2017 ANNUAL REPORT



FUTURE

Washington Electric Cooperative, Inc. A Touchstone Energy[®] Cooperative

BOARD OF DIRECTORS

YOUR ELECTRIC COOPERATIVE



Paul Fleeman, CCD, BL CHAIRMAN



Larry Ullman, CCD, BL VICE CHAIRMAN



Betty Martin, CCD, BL SECRETARY/TREASURER



Gale DePuy, CCD, BL ASST. SECRETARY/TREASURER



William Bowersock CCD, BL

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.

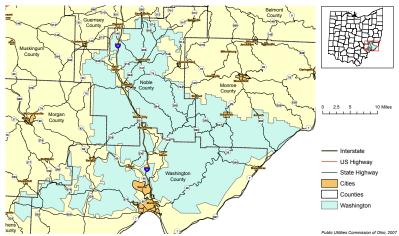


Shawn Ray



Brent Smith

Service territory map



MESSAGE FROM THE GENERAL MANAGER

Preparing for the future while honoring our past

ashington Electric Cooperative enjoyed many successes in 2017, and it remains our goal to make improvements that will benefit our members now and well into the future. Many of these projects have been in the planning phase for several years, but the time has now come to follow through on efforts that will not only improve service and reliability for our corner of southeastern Ohio, but also honor our proud history.

As our members know, the transmission system in our area has been lacking for quite a long time. In 2014, we reached an agreement with AEP Ohio, AEP Ohio Transmission Company, and Buckeye Power to improve electric service reliability in Monroe, Noble, and Washington counties. The major portion of this project involves AEP replacing and upgrading its aged 23-kilovolt (kV) infrastructure by constructing a new 138kV transmission grid on new and existing rights-of-way.

We are excited about this, because the current system has long since passed its useful life, and these improvements will result in fewer unplanned power outages, faster outage restoration, and increased capacity. However, as a result of AEP's improvements, Washington Electric must build four new substations in order to accommodate the higher-voltage transmission system. This will require an investment of approximately \$10 million over a three- to four-year period beginning this year. This investment, along with improvements we are making to our distribution system and related right-of-way, will



Jack Bragg Jr. GENERAL MANAGER/CEO

help us reduce long-term maintenance costs and reduce unplanned outages and restoration time.

These commitments are truly an investment that will yield benefits for many years to come. It's an exciting time for Washington Electric, but it's exciting for the same reason we exist in the first place: for the service and benefit of our members. Your cooperative has always been committed to serving the local community, and this will not change as we enter a new era. Service is the benchmark by which we have always measured ourselves, and we and your board of trustees hold ourselves accountable to ensure this commitment is being met. Because we are a cooperative, we act on behalf of our membership. We always have — and always will — carry on this legacy.

