


2018 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



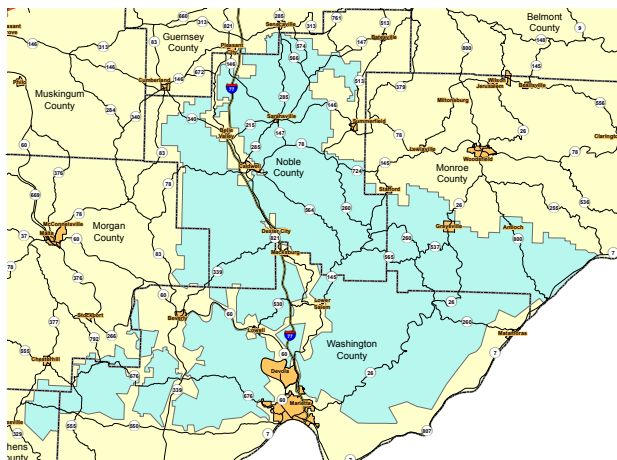
Brent Smith

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



0 2.5 5 10 Miles

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

Public Utilities Commission of Ohio, 2007

Adapting for the future

Washington Electric Cooperative has operated on a stable foundation built on the Seven Cooperative Principles and the cooperative business model for nearly 80 years. In our beginning, the mere concept of having electricity was in itself a wondrous and innovative phenomenon. A well-known quote from a Tennessee farmer testifying at a church revival in the early 1940s speaks to this when he said, “Brothers and sisters, I want to tell you this. The greatest thing on earth is to have the love of God in your heart ... and the next greatest thing is to have electricity in your house!” The first point made by that Tennessee farmer many years ago is still spot on today, but I wonder if he truly realized all the many blessings that having electricity in one’s house would bring to the families and businesses served by electric cooperatives like Washington Electric?

Much has changed since Washington Electric’s humble beginning, but our core principles, values, and mission has remained the same, even with the electric utility industry at the present time being in a state of rapid and significant evolution. Renewable energy, electric vehicles, advanced technologies (aka the “smart grid”), cybersecurity, and the “internet of things” are some of the dynamic external forces affecting our current business model. To continue successfully fulfilling our mission, now more than ever, Washington Electric must continue to adapt — and even more importantly, to adapt in a member-centric way. That is, to adapt in ways that keeps the mission to our members and the value we provide them at the center of our focus.

Washington Electric has adapted in part to the changing atmosphere with new technologies that allow us to operate more efficiently and effectively, while not compromising key values such as quality and safety. We will continue to identify additional innovative and cost-effective technologies to improve your quality of service while keeping costs low. Investing in technology allows our employees to do more with less, and to do it more safely and cost-effectively.

Looking back at 2018, Washington Electric was required to adapt to changes to area transmission infrastructure by building the first of four new 138 kV substations. Substations are akin to interstate on/off ramps in that they allow access to “the grid.” This new substation, constructed to replace an aging station in the northern

part of our service area near South Olive, will greatly enhance reliability in the area and affords Washington Electric with significant capacity to serve growth in the community. Two more substations will be constructed by the end of 2019 that will allow for similar benefits to be realized by our current and future members in the areas of Graysville, Brownsville, Rinard Mills, Stanleyville, Marietta, and Lowell. The fourth new substation is planned for 2020 in the Dart area.



Jeff Triplett
GENERAL MANAGER

In 2018, Washington Electric also maintained its long-term strategies to provide reliable, affordable, and safe service to its members by rebuilding aging lines, replacing poles and other equipment that had reached the end of its useful life, clearing rights-of-way, and implementing advanced protection schemes. While it is exciting to look back on all the great things Washington Electric has accomplished this past year, it is important to remember that Washington Electric is more than just substations, poles, and wires. Washington Electric is the trustees you have democratically elected and the employees they have entrusted on your behalf to see to the day-to-day business of your cooperative. Most importantly, Washington Electric is its members. The Washington Electric team is dedicated to the membership and the mission of the cooperative. We will continue to adapt and work diligently to promote transparency, accountability, safety, reliability, and fiduciary responsibility, all in an effort to improve member satisfaction.

