




Central Electric Cooperative

A Touchstone Energy[®]
Cooperative 



2021 Annual Report

This institution is an equal opportunity provider and employer.

CEC is Focused on Better Serving You

Executive Report



**Nancy
Lendyak**
President,
Board of
Directors



**Matthew P.
Boshaw**
CEO &
General
Manager

The safety and wellbeing of our members and employees remain Central Electric Cooperative's (CEC's) first priority. In 2021, maintaining a healthy and available workforce under constantly changing conditions was a challenge. Despite a number of employees testing positive for COVID-19, strict guidelines and protocols allowed CEC to mitigate downtime to limited numbers at any given time. CEC was able to maintain all required safety trainings and the efforts of the company's safety committee led to efficiencies in communication and reporting of incidents. Personal responsibility remained a focus of our entire safety program.

This report is intended to highlight only a few of the important accomplishments made throughout 2021. We are sure you will agree that your cooperative had a strong year and is positioned well to continue this success in the future. It is only through the hard work of your member-elected board of directors and employees that these results are possible.

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

Highlights for 2021 include:

- Recognized a margin of \$5,991,752.
- Returned a record \$1,690,926 in patronage capital to members through capital credits.
- Helped 591 families-in-need pay electric bills through Family Fund and COVID-19 Hardship Grant programs. *These programs are funded entirely by donations, the round-up program, and unclaimed capital credits.*

System Improvement Progress

The return to normal following the COVID-19 pandemic was slower than hoped, but progress was made in catching up on activity that was halted in 2020. All normal construction, maintenance and system improvement activity

was back in full swing in 2021.

CEC's outage time decreased in 2021 over 2020. Trees caused over 44% of 2021's outages, down from 63% in 2020. This highlighted the value of our efforts to continue reclaiming our rights-of-way. We were able to utilize multiple tree trimming contractors throughout 2021, trimming almost 260 circuit miles and spraying approximately 360 miles of right-of-way.

The total average outage time per member in 2021 was 11.09 hours. When major event days and power supplier outages are removed from this total, the average drops to 6.63 hours. Power supply outages continued to be of concern resulting in 33% of our total outage time, while a single major storm event caused 27% 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 hampered, but continued throughout the year. We maintained our inspection and maintenance programs. In 2021, 7,544 poles were inspected and treated. Only 1.5% of those were rejected and replaced. Our continued demand side management program created a savings of approximately \$447,630. We also saw an increase in the number of net-metered facilities that resulted from a member installing qualifying, renewable generation for their use.

Safety

The safety department continued improving

and advancing the organization's safety committee and its success in encouraging responsibility and accountability with a reminder that safety is everyone's job. The committee reviewed and updated the standard operating procedures and was able to identify some areas of improvement and additional hands-on participation of functions throughout the cooperative. While proper planning and adequate communication remain atop the list of key functions of the safety department, the utmost importance of building a culture centered on ownership and making safety personal is key to achieving our goals of sending everyone home each day.

Quality Service

We maintained and enhanced varied services and programs throughout 2021. We continued our appliance rebate program and provided scholarships to ten students through our Good Neighbor Scholarship program. Both were at no cost to members. Our Member Aware Advisory Committee completed their two-year rotation meetings virtually or in socially distanced and masked gatherings as available.

In 2021, the number of members utilizing SmartHub for payment, outage reporting, outage notifications, usage information and other self-serve options increased significantly. Electronic bill payment via SmartHub increased to 63% of payments processed electronically, which helped decrease costs. CEC has approximately 12,534 registered SmartHub users. Member Services also processed over 1,624 inquiries through SmartHub — eliminating the need for members to call the office to conduct business.

CEC's Family Fund program assisted 214 families — distributing \$76,573 among the families in need. Our COVID-19 Hardship Grant helped 377 families in the amount of \$108,859. LIHEAP also helped members pay their electric bill in the amount of \$180,367. Again, at no cost to members.

Annual Meeting of the Members

CEC's Annual Meeting of the Members continued in an alternate format in 2021. The director election and a nonpublic, annual business meeting took place on Aug. 20 at CEC headquarters. Members participated through ballot submission. The ballots included both candidates and necessary

motions allowing for the election of our board. Ken Etzel from Venango County and Jody Weaver from Clarion County were both re-elected.

Information Technology

Information technology has an ever-increasing role in the secure and efficient operation of CEC. The pandemic required us to extend our virtual reach, resulting in challenges and opportunities. The initial challenges of working virtually in an environment with significant cyber security needs were dispatched without incident. As 2021 progressed, these challenges posed some opportunities to provide flexibility as our working conditions continued to change. We met the challenges, improved flexibility, and continued to update and grow the information technology infrastructure that is integrated throughout CEC's entire operation while continuously improving our cyber security footprint.