Learn from the Past

Think of the Future



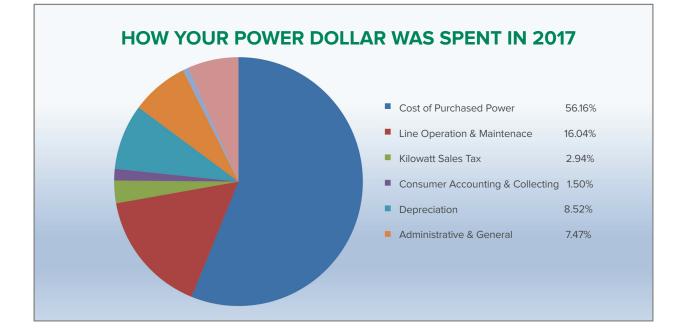
WASHINGTON ELECTRIC COOPERATIVE, INC. BALANCE SHEETS

For the years ended December 31, 2017 and 2016

UTILITY PLANT 49,346,329 47,751,715 Electric plant in service	ASSETS	2017	2016
Construction work in progress 1133.950 1.067.253 Less: Accumulated provision for depreciation and amortization (13.416.72.2) (12.577.807) NET UTILITY PLANT 37.063.557 36.241.161 INVESTMENTS AND OTHER ASSETS Investments in associated organizations 8.234.071 7720.644 Deferred charges 492.526 616.378 2.205.07 8.337.022 CURRENT ASND OTHER ASSETS 8.726.597 8.337.022 CURRENT ASSETS 8.726.597 8.337.022 CURRENT ASSETS 8.726.597 8.337.022 CURRENT ASSETS 8.726.597 8.337.022 CURRENT ASSETS 8.726.597 8.337.022 CURRENT ASSETS 8.726.597 8.337.022 CURRENT ASSETS 8.726.597 8.337.022 CURRENT ASSETS 8.376.02 3.079.704 Materials and supplies 319.623 3.58,213 7074.163.00 3.079.704 Materials and supplies 103.056 106.501 7074.264.3 2.3.079.706 TOTAL CURRENT ASSETS 6.830.489 5.122.543 7074.264.3 2.3.079.706 7074.264.3 2.3.070.0706	UTILITY PLANT	49,346,329	47,751,715
50,480,279 48,818,968 Less: Accumulated provision for depreciation and amortization (13,416,722) (12,577,807) NET UTILITY PLANT 37,063,557 36,241,161 INVESTMENTS AND OTHER ASSETS 1 7720,644 Deferred charges 492,526 616,378 Accounts 186 8133 1 1 TOTAL INVESTMENTS AND OTHER ASSETS 8,726,597 8,337,022 CURRENT ASSETS 8,726,597 8,337,022 Current Asserts 3,184,209 1,578,125 Accounts recelvable, net of allowance 103,056 106,501 for doubtful accounts of \$2,84,799 (\$2,94,730 in 2016) 3,223,601 3,079,704 Materials and supplies 319,623 358,213 Prepayments 103,055 106,501 TOTAL CURRENT ASSETS \$52,620,643 \$49,700,726 LIABILITIES AD EOUTIES \$52,620,643 \$49,700,726 EQUITIES \$3,378,445 21,809,510 31,32,33,4 Accumulated other comprehensive income 361,700 48,0454 Audit line 379,000 20,455,29 <	Electric plant in service		
Less: Accumulated provision for depreciation and amortization (13,416,722) (12,577,807) NET UTILITY PLANT 37,063,557 36,2411/61 Investments in associated organizations 8,234,071 7720,644 Deferred charges 492,526 616,378 Accounts 186 & 183 TOTAL INVESTMENTS AND OTHER ASSETS 8,726,597 8,337,022 CURRENT ASSETS 8,726,597 8,337,022 CURRENT ASSETS 3,184,209 1,578,125 Cash and cash equivalents 3,184,209 1,578,125 Accounts receivable, net of allowance 6 103,056 106,501 for doubtful accounts of \$284,799 (\$294,730 in 2016) 3,223,601 3,079,704 Materials and supplies 319,623 358,213 Prepayments 103,056 106,501 TOTAL CURRENT ASSETS 6,830,489 5,122,543 TOTAL SSETS \$52,620,643 \$497,00,26 LIABILITIES AND EOUTIES 23,178,445 21,809,510 7,12,23,24 23,378,445 21,809,510 7,12,23,24 23,365,502 22,22,53,21 LONG	Construction work in progress		1,067,253
depreciation and amortization (13,416,722) (12,577,807) NET UTLITY PLANT 37063,557 36,241,161 INVESTMENTS AND OTHER ASSETS Investments in associated organizations 8,234,071 7,720,644 Deferred charges 492,526 616,378 Accounts 166 & 183 TOTAL INVESTMENTS AND OTHER ASSETS 8,726,597 8,337,022 CURRENT ASSETS 3,184,209 1,578,125 Accounts receivable, net of allowance for doubtful accounts of \$284,799 (\$294,730 in 2016) 3,223,601 3,079,704 Materials and supplies 103,055 106,501 107,22,643 Prepayments 103,056 106,501 107,22,643 TOTAL CURRENT ASSETS 6,830,489 5,122,543 TOTAL ASSETS \$52,620,643 \$449,700,726 LIABILITIES AND EOUTIES EOUTIES 200,000 Other equities 5,357 5,357 TOTAL CURRENT LABILITIES 23,455,502 22,295,321 LONC-TERM LIABILITIES 23,230,050,04 23,23,605,04 Accrunulat		50,480,279	48,818,968
NET UTILITY PLANT 37063,557 36,241/61 INVESTMENTS AND OTHER ASSETS Investments in associated organizations 8,234,071 7720,644 Deferred charges 492,526 616,378 Accounts 186 183 Accounts 186 183 TOTAL INVESTMENTS AND OTHER ASSETS 8,726,597 8,337,022 CURRENT ASSETS Cash and cash equivalents 3,184,209 1,578,125 Accounts receivable, net of allowance	•	(13 /16 722)	(12 577 807)
