



Central Electric
Cooperative

ANNUAL REPORT 2023

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CEC is Focused on Better Serving You

Executive Report

In support of our membership and mission, Central Electric Cooperative (CEC) utilizes a rolling three-year strategic planning process. Each year we roll off the most recent past year and add the next year. We include both day-to-day activities and broader, larger projects. The plan focuses on continuous, incremental improvement and recognizes that a single workforce performs both those daily activities and the larger projects. This process is highlighted here as it has provided both the continuity and flexibility required to navigate the rapidly changing environment that we experienced in 2023. Through the leadership and direction of your member elected Board of Directors and the efforts of our dedicated group of employees, CEC was able to navigate these changes and serve our membership throughout 2023.

As the year began, CEC implemented a necessary rate increase. Our generation and transmission provider, Allegheny Electric Cooperative, had been able to insulate us from the market rate pressures that had impacted other utilities in the commonwealth in 2022 and mitigated the price impact in 2023. Despite those efforts, CEC had to pass a 15% rate increase to our members. It was the first increase since February 1st of 2020, and was lower than those experienced by the investor-owned utilities in our area.

Our Board of Directors takes their role as fiscal stewards of the cooperative seriously. When the power costs increased so dramatically, they considered how the cooperative could mitigate the impact of the rate increase on our members. In keeping with their commitment to return patronage capital to the members, the Board authorized the largest ever retirement of capital credits and returned over \$3.1 million to the membership.

Additionally, the Supply Chain issues of 2022 continued into 2023 but were less impactful given the processes put in place in 2022. 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 2023. It is only through the hard work of your member-elected board of directors and employees that these results are



Robert Smith
President, Board
of Directors

Matthew P. Boshaw
CEO &
General Manager



possible.

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

Highlights for 2023 include:

- Recognized a margin of \$3,335,578.
- Returned a record \$3.1 million in patronage capital to members in the form of capital credits.
- Helped 217 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

The Cooperative's renewed emphasis on major system improvement construction, that began in 2022 and was a response to the pandemic setbacks, continued through 2023 with strong progress. Cooperative personnel and outside line construction contractors were both used to continue this process. The results have been excellent with 14.6 line miles of three-phase line rebuilds completed and closed out during 2023. This construction work, along with the previous year's efforts have erased much of the pandemic-caused loss of production. We were also able to maintain our inspection and replacement programs maintaining system reclosers, voltage regulators, inspecting 5,922 poles and replacing 694 poles.

Except for two major event storms on consecutive weekends at the end of March and beginning of April, the outage time for 2023 was 5.34 hours per

member, notably less than recent years. Power supply interruptions became our largest cause of outages in 2023 at 47.62% of total outage time. Approximately 34% of outage time was caused by trees, down from 56% in 2022 illustrating the value of our continued right of way maintenance. As a result, we continued our efforts in right of way clearance utilizing multiple tree trimming contractors to trim 367.4 miles of right of way. Through our demand side management program, we were able to realize a savings of over \$619,438 in power costs.

Safety

The safety of our employees and the communities we serve is our highest priority. As we 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 6 OSHA recordable incidents in 2023 that resulted in 5 days away from work and 23 days of restricted duty. All the days away from work and restricted duties were associated with one incident. Two of the six recordable incidents were the result of tick bites. 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, including our Safety City and First Responders presentations. We worked with our Member Aware Advisory Committee for the 2023-24 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 2023, CEC has approximately 11,799 registered SmartHub users and Member Services processed over 1,623 inquiries through SmartHub eliminating the need for members to call into the office to conduct business. Electronic bill payment via SmartHub sits at 66% of payments processed electronically, which helps decrease costs.

CEC’s Family Fund program assisted 217 families distributing \$86,133.04 among the families in need.

Our Hardship Grant helped 65 families in the amount of \$23,929.15 and the 2023 Energy Assistance provided \$111,721.27 to CEC to 281 members in need for electric bill payments.

