

ANNUAL REPORT

2020



**Central Electric
Cooperative**

A Touchstone Energy[®]
Cooperative 

www.central.coop

CEC is Focused on Better Serving You

Executive Report



Nancy Lendyak
President,
Board of
Directors

Matthew P. Boshaw
CEO &
General
Manager



Central Electric Cooperative (CEC), and for that matter the entire world, experienced a year unlike any other in 2020. The combination of a global pandemic, a particularly contentious presidential election, and significant social unrest created an environment of great uncertainty. This uncertainty provided unique challenges for your cooperative. However, I can say with great certainty that your cooperative board, employees, and membership demonstrated amazing resolve and resiliency in meeting those challenges.

Our commitment to continued incremental improvement through our three-year rolling strategic planning process afforded us a level of flexibility in rapidly and constantly changing conditions which allowed us to better align our resources to an overriding goal of singular focus — to maintain a healthy, available workforce to safely provide our essential service to you — our members. We were able to work through the changing restrictions to meet that goal and more. The following report will provide a review of the accomplishments of CEC for the year 2020.

As important as the strategic plan is, the process by which we create it, report on it, and utilize it throughout any given year is equally important. CEC's Board of Directors receives an annual report discussing the progress made from the previous plan, as well as an updated plan for the coming year. At mid-year, the board receives a plan-specific progress report.

The areas of emphasis in CEC's Strategic Plan are still safety, rates, reliability, and community.

Highlights for 2020 include:

- Recognized a margin of \$3,918,433.
- Returned a record \$1,624,338 in patronage

capital to members in the form of capital credits.

- Distributed 139 Energy Star Appliance Rebates totaling over \$8,850 to members.
- Helped 817 families-in-need pay electric bills through Family Fund and COVID-19 Hardship Grant programs. *These programs are funded entirely by member contributions, the round-up program, and unclaimed capital credits.*

System Improvement Progress

System maintenance and reliability were impacted by the pandemic restrictions as well. Our outage time was up slightly with trees causing over 63 percent of outages. This highlighted the importance of our continued line clearance efforts. We maintained tree trimming contractors throughout all of 2020, trimmed almost 300 circuit-miles and sprayed approximately 340 miles of rights-of-way. These efforts remain key in decreasing outages caused by trees. Power supply outages resulted in an additional 20 percent of outage time and two major storm events caused 53 percent of our outages. *These percentages do not add to 100 as there is some cross-over between categories. For example, some of the outages in the major storm category were caused by trees, etc.*

Our new system improvements were slowed by workforce restrictions but continued through-

out the year. In 2020, 6,069 poles were inspected and treated. 101 of those were rejected and replaced, and a total of 361 poles were set by CEC crews. Our continued demand-side management program created a savings of approximately \$410,405. We also saw an increase in the number of net-metered facilities which result from a member installing qualifying, renewable generation for their own use.

Safety

Safety remained at the forefront of our efforts in 2020. The restrictions and requirements brought on by COVID-19 created a new set of requirements to be added to those normally followed. CEC provided a safe work environment through the use of additional personal protective equipment (PPE), social distancing, and enhanced cleaning protocols. We also limited the workforce in the office, provided daily health screening for those in the office, and made testing available to employees. These efforts were undertaken in addition to our typical focus on safety. The greatest point of safety emphasis remained personal responsibility. Our goal is to provide training, PPE, safe work practices, well maintained tools and equipment, and accountability on all to work safely.

Quality Service

While we were unable to meet in person with members for most of 2020, we were able to maintain varied services and programs throughout the year. Our efforts over recent years to encourage electronic bill payment and utilization of our SmartHub application showed great value in serving members virtually throughout the pandemic.

Our outage notification pilot program was also completed in 2020. This system gives CEC the capability of sending three different email or text notifications to members during normal outage events. Members can now be notified when their initial outage is reported, when the outage is updated, and when the outage is restored. In addition, we can provide members with an estimated time of restoration. Currently, outage notification messages are being sent to several hundred CEC members. This service is available to all members who sign up in 2021.

Annual Meeting of the Members

Our Annual Meeting of the Members took on a dramatically different appearance in 2020. The director election and a nonpublic, annual business meeting took place on Aug. 21 at CEC headquarters. The ballots were revised to include both candidate information and necessary motions. Ken Durrett from Butler County and Rick Weaver from Clarion County were both re-elected in contested elections.

