



Washington Electric Cooperative, Inc.

A Touchstone Energy® Cooperative 

Member Driven
Member Focused
Member Accountable

2019 Annual Report

BOARD OF DIRECTORS

YOUR ELECTRIC COOPERATIVE



Paul Fleeman, CCD, BL
CHAIRMAN



Brent Smith, CCD
VICE CHAIRMAN



Betty Martin, CCD, BL
SECRETARY/TREASURER



Gale DePuy, CCD, BL
ASST. SECRETARY/TREASURER



William Bowersock,
CCD, BL



Brian Carter



Larry Ullman, CCD, BL

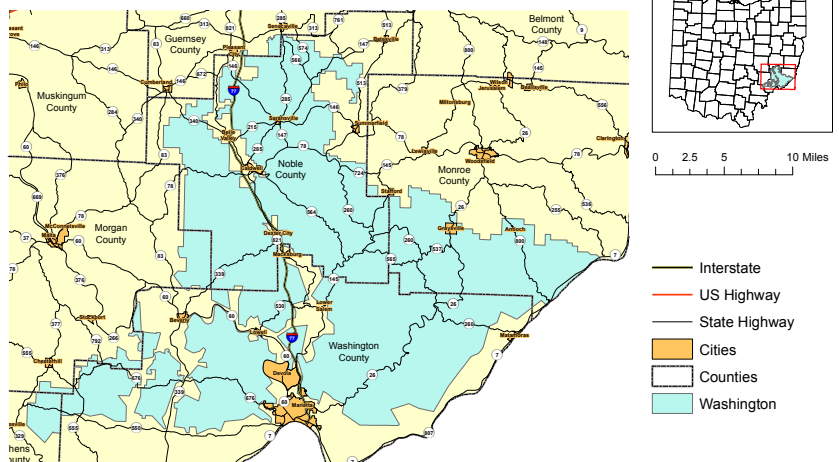
Washington Electric is a Touchstone Energy cooperative serving portions of six counties in southeastern Ohio. Locally owned and operated, the cooperative is governed by a democratically elected seven-member board of directors.

Mission statement

Washington Electric Cooperative's mission is to improve the quality of life for our members and community by safely and responsibly delivering reliable electric service, innovative energy solutions and superior member service.

**Member Driven – Member Focused –
Member Accountable**

Service territory map



MESSAGE FROM THE GENERAL MANAGER

I am happy to report to the membership that Washington Electric Cooperative enjoyed another productive, safe, and financially sound year during 2019. We appreciate the support of our members and the leadership provided by the elected board of trustees in helping us achieve these accomplishments.

We have included some highlights of the year as well as our financial statements in this 2019 Annual Report. I want to particularly highlight the strategic planning process that was conducted by the management, staff, and board of trustees to update our mission statement and develop the goals and initiatives we will be focusing on over the next several years. The four main areas are:

1. Reliability: Make life better for our members and employees
2. Workforce engagement: Attract, develop, and retain great employees
3. Communications: Tell our story
4. Rates and finance: Find the financial balance

These areas are centered around one common purpose — serving our members. To keep everyone here focused on this purpose, we came up with a simple tag line that we feel best embodies our mission: **Member Driven, Member Focused, Member Accountable.**

The goals and initiatives we set during our strategic planning process are all driven by our members and how we can best make good on our commitment to deliver safe, reliable, and affordable electricity to your homes and businesses. We want everything we do to be truly *member driven* with the goal of providing value to our members.

As we set out to accomplish our mission, it is important to be reminded that we remain *member focused*. I find it becomes much easier to make a good decision and determine a proper course of action if I simply reflect on what, at the core, I am trying to accomplish. Focusing on our members as we conduct our day-to-day operations is vital to the success of our commitment to our members.

Finally, we need to be *member accountable*. If we are not providing superior member service as we work for our members, we want to hear from you and what we can do better.

Thank you again for the privilege in serving you!