Annual Meeting of the Members

On August 10, 2023, CEC held its Annual Meeting at AC Valley High School at 6:00 PM. Members in attendance enjoyed refreshments, educational information, opportunities to speak with the Board of Directors and staff, a look at 2022 in review during the CEO’s remarks, and a question-and-answer session. During the meeting, it was confirmed that incumbent directors Althea Smith, Venango County Representative and Board Secretary/Treasurer, and John Campbell, Forest County Representative, were re-elected in uncontested races.

Information Technology

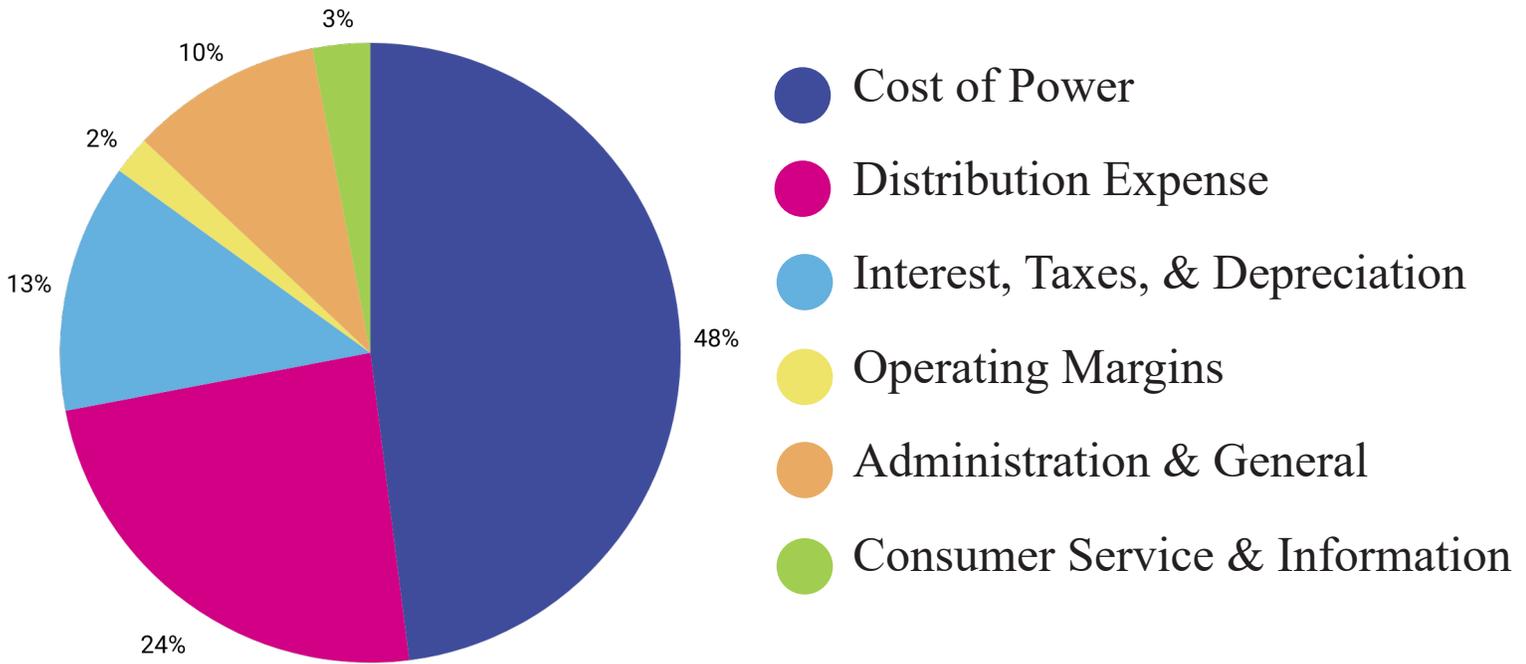
In 2023, noteworthy efforts were made in CEC’s information technology infrastructure and cyber security. The IT department implemented a multifactor authentication system to prompt for another method of authentication in addition to passwords on sensitive equipment to elevate security overall. It also began a complete “from the ground up” new business continuity plan rewrite for the organization. All of this and more took place in conjunction with completing department-specific upgrades and support. In total, the department was 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 year. 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 2023.