INVESTMENTS AND OTHER ASSETS Investments in associated organizations 8,234,071 7,720,644 Deferred charges 492,526 616,378 Accounts 186 & 183 TOTAL INVESTMENTS AND OTHER ASSETS 8,726,597 8,337022 CURRENT ASSETS 8,726,597 8,337022 Current Assetts 3184,209 1,578,125 Accounts receivable, net of allowance for doubtful accounts of \$284,799 (\$294,730 in 2016) 3,223,601 3,079,704 Materials and supplies 319,623 358,213 Prepayments 103,056 106,501 TOTAL CURRENT ASSETS 6,830,489 5,122,543 TOTAL ASSETS 6,830,489 5,122,543 TOTAL CURRENT ASSETS 6,830,489 5,122,543 TOTAL CURRENT ASSETS 6,830,489 5,122,543 TOTAL CURRENT ASSETS 6,830,489 5,122,543 Cottal CURRENT COMPrehensive income 361,700 480,454 Audti line 379,000 21,809,510 31,32,33,4 23,545,502 22,22,5321 LONG-TERM LIABILITIES 23,545,502 22,295,321	·		· · ·
Investments in associated organizations 8,234,071 7720,644 Deferred charges 492,526 616,378 Accounts 186 & 183 TOTAL INVESTMENTS AND OTHER ASSETS 8,726,597 8,337,022 Current Asserts 8 23,000 1,578,125 Accounts receivable, net of allowance for doubtil accounts of \$284,799 (\$294,730 in 2016) 3,223,601 3,079,704 Materials and supplies 319,623 358,213 Prepayments 103,056 106,501 TOTAL CURRENT ASSETS 6,830,489 5,122,543 TOTAL ASSETS 552,620,643 \$49,700,726 LIABILITIES AND EQUITIES EQUITIES EQUITIES Patronage capital 23,178,445 21,809,510 31,32,3,34 Accumulated other comprehensive income 361,700 480,454 Audit line 379,000 0 480,454 Other equities 5,357 5,357 5,357 TOTAL EQUITIES 24,702,843 23,360,504 4,270,943 23,360,504 Accumulated other comprehensive income 361,700 480,454 4,270,914		57,005,007	30,241,101
Deferred charges 492,526 616,378 Accounts 186 & 183 TOTAL INVESTMENTS AND OTHER ASSETS 8,726,597 8,337,022 CURRENT ASSETS 3,184,209 1,578,125 Cash and cash equivalents 3,184,209 1,578,125 Accounts receivable, net of allowance 3,223,601 3,079,704 Materials and supplies 319,623 358,213 Prepayments 103,056 106,6501 TOTAL CURRENT ASSETS 6,830,489 5,122,543 TOTAL CURRENT ASSETS 6,830,489 5,122,543 TOTAL ASSETS \$52,620,643 \$49,700,726 LABILITIES AND EOUTIES 5357 5,357 FOUTIES 23,178,445 21,809,510 31,32,33,34 23,178,445 21,809,510 Accumulated other comprehensive income 361,700 480,454 Audit line 379,000 20 Other equities 5,357 5,357 TOTAL EOUTIES 23,270,911 295,529 Accrued sick leave 270,911 295,529 Accrued sick leave 270,911		8 234 071	7720.644
Accounts 186 & 183 TOTAL INVESTMENTS AND OTHER ASSETS 8,726,597 8,337,022 CURRENT ASSETS 3,184,209 1,578,125 Accounts receivable, net of allowance for doubtful accounts of \$284,799 (\$294,730 in 2016) 3,223,601 3,079,704 Materials and supplies 319,623 358,213 Prepayments 103,056 106,501 TOTAL CURRENT ASSETS 6,830,489 5,122,543 TOTAL CURRENT ASSETS \$52,620,643 \$49,700,726 LIABILITIES AND EQUITIES EOUTIES EOUTIES Patronage capital 23,178,445 21,809,510 31,32,33,34 361,700 480,454 Accumulated other comprehensive income 361,700 480,454 Audit line 379,000 323,545,502 22,295,321 LONG-TERM LIABILITIES 23,545,502 22,295,321 23,545,502 22,295,321 LONG-TERM LIABILITIES 25,290,54 23,3360,504 325,300 277,600 Current naturtities of long-term debt 978,488 991,000 325,303 277,600 TOTAL LONG-TERM LIABILITIES <t< td=""><td>5</td><td></td><td></td></t<>	5		
CURRENT ASSETS Cash and cash equivalents 3,184,209 1,578,125 Accounts receivable, net of allowance for doubtful accounts of \$284,799 (\$294,730 in 2016) 3,223,601 3,079,704 Materials and supplies 319,623 358,213 Prepayments 103,056 106,501 TOTAL CURRENT ASSETS 6,830,489 5,122,543 TOTAL ASSETS \$52,620,643 \$49,700,726 LIABILITIES AND EOUITIES 23,178,445 21,809,510 7074L ASSETS \$6,1700 480,454 Audit line 379,000 21,623 Other equities 5,357 5,357 TOTAL EQUITIES 23,545,502 22,295,321 LONG-TERM LIABILITIES 23,600,504 24,702,843 23,360,504 Accrued sick leave 270,011 295,529 23,933,633 277,600 TOTAL LONG-TERM LIABILITIES 2	5		010,070