Jeff Triplett
GENERAL MANAGER

Member Driven Member Focused Member Accountable



WASHINGTON ELECTRIC COOPERATIVE LOCAL PAGES

WASHINGTON ELECTRIC COOPERATIVE, INC. BALANCE SHEETS December 31, 2019 and 2018

ASSETS	2019	2018
UTILITY PLANT		
Electric plant in service	\$ 56,097,396	\$ 53,381,898
Construction work in progress	4,644,999	1,047,396
	60,742,395	54,429,294
Less: Accumulated provision for depreciation and amortization	(14,906,103)	(13,934,558)
NET UTILITY PLANT	<u>45,836,292</u>	<u>40,494,736</u>
INVESTMENTS AND OTHER ASSETS		
Investments in associated organizations	9,036,259	8,904,400
Deferred charges	270,436	368,689
TOTAL INVESTMENTS AND OTHER ASSETS	<u>9,306,695</u>	<u>9,273,089</u>
CURRENT ASSETS		
Cash and cash equivalents	1,925,160	1,932,252
Accounts receivable, net of allowance for doubtful accounts of \$254,687 (\$267,470 in 2018)	3,132,831	3,196,474
Materials and supplies	326,115	351,711
Prepayments	1,599,402	93,490
TOTAL CURRENT ASSETS	<u>6,983,508</u>	<u>5,573,927</u>
TOTAL ASSETS	<u>\$ 62,126,495</u>	<u>\$ 55,341,752</u>
LIABILITIES AND EQUITIES		
EQUITIES		
Patronage capital	26,311,891	25,623,654
Accumulated other comprehensive income	309,038	341,100
TOTAL EQUITIES	<u>26,620,929</u>	<u>25,964,754</u>
LONG-TERM LIABILITIES		
Mortgage notes payable	30,631,071	24,850,943
Accrued sick leave	230,485	242,388
Accrued postretirement benefits	323,071	312,600
TOTAL LONG-TERM LIABILITIES	<u>31,184,627</u>	<u>25,405,931</u>
CURRENT LIABILITIES		
Current maturities of long-term debt	1,176,346	1,031,188
Accounts payable	1,698,514	1,497,757
Consumer deposits	210,132	248,224
Accrued liabilities	1,235,947	1,193,898
TOTAL CURRENT LIABILITIES	<u>4,320,939</u>	<u>3,971,067</u>
TOTAL LIABILITIES AND EQUITIES	<u>\$ 62,126,495</u>	<u>\$ 55,341,752</u>

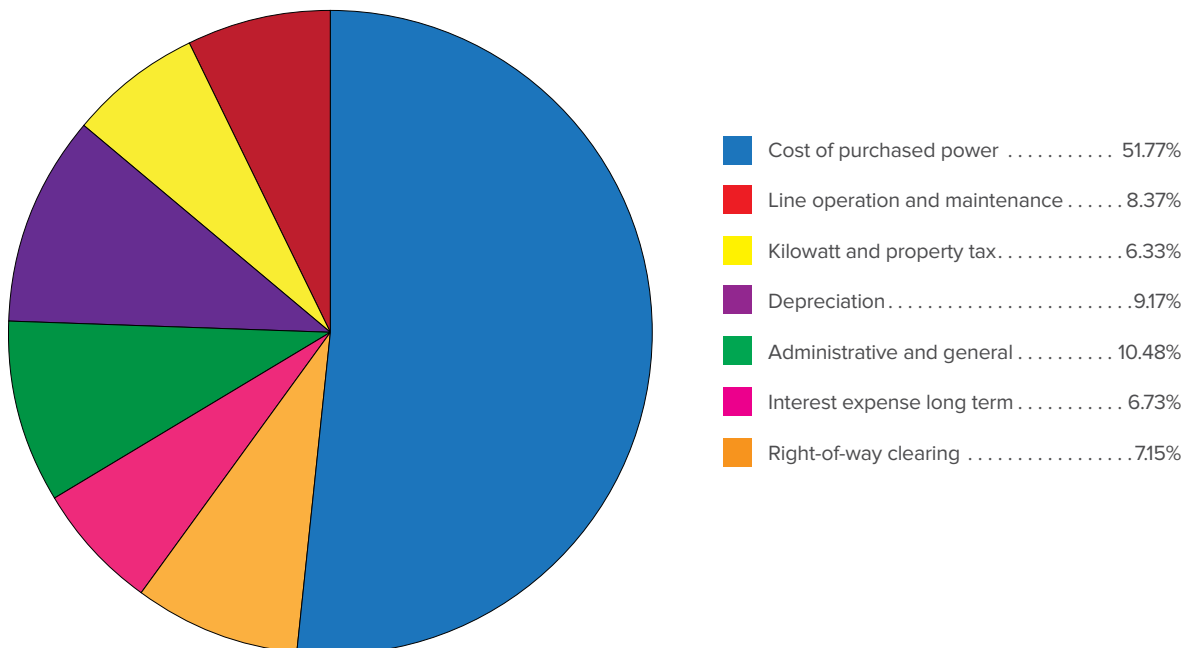
WASHINGTON ELECTRIC COOPERATIVE, INC.