MANAGEMENT TEAM

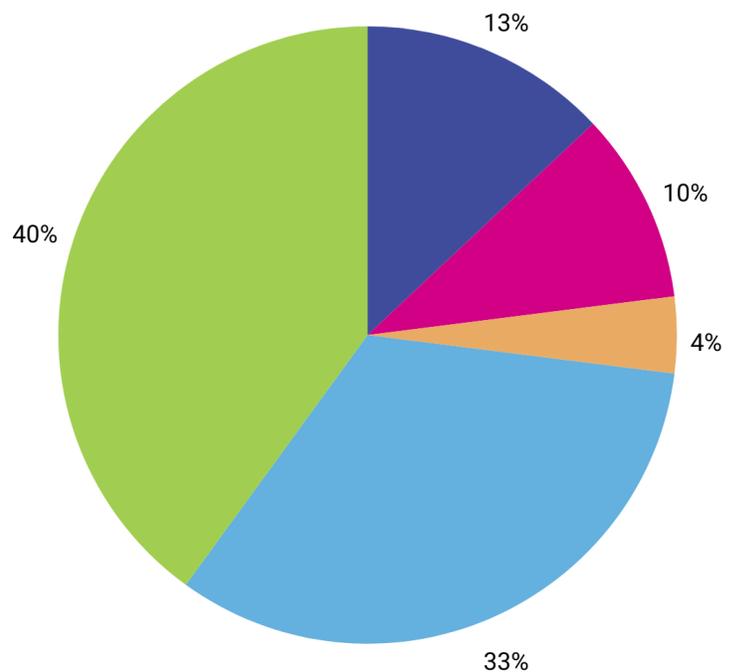
Matthew P. Boshaw	<i>CEO & General Manager</i>
Chester Conti	<i>Director of Finance and Accounting/CFO</i>
Lisa A. Hoover	<i>Director of Member Services</i>
Christopher W. Kossman	<i>Director of Information Technology</i>
Fred E. Terwilliger	<i>Assistant General Manager/COO</i>

Where Your Electric Dollar Went — Total Operating Revenue: \$49,095,878



**Equity to Debt — Members' Ownership vs. Borrowed Capital
Total Assets: \$128,010,635**

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



For the years ended Dec. 31,

	2023	2022
OPERATING REVENUES:		
Electric energy revenue	\$ 47,760,470	\$ 42,986,038
Customers' forfeited discounts and penalties	116,751	109,242
Rent from electric property	1,198,809	1,002,572
Miscellaneous electric revenue	19,848	21,074
TOTAL OPERATING REVENUES	49,095,878	44,118,926
OPERATING EXPENSES:		
Cost of power	23,373,328	18,932,114
Distribution - operations	1,945,834	1,841,633
Distribution - maintenance	9,869,949	8,375,362
Consumer accounts	1,465,161	1,400,847
Customer service and information	177,209	184,385
Administrative and general	4,836,743	4,757,628
Depreciation	4,318,187	4,200,180
Taxes	56,688	50,646
Interest - other	2,003	7,165
Interest on long-term debt	1,952,383	1,828,781
TOTAL OPERATING EXPENSES	47,997,485	41,578,741
OPERATING MARGINS BEFORE PATRON ALLOCATION	1,098,393	2,540,185
G&T AND OTHER CAPITAL CREDITS	1,576,665	2,325,824
NET OPERATING MARGINS	2,675,058	4,866,009
NON-OPERATING MARGINS:		
Interest income	472,181	185,072
Other	188,339	258,440
TOTAL NON-OPERATING MARGINS	660,520	443,512
NET MARGINS	3,335,578	5,309,521
OTHER COMPREHENSIVE GAIN		
Net gain during period	1,232,047	-
Amortization of actuarial gain, net	131,686	472,416
TOTAL COMPREHENSIVE INCOME	\$ 4,699,311	\$ 5,781,937

The financial report statements are compiled from the 2023 Audit Report as presented by the firm of Adams, Jenkins, and Cheatham. A complete copy of the audit is available for examination at the CEC office during normal business hours.