Cash and cash equivalents 3,184,209 1,578,125 Accounts receivable, net of allowance for doubtful accounts of \$284,799 (\$294,730 in 2016) 3,223,601 3,079,704 Materials and supplies 319,623 358,213 Prepayments 103,056 106,501 TOTAL CURRENT ASSETS 6,830,489 5,122,543 TOTAL CURRENT ASSETS 6,830,489 5,122,543 TOTAL CURRENT ASSETS 23,178,445 21,809,510 13,32,33,34 23,178,445 21,809,510 Accumulated other comprehensive income 361,700 480,454 Audit line 379,000 379,000 Other equities 5,357 5,357 TOTAL EQUITIES 23,545,502 22,295,321 LONG-TERM LABILITIES 23,360,504 Accrued sick leave 270,911 295,529 Accrued sick leave 270,911 295,529 23,93,633 277,600 TOTAL LONG-TERM LIABILITIES 25,290,54 23,93,633 277,600 CURRENT LABILITIES 25,290,54 23,933,633 20,93,633 CURRENT LIABILITIES 25,290,54	TOTAL INVESTMENTS AND OTHER ASSETS	8,726,597	8,337,022
Accounts receivable, net of allowance for doubtful accounts of \$284,799 (\$294,730 in 2016) 3,223,601 3,079,704 Materials and supplies 319,623 358,213 Prepayments 103,056 106,651 TOTAL CURRENT ASSETS 6,830,489 5,122,543 TOTAL ASSETS 6,830,489 5,122,543 LABILITIES AND EQUITIES 52,620,643 \$49,700,726 EAUTIES 23,178,445 21,809,510 31,32,33,34 23,178,445 21,809,510 Accumulated other comprehensive income 361,700 480,454 Audit line 379,000 37,357 5,357 TOTAL EQUITIES 23,545,502 22,295,321 LONG-TERM LIABILITIES 23,545,502 22,295,321 Mortgage notes payable 24,702,843 23,360,504 Accrued sick leave 270,911 295,529 Accrued postretiremen! benefits 325,300 277,600 TOTAL LONG-TERM LIABILITIES 25,299,054 23,933,633 CUrrent maturities of long-term debt 978,488 991,000 Accounts payable 1,196,665	CURRENT ASSETS		
for doubtful accounts of \$284,799 (\$294,730 in 2016) 3,223,601 3,079,704 Materials and supplies 319,623 358,213 Prepayments 103,056 106,501 TOTAL CURRENT ASSETS 6,830,489 5,122,543 TOTAL ASSETS 6,830,489 5,122,543 LABILITIES AND EQUITIES \$52,620,643 \$49,700,726 EQUITIES 23,178,445 21,809,510 31,32,33,34 23,178,445 21,809,510 Accumulated other comprehensive income 361,700 480,454 Audit line 379,000 20,545,502 22,225,321 DOther equities 5,357 5,357 5,357 TOTAL EQUITIES 23,545,502 22,295,321 LONG-TERM LIABILITIES 24,702,843 23,360,504 Accrued sick leave 270,911 295,529 Accrued postretiremen! benefits 325,300 277,600 TOTAL LONG-TERM LIABILITIES 25,299,054 23,933,633 CURRENT LIABILITIES 21,96,665 1,038,688 Consumer deposits 217,639 232,478 <	Cash and cash equivalents	3,184,209	1,578,125
for doubtful accounts of \$284,799 (\$294,730 in 2016) 3,223,601 3,079,704 Materials and supplies 319,623 358,213 Prepayments 103,056 106,501 TOTAL CURRENT ASSETS 6,830,489 5,122,543 TOTAL ASSETS 6,830,489 5,122,543 LABILITIES AND EQUITIES \$52,620,643 \$49,700,726 EQUITIES 23,178,445 21,809,510 31,32,33,34 23,178,445 21,809,510 Accumulated other comprehensive income 361,700 480,454 Audit line 379,000 20,545,502 22,225,321 DOther equities 5,357 5,357 5,357 TOTAL EQUITIES 23,545,502 22,295,321 LONG-TERM LIABILITIES 24,702,843 23,360,504 Accrued sick leave 270,911 295,529 Accrued postretiremen! benefits 325,300 277,600 TOTAL LONG-TERM LIABILITIES 25,299,054 23,933,633 CURRENT LIABILITIES 21,96,665 1,038,688 Consumer deposits 217,639 232,478 <			
Materials and supplies 319,623 358,213 Prepayments 103,056 106,501 TOTAL CURRENT ASSETS 6,830,489 5,122,543 TOTAL ASSETS \$52,620,643 \$49700,726 LIABILITIES AND EOUITIES 500 500 EOUITIES 23,178,445 21,809,510 31,32,33,34 361,700 480,454 Accumulated other comprehensive income 361,700 480,454 Audit line 379,000 5,357 5,357 TOTAL EQUITIES 23,545,502 22,295,321 LONG-TERM LIABILITIES 23,543,502 223,295,321 LONG-TERM LIABILITIES 23,530 277,600 Other equities 325,330 277,600 CURG-TERM LIABILITIES 25,299,054 23,393,633 CURRENT LIABILITIES 25,299,054 23,393,633 CURRENT LIABILITIES 25,299,054 23,393,633 CURRENT LIABILITIES 217,639 232,478 Accrued iabilities 1,383,295 1,209,606 Consumer deposits 217,639 232,478 <td></td> <td>3 223 601</td> <td>3 079 704</td>		3 223 601	3 079 704