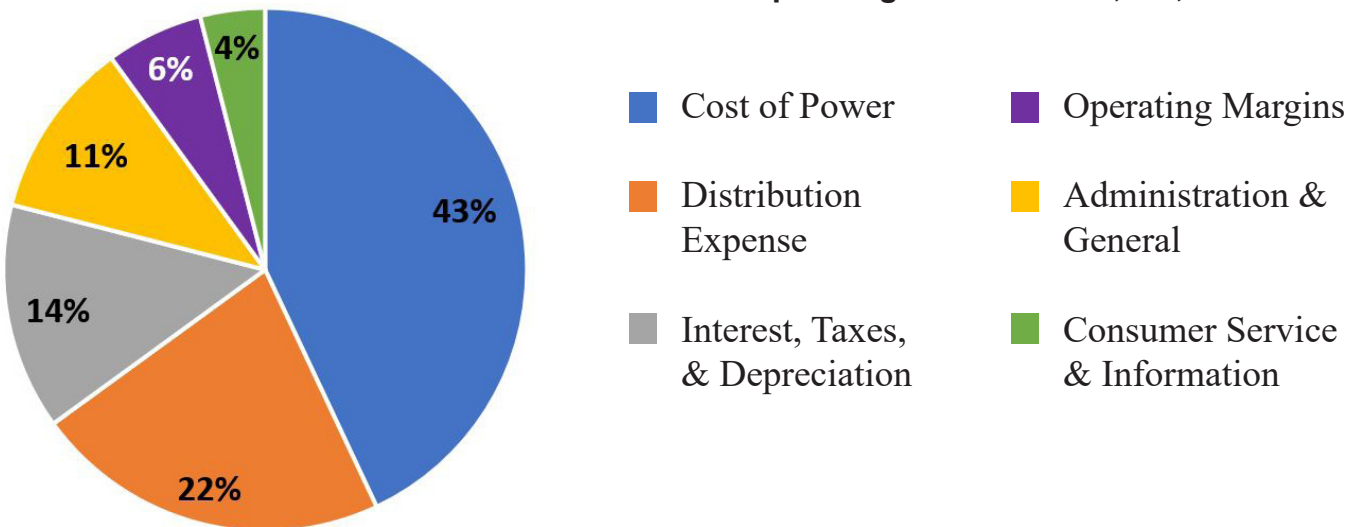
CEC's planning approach focuses on continuous, incremental improvement. This approach has provided a level of flexibility that has allowed the cooperative to seize opportunities and navigate challenges in what could best be described as a transitional year. Focus on our mission to safely provide this essential service reliably and affordably, while serving our communities allowed our dedicated board and employees to deliver strong results and mitigate issues in 2021.



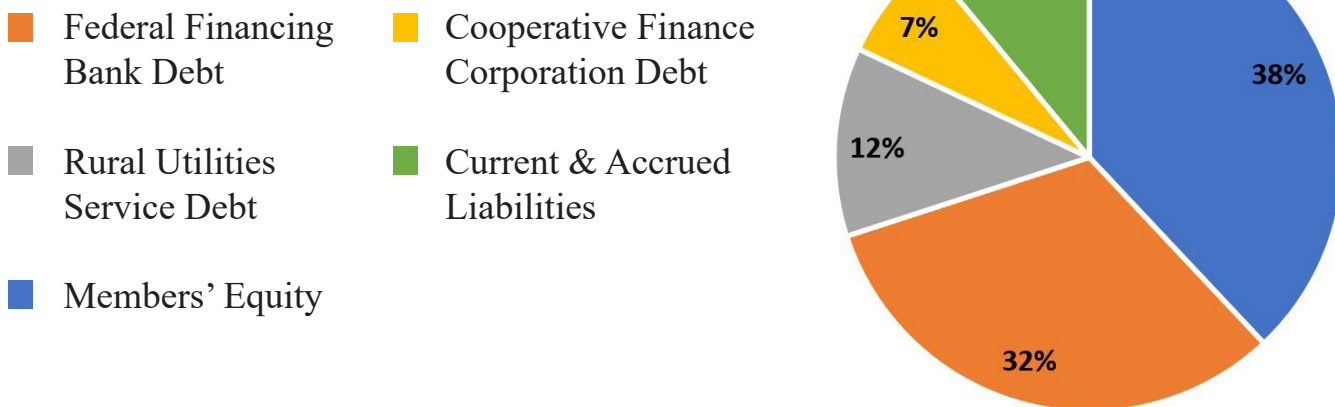
In memory of
Patrick Marron
Journeyman Lineman
2014-2022