Washington Electric will continue to adapt in a member-centric way to our changing industry without compromising who we are and the core principles and values we were founded and built on. In this way, we will endeavor to continue to improve the quality of life in our communities and to deliver “the next greatest thing.” We are proud to be your cooperative and passionately accept the challenge of adapting for the future on behalf of our members.



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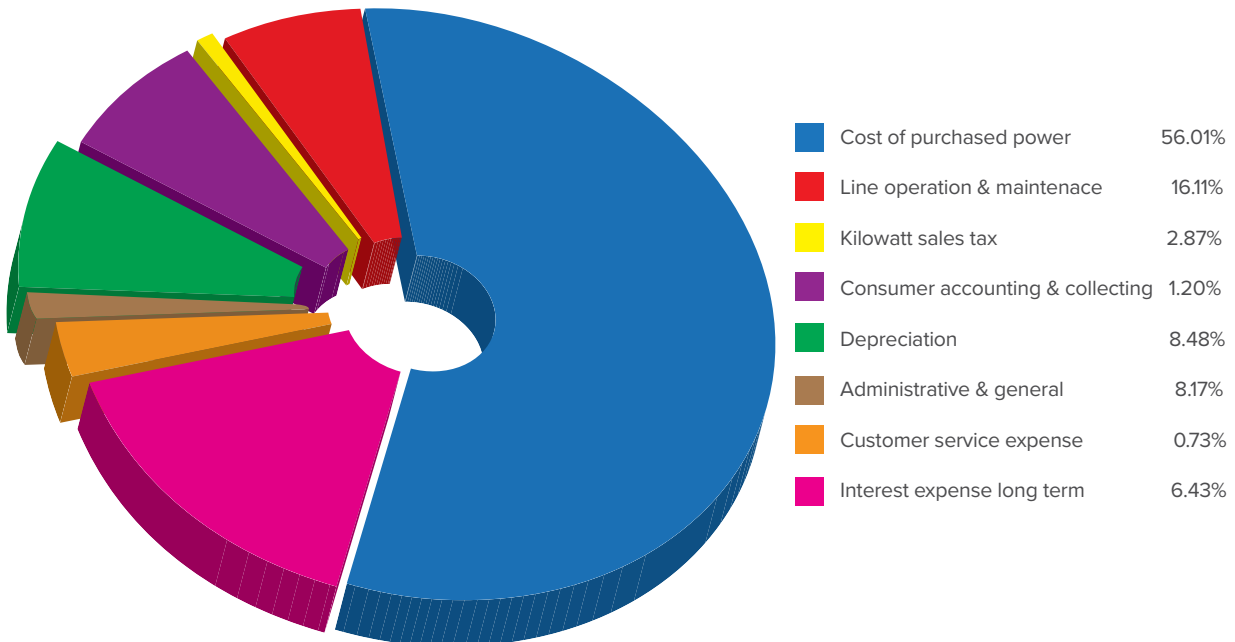
WASHINGTON ELECTRIC COOPERATIVE, INC. BALANCE SHEETS For the years ended December 31, 2018 and 2017

ASSETS	2018	2017
UTILITY PLANT	53,381,898	49,346,329
Electric plant in service		
Construction work in progress	<u>1,047,396</u>	<u>1,133,950</u>
	54,429,294	50,480,279
Less: Accumulated provision for depreciation and amortization	<u>(13,934,558)</u>	<u>(13,416,722)</u>
NET UTILITY PLANT	40,494,736	37,063,557
INVESTMENTS AND OTHER ASSETS		
Investments in associated organizations	8,904,400	8,234,071
Deferred charges	<u>368,689</u>	<u>492,526</u>
TOTAL INVESTMENTS AND OTHER ASSETS	9,273,089	8,726,597
CURRENT ASSETS		
Cash and cash equivalents	1,932,252	3,184,209
Accounts receivable, net of allowance for doubtful accounts of \$267,470. (\$284,799 in 2017)	3,196,474	3,223,601
Materials and supplies	351,711	319,623
Prepayments	<u>93,490</u>	<u>103,056</u>
TOTAL CURRENT ASSETS	5,573,927	6,830,489
TOTAL ASSETS	<u>\$ 55,341,752</u>	<u>\$ 52,620,643</u>
LIABILITIES AND EQUITIES		
EQUITIES		
Patronage capital	25,623,654	23,178,445
Accumulated other comprehensive income	341,100	361,700
Other equities	<u>0</u>	<u>5,357</u>
TOTAL EQUITIES	25,964,754	23,545,502
LONG-TERM LIABILITIES		
Mortgage notes payable	24,850,943	24,702,843
Accrued sick leave	242,388	270,911
Accrued postretirement benefits	312,600	325,300
TOTAL LONG-TERM LIABILITIES	25,405,931	25,299,054
CURRENT LIABILITIES		
Line of credit	0	0
Current maturities of long-term debt	1,031,188	978,488
Accounts payable	1,497,757	1,196,665
Consumer deposits	248,224	217,639
Accrued liabilities	<u>1,193,898</u>	<u>1,383,295</u>
TOTAL CURRENT LIABILITIES	3,971,067	3,776,087
TOTAL LIABILITIES AND EQUITIES	<u>\$ 55,341,752</u>	<u>\$ 52,620,643</u>