Prepayments 103.056 106.501 TOTAL CURRENT ASSETS 6,830,489 5,122,543 TOTAL ASSETS \$52,620,643 \$49700,726 LIABILITIES AND EQUITIES 5 5 EQUITIES 23,178,445 21,809,510 31,32,33,34 361,700 480,454 Accumulated other comprehensive income 361,700 480,454 Audit line 379,000 379,000 Other equities 5,357 5,357 TOTAL EQUITIES 23,545,502 22,295,321 LONG-TERM LIABILITIES 24,702,843 23,360,504 Accrued sick leave 270,911 295,529 Accrued postretiremen! benefits 325,300 277,600 TOTAL LONG-TERM LIABILITIES 25,299,054 23,93,633 CURRENT LIABILITIES 25,299,054 23,93,633 CURRENT LIABILITIES 217,639 232,478 Accounts payable 1,96,665 1,038,688 Consumer deposits 217,639 232,478 Accrued liabilities 1,383,295 1,209,606		, ,	
TOTAL CURRENT ASSETS 6,830,489 5,122,543 TOTAL ASSETS \$52,620,643 \$49,700,726 LIABILITIES AND EQUITIES E E Patronage capital 23,178,445 21,809,510 31,32,33,34 26,1700 480,454 Audit line 379,000 480,454 Audit line 379,000 22,295,321 Other equities 5,357 5,357 TOTAL EQUITIES 23,545,502 22,295,321 LONG-TERM LIABILITIES 23,545,502 22,295,321 Mortgage notes payable 24,702,843 23,360,504 Accrued sick leave 270,911 295,529 Accrued postretiremen! benefits 325,300 277,600 TOTAL LONG-TERM LIABILITIES 25,299,054 23,933,633 CURRENT LIABILITIES 25,299,054 23,933,633 CUrrent maturities of long-term debt 978,488 991,000 Accounts payable 1,196,665 1,038,688 Consumer deposits 217,639 232,478 Accrued liabilities 1,383,295 1,209,606			
TOTAL ASSETS \$52,620,643 \$49,700,726 LIABILITIES AND EQUITIES E			
LIABILITIES AND EQUITIESEQUITIESPatronage capital 31,32,33,3423,178,44521,809,510Accumulated other comprehensive income Audit line361,700480,454Other equities5,3575,357TOTAL EQUITIES23,545,50222,295,321LONG-TERM LIABILITIESU24,702,84323,360,504Mortgage notes payable24,702,84323,360,504Accrued sick leave270,911295,529Accrued postretiremen! benefits325,300277,600TOTAL LONG-TERM LIABILITIES25,299,05423,933,633CURRENT LIABILITIES25,299,05423,933,633CURRENT LIABILITIES217,639232,478Accounts payable1,196,6651,038,688Consumer deposits217,639232,478Accrued liabilities1,383,2951,209,606TOTAL CURRENT LIABILITIES3,776,0873,471,772			
Patronage capital 31,32,33,3423,178,44521,809,510Accumulated other comprehensive income Audit line361,700480,454Other equities5,3575,357TOTAL EQUITIES23,545,50222,295,321LONG-TERM LIABILITIESMortgage notes payable24,702,84323,360,504Accrued sick leave270,911295,529Accrued postretiremen! benefits325,300277,600TOTAL LONG-TERM LIABILITIES25,299,05423,933,633CURRENT LIABILITIES978,488991,000Accounts payable1,196,6651,038,688Consumer deposits217,639232,478Accrued liabilities1,383,2951,209,606TOTAL CURRENT LIABILITIES3,776,0873,471,772	LIABILITIES AND EQUITIES		
31,32,33,34 Accumulated other comprehensive income 361,700 480,454 Audit line 379,000 Other equities 5,357 5,357 TOTAL EQUITIES 23,545,502 22,295,321 LONG-TERM LIABILITIES 0 23,545,502 22,295,321 Mortgage notes payable 24,702,843 23,360,504 Accrued sick leave 270,911 295,529 Accrued postretiremen! benefits 325,300 277,600 TOTAL LONG-TERM LIABILITIES 25,299,054 23,933,633 CURRENT LIABILITIES 25,299,054 23,933,633 CUrrent maturities of long-term debt 978,488 991,000 Accounts payable 1,196,665 1,038,688 Consumer deposits 217,639 232,478 Accrued liabilities 1,383,295 1,209,606 TOTAL CURRENT LIABILITIES 3,776,087 3,471,772	EQUITIES		
Audit line 379,000 Other equities 5,357 5,357 TOTAL EQUITIES 23,545,502 22,295,321 LONG-TERM LIABILITIES 23,545,502 22,295,321 Mortgage notes payable 24,702,843 23,360,504 Accrued sick leave 270,911 295,529 Accrued postretiremen! benefits 325,300 277,600 TOTAL LONG-TERM LIABILITIES 25,299,054 23,933,633 CURRENT LIABILITIES 25,299,054 23,933,633 CUrrent maturities of long-term debt 978,488 991,000 Accounts payable 1,196,665 1,038,688 Consumer deposits 217,639 232,478 Accrued liabilities 1,383,295 1,209,606 TOTAL CURRENT LIABILITIES 3,776,087 3,471,772		23,178,445	21,809,510
