

Member Driven
Member Focused
Member Accountable

Washington Electric Cooperative, Inc.

A Touchstone Energy® Cooperative 



2020 ANNUAL REPORT

BOARD OF DIRECTORS

YOUR ELECTRIC COOPERATIVE



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CHAIRMAN



Brent Smith, CCD
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Betty Martin, CCD, BL
SECRETARY/TREASURER



Gale DePuy, CCD, BL
ASST. SECRETARY/TREASURER



William Bowersock,
CCD, BL



Brian Carter



Larry Ullman, CCD, BL

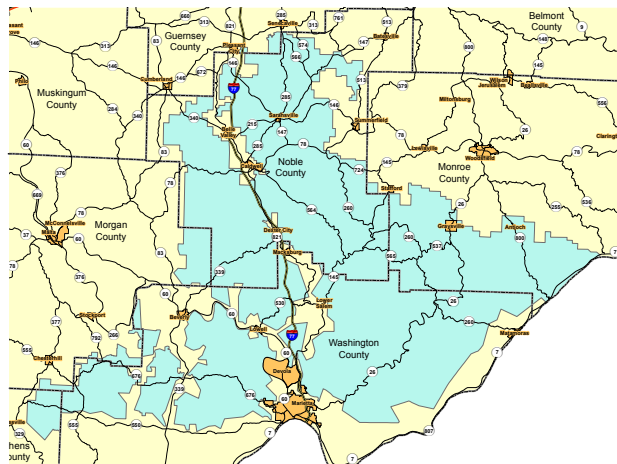
Washington Electric is a Touchstone Energy cooperative serving portions of six counties in southeastern Ohio. Locally owned and operated, the cooperative is governed by a democratically elected seven-member board of directors.

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



0 2.5 5 10 Miles

- Interstate
- US Highway
- State Highway
- Cities
- Counties
- Washington

Public Utilities Commission of Ohio, 2007

MESSAGE FROM THE GENERAL MANAGER

2020 was a challenging year for everyone, with a global pandemic that nobody expected to hit to the extent that it did, not to mention the social and political unrest our country experienced. Your cooperative was not insulated from these outside forces, but I am very proud to report that the employees and trustees of Washington Electric were able to successfully keep the primary mission of delivering safe, affordable, and reliable electricity to our members moving forward despite these challenges.

We have included some highlights of the year as well as our financial statements in this 2020 Annual Report. The list of accomplishments and financial performance was exceptional, even if there had not been a pandemic to contend with; proving again the resilience of your cooperative and their commitment to you — our members.

I have reported over the past year or so on our four main strategic goals:

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

In 2020, we made great strides in each of these areas and I would like to touch on some of the main points.

Reliability

In 2020, as is typically the case, off right-of-way trees and power supply outages to our substations were the two dominant causes of outages. Washington Electric's increased investment in new substations and right-of-way spending is already netting big returns to reduce these types of outages. I believe most of our members living in the Rinard Mills, Brownsville, Graysville, Bloomfield, Germantown, and Dalzell areas of our system will attest to better reliability in 2020 as compared to previous years due to the new Rouse substation and right-of-way clearing efforts in those areas. While there were a few severe weather events in 2020 that caused some prolonged outages, particularly the heavy, wet snow in mid-December, the overall reliability experienced by most Washington Electric members was improved in 2020.

Workforce engagement

In 2020, we were able to maintain our workforce in the face of the pandemic and even make several great additions to our team. We hired a new lineman in advance of an upcoming retirement to keep the continuity of our line crews intact. We also hired a director of safety and compliance, a new position. Safety is of the upmost importance in all that

we do, and this addition to our management team will help ensure we are providing the best possible training and focus on safety to our employees and members. While the pandemic made most in-person training and workforce development opportunities not possible, we found a plethora of online and virtual training programs that may have even increased our access to efficient and quality training in 2020.



Jeff Triplett
GENERAL MANAGER

Communications

This strategic goal was most impacted by the pandemic in 2020, but important progress was still made. The focus on keeping employees and our members safe did not allow for our usual level of in-person interaction at our annual meeting, member-appreciation events, and other opportunities to engage with our members. Therefore, some of the things we had planned in regard to external communications were postponed. However, we were able to launch a new website that we hope is more member friendly, engaging, and informational, and we were also able to put in place new technology that allows us to inform members of planned outages and provide courtesy calls via an automated phone system. Additionally, we learned during the past year the importance of effective internal communications, and we made great strides in identifying ways to better communicate with our employees. We are looking forward to ramping up our communications and engagement with our members once it becomes safe to do so.

Rates and finance

You can see in our 2020 financial report that the cooperative remains in a healthy financial situation. We anticipate that we can continue in this manner with no rate increases through at least the end of 2021. We will continue to exercise the necessary due diligence in evaluating costs to serve our members and projected financial forecasts to make sure we strike a reasonable balance in keeping rates in check while meeting the long-term goals of the cooperative and keeping it financially strong.

We appreciate the support of our members and the leadership provided by the elected board of trustees in helping us achieve these accomplishments in 2020. Thank you again for the privilege in serving you!

