



FUTURE

2017 ANNUAL REPORT



Washington Electric Cooperative, Inc.

A Touchstone Energy® Cooperative





WASHINGTON ELECTRIC COOPERATIVE ANNUAL REPORT

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



Shawn Ray



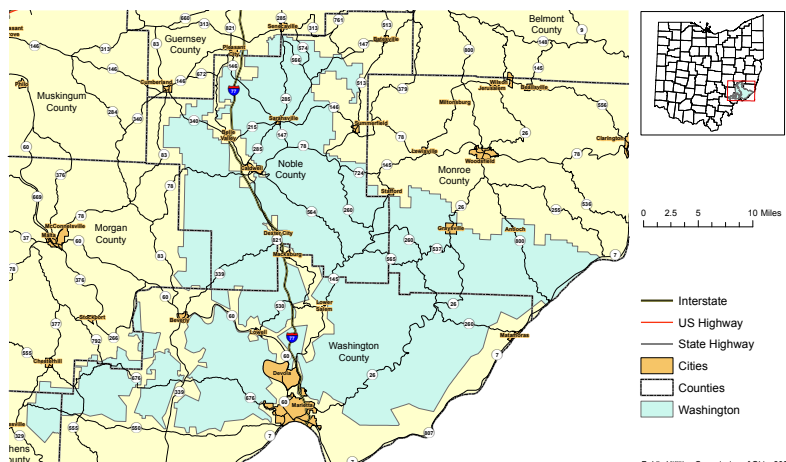
Brent Smith

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



MESSAGE FROM THE GENERAL MANAGER

Preparing for the future while honoring our past

Washington 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 138-kV 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 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.



Jack Bragg Jr.
GENERAL MANAGER/CEO

Learn from
the Past

Think of
the Future



WASHINGTON ELECTRIC COOPERATIVE ANNUAL REPORT

WASHINGTON ELECTRIC COOPERATIVE, INC. BALANCE SHEETS

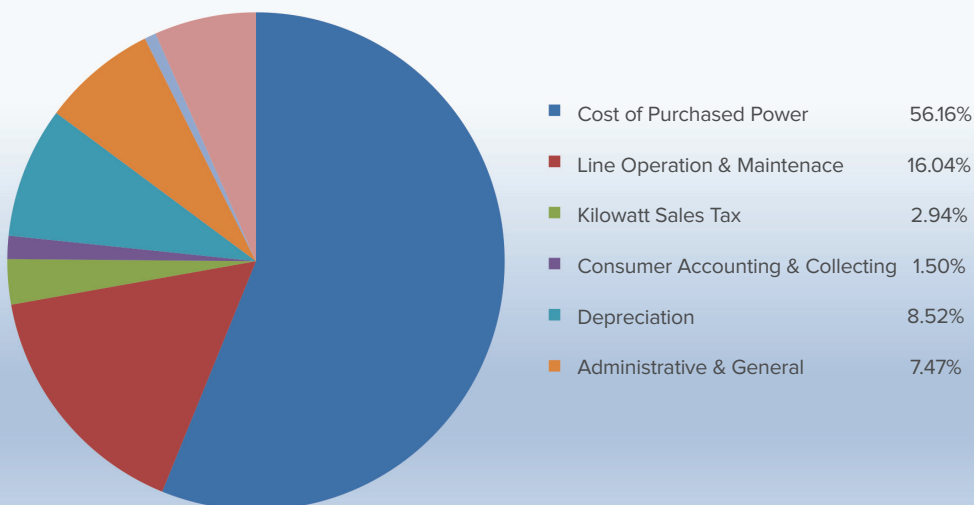
For the years ended December 31, 2017 and 2016

ASSETS	2017	2016
UTILITY PLANT	49,346,329	47,751,715
Electric plant in service		
Construction work in progress	1,133,950	1,067,253
	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		
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	8,337,022
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 EQUITIES		
EQUITIES		
Patronage capital	23,178,445	21,809,510
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		
Mortgage notes payable	24,702,843	23,360,504
Accrued sick leave	270,911	295,529
Accrued postretirement benefits	325,300	277,600
TOTAL LONG-TERM LIABILITIES	25,299,054	23,933,633
CURRENT LIABILITIES		
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 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

	2017	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		
Interest income	132,568	130,722
Other income	(1,528)	13,387
TOTAL NON-OPERATING MARGINS	131,040	144,109
NET MARGINS FOR PERIOD	\$1,911,616	\$975,643

HOW YOUR POWER DOLLAR WAS SPENT IN 2017





WASHINGTON ELECTRIC COOPERATIVE ANNUAL REPORT

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 year-round 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.






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