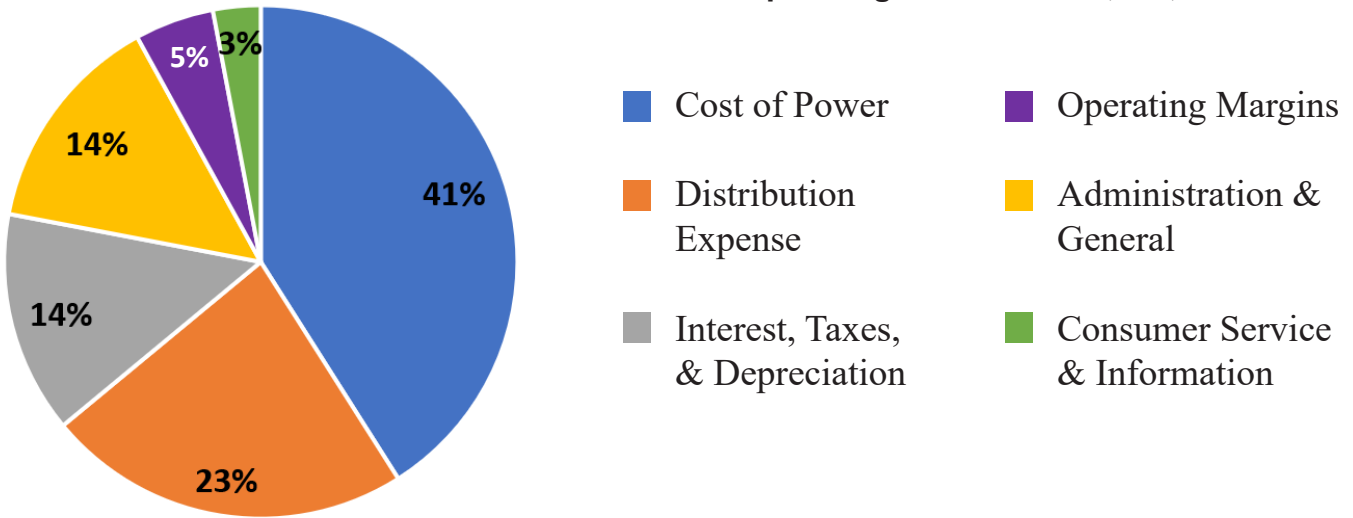
Information Technology

Our information technology requirements and resiliency were tested to unprecedented levels in 2020. Sudden work-from-home requirements were implemented in two days. These efforts required us to equip and train for remote access over one-third of employees to allow CEC to maintain services for members. Cybersecurity is always a priority, but a sudden expansion of the network to varied locations created a new set of concerns. We were able to implement the necessary network and augment cybersecurity, despite increased cybersecurity threats. The team was also able to support efforts while updating the network throughout the year.

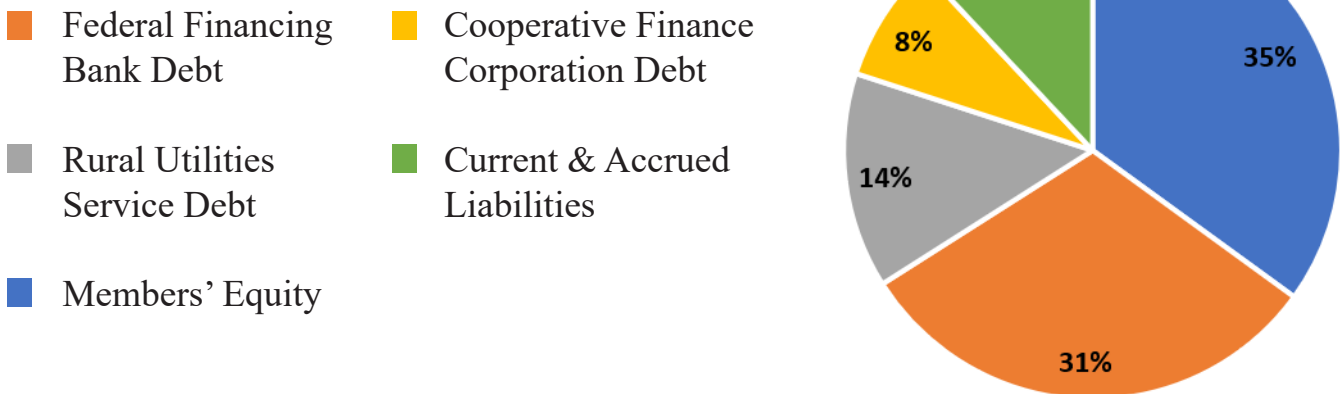
CEC staff continues to be committed to providing service to members. As the information detailed in this report indicates, service is much more than poles, wires, and meters to us. Our board and employees have performed remarkably in an effort to maintain a safe, healthy, and available workforce to serve members during the unprecedented circumstances of 2020.

2020 Year-End Financial Review

Where Your Electric Dollar Went — Total Operating Revenue: \$43,429,898



Equity to Debt — Members' Ownership vs. Borrowed Capital Total Assets \$117,271,252



Members Working for Members — Meet Your Board of Directors



Nancy Lendyak
Armstrong County



Kenneth Durrett
Butler County



Robert Smith
Butler County



Jody Weaver
Clarion County



Richard Weaver
Clarion County



John Campbell
Forest County



Kenneth Etzel
Venango County



Althea Smith
Venango County

Statements of Income and Comprehensive Income

For the years ended Dec. 31,

OPERATING REVENUES:

Electric energy revenue	\$ 42,212,651	\$ 39,542,247
Customers' forfeited discounts and penalties	16,511	119,874
Rent from electric property	1,187,396	963,395
Miscellaneous service revenue	--	1,045
Miscellaneous electric revenue	13,340	19,216