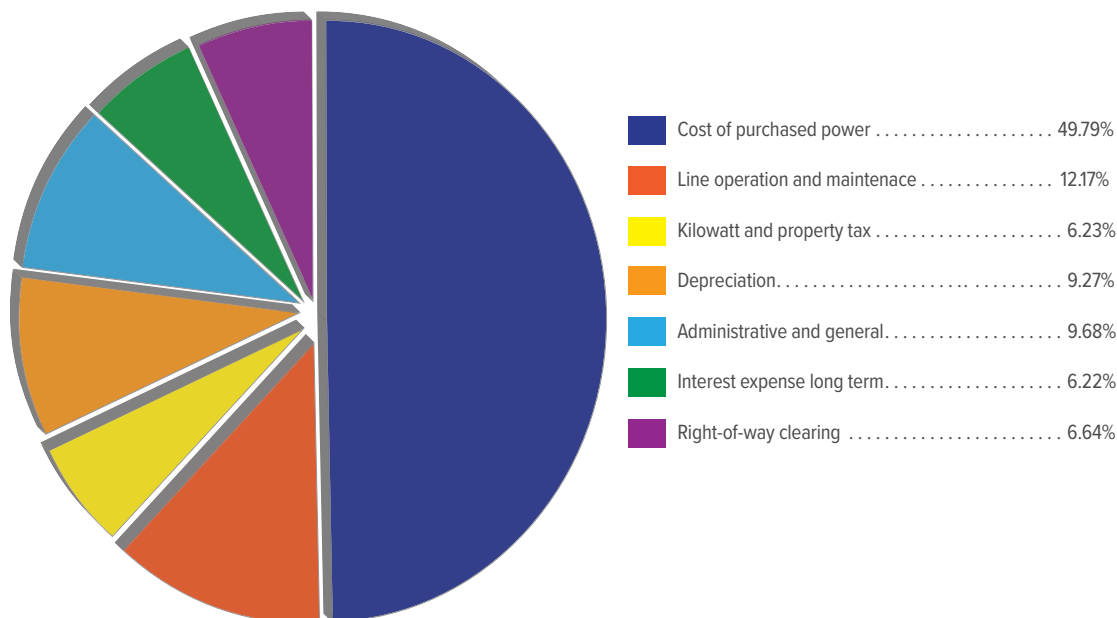
WASHINGTON ELECTRIC COOPERATIVE, INC.
BALANCE SHEETS
 December 31, 2020 and 2019

ASSETS	2020	2019
UTILITY PLANT		
Electric plant in service	\$ 63,482,370	\$ 56,097,396
Construction work in progress	<u>355,779</u>	<u>4,644,999</u>
	63,838,149	60,742,395
Less: Accumulated provision for depreciation and amortization	<u>(15,449,270)</u>	<u>(14,906,103)</u>
NET UTILITY PLANT	48,388,879	45,836,292
INVESTMENTS AND OTHER ASSETS		
Investments in associated organizations	9,007,837	9,036,259
Deferred charges	<u>183,792</u>	<u>270,436</u>
TOTAL INVESTMENTS AND OTHER ASSETS	<u>9,191,631</u>	<u>9,306,695</u>
CURRENT ASSETS		
Cash and cash equivalents	1,918,408	1,925,160
Accounts receivable, net of allowance for doubtful accounts of \$249,015 (\$254,687 in 2019)	3,321,479	3,132,831
Materials and supplies	393,409	326,115
Prepayments	<u>106,253</u>	<u>1,599,402</u>
TOTAL CURRENT ASSETS	<u>5,739,549</u>	<u>6,983,508</u>
TOTAL ASSETS	<u>\$ 63,320,059</u>	<u>\$ 62,126,495</u>
LIABILITIES AND EQUITIES		
EQUITIES		
Patronage capital	27,012,747	26,311,891
Accumulated other comprehensive income	290,738	309,038
Other equities	<u>0</u>	<u>0</u>
TOTAL EQUITIES	27,303,485	26,620,929
LONG-TERM LIABILITIES		
Mortgage notes payable	30,926,231	30,631,071
Accrued sick leave	275,060	230,485
Accrued postretirement benefits	<u>308,071</u>	<u>323,071</u>
TOTAL LONG-TERM LIABILITIES	31,509,362	31,184,627
CURRENT LIABILITIES		
Line of credit	0	0
Current maturities of long-term debt	1,381,079	1,176,346
Accounts payable	1,208,409	1,698,514
Consumer deposits	196,992	210,132
Accrued liabilities	<u>1,720,732</u>	<u>1,235,947</u>
TOTAL CURRENT LIABILITIES	4,507,212	4,320,939
TOTAL LIABILITIES AND EQUITIES	<u>\$ 63,320,059</u>	<u>\$ 62,126,495</u>

