

CENTRAL ELECTRIC COOPERATIVE, INC.

2011 Annual Report

Energizing Your Future for 75 Years!



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: Energizing Your Future for 75 Years!

As Central Electric Cooperative (CEC) celebrates 75 years of service to its members, it looks back on 2011, when it continued to look out for members by providing reliable and quality service, at a reasonable rate.

2011 highlights included:

- Money back for members: In December members received credits on their bills when the co-op retired \$833,000 in capital credits.
- High marks from members: Members ranked CEC high in customer satisfaction in an independent member survey: the highest rating since the co-op first conducted the survey in 2004, and higher American Customer Satisfaction Index (ACSI) scores than investor-owned utilities.
- Participation in the Youth Tour program after a 12-year hiatus.

Reliable Service

Following a very quiet 2010, 2011 was a busy one for the linemen. April and July were

exceptionally challenging with storms and extremely wet weather. In 2011 CEC averaged 5.67 hours outage time per members.

While the co-op can't control the weather, it continues to maintain its lines: 5,271 poles were inspected and 377 right-of-way line miles were cleared in 2011.

CEC also invested in upgrading its distribution system with single-phase conductor change resectionalizing and underground



cable replacements. In 2011 CEC rebuilt or upgraded approximately 40 miles of wire. Now that these projects are nearing completion the

co-op is shifting its focus to maximize the benefit of new technologies such as the Geographic Information System (GIS), Two-Way Automatic Communications System (TWACS) and Supervisory Control And Data Acquisition (SCADA) system. They will be top priority and the next major step in distribution system reliability improvement and load serving capability.

In 2011 a new portable substation was put into service to be used for substation maintenance without interruption of members' service, and major storm service interruptions.

In the true cooperative fashion, this past year was one of the busiest ever for CEC line crews assisting other companies with storm restoration, assisting in efforts for Hurricane Irene, tropical storm Lee, and a major east coast snow event.

Quality Service

In 2011 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 2011 CEC:

- Implemented an automated phone payment system to allow members to pay their electric bills 24 hours a day.
- Continued to save money on payment processing costs by offering incentives to members who pay their bills electronically.
- Continued to implement its identity verification procedures for CEC's Identity Theft Program to keep members' information safe.

Rates

There were no rate changes in 2011.

Other

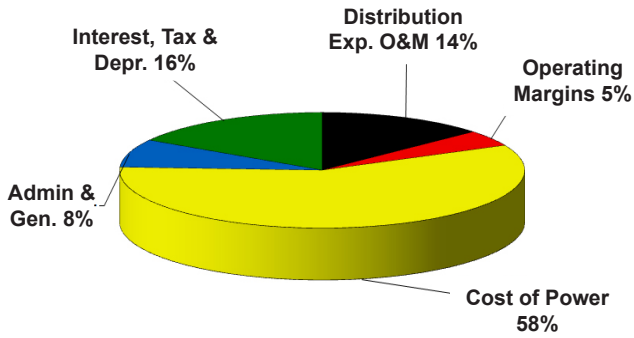
- Through the generosity of its members, contributions and unclaimed capital credits, CEC raised over \$29,000 to provide energy assistance to members having difficulty paying their electric bills.
- More than 1,000 members and guests attended the co-op's 74th Annual Meeting where members re-elected Althea Smith of Venango County and Bette Walters of Forest County to the board of directors.
- CEC continued to support the community and last year was proud to award 12 Good Neighbor Scholarships (\$1,000 each) to deserving high school seniors throughout its service territory.

CEC has been serving members for 75 years. Members are encouraged to attend the anniversary celebration at the Annual Meeting of the Members on Saturday, Sept. 29, 2012. Find out more by visiting www.central.coop.

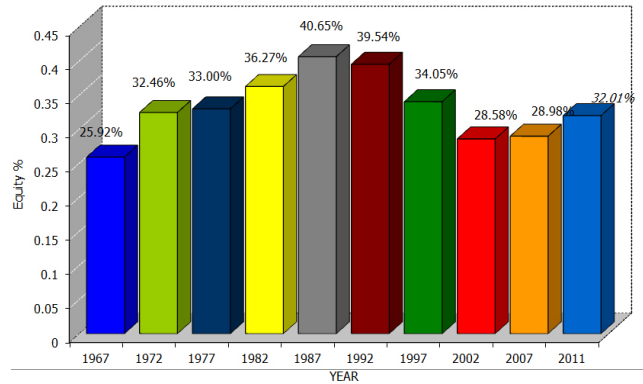
CEC is a Touchstone Energy Cooperative and serves approximately 25,000 members with over 3,000 miles of distribution line in portions of Allegheny, Armstrong, Butler, Clarion, Forest, Mercer and Venango counties.

Year-End Review -- 2011
Total Operating Budget: 33,674,781

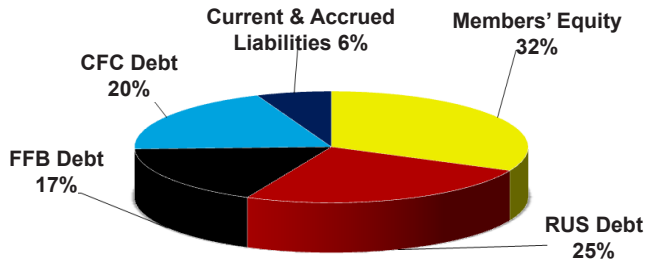
Where Your Electricity Dollar Went



Year-End Review -- 2011
Equity/Assets Ratios



Equity to Debt
Members' Ownership vs. Borrowed Capital
[Total Assets of \$96,177,289]
12/31/2011



The statements on the following pages are compiled from the 2011 Audit Report as presented by the firm of Buffamante, Whipple Buttarfaro, P.C. A complete copy of the audit is available for examination at Central Electric Cooperative, Inc. office during normal business hours.