TOTAL EQUITIES 23,545,502 22,295,321 LONG-TERM LIABILITIES 2 23,545,502 22,295,321 Mortgage notes payable 24,702,843 23,360,504 Accrued sick leave 270,911 295,529 Accrued postretiremen! benefits 325,300 277,600 TOTAL LONG-TERM LIABILITIES 25,299,054 23,933,633 CURRENT LIABILITIES 25,299,054 23,933,633 CUrrent maturities of long-term debt 978,488 991,000 Accounts payable 1,196,665 1,038,688 Consumer deposits 217,639 232,478 Accrued liabilities 1,383,295 1,209,606 TOTAL CURRENT LIABILITIES 3,776,087 3,471,772			480,454
LONG-TERM LIABILITIESMortgage notes payable24,702,84323,360,504Accrued sick leave270,911295,529Accrued postretiremen! benefits325,300277,600TOTAL LONG-TERM LIABILITIES25,299,05423,933,633CURRENT LIABILITIES25,299,05423,933,633CURRENT LIABILITIES978,488991,000Accounts payable1,196,6651,038,688Consumer deposits217,639232,478Accrued liabilities1,383,2951,209,606TOTAL CURRENT LIABILITIES3,776,0873,471,772	Other equities	5,357	5,357
Mortgage notes payable 24,702,843 23,360,504 Accrued sick leave 270,911 295,529 Accrued postretiremen! benefits 325,300 277,600 TOTAL LONG-TERM LIABILITIES 25,299,054 23,933,633 CURRENT LIABILITIES 25,299,054 23,933,633 CURRENT LIABILITIES 978,488 991,000 Accounts payable 1,196,665 1,038,688 Consumer deposits 217,639 232,478 Accrued liabilities 1,383,295 1,209,606 TOTAL CURRENT LIABILITIES 3,776,087 3,471,772	TOTAL EQUITIES	23,545,502	22,295,321
Accrued sick leave270,911295,529Accrued postretiremen! benefits325,300277,600TOTAL LONG-TERM LIABILITIES25,299,05423,933,633CURRENT LIABILITIESCurrent maturities of long-term debt978,488991,000Accounts payable1,196,6651,038,688Consumer deposits217,639232,478Accrued liabilities1,383,2951,209,606TOTAL CURRENT LIABILITIES3,776,0873,471,772	LONG-TERM LIABILITIES		
Accrued postretiremen! benefits325,300277,600TOTAL LONG-TERM LIABILITIES25,299,05423,933,633CURRENT LIABILITIES978,488991,000Accounts payable1,196,6651,038,688Consumer deposits217,639232,478Accrued liabilities1,383,2951,209,606TOTAL CURRENT LIABILITIES3,776,0873,471,772	Mortgage notes payable	24,702,843	23,360,504
TOTAL LONG-TERM LIABILITIES25,299,05423,933,633CURRENT LIABILITIES2Current maturities of long-term debt978,488991,000Accounts payable1,196,6651,038,688Consumer deposits217,639232,478Accrued liabilities1,383,2951,209,606TOTAL CURRENT LIABILITIES3,776,0873,471,772	Accrued sick leave	270,911	295,529
CURRENT LIABILITIESCurrent maturities of long-term debt978,488991,000Accounts payable1,196,6651,038,688Consumer deposits217,639232,478Accrued liabilities1,383,2951,209,606TOTAL CURRENT LIABILITIES3,776,0873,471,772	Accrued postretiremen! benefits	325,300	277,600
Current maturities of long-term debt 978,488 991,000 Accounts payable 1,196,665 1,038,688 Consumer deposits 217,639 232,478 Accrued liabilities 1,383,295 1,209,606 TOTAL CURRENT LIABILITIES 3,776,087 3,471,772	TOTAL LONG-TERM LIABILITIES	25,299,054	23,933,633
Accounts payable 1,196,665 1,038,688 Consumer deposits 217,639 232,478 Accrued liabilities 1,383,295 1,209,606 TOTAL CURRENT LIABILITIES 3,776,087 3,471,772	CURRENT LIABILITIES		
Consumer deposits 217,639 232,478 Accrued liabilities 1,383,295 1,209,606 TOTAL CURRENT LIABILITIES 3,776,087 3,471,772	Current maturities of long-term debt	978,488	991,000
Accrued liabilities 1,383,295 1,209,606 TOTAL CURRENT LIABILITIES 3,776,087 3,471,772	Accounts payable	1,196,665	1,038,688
TOTAL CURRENT LIABILITIES 3,776,087 3,471,772	Consumer deposits	217,639	232,478
	Accrued liabilities	1,383,295	1,209,606
TOTAL LIABILITIES AND EQUITIES \$52,620,643 \$49,700,726	TOTAL CURRENT LIABILITIES	3,776,087	3,471,772
	TOTAL LIABILITIES AND EQUITIES	\$52,620,643	\$49,700,726