WASHINGTON ELECTRIC COOPERATIVE, INC.
STATEMENTS OF REVENUES AND EXPENSES
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES	\$ 18,879,872	\$ 18,141,883
OPERATING EXPENSES		
Cost of power	9,321,118	9,145,938
Distribution expense - operations	1,287,567	1,162,124
Distribution expense - maintenance	2,233,401	2,212,704
Consumer accounts	353,588	346,001
Administrative and general	1,812,662	1,491,805
Depreciation and amortization	1,735,362	1,620,213
Taxes	<u>486,455</u>	<u>484,339</u>
TOTAL OPERATING EXPENSES	17,230,153	16,463,124
OPERATING MARGINS BEFORE FIXED CHARGES	1,649,719	1,678,759
Interest on long-term debt	1,169,280	1,194,845
OPERATING MARGINS AFTER FIXED CHARGES	480,439	483,914
Capital credits	<u>563,083</u>	<u>527,234</u>
OPERATING MARGINS	1,043,522	1,011,148
NON-OPERATING MARGINS		
Interest income	58,308	173,624
Other income	<u>2,295</u>	<u>(4,532)</u>
TOTAL NON-OPERATING MARGINS	60,603	169,092
NET MARGINS FOR PERIOD	<u>\$ 1,104,125</u>	<u>\$ 1,180,240</u>

HOW YOUR POWER DOLLAR WAS SPENT IN 2020



2020 YEAR IN REVIEW

Everything we do at Washington Electric is for our members. Here's a look back at some of your cooperative's achievements in 2020.

Safety

To further enhance our robust safety program, we hired Josh Jump as our director of safety and compliance. With experience in linework and in the safety industry, Jump coordinates safety training programs for our linemen as well as office staff.

The coronavirus pandemic added another layer to our ongoing safety initiatives and affected the way we communicate about safety to our members and community. With all community-sponsored safety programs canceled for the year, we instead relied on social media and *Ohio Cooperative Living* magazine for our public safety messaging. The safety of our members, employees, and community is still a high priority for our cooperative, and we are looking forward to re-engaging with our members and community once again in 2021.

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 2020 we cleared the floors of 230 miles of right-of-way in the Graysville, Rinard Mills, Brownsville, and Dalzell areas. Contracted, licensed applicators applied EPA-approved herbicide to areas that were previously cleared in the Archers Fork and Shay Ridge areas and on the Rainbow Creek circuit extending from our Watertown substation. In addition, time and material crews from Asplundh cleared various high-need areas throughout our system.

Engineering and operations

During 2020, our engineers designed and crews constructed 140 new services and upgraded 57 existing services along with addressing the continued maintenance needs of our system. A special emphasis was placed on identifying areas where reliability has been a concern and rebuilding/relocating relatively short sections of line to mitigate future outages. The new Rouse and Highland Ridge substations were both completed and energized during 2020. We also continued to make 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 2,638 aging electronic meters in the Beverly, Fly, and Ball Hollow substation areas as part of a meter change-out program. We tested 2,874 poles in the South Olive and Ball Hollow substation areas and identified 50 for replacement. All of these were replaced in 2020.

Information technology

Our information services department invested heavily in improving the cooperative's cybersecurity posture, with general upgrades to the entire information system. Investments included significant improvements to our core network, making our systems less prone to downtime and ensuring that our systems are available 24/7 to serve the membership. We have also added additional layers of protection to detect and prevent cyber attacks and data theft. These investments, along with ongoing training and support from trusted security vendors, ensures that cooperative data is safe, secure, and ready.

Capital credits

In 2020, the board of trustees approved the retirement of \$381,000 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 \$3.8 million in capital credits to our members.

Member services

Members saved \$1,630.91 on prescription drugs through the Co-op Connections program, bringing the overall total to \$96,706.16 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. More than one-third of Washington Electric Cooperative members are enrolled in SmartHub, our online account management system that allows them to pay bills, monitor energy use, report power outages, and receive alerts and notifications.

We boosted our member communication efforts by upgrading our website and launching Call Capture, a system like those used by school systems, that allows us to make multiple telephone calls at once for planned power outages, courtesy billing calls, and more.

Member engagement

Washington Electric values participation by and feedback from its consumer-members. One of the most important ways they 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 1,873 members cast their ballots in the 2020 election. Because of the pandemic, the co-op was unable to host an in-person annual meeting and instead offered a virtual event that was broadcast live on our Facebook page.

Around 300 member-consumers participated in our annual member satisfaction survey, which lets us know in which areas we're doing a good job and which areas 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. While many community events were canceled in 2020 because of the pandemic, Washington Electric was still able to help organizations such as Habitat for Humanity, BrAva, Fort Frye Athletic Association, Little Muskingum Watershed, Noble County Youth Soccer, Harvest of Hope, Marietta Rotary, Graysville Community Center, the Greater Marietta Food Pantry and the Lewisville Community Food Pantry.

The Noble County Chamber of Commerce named Washington Electric Cooperative its 2020 Business of the Year, and the National Rural Electric Cooperative Association recognized us as a Five-Star Co-op in its Co-ops Vote initiative.

Leadership and Staffing

Lineman Kenneth Angle and Accountant Jennifer Davis marked employment anniversaries of 35 years and five years, respectively. Warehouse Coordinator Travis DeVold and Staking Engineer Don Paisley completed the Leadership Edge program at Ohio's Electric Cooperatives.



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