

A hand from the top left reaches down towards a glowing lightbulb. Another hand from the bottom left reaches up to touch the base of the lightbulb. The lightbulb is illuminated from within, casting a warm glow. The background is a dark, textured blue.

# *Brighter Together*

## 2016 ANNUAL REPORT



Washington Electric Cooperative, Inc.  
A Touchstone Energy® Cooperative 



# YOUR ELECTRIC COOPERATIVE



DAVID MILLER, CCD, BL,  
Chairman

\*See memorial on Page 20B



PAUL FLEEMAN, CCD, BL,  
First Vice Chairman



BETTY MARTIN, CCD,  
Secretary/Treasurer



ELDON MILLER, CCD,  
Asst. Secretary/Treasurer



WILLIAM BOWERSOCK,  
CCD, BL



GALE DEPUY, CCD, BL



LARRY ULLMAN, CCD

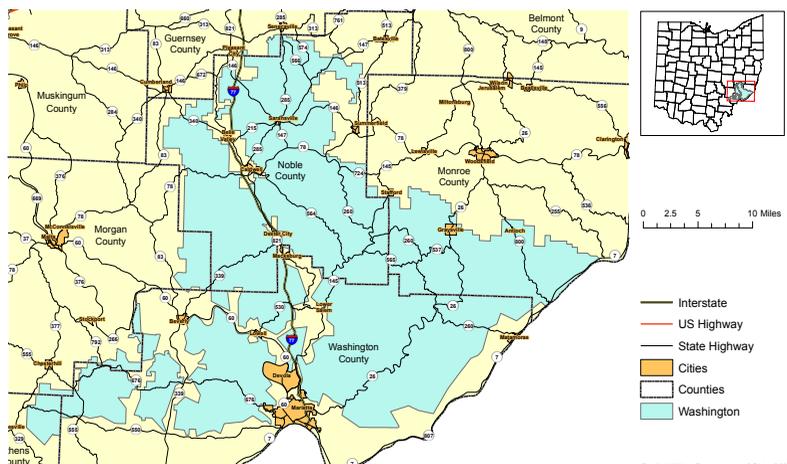
Certification  
guide:  
● CCD:  
Credentialed  
Cooperative  
Director  
● BL: Board  
Leadership

Washington Electric is a Touchstone Energy® Cooperative serving portions of six counties in southeastern Ohio. Locally owned and operated, the cooperative is governed by a democratically elected seven-member board of directors.

### Mission Statement

Washington Electric Cooperative, Inc., is a local, consumer-owned, nonprofit cooperative whose mission is to provide reliable electricity and other services to consumers while assuring the financial integrity of the cooperative and maintaining a strong community presence.

### Service territory map



Public Utilities Commission of Ohio, 2007



# COOPERATION, COHESION, AND SERVICE

**A**s Washington Electric reflects on 2016 and looks toward the future, we continue to realize what we have known since our inception — we shine brightest when we work together.

This is the very foundation for the cooperative business model that has served our community so well for so long. It's a fundamental truth that the whole is greater than the sum of its parts, and that is reflected as we strive daily to meet the cooperative's mission. That mission is to provide reliable electricity and other services to our consumers while assuring the financial integrity of the cooperative and maintaining a strong community presence. Delivering on that mission depends on our dedicated employees representing the interests of our membership and support from the membership in the form of investment, input, and participation.

Following the cooperative business model and the Seven Cooperative Principles will ensure that Washington Electric meets its basic mission. Because we are a cooperative, we are a consumer-owned, nonprofit business designed to represent the interest of the member-owners to act as good stewards of the assets entrusted to us. As a local entity, the services are provided by local people who have a vested interest in the members and communities we serve. We work for our neighbors,

not absentee owners or unknown shareholders in far-off places, so the success of the cooperative and its communities are of the highest importance. Achieving this endeavor happens only through our work together as employees and members.

As we move forward to meet the demands of the future, this bond will grow stronger. The overriding concern for community will allow us to continue focusing on the sustainable development of those communities through member support of our policies. Continued investment in technology, right-of-way maintenance, safety, and system upgrades will allow us to meet the future needs of our members. We will continue to participate and invest in the communities we serve while also working daily to increase member satisfaction through reliable and economical electric service.