STATEMENTS OF REVENUES AND EXPENSES

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES	\$ 18,141,883	\$ 19,212,898
OPERATING EXPENSES		
Cost of power	9,145,938	9,908,016
Distribution expense - operations	1,162,124	1,163,590
Distribution expense - maintenance	2,212,704	1,686,998
Consumer accounts	346,001	341,334
Administrative and general	1,491,805	1,445,784
Depreciation and amortization	1,620,213	1,499,654
Taxes	<u>484,339</u>	<u>508,420</u>
TOTAL OPERATING EXPENSES	16,463,124	16,553,796
OPERATING MARGINS BEFORE FIXED CHARGES	1,678,759	2,659,102
Interest on long-term debt	1,194,845	1,131,969
OPERATING MARGINS AFTER FIXED CHARGES	483,914	1,527,133
Capital credits	<u>527,234</u>	<u>962,326</u>
OPERATING MARGINS	1,011,148	2,489,459
NON-OPERATING MARGINS		
Interest income	173,624	119,718
Other income	<u>(4,532)</u>	<u>19,185</u>
TOTAL NON-OPERATING MARGINS	169,092	138,903
NET MARGINS FOR PERIOD	<u>\$ 1,180,240</u>	<u>\$ 2,628,362</u>

HOW YOUR POWER DOLLAR WAS SPENT IN 2019





2019: YEAR

Everything we do at Washington Electric is for our members. Here's a look back at some of your cooperative's achievements in 2019.

Safety

The safety of our members, employees, and community continues to be a high priority for our cooperative. One of our main goals is to keep the public aware of the dangers pertaining to electricity. In 2019, we conducted many demonstrations showing the danger of high-voltage electricity at local schools and provided safety training to local fire departments.

We commend our employees for their efforts in maintaining a safe and healthy work environment while continuing to progress with our safety improvement plan.

Strategic planning

The board of trustees and management team developed a three-year strategic plan that focuses on improvements to reliability, workforce engagement, communication, and financial planning. The cooperative's mission statement was updated to include elements of innovation and superior member service. We also completed a cost-of-service study and a 10-year financial forecast to guide the long-term financial needs of the cooperative.

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. In 2019 we cleared 29 miles of right-of-way in the Archers Fork and Shay Ridge areas and 60 miles on the Rainbow Creek circuit extending out of our Watertown substation. Contracted, licensed applicators applied EPA-approved herbicide to areas that were previously cleared in the South Olive substation area. In addition, time and material crews from Asplundh cleared various high-need areas throughout our system.

Engineering and operations

During 2019, our engineers designed and crews constructed 122 new services and upgraded 57 existing services along with addressing the continued maintenance needs of our system. The new Rouse and Highland Ridge substations were substantially completed in 2019. We energized the Rouse substation in January 2020 and expect to energize Highland Ridge in late summer 2020.

