
TOTAL ELECTRIC PLANT	87,528,223	86,175,177
OTHER ASSETS AND INVESTMENTS:		
Non-utility property, at cost	3,180	3,180
RUS cushion of credit	505,901	33,717
Investments in associated organizations	9,334,724	9,550,015
TOTAL OTHER ASSETS AND INVESTMENTS	9,843,805	9,586,912
CURRENT ASSETS:		
Cash - general funds	4,461,526	2,994,960
Accounts and notes receivable:		
Trade (less accumulated provision for uncollectible accounts of \$130,000 and \$125,000 for 2014 and 2013 respectively)	4,014,137	4,101,937
Rental from electric property and other receivables	764,464	753,142
Materials and supplies (at average cost)	657,346	782,287
Other current and accrued assets	195,544	217,707
TOTAL CURRENT ASSETS	10,093,017	8,850,033
DEFERRED CHARGES	1,877,604	2,064,433
	\$ 109,342,649	\$ 106,676,575
EQUITIES AND LIABILITIES		
EQUITIES:		
Memberships	\$ 111,105	\$ 114,295
Patronage capital	30,073,857	29,451,002
Other equities	4,267,229	3,472,118
TOTAL EQUITIES	34,452,191	33,037,415
LONG-TERM DEBT:		
RUS notes, less current maturities	20,792,072	21,700,867
CFC notes, less current maturities	13,963,810	15,159,872
FFB notes, less current maturities	28,781,503	24,448,782
TOTAL LONG-TERM DEBT	63,537,385	61,309,521
NON-CURRENT LIABILITIES:		
Accumulated post retirement benefit obligation, less current portion	3,395,037	3,411,380
Accumulated provision for storms	300,000	300,000
TOTAL NON-CURRENT LIABILITIES	3,695,037	3,711,380
CURRENT LIABILITIES:		
Current maturities of long-term debt	2,657,715	2,389,740
Accounts payable:		
Purchased power	1,744,807	1,857,599
Other trade payables	279,895	1,393,393
Consumer deposits and prepayments	882,364	875,634
Other current and accrued liabilities	951,697	1,137,706
TOTAL CURRENT LIABILITIES	6,516,478	7,654,072
TOTAL LIABILITIES	73,748,900	72,674,973
DEFERRED CREDITS	1,141,558	964,187
COMMITMENTS AND CONTINGENCIES	\$ 109,342,649	\$ 106,676,575