We are excited about the future and continuing to carry out a mission that has served us well for 77 years. Washington Electric will continue to explore new technologies, practices, and methods to provide electric energy at a fair cost. The future is bright, and if we work together, it can be even brighter.



Jack Bragg Jr.  
General Manager/CEO



**WASHINGTON ELECTRIC COOPERATIVE, INC.****BALANCE SHEETS**

December 31, 2016 and 2015

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>
UTILITY PLANT	47,751,715	47,106,034
Electric plant in service		
Construction work in progress	1,067,253	238,037
	48,818,968	47,344,071
Less: Accumulated provision for depreciation and amortization	(12,577,807)	(11,465,324)
NET UTILITY PLANT	36,241,161	35,878,747
<b>INVESTMENTS AND OTHER ASSETS</b>		
Investments in associated organizations	7,720,644	7,733,110
Deferred charges	616,378	674,429
TOTAL INVESTMENTS AND OTHER ASSETS	8,337,022	8,407,539
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,578,125	1,417,544
Accounts receivable, net of allowance for doubtful accounts of \$294,730 (\$279,873 in 2015)	3,079,704	2,921,311
Materials and supplies	358,213	362,480
Prepayments	106,501	103,466
TOTAL CURRENT ASSETS	5,122,543	4,804,801
TOTAL ASSETS	\$49,700,726	\$49,091,087
<b>LIABILITIES AND EQUITIES</b>		
<b>EQUITIES</b>		
Patronage capital	21,809,510	21,281,105
Accumulated other comprehensive income	480,454	448,700
Other equities	5,357	5,357
TOTAL EQUITIES	22,295,321	21,735,162
<b>LONG-TERM LIABILITIES</b>		
Mortgage notes payable	23,360,504	22,572,472
Accrued sick leave	295,529	353,702
Accrued postretirement benefits	277,600	292,600
TOTAL LONG-TERM LIABILITIES	23,933,633	23,218,774
<b>CURRENT LIABILITIES</b>		
Line of Credit	0	500,000
Current maturities of long-term debt	991,000	991,000
Accounts payable	1,038,688	1,215,758
Consumer deposits	232,478	220,787
Accrued liabilities	1,209,606	1,209,606
TOTAL CURRENT LIABILITIES	3,471,772	4,137,151
TOTAL LIABILITIES AND EQUITIES	\$49,700,726	\$49,091,087

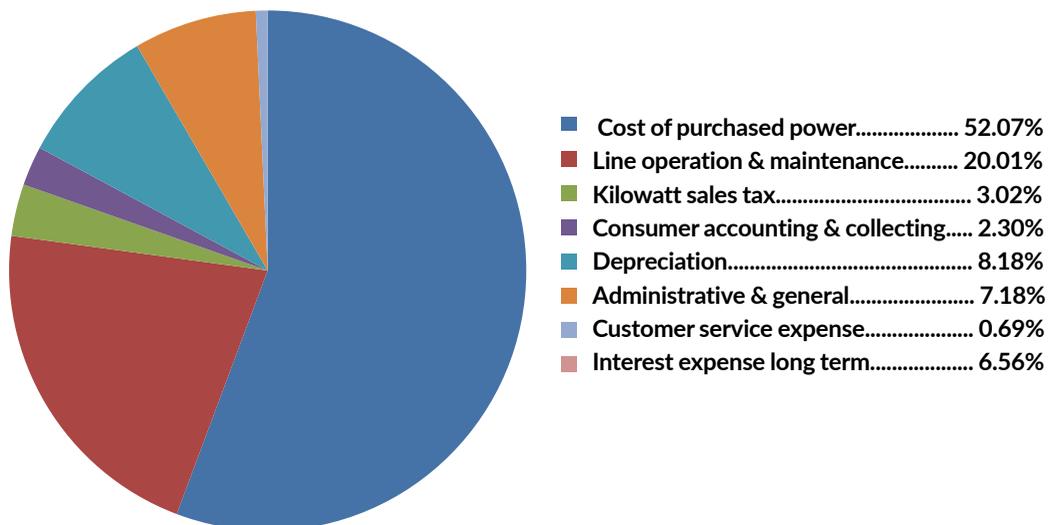
# WASHINGTON ELECTRIC COOPERATIVE, INC.

