

**Central Electric
Cooperative**

A Touchstone Energy[®]
Cooperative 

2022 Annual Report

CEC is Focused on Better Serving You

Executive Report

Central Electric Cooperative (CEC) faced a number of challenges in 2022, rose to those challenges, and by any measure had a successful year. The leadership of our board of directors, the clear direction provided by our mission statement, and the efforts of our changing workforce provided the resources necessary to meet every challenge.

As the year began, the restrictions brought by the global pandemic began to ease, but a return to a previous normal proved difficult. Most notably, supply chain issues, rising interest rates, and rising inflation posed challenges. CEC's approach to strategic planning again proved valuable in providing the flexibility necessary to meet our goals.

This report is intended to highlight only a few of the important accomplishments made throughout 2022. 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 2022 include:

- Recognized a margin of \$5,309,525.
- Returned a record \$1,989,720 in patronage capital to members in the form of capital credits.
- Helped 312 families-in-need pay electric bills through Family Fund and Hardship Grant programs. *These programs are funded entirely by member contributions, the round-up program, and unclaimed capital credits.*

System Improvement Progress

In an effort to make up for lost work time caused by the pandemic restrictions, CEC renewed emphasis on major system improvements and augmented our workforce through the use of electrical line contractors for the first time in over twenty years.

These efforts resulted in 10.4 miles of new three phase line installed in 2022. We were also able to maintain our inspection and replacement programs maintaining system reclosers, voltage regulators, inspecting 6,646 poles and replacing 543 poles.



Nancy Lendyak
President, Board
of Directors

Matthew P. Boshaw
CEO &
General Manager



The average outage time for 2022 was similar in magnitude to that of 2021 with a total of 11.75 hours per member in the year. When removing major events and power supply interruptions, that number decreases to 8.77 hours. A full 56% of that outage time was caused by trees and there was one major outage event. As a result, we continued our efforts in right-of-way clearance, utilizing three tree trimming contractors to trim 323.6 miles of right-of-way. Through our demand side management program, we were able to realize a savings of over \$477,000 in power costs.

While no one has experience with the magnitude of the supply chain issues created by the pandemic, our planning process includes contingencies for events of lesser magnitude that have impacted our supply chains in the past. Because of this, we were able to address material and equipment availability issues in several ways. We increased stocking levels, increased reorder points, identified additional sources, and extended the useful life of existing facilities and equipment proactively. This allowed us to manage through a busy storm season, a major winter storm event, and an increase in annual maintenance that allowed us to catch up from the restrictions of the previous two years. These efforts benefited our members in two ways. We met all of our material needs and made the purchases in advance of some of the inflationary increases.

Safety

The safety of our employees and the communities we serve is our highest priority. As we reestablished and increased our system maintenance efforts, we placed a

priority on additional training and inspections designed to remind employees of all safety requirements and guard against complacency. We participated in the Rural Electric Safety Achievement (RESAP) program with our national and statewide associations providing us with feedback on the status of all our programs and facilities. We experienced 3 OSHA recordable incidents in 2022, two of which were tick bites, resulting in a total of 26 days away from work for a single individual. No incidents were the result of electrical contact. Personal responsibility remains a focus of our entire safety program.

Quality Service

As the year progressed, we were able to offer more of our value-added services in person, including our Safety City and First Responders presentations. We formed a new Member Aware Advisory Committee for the 2022-2023 cycle. 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.

In 2022, the number of members utilizing SmartHub for payment, outage reporting, outage notifications, usage information and other self-serve options increased. CEC has approximately 12,977 registered SmartHub users and Member Services processed over 1,621 inquiries through SmartHub, eliminating the need for members to call into the office to conduct business. Electronic bill payment via SmartHub increased to 66% of payments processed electronically, which helped decrease costs.

CEC’s Family Fund program assisted 268 families distributing \$71,220 among the families in need. Our Hardship Grant helped 44 families in the amount of \$13,605 and LIHEAP in the amount of \$311,586 to help 403 members pay their electric bills during the year.