WASHINGTON ELECTRIC COOPERATIVE, INC. STATEMENTS OF REVENUES AND EXPENSES For the years ended December 31, 2017 and 2016

OPERATING REVENUES \$17,787,127 \$17,504,822 OPERATING EXPENSES Cost of power 9,400,891 8,872,373 Distribution expense - operations 1,209,067 1,224,812 Distribution expense - maintenance 1,476,750 2,184,718 Consumer accounts 377,317 508,440 Administrative and general 1,250,245 1,224,017 Depreciation and amortization 1,426,905 1,393,824 Taxes 491,603 514,087 TOTAL OPERATING EXPENSES 15,632,778 15,922,271 OPERATING MARGINS BEFORE FIXED CHARGES 2,154,349 1,582,551 Interest on long-term debt 1,103,712 1,118,634 OPERATING MARGINS AFTER FIXED CHARGES 1,050,637 463,917 Capital credits 729,939 367,617 OPERATING MARGINS 1,780,576 831,534 NON-OPERATING MARGINS 132,568 130,722 Interest income 132,568 130,722 Other income 131,040 144,109 NET MARGINS FOR PERIOD \$131,		2017	2016
Cost of power 9,400,891 8,872,373 Distribution expense - operations 1,209,067 1,224,812 Distribution expense - maintenance 1,476,750 2,184,718 Consumer accounts 377,317 508,440 Administrative and general 1,250,245 1,224,017 Depreciation and amortization 1,426,905 1,393,824 Taxes 491,603 514,087 TOTAL OPERATING EXPENSES 15,632,778 15,922,271 OPERATING MARGINS BEFORE FIXED CHARGES 2,154,349 1,582,551 Interest on long-term debt 1,103,712 1,118,634 OPERATING MARGINS AFTER FIXED CHARGES 1,050,637 463,917 Capital credits 729,939 367,617 OPERATING MARGINS 1,780,576 831,534 NON-OPERATING MARGINS 132,568 130,722 Interest income 132,568 130,722 Other income (1,528) 13,387 TOTAL NON-OPERATING MARGINS 131,040 144,109	OPERATING REVENUES	\$17,787,127	\$17,504,822
Distribution expense - operations 1,209,067 1,224,812 Distribution expense - maintenance 1,476,750 2,184,718 Consumer accounts 377,317 508,440 Administrative and general 1,250,245 1,224,017 Depreciation and amortization 1,426,905 1,393,824 Taxes 491,603 514,087 TOTAL OPERATING EXPENSES 15,632,778 15,922,271 OPERATING MARGINS BEFORE FIXED CHARGES 2,154,349 1,582,551 Interest on long-term debt 1,103,712 1,118,634 OPERATING MARGINS AFTER FIXED CHARGES 1,050,637 463,917 Capital credits 729,939 367,617 OPERATING MARGINS 1,780,576 831,534 NON-OPERATING MARGINS 132,568 130,722 Other income (1,528) 13,387 IOTAL NON-OPERATING MARGINS 131,040 144,109	OPERATING EXPENSES		
Distribution expense - maintenance 1,476,750 2,184,718 Consumer accounts 377,317 508,440 Administrative and general 1,250,245 1,224,017 Depreciation and amortization 1,426,905 1,393,824 Taxes 491,603 514,087 TOTAL OPERATING EXPENSES 15,632,778 15,922,271 OPERATING MARGINS BEFORE FIXED CHARGES 2,154,349 1,582,551 Interest on long-term debt 1,103,712 1,118,634 OPERATING MARGINS AFTER FIXED CHARGES 1,050,637 463,917 Capital credits 729,939 367,617 OPERATING MARGINS 1,780,576 831,534 NON-OPERATING MARGINS 132,568 130,722 Other income (1,528) 13,387 TOTAL NON-OPERATING MARGINS 131,040 144,109	Cost of power	9,400,891	8,872,373
Consumer accounts 377,317 508,440 Administrative and general 1,250,245 1,224,017 Depreciation and amortization 1,426,905 1,393,824 Taxes 491,603 514,087 TOTAL OPERATING EXPENSES 15,632,778 15,922,271 OPERATING MARGINS BEFORE FIXED CHARGES 2,154,349 1,582,551 Interest on long-term debt 1,103,712 1,118,634 OPERATING MARGINS AFTER FIXED CHARGES 1,050,637 463,917 Capital credits 729,939 367,617 OPERATING MARGINS 1,780,576 831,534 NON-OPERATING MARGINS 132,568 130,722 Other income (1,528) 13,387 TOTAL NON-OPERATING MARGINS 131,040 144,109	Distribution expense - operations	1,209,067	1,224,812
Administrative and general 1,250,245 1,224,017 Depreciation and amortization 1,426,905 1,393,824 Taxes 491,603 514,087 TOTAL OPERATING EXPENSES 15,632,778 15,922,271 OPERATING MARGINS BEFORE FIXED CHARGES 2,154,349 1,582,551 Interest on long-term debt 1,103,712 1,118,634 OPERATING MARGINS AFTER FIXED CHARGES 1,050,637 463,917 Capital credits 729,939 367,617 OPERATING MARGINS 1,780,576 831,534 NON-OPERATING MARGINS 132,568 130,722 Other income (1,528) 13,387 TOTAL NON-OPERATING MARGINS 131,040 144,109	Distribution expense - maintenance	1,476,750	2,184,718
Depreciation and amortization 1,426,905 1,393,824 Taxes 491,603 514,087 TOTAL OPERATING EXPENSES 15,632,778 15,922,271 OPERATING MARGINS BEFORE FIXED CHARGES 2,154,349 1,582,551 Interest on long-term debt 1,103,712 1,118,634 OPERATING MARGINS AFTER FIXED CHARGES 1,050,637 463,917 Capital credits 729,939 367,617 OPERATING MARGINS 1,780,576 831,534 NON-OPERATING MARGINS 132,568 130,722 Other income (1,528) 13,387 TOTAL NON-OPERATING MARGINS 131,040 144,109	Consumer accounts	377,317	508,440
Taxes 491,603 514,087 TOTAL OPERATING EXPENSES 15,632,778 15,922,271 OPERATING MARGINS BEFORE FIXED CHARGES 2,154,349 1,582,551 Interest on long-term debt 1,103,712 1,118,634 OPERATING MARGINS AFTER FIXED CHARGES 1,050,637 463,917 Capital credits 729,939 367,617 OPERATING MARGINS 1,780,576 831,534 NON-OPERATING MARGINS 132,568 130,722 Other income (1,528) 13,387 TOTAL NON-OPERATING MARGINS 131,040 144,109	Administrative and general	1,250,245	1,224,017
TOTAL OPERATING EXPENSES 15,632,778 15,922,271 OPERATING MARGINS BEFORE FIXED CHARGES 2,154,349 1,582,551 Interest on long-term debt 1,103,712 1,118,634 OPERATING MARGINS AFTER FIXED CHARGES 1,050,637 463,917 Capital credits 729,939 367,617 OPERATING MARGINS 1,780,576 831,534 NON-OPERATING MARGINS 132,568 130,722 Other income (1,528) 13,387 TOTAL NON-OPERATING MARGINS 131,040 144,109	Depreciation and amortization	1,426,905	1,393,824
OPERATING MARGINS BEFORE FIXED CHARGES 2,154,349 1,582,551 Interest on long-term debt 1,103,712 1,118,634 OPERATING MARGINS AFTER FIXED CHARGES 1,050,637 463,917 Capital credits 729,939 367,617 OPERATING MARGINS 1,780,576 831,534 NON-OPERATING MARGINS 132,568 130,722 Other income (1,528) 13,387 TOTAL NON-OPERATING MARGINS 131,040 144,109	Taxes	491,603	514,087
Interest on long-term debt 1,103,712 1,118,634 OPERATING MARGINS AFTER FIXED CHARGES 1,050,637 463,917 Capital credits 729,939 367,617 OPERATING MARGINS 1,780,576 831,534 NON-OPERATING MARGINS 132,568 130,722 Interest income (1,528) 13,387 TOTAL NON-OPERATING MARGINS 131,040 144,109	TOTAL OPERATING EXPENSES	15,632,778	15,922,271
OPERATING MARGINS AFTER FIXED CHARGES 1,050,637 463,917 Capital credits 729,939 367,617 OPERATING MARGINS 1,780,576 831,534 NON-OPERATING MARGINS 132,568 130,722 Interest income (1,528) 13,387 TOTAL NON-OPERATING MARGINS 131,040 144,109	OPERATING MARGINS BEFORE FIXED CHARGES	2,154,349	1,582,551
Capital credits 729,939 367,617 OPERATING MARGINS 1,780,576 831,534 NON-OPERATING MARGINS 1 1 Interest income 132,568 130,722 Other income (1,528) 13,387 TOTAL NON-OPERATING MARGINS 131,040 144,109	Interest on long-term debt	1,103,712	1,118,634
OPERATING MARGINS 1,780,576 831,534 NON-OPERATING MARGINS 1 <	OPERATING MARGINS AFTER FIXED CHARGES	1,050,637	463,917
NON-OPERATING MARGINSInterest income132,568130,722Other income(1,528)13,387TOTAL NON-OPERATING MARGINS131,040144,109	Capital credits	729,939	367,617
Interest income 132,568 130,722 Other income (1,528) 13,387 TOTAL NON-OPERATING MARGINS 131,040 144,109	OPERATING MARGINS	1,780,576	831,534
Other income (1,528) 13,387 TOTAL NON-OPERATING MARGINS 131,040 144,109	NON-OPERATING MARGINS		
TOTAL NON-OPERATING MARGINS 131,040 144,109	Interest income	132,568	130,722
······	Other income	(1,528)	13,387
NET MARGINS FOR PERIOD \$1,911,616 \$975,643	TOTAL NON-OPERATING MARGINS	131,040	144,109
	NET MARGINS FOR PERIOD	\$1,911,616	\$975,643