## BALANCE SHEETS

December 31, 2016 and 2015

	<b>2016</b>	<b>2015</b>
<b>OPERATING REVENUES</b>	\$17,504,822	\$16,526,592
<b>OPERATING EXPENSES</b>		
Cost of power	8,872,373	8,850,064
Distribution expense - operations	1,224,812	1,135,681
Distribution expense - maintenance	2,184,718	2,148,008
Consumer accounts	508,440	549,705
Administrative and general	1,224,017	1,280,658
Depreciation and amortization	1,393,824	1,359,273
Taxes	514,087	496,689
<b>TOTAL OPERATING EXPENSES</b>	15,922,271	15,820,078
<b>OPERATING MARGINS BEFORE FIXED CHARGES</b>	1,582,551	706,517
Interest on long-term debt	1,118,634	1,133,055
<b>OPERATING MARGINS AFTER FIXED CHARGES</b>	463,917	(426,538)
Capital credits	367,617	836,694
<b>OPERATING MARGINS</b>	831,534	410,156
<b>NON-OPERATING MARGINS</b>		
Interest income	130,722	129,571
Other income	13,387	23,342
<b>TOTAL NON-OPERATING MARGINS</b>	144,109	152,913
<b>NET MARGINS FOR PERIOD</b>	\$975,643	\$563,069

### HOW YOUR POWER DOLLAR WAS SPENT IN 2016



# 2016: A YEAR IN REVIEW



Seventy-seven years ago, the folks in our community shared at least one self-interest: They wanted electricity.

In fact, many Americans who lived in rural parts of the country needed electricity, which is why electric cooperatives were formed. Individuals acted in their own self-interest, but that self-interest led to the community and economic development of the rural areas in which they lived. Today, rural electric co-ops like ours serve over 42 million people in 47 states.

Electric cooperatives have provided a valuable service to this nation for a lifetime. But it's you, our members, who make us special. Your participation, input, and investment throughout the years has made us into the organization we are today, and has proven time and again what we steadfastly believe here at Washington Electric — we shine brightest when we work together.

Our commitment to improving the lives of our members is as strong today as it was in 1940, when a group of farmers set out to light the rural landscape of southeastern Ohio. We remain focused on providing you with safe, reliable, and affordable electricity. Here's a look back at your cooperative's achievements in 2016.

## System upgrades

In 2016, we began construction on a tie line connecting our South Olive and Marietta substations. This fall, we plan to begin work on a tie line between the Rinard Mills substation and Fly Metering Point. These tie lines provide backfeed capability for improved reliability.

Last year also brought success in the area of transmission

reliability. We continued collaboration with transmission provider American Electric Power (AEP) on their ongoing Marietta Area Transmission project. In 2014, AEP Ohio, AEP Transmission, Buckeye Power, and Washington Electric Cooperative reached an agreement to upgrade the electric system serving customers in Marietta and parts of Washington, Monroe, and Noble counties. Bringing additional power sources into the region will improve electric service reliability. The existing 23-kV transmission grid will be rebuilt and upgraded to 138-kV. This project also involves adding new 138-kV transmission lines and improvements to several distribution substations serving AEP Ohio and Washington Electric consumers.

AEP has also recently performed maintenance on their transmission lines that feed our substations, which led to a significant decrease in power supply outages. Overall, our power outage totals in 2016 fell by 22 percent compared to 2015, and led to a 99.96 percent reliability rate. We are proud of that figure.

## Right-of-way maintenance

Given that a large portion of our service territory is forested, right-of-way maintenance is a priority. Providing safe and reliable electric service requires year-round planning to keep power lines clear of trees, brush, and other debris. In 2016, we trimmed vegetation on around 100 miles of line and spray treated just over 600 acres. Additionally, we inspected about 3,000 poles to identify those that needed treated, repaired, or replaced.

## Safety

Safety is of the highest importance at Washington Electric Cooperative. Our goal is to ensure that each employee safely returns home each night to his or her family. We work hard to ensure that we provide the proper training,

tools, and resources for employees to perform their duties safely and efficiently.