	2023	2022
ASSETS		
PROPERTY AND EQUIPMENT:		
Electric plant in service - at cost	\$ 152,478,918	\$ 145,728,469
Construction work in progress	436,182	2,043,545
	<u>152,965,100</u>	<u>147,772,014</u>
LESS ACCUMULATED PROVISIONS FOR DEPRECIATION	57,850,168	55,625,682
TOTAL ELECTRIC PLANT	<u>95,114,932</u>	<u>92,146,332</u>
OTHER ASSETS AND INVESTMENTS:		
Investments in associated organizations	17,689,979	16,647,794
TOTAL OTHER ASSETS AND INVESTMENTS	<u>17,689,979</u>	<u>16,647,794</u>
CURRENT ASSETS:		
Cash - general funds	7,401,305	12,593,166
Accounts and notes receivable:	5,888,715	5,802,153
Materials and supplies (at average cost)	1,314,710	1,371,553
Other current and accrued assets	412,751	389,195
TOTAL CURRENT ASSETS	<u>15,017,481</u>	<u>20,156,067</u>
DEFERRED CHARGES	<u>188,243</u>	<u>393,954</u>
	<u>\$ 128,010,635</u>	<u>\$ 129,344,147</u>
EQUITIES AND LIABILITIES		
EQUITIES:		
Memberships	\$ 85,095	\$ 87,550
Patronage capital	37,883,201	38,684,630
Other equities	12,755,671	11,684,830
Accumulated other comprehensive loss	187,565	(1,176,168)
TOTAL EQUITIES	<u>50,911,532</u>	<u>49,280,842</u>
NONCURRENT LIABILITIES		
LONG-TERM DEBT:		
RUS notes, less current maturities	12,379,899	13,396,912
CFC notes, less current maturities	5,698,066	6,481,264
FFB notes, less current maturities	42,604,785	41,118,658
TOTAL LONG-TERM DEBT	<u>60,682,750</u>	<u>60,996,834</u>
Other	5,511,314	6,734,804
TOTAL NONCURRENT LIABILITIES	<u>66,194,064</u>	<u>67,731,638</u>
CURRENT LIABILITIES:		
Current maturities of long-term debt		
Accounts payable	3,067,516	3,153,480
Consumer deposits and prepayments	2,777,302	3,630,062
Other current and accrued liabilities	1,480,341	1,493,109
TOTAL CURRENT LIABILITIES	<u>1,392,005</u>	<u>1,765,554</u>
	<u>8,717,164</u>	<u>10,042,205</u>
DEFERRED CREDITS	<u>2,187,875</u>	<u>2,289,462</u>
COMMITMENTS AND CONTINGENCIES	<u>\$ 128,010,635</u>	<u>\$ 129,344,147</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 Remembers Late Board Member



Central Electric Cooperative (CEC) is saddened to announce the passing of one of our board members, John Campbell.

Dr. Campbell became a CEC member in 1995 and was appointed to CEC's board of directors in 2021.

During his life, Dr. Campbell was an electrical engineer before changing his career path to dentistry. He owned a family practice for nearly 30 years.

He enjoyed the outdoors and volunteered for multiple local organizations.

Dr. Campbell and his wife resided in Tionesta Township, where his wife still lives. They enjoyed maintaining their tree farm, orchard, and raising English Labrador Retrievers. He also loved spending time with his three children and nine grandchildren.

Dr. Campbell will be greatly missed by all at CEC and his accomplishments as a CEC director will be remembered. Our sympathies are with his family, friends, and all of those remembering him.