2021 Year-End Financial Review

Where Your Electric Dollar Went — Total Operating Revenue: \$43,574,659



Equity to Debt — Members' Ownership vs. Borrowed Capital Total Assets \$123,976,880



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,

	2021	2020
OPERATING REVENUES:		
Electric energy revenue	\$ 42,492,855	\$ 42,212,651
Customers' forfeited discounts and penalties	58,434	16,511
Rent from electric property	1,000,585	1,187,396
Miscellaneous electric revenue	22,785	13,340
TOTAL OPERATING REVENUES	43,574,659	43,429,898
OPERATING EXPENSES:		
Cost of power	18,836,749	17,962,225
Distribution - operations	1,782,515	1,684,276
Distribution - maintenance	7,992,989	8,106,187
Consumer accounts	1,470,262	1,222,648
Customer service and information	159,596	137,518
Administrative and general	4,723,220	5,999,197
Depreciation	4,188,910	4,134,565
Taxes	35,208	51,547
Interest - other	7,215	7,187
TOTAL OPERATING EXPENSES	39,196,664	39,305,350
OPERATING MARGINS BEFORE FIXED CHARGES	4,377,995	4,124,548
FIXED CHARGES:		
Interest on long-term debt	1,856,016	1,912,343
OPERATING MARGINS AFTER FIXED CHARGES	2,521,979	2,212,205
G&T AND OTHER CAPITAL CREDITS	3,274,356	1,646,308
NET OPERATING MARGINS	5,796,335	3,858,513
NON-OPERATING MARGINS:		
Interest income	60,849	56,285
Other	134,570	3,634
TOTAL NON-OPERATING MARGINS	195,419	59,919
NET MARGINS	5,991,754	3,918,432
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	340,730
Amortization of prior service cost in net margins	131,686	131,686
TOTAL OTHER COMPREHENSIVE GAIN (LOSS)	472,416	(1,245,654)
TOTAL COMPREHENSIVE INCOME	\$ 6,464,170	\$ 2,672,778

The financial report statements are compiled from the 2021 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

	2021	2020
\$	141,910,990	\$ 138,079,785
	1,095,211	1,612,276
	143,006,201	139,692,061

LESS ACCUMULATED PROVISIONS FOR DEPRECIATION

TOTAL ELECTRIC PLANT

	52,468,539	49,122,058
	90,537,662	90,570,003

OTHER ASSETS AND INVESTMENTS:

Investments in associated organizations

TOTAL OTHER ASSETS AND INVESTMENTS

	14,793,006	11,918,735
	14,793,006	11,918,735

CURRENT ASSETS:

Cash - general funds

Accounts and notes receivable:

Trade (less accumulated provision for uncollectible accounts
of \$188,900 and \$238,259 for 2021 and 2020, respectively)

Rental from electric property and other receivables

Materials and supplies (at average cost)

Other current and accrued assets

TOTAL CURRENT ASSETS

	11,318,258	6,831,612
	4,397,886	4,818,267
	1,000,841	993,854
	916,274	951,772
	437,620	436,299
	18,070,879	14,031,804

DEFERRED CHARGES

	575,333	750,710
\$	123,976,880	\$ 117,271,252

EQUITIES AND LIABILITIES

EQUITIES:

Memberships

Patronage capital

Other equities

Accumulated other comprehensive loss

TOTAL EQUITIES

\$	90,010	\$ 92,765
	36,384,190	33,296,272
	10,675,163	9,475,494
	(1,648,584)	(2,121,000)
	45,500,779	40,743,531

LONG-TERM DEBT:

RUS notes, less current maturities

CFC notes, less current maturities

FFB notes, less current maturities

TOTAL LONG-TERM DEBT

	14,384,965	15,347,414
	7,236,521	8,137,241
	38,144,604	35,367,802
	59,766,090	58,852,457

NON-CURRENT LIABILITIES:

Accumulated postretirement benefit obligation, less current portion

Accumulated provision for storms

TOTAL NON-CURRENT LIABILITIES

	6,011,444	6,109,372
	300,000	300,000
	6,311,444	6,409,372

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

	3,344,590	2,861,959
	1,681,426	1,546,458
	1,516,827	1,830,240
	1,486,438	1,493,667
	2,188,264	1,622,976
	10,217,545	9,355,300
	76,295,079	74,617,129

DEFERRED CREDITS

COMMITMENTS AND CONTINGENCIES

	2,181,022	1,910,592
\$	123,976,880	\$ 117,271,252