### Renewable energy & energy efficiency

In partnership with our generation and transmission provider Buckeye Power, in late 2016, we installed a 50-kilowatt solar panel array in front of our facility near Marietta as part of a program called OurSolar. The panels are directly connected with Washington Electric's distribution system and help our members tap into renewable energy without the expense and drawbacks of doing it themselves. The array is one of several being installed throughout Ohio, bringing more emission-free energy to the state's electric cooperatives.

Our water heater and air-conditioning load control programs help us avoid peak energy demands, which translates to cost savings on wholesale power. Members enrolled in these programs received rebates on high-efficiency water heaters, dual fuel heat pumps, geothermal systems, and whole-house air conditioners. This year, we introduced a new rebate program for ENERGY STAR®-rated replacement refrigerators and stand-alone freezers.

### Capital credits

Washington Electric Cooperative's Board of Directors approved the retirement of \$321,053.31 in capital credits. As a not-for-profit cooperative, we return all profits back to our members based on their electricity purchases. This is a key component of the cooperative business model and follows one of our Seven Cooperative Principles: members' economic participation. Capital credits represent the most significant source of equity for Washington Electric. Since a cooperative's "shareholders" are also the people the co-op serves, capital credits reflect each member's ownership in the cooperative. This differs from dividends that investor-owned utilities pay to shareholders, who may or may not be customers of the utility. Since 2011, we have retired \$1,161,355.66 to our members in capital credits.



### Community involvement

Another one of our Seven Cooperative Principles is commitment to community. We are proud to be a part of the communities we serve, and we carry out that dedication through involvement with local chambers of commerce, economic development organizations, county fairs, and local charities. In 2016, we served as a sponsor of the Mid-Ohio Valley Veterans Outreach Organization's Veterans Resource Fair, and we're a longtime participant and supporter of the Marietta, Noble County, Barlow-Vincent, and Beverly-Waterford Safety Towns.

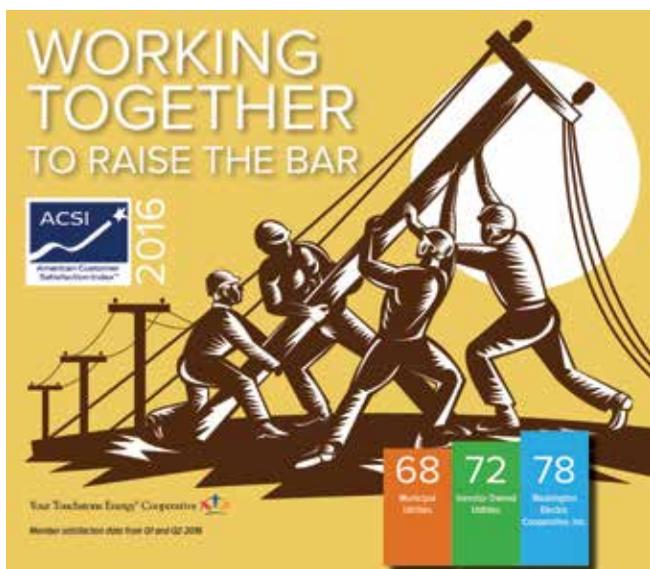
We provide five scholarships annually to high school seniors whose parents are co-op members. We've also awarded nearly \$5,000 in grants, sponsorships, and donations to help support organizations including the Washington County 4-H Endowment Fund, Building Bridges to Careers, Noble County Junior Women's League, Monroe County Sheriff's Department, Harvest of Hope, Habitat for Humanity, area schools, and many others.

### Member satisfaction

One of our proudest achievements in 2016 was a seven-point increase in our American Consumer Satisfaction Index (ASCI) score. This survey, conducted among our members each spring, measures the satisfaction of U.S. household consumers with the quality of products and services. It provides Washington Electric with valuable insight into how our members feel about their cooperative and the services we offer. Our jump from 71 to 78 was a significant improvement and places Washington Electric higher than the national averages for Touchstone Energy® cooperatives as well as investor-owned electric utilities.

### Looking ahead

Later this year, Washington Electric will launch SmartHub, an exciting new online and electronic payment system that will provide our members convenient account access and detailed information about their energy use. SmartHub also offers advanced options for receiving outage, billing, and other alerts. We expect this program to become available in early fall.





Washington Electric Cooperative, Inc.

A Touchstone Energy® Cooperative 

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