Annual Meeting of the Members

Our Annual Meeting of the Members continued in an alternate format in 2022. Members participated through ballot submission. The ballots included both candidates and necessary motions allowing for the election of our board to happen on schedule. Nancy Lendyak from Armstrong County and Robert Smith from Butler County were both re-elected.

Information Technology

Information technology infrastructure and cyber

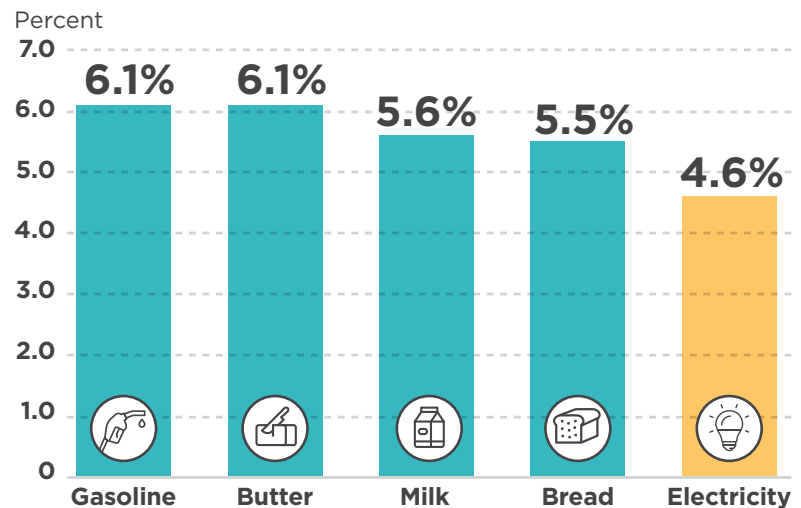
security improvements took a significant step forward in 2022 as we returned to our normal operation. Multi-factor authentication and micro-segmentation projects were completed and implemented respectively, adding significant security to our I.T. infrastructure. We participated in a third party led business process review to ensure the maximum and most efficient use of our systems throughout the organization. In total, we were able to improve the efficiency and security of our cyber infrastructure.

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 overcome the challenges of the past two years. Focusing on our mission to safely provide this essential service reliably and affordably in serving our communities has allowed our dedicated board and employees to deliver strong results in 2022.

ELECTRICITY REMAINS A GOOD VALUE

Although inflation has led to increasing costs in many areas of our lives, the cost of powering your home rises slowly when compared to other common goods. Looking at price increases over the last five years, electricity remains a good value.