REPORT FROM MANAGEMENT

2017: A YEAR IN REVIEW

In the electric cooperative world, we spend a lot of time looking back on the achievements that have occurred since light started making its way through the countryside in the late 1930s. Electric cooperatives took power into areas ignored by investor-owned utilities, improved the lives of rural Americans, and helped spur economic development throughout the country. It's a history that we can be proud of — and it's also the reason we have to give equal attention to the future. We want to make sure the legacy we are building is as honorable as the one we've already established.

The year 2017 brought its challenges, but also helped set the stage for advancement. Reliability issues in the summer months further highlighted the need for improvements to the local power grid, and we're excited to say that the first phase of upgrades that have been in the works for a decade will be completed in 2018. Expected to be completed in late summer, the South Olive substation will be the first of four Washington Electric substations rebuilt to accommodate American Electric Power's new 138-kV transmission system.

Capital credits

In 2017, the board of trustees approved the retirement of \$362,000 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 one of the many ways co-ops differ from municipal and investor-owned utilities.



Capital credits represent the most significant source of equity for Washington Electric Cooperative. To date, we've returned \$1.5 million in capital credits to our members.

Member services

The most exciting addition in the area of member services was the launch of SmartHub, our new online payment and account management system. In addition to paying bills, members can use SmartHub to sign up for outage alerts and paperless billing, track and compare their energy use, report power outages, update their contact information, and more.

Members saved a total of \$4,337.68 on prescription drugs through the Co-op Connections® Card program, bringing the overall total to \$89,900.79 since the program launched in 2011. And an additional 36 co-op members took advantage of our rebate programs for water heaters, dual fuel heat pumps, geothermal systems, air conditioners, and ENERGY STAR®-rated refrigerators and freezers.

We also redesigned our billing statement in 2017, making it more attractive and easier to read.

Member satisfaction & participation

Washington Electric continues to make great strides in the area of member satisfaction. Our American Consumer Satisfaction Index score rose from 78 to 79 and comes on the heels of a seven-point increase in 2016. Our current score of 79 puts Washington Electric above the national averages for electric utilities, and tied with the average for other Touchstone Energy cooperatives across the nation.

Cost and reliability remain our members' top concerns. Members have also told us they want enhanced communication regarding power outages, which is why in 2017 we also increased our presence and outreach on social media and implemented an advanced outage alert system through the SmartHub account management tool.

Washington Electric values and encourages feedback from members. One of the most important ways members can take an active role in their co-op is by voting in the annual trustee election and attending the annual meeting. A total of 1,605 members cast their ballots in the 2017 election, and about 350 people attended our annual meeting.

Community involvement

One of the guiding principles as a cooperative is commitment to community. We are proud to be part of the communities we serve, and we carry out that dedication in a variety of ways, including participation with local chambers of commerce and economic development organizations, county fairs, and financial support of charities and organizations including Habitat for Humanity, Building Bridges to Careers, Noble County Soil & Water, HARP Mission, Special Olympics, and 4H.

In addition, Washington Electric provides \$3,750 in scholarships annually to high school seniors whose parents are co-op members, and we sponsor two high school students to attend the national Youth Tour, a weeklong leadership experience in Washington, D.C.

Leadership & staffing

In 2017, we experienced the unexpected loss of our board chairman and friend, David Miller. Miller served on the co-op's board for 19 years and left behind a legacy of leadership and commitment not only to the cooperative, but for the overall advancement of rural life. The board of trustees appointed Shawn Ray of Cumberland to fill Miller's unexpired term, and trustee Paul Fleeman was elected to replace Miller as chairman. The board also appointed Brent Smith of Caldwell to fill the unexpired term made vacant by the retirement of trustee Eldon Miller.

The co-op currently has 24 full-time employees.

Technology

In 2017, we upgraded our substation computer network to improve communication performance and increase network security. We also rolled out a meter data management program, which allows us to provide our members with even more detailed energy use data through our SmartHub system. In addition, we introduced a mobile workforce tool that will allow our line crews to electronically receive and complete service orders, thereby improving work efficiency and reducing paper and printing costs.

Right-of-way maintenance

Providing safe and reliable electric service requires yearround planning to keep power lines clear of trees, brush, and other debris. Washington Electric Cooperative's 2017 right-of-way maintenance program included the cutting and trimming of vegetation on 25 miles of line on a circuit out of the South Olive substation in Noble County, and the



spraying of 600 acres in the Fly/Antioch area. We tested 3,000 utility poles and identified 115 for replacement.

Safety

Safety is a top priority at Washington Electric Cooperative. We work hard to ensure that we provide the proper training, tools, and resources for employees to perform their duties safely and efficiently. In late 2017, Washington Electric became part of a group of four Ohio electric cooperatives who share the services of a dedicated safety and regulatory consultant who will help ensure the co-op meets all state and federal safety regulations.

We are also very proud to report that there were no lost-time accidents in 2017.





WASHINGTON ELECTRIC COOPERATIVE ANNUAL REPORT



Washington Electric Cooperative, Inc.

-

Washington Electric Cooperative, Inc. A Touchstone Energy*Cooperative

mm

440 Highland Ridge Road P.O. Box 800 Marietta, OH 45750 740-373-2141 | 877-594-9324 www.weci.org