Serving our members for 75 years!

CENTRAL ELECTRIC COOPERATIVE, INC. MEMBERS' FINANCIAL REPORT FOR 2011

STATEMENT OF REVENUE AND PATRONAGE CAPITAL
AND RETAINED EARNINGS

For the years ended December 31,

	2011	2010
OPERATING REVENUES:		
Electric energy revenue	\$ 32,711,566	\$ 32,281,964
Customers' forfeited discounts and penalties	118,263	114,063
Rent from electric property	827,839	977,518
Miscellaneous service revenue	162,826	206,386
Miscellaneous electric revenue	17,112	16,680
TOTAL OPERATING REVENUES	33,837,606	33,596,611
OPERATING EXPENSES:		
Cost of power	18,759,414	17,587,469
Distribution - operations	1,357,609	1,552,591
Distribution - maintenance	3,081,456	2,918,802
Consumer accounts	963,521	1,040,136
Customer service and information	332,574	311,047
Sales	21,555	18,386
Administrative and general	2,565,082	2,675,892
Depreciation and amortization	3,123,573	2,894,915
Taxes	38,744	4,478
Interest - other	3,997	3,863
TOTAL OPERATING EXPENSES	30,247,525	29,007,579
OPERATING MARGINS BEFORE FIXED CHARGES	3,590,081	4,589,032
FIXED CHARGES:		
Interest on long-term debt	2,112,024	2,084,011
OPERATING MARGINS AFTER FIXED CHARGES	1,478,057	2,505,021
G & T AND OTHER CAPITAL CREDITS		
	1,262,766	911,402
NET OPERATING MARGINS	2,740,823	3,416,423
NON-OPERATING MARGINS:		
Interest income	178,431	136,235
Equity in earnings of subsidiary	--	1,468
Other	12,600	19,136
TOTAL NON-OPERATING MARGINS	191,031	156,839
NET MARGINS BEFORE TAXES ON INCOME	2,931,854	3,573,262
RECOVERY OF TAXES ON INCOME	9,775	26,763
NET MARGINS	2,922,079	3,546,499
PATRONAGE CAPITAL, at beginning of year:	27,011,722	24,912,646
PATRONAGE CAPITAL AND RETAINED EARNINGS, before reclassification of non-operating margins not allocated and retirement of capital credits:	29,933,801	28,459,145
PRIOR YEAR MARGINS NOT ALLOCATED	977,518	317,236
RETIREMENT OF CAPITAL CREDITS	877,808	1,130,187
PATRONAGE CAPITAL AND RETAINED EARNINGS, at end of year:	\$ 28,078,475	\$ 27,011,722

Annual Report

CENTRAL ELECTRIC COOPERATIVE, INC. MEMBERS' FINANCIAL REPORT FOR 2011

BALANCE SHEETS

As of December 31,

	2011	2010
ASSETS		
PROPERTY AND EQUIPMENT:		
Electric plant in service - at cost	\$ 108,099,285	\$ 104,281,203
New headquarters work in progress	3,138,537	148,561
Construction work in progress	841,065	355,852
	112,078,887	104,785,616
Less accumulated provisions for depreciation	30,764,307	28,520,509
TOTAL ELECTRIC PLANT	81,314,580	76,265,107
OTHER ASSETS AND INVESTMENTS:		
Non-utility property, at cost	3,180	3,180
Investments in associated organizations	9,259,656	8,425,743
TOTAL OTHER ASSETS AND INVESTMENTS	9,262,836	8,428,923
CURRENT ASSETS:		
Cash - general funds	402,357	3,167,743
Accounts and notes receivable:		
Trade (less accumulated provision for uncollectible accounts of \$157,814 and \$129,853 for 2011 and 2010 respectively)	3,287,632	3,222,261
Rental from electric property and other receivables	649,609	533,545
Materials and supplies (at average cost)	1,015,436	892,366
Other current and accrued assets	254,560	241,252
TOTAL CURRENT ASSETS	5,609,594	8,057,167
	\$ 96,187,010	\$ 92,751,197
EQUITIES AND LIABILITIES		
EQUITIES:		
Memberships	\$ 120,445	\$ 123,765
Patronage capital	28,078,475	27,011,722
Other equities	2,585,321	1,567,511
TOTAL EQUITIES	30,784,241	28,702,998
LONG-TERM DEBT:		
RUS mortgage notes, less current maturities	20,566,003	23,182,931
CFC mortgage notes, less current maturities	17,525,494	18,836,208
FFB mortgage notes, less current maturities	16,331,766	11,743,444
TOTAL LONG-TERM DEBT	54,423,263	53,762,583
NON-CURRENT LIABILITIES:		
Accumulated post retirement benefit obligation, less current portion	3,182,776	3,137,873
Accumulated provision for storms	300,000	300,000
TOTAL NON-CURRENT LIABILITIES	3,482,776	3,437,873
CURRENT LIABILITIES:		
Current maturities of long-term debt	2,309,469	2,129,753
Accounts payable:		
Purchased power	1,498,839	1,508,904
Other trade payables	345,693	559,072
New headquarters payables and retainage	483,458	51,390
Consumer deposits and prepayments	855,627	846,833
Other current and accrued liabilities	1,253,123	1,166,906
TOTAL CURRENT LIABILITIES	6,746,209	6,262,858
TOTAL LIABILITIES	64,652,248	63,463,314
DEFERRED CREDITS	750,521	584,885
COMMITMENTS AND CONTINGENCIES	\$ 96,187,010	\$ 92,751,197