Average Annual Price Increase 2017-2022



Source: U.S. Bureau of Labor Statistics Consumer Price Index

MANAGEMENT TEAM

Matthew P. Boshaw

CEO & General Manager

Chester Conti

Director of Finance and Accounting/CFO

Lisa A. Hoover

Director of Member Services

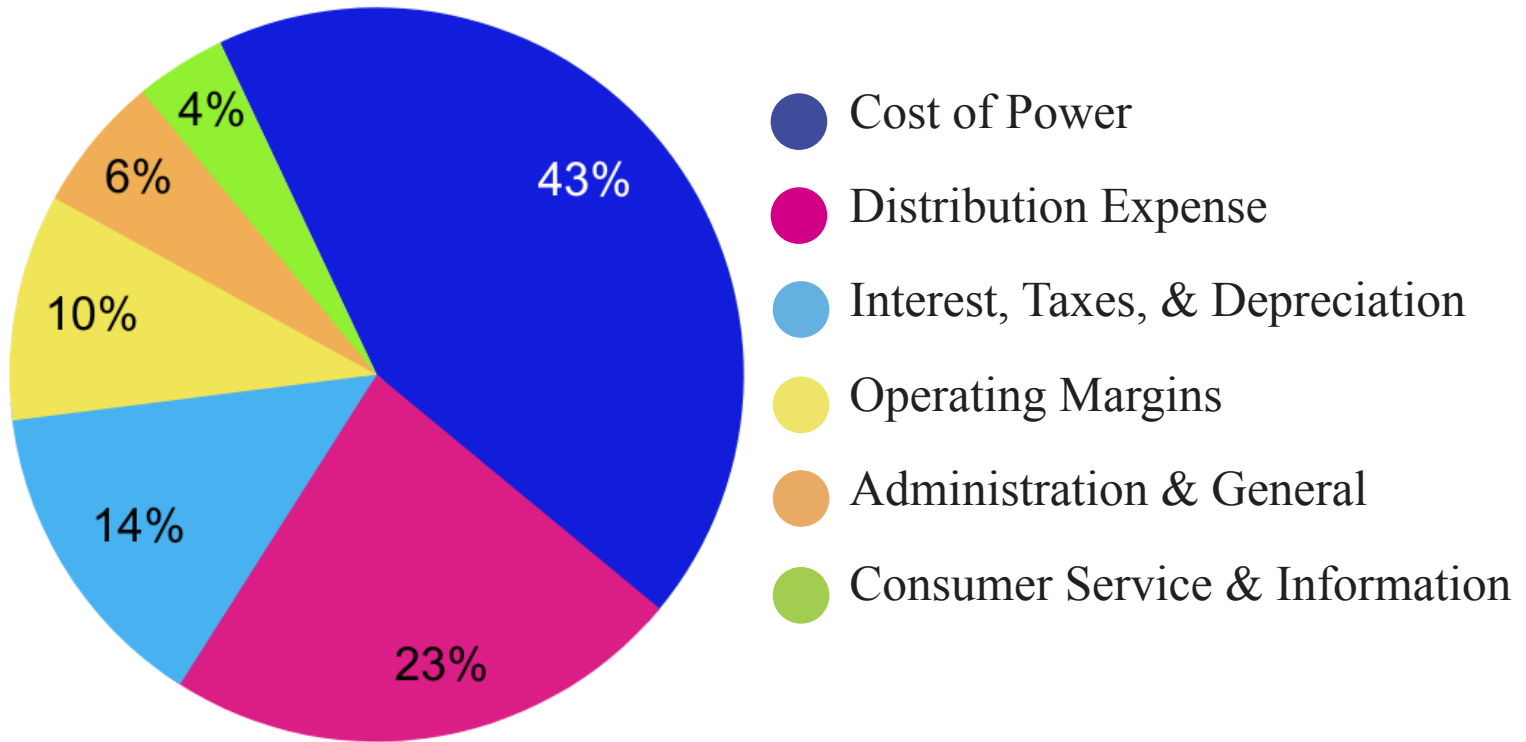
Christopher W. Kossman

Director of Information Technology

Fred E. Terwilliger

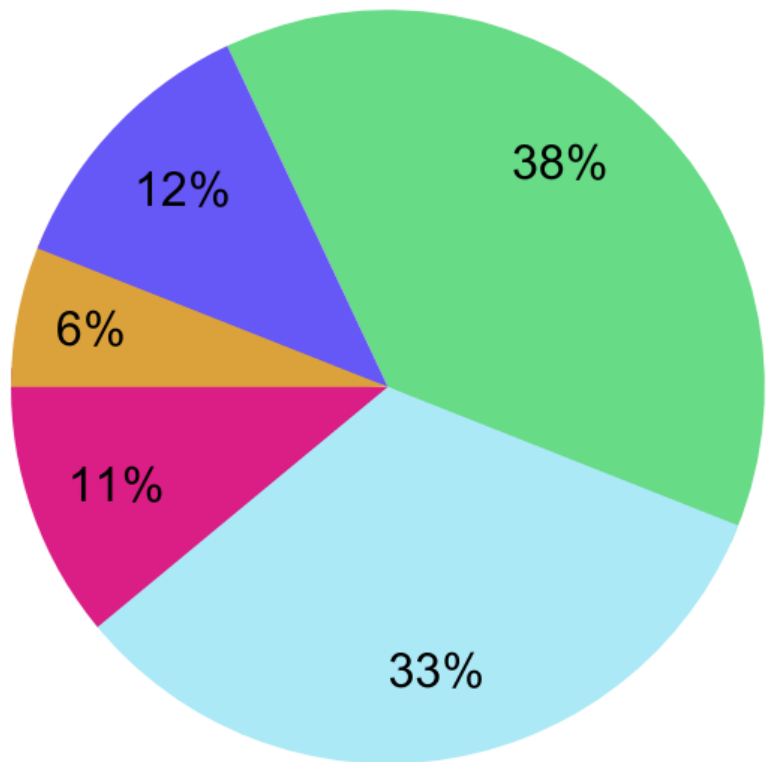
Assistant General Manager/COO

Where Your Electric Dollar Went — Total Operating Revenue: \$44,118,926



**Equity to Debt — Members' Ownership vs. Borrowed Capital
Total Assets: \$129,344,147**

- Federal Financing Bank Debt
- Rural Utilities Service Debt
- Members' Equity
- Cooperative Finance Corporation Debt
- Current & Accrued Liabilities



For the years ended Dec. 31,

	2022	2021
OPERATING REVENUES:		
Electric energy revenue	\$ 42,986,038	\$ 42,492,855
Customers' forfeited discounts and penalties	109,242	58,434
Rent from electric property	1,002,572	1,000,585
Miscellaneous electric revenue	21,074	22,785
TOTAL OPERATING REVENUES	44,118,926	43,574,659
OPERATING EXPENSES:		