TOTAL OPERATING REVENUES

43,429,898 **40,645,777**

OPERATING EXPENSES:

Cost of power	17,962,225	18,794,896
Distribution - operations	1,684,276	1,863,330
Distribution - maintenance	8,106,187	7,408,949
Consumer accounts	1,222,648	1,267,705
Customer service and information	137,518	342,202
Administrative and general	5,999,197	3,966,964
Depreciation	4,134,565	4,074,404
Taxes	51,547	61,595
Interest - other	7,187	8,281

TOTAL OPERATING EXPENSES

39,305,350 **37,788,326**

OPERATING MARGINS BEFORE FIXED CHARGES

4,124,548 **2,857,451**

FIXED CHARGES:

Interest on long-term debt	1,912,343	1,972,395
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OPERATING MARGINS AFTER FIXED CHARGES

2,212,205 **885,056**

G&T AND OTHER CAPITAL CREDITS

1,646,308 **351,370**

NET OPERATING MARGINS

3,858,513 **1,236,426**

NON-OPERATING MARGINS:

Interest income	56,285	50,541
Other	3,634	224,291

TOTAL NON-OPERATING MARGINS

59,919 **274,832**

NET MARGINS BEFORE PROVISION FOR TAXES ON INCOME

3,918,432 **1,511,258**

PROVISION FOR TAXES ON INCOME

-- **302**

NET MARGINS

3,918,432 **1,510,956**

OTHER COMPREHENSIVE GAIN (LOSS)

Unfunded postretirement benefit plans:		
Net actuarial loss	(1,180,790)	--
Prior service cost	(537,280)	--
Amortization of actuarial loss recognized in net margins	340,730	131,032
Amortization of prior service cost in net margins	131,686	--

TOTAL OTHER COMPREHENSIVE GAIN (LOSS)

(1,245,654) **131,032**

TOTAL COMPREHENSIVE INCOME

\$ 2,672,778 **\$ 1,641,988**

The financial report statements are compiled from the 2020 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

	2020	2019
\$	138,079,785	\$ 136,351,572
	1,612,276	723,709
	<u>139,692,061</u>	<u>137,075,281</u>

LESS ACCUMULATED PROVISIONS FOR DEPRECIATION

TOTAL ELECTRIC PLANT

	49,122,058	45,776,985
	<u>90,570,003</u>	<u>91,298,296</u>

OTHER ASSETS AND INVESTMENTS:

Investments in associated organizations

TOTAL OTHER ASSETS AND INVESTMENTS

	11,918,735	10,638,627
	<u>11,918,735</u>	<u>10,638,627</u>

CURRENT ASSETS:

Cash - general funds

Accounts and notes receivable:

Trade (less accumulated provision for uncollectible accounts of \$238,259 and \$139,918 for 2020 and 2019, respectively)

Rental from electric property and other receivables

Materials and supplies (at average cost)

Other current and accrued assets

TOTAL CURRENT ASSETS

	6,831,612	5,164,107
	4,818,267	4,317,477
	993,854	965,493
	951,772	1,173,091
	436,299	382,488
	<u>14,031,804</u>	<u>12,002,656</u>

DEFERRED CHARGES

	750,710	938,388
\$	<u>117,271,252</u>	\$ <u>114,877,967</u>

EQUITIES AND LIABILITIES

EQUITIES:

Memberships

Patronage capital

Other equities

Accumulated other comprehensive loss

TOTAL EQUITIES

\$	92,765	\$ 95,990
	33,296,272	31,965,573
	9,475,494	8,503,724
	(2,121,000)	(875,346)
	<u>40,743,531</u>	<u>39,689,941</u>

LONG-TERM DEBT:

RUS notes, less current maturities

CFC notes, less current maturities

FFB notes, less current maturities

TOTAL LONG-TERM DEBT

	15,347,414	16,318,962
	8,137,241	8,997,918
	35,367,802	33,470,004
	<u>58,852,457</u>	<u>58,786,884</u>

NON-CURRENT LIABILITIES:

Accumulated postretirement benefit obligation, less current portion

Accumulated provision for storms

TOTAL NON-CURRENT LIABILITIES

	6,109,372	4,662,513
	300,000	300,000
	<u>6,409,372</u>	<u>4,962,513</u>

CURRENT LIABILITIES:

Current maturities of long-term debt

Accounts payable:

Purchased power

Other trade payables

Consumer deposits and prepayments

Other current and accrued liabilities

TOTAL CURRENT LIABILITIES

TOTAL LIABILITIES

	2,861,959	2,703,285
	1,546,458	1,676,742
	1,830,240	2,028,101
	1,493,667	1,491,844
	1,622,976	1,285,091
	<u>9,355,300</u>	<u>9,185,063</u>
	<u>74,617,129</u>	<u>72,934,460</u>

DEFERRED CREDITS

COMMITMENTS AND CONTINGENCIES

	1,910,592	2,253,566
\$	<u>117,271,252</u>	\$ <u>114,877,967</u>