Another noteworthy accomplishment was the completion of the Jericho-Low Gap three-phase tie line rebuild between state routes 26 and 800. This tie line allows the new Rouse substation to backfeed the Fly area should power supply outages occur. We also made upgrades to protection schemes across the system to better minimize the number of members who experience an outage, as well as the duration of outages when issues occur on the system.

Your cooperative replaced 1,750 aging electronic meters in the Beverly, Fly, and Ball Hollow substation areas as part of a four-year meter change-out program. We tested 3,038 poles in the South Olive and Rinard Mills/Rouse substation areas and identified 93 for replacement. Half of these were replaced in 2019 and the other half will be replaced in 2020.

Information technology

One of the major information technology projects in 2019 involved upgrading our server room, which allows the cooperative to more efficiently use technology to better serve our members.

The Appalachian Regional Commission awarded Washington Electric a \$24,500 grant to conduct a broadband feasibility study to help the cooperative with decisions on whether to pursue deployment of broadband services within our service territory.

Capital credits

In 2019, the board of trustees approved the retirement of \$390,000 in capital credits. As a not-for-profit cooperative, we return all profits back to our consumer-members based on their electricity purchases. This is a key component of the cooperative business model and one of the many ways cooperatives 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 \$2.3 million in capital credits to our members.

Member services

Members saved a total of \$1,335 on prescription drugs through the Co-op Connections card program, bringing the overall total to \$94,775.25 since the program launched in 2011. The cooperative continued its rebate programs for water heaters, dual fuel heat pumps, geothermal systems, whole-house air conditioners, and ENERGY STAR-rated refrigerators and freezers. Members continued to enroll in

IN REVIEW

our SmartHub online account management system, which allows them to pay bills, monitor energy usage, report power outages, and receive alerts and notifications.

Member participation

Washington Electric values participation by and feedback from its 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 1,723 members cast their ballots in the 2019 election, and more than 300 people attended our annual meeting. We hosted a well-attended member appreciation day in October, and in September, took interested members on a tour of the Cardinal Power Plant to see how the majority of their electricity is generated.

About 300 members also participated in our annual member satisfaction survey, which lets us know in which areas we're doing a good job, and in which we need improvement. Reliability, cost, and communication remain among our members' top concerns, and our board and management team are constantly looking for ways to keep costs down and improve the service we provide.

Community involvement

One of our 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 and financial support of charities and other organizations. BrAva, Shenandoah High School FFA, Washington County 4-H, Fort Frye High School Athletic Boosters, Graysville Volunteer Fire Department, and Harvest of Hope are just a few of the many groups we helped in 2019.

Washington Electric Cooperative was the lead sponsor of Discover Engineering Day, an event aimed at educating high school students about careers within the engineering field. We took electrical program students from the Washington County Career Center and Washington State Community College on a tour of the Cardinal Power Plant and hosted a group of homeschooled students for a safety demonstration and tour of our office and warehouse facility.

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. With our assistance, two local teachers have the opportunity to participate in Be E3 Smart, an energy efficiency program that provides lesson plans and materials for classroom and home use.

Your cooperative provided solar panel safety training for local fire departments and provided a live-line safety demonstration to members of the Mid-Ohio Valley Safety Council. In October, an employee-planned softball game against Guernsey-Muskingum Electric Cooperative raised \$1,860 for St. Jude Children's Research Hospital.

Leadership and staffing

We hired four employees in 2019: Member Services Representative Melissa Galati, Engineering Coordinator Becky Lowe, and Apprentice Linemen Tyler Bullock and Chase Garvin.

Director of Finance and Administration BJ Allen and Information Technology Specialist Allen Casto completed the Leadership Edge program at Ohio's Electric Cooperatives. Apprentice Lineman Dakota Hornak set a record for pole-top rescue at the Central Ohio Lineman Training (COLT) program. Jarad Barlock graduated from the COLT program and earned journeyman lineman status.

Brian Carter of Sarahsville was elected to our board of trustees. Board Chairman Paul Fleeman renewed his Director Gold certification, and Vice Chairman Brent Smith earned designation as a Credentialed Cooperative Director.





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