Cost of power	18,932,114	18,836,749
Distribution - operations	1,841,633	1,782,515
Distribution - maintenance	8,375,362	7,992,989
Consumer accounts	1,400,847	1,470,262
Customer service and information	184,385	159,596
Administrative and general	4,757,628	4,723,220
Depreciation	4,200,180	4,188,910
Taxes	50,646	35,208
Interest - other	7,165	7,215
TOTAL OPERATING EXPENSES	39,749,960	39,196,664
OPERATING MARGINS BEFORE FIXED CHARGES	4,368,966	4,377,995
FIXED CHARGES:		
Interest on long-term debt	1,828,780	1,856,016
OPERATING MARGINS AFTER FIXED CHARGES	2,540,186	2,521,979
G&T AND OTHER CAPITAL CREDITS	2,325,824	3,274,356
NET OPERATING MARGINS	4,866,010	5,796,335
NON-OPERATING MARGINS:		
Interest income	185,071	60,849
Other	258,440	134,570
TOTAL NON-OPERATING MARGINS	443,511	195,419
NET MARGINS	5,309,521	5,991,754
OTHER COMPREHENSIVE GAIN (LOSS)		
Unfunded postretirement benefit plans:		
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	472,416
TOTAL COMPREHENSIVE INCOME	\$ 5,781,937	\$ 6,464,170

The financial report statements are compiled from the 2022 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.

	2022	2021
ASSETS		
PROPERTY AND EQUIPMENT:		
Electric plant in service - at cost	\$ 145,728,469	\$ 141,910,990
Construction work in progress	2,043,545	1,095,211
	<u>147,772,014</u>	<u>143,006,201</u>
LESS ACCUMULATED PROVISIONS FOR DEPRECIATION	55,625,682	52,468,539
TOTAL ELECTRIC PLANT	<u>92,146,332</u>	<u>90,537,662</u>
OTHER ASSETS AND INVESTMENTS:		
Investments in associated organizations	16,642,794	14,793,006
TOTAL OTHER ASSETS AND INVESTMENTS	<u>16,642,794</u>	<u>14,793,006</u>
CURRENT ASSETS:		
Cash - general funds	8,472,838	11,318,258
Accounts and notes receivable:	4,125,328	--
Trade (less accumulated provision for uncollectible accounts of \$181,686 and \$188,900 for 2022 and 2021, respectively)	4,804,644	4,397,886
Rental from electric property and other receivables	997,509	1,000,841
Materials and supplies (at average cost)	1,371,553	916,274
Other current and accrued assets	389,195	437,620
TOTAL CURRENT ASSETS	<u>20,161,067</u>	<u>18,070,879</u>
DEFERRED CHARGES	<u>393,954</u>	<u>575,333</u>
	<u>\$ 129,344,147</u>	<u>\$ 123,976,880</u>
EQUITIES AND LIABILITIES		
EQUITIES:		
Memberships	\$ 87,550	\$ 90,010
Patronage capital	38,684,630	36,384,190
Other equities	11,684,830	10,675,163
Accumulated other comprehensive loss	(1,176,168)	(1,648,584)
TOTAL EQUITIES	<u>49,280,842</u>	<u>45,500,779</u>
LONG-TERM DEBT:		
RUS notes, less current maturities	13,396,912	14,384,965
CFC notes, less current maturities	6,481,264	7,236,521
FFB notes, less current maturities	41,118,658	38,144,604
TOTAL LONG-TERM DEBT	<u>60,996,834</u>	<u>59,766,090</u>
NON-CURRENT LIABILITIES:		
Accumulated postretirement benefit obligation, less current portion	5,934,804	6,011,444
Accumulated provision for storms	300,000	300,000
TOTAL NON-CURRENT LIABILITIES	<u>6,234,804</u>	<u>6,311,444</u>
CURRENT LIABILITIES:		
Current maturities of long-term debt	3,153,480	3,344,590
Accounts payable:		
Purchased power	1,756,622	1,681,426
Other trade payables	1,873,440	1,516,827
Consumer deposits and prepayments	1,493,109	1,486,438
Other current and accrued liabilities	2,265,554	2,188,264
TOTAL CURRENT LIABILITIES	<u>10,542,205</u>	<u>10,217,545</u>
TOTAL LIABILITIES	<u>77,773,843</u>	<u>76,295,079</u>
DEFERRED CREDITS	<u>2,289,462</u>	<u>2,181,022</u>
COMMITMENTS AND CONTINGENCIES	<u>\$ 129,344,147</u>	<u>\$ 123,976,880</u>



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

CEC Comparison Based on Budgeted Average kWh Usage

kWh Usage **905**

	Central Electric	West Penn	Penelec	Penn Power
Base Charge:	\$ 33.00	\$ 7.44	\$ 11.62	\$ 14.59
Gen/Trans. (Energy)	68.69	76.40	88.60	94.47
Distribution (Energy)	45.10	43.00	71.55	50.77
TCJA Adjustment	-	(2.19)	(2.53)	(3.29)
PA Taxes		7.48		
Total Charges	\$ 146.79	\$ 132.13	\$ 169.24	\$ 156.54
Difference		\$ 14.66	\$ (22.45)	\$ (9.75)
Percentage Higher/(Lower)		9.99%	(15.29%)	(6.64%)

From the Kitchen of:
Joanne McVay

RECIPE: **ZUCCHINI PICKLES**



INGREDIENTS:

- 2 zucchini
- 2/3 cup sugar
- 1/4 cup dill
- 2 tablespoons mustard seeds
- 3/4 cup apple cider vinegar
- 3/4 cup white wine vinegar
- 1 tablespoon salt

INSTRUCTIONS:

Cut the two zucchini into 1/4 inch slices. Place slices in a quart container or jar along with the dill. In a small saucepan over medium heat, combine the mustard seeds, apple cider vinegar, white wine vinegar, salt and sugar. Heat and stir until the sugar dissolves. Pour over zucchini and dill. Cover and refrigerate over night. Keep in the refrigerator for up to two weeks.



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Central Electric Cooperative

A Touchstone Energy* Cooperative

Your Board of Directors



From left (back row): Robert Smith, Vice President, Butler County; Jody Weaver, Clarion County; **(middle)** Ken Durrett, Butler County; Rick Weaver, Clarion County; John Campbell, Forest County; **(front)** Nancy Lendyak, President, Armstrong County; Ken Etzel, Venango County; and Althea Smith, Secretary/Treasurer, Venango County.

 central.coop/meet-your-directors

MISSION: CEC safely provides reliable and competitively priced electricity to our consumer-members and was established by and is committed to the communities we serve.

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www.central.coop

Newsletter Editor: Kessa Moore

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