WASHINGTON ELECTRIC COOPERATIVE, INC.
STATEMENTS OF REVENUES AND EXPENSES
For the years ended December 31, 2018 and 2017

	2018	2017
OPERATING REVENUES	\$19,212,898	\$17,787,127
OPERATING EXPENSES		
Cost of power	9,908,016	9,400,891
Distribution expense - operations	1,163,590	1,209,067
Distribution expense - maintenance	1,686,998	1,476,750
Consumer accounts	341,334	377,317
Administrative and general	1,445,784	1,250,245
Depreciation and amortization	1,499,654	1,426,905
Taxes	<u>508,420</u>	<u>491,603</u>
TOTAL OPERATING EXPENSES	16,553,796	15,632,778
OPERATING MARGINS BEFORE FIXED CHARGES	2,659,102	2,154,349
Interest on long-term debt	1,131,969	1,103,712
OPERATING MARGINS AFTER FIXED CHARGES	1,527,133	1,050,637
Capital credits	<u>962,326</u>	<u>729,939</u>
OPERATING MARGINS	2,489,459	1,780,576
NON-OPERATING MARGINS		
Interest income	119,718	132,568
Other income	<u>19,185</u>	<u>(1,528)</u>
TOTAL NON-OPERATING MARGINS	138,903	131,040
NET MARGINS FOR PERIOD	<u>\$2,628,362</u>	<u>\$1,911,616</u>

HOW YOUR POWER DOLLAR WAS SPENT IN 2018





REPORT FROM MANAGEMENT

2018: A YEAR IN REVIEW

Providing good value to our 10,500 consumer-members is the driving force behind Washington Electric Cooperative. In 2018, we worked hard to deliver affordable, safe, and reliable electricity, but our mission extends even further. As a not-for-profit cooperative, we strive to build strong relationships with the communities we serve. Here's a look at some of the great things that took place at your cooperative over the past year.

Safety

Washington Electric Cooperative participates in the Rural Electric Safety Accreditation Program (RESAP), a service of the National Rural Electric Cooperative Association (NRECA), and strives to promote the highest standards of safety among electric cooperatives. The program is based on two fundamental guiding principles: First, safety must be embraced as a core value where the actions and decisions of the cooperative reflect a fundamental and unwavering commitment to safety at all levels, and second, cooperative leaders and employees take ownership of the systems and processes that create a safe working environment. Following an intense review and inspection in August, Washington Electric Cooperative once again achieved RESAP accreditation.

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 2018 right-of-way maintenance program included the cutting and trimming of vegetation on 40 miles of line on a circuit out of the South Olive substation in Noble County, and the spraying of 90 miles on two circuits out of South Olive as well as the Fly/Antioch area. We tested 3,000 utility poles and identified 90 for replacement.

Capital credits

In 2018, the board of trustees approved the retirement of \$420,000 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 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 \$1.9 million in capital credits to our members.

Member services

Members saved a total of \$3,652.53 on prescription drugs through the Co-op Connections card program, bringing the overall total to \$93,439.32 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.

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 1,773 members cast their ballots in the 2018 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.



Members also 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. Cost and reliability 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 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, 4H, Harvest of Hope, and local fire departments. In 2018 we awarded \$16,810 in lighting improvement rebates to Noble Local Schools, and we participated as the lead sponsor of Discover Engineering Day, an event aimed at educating high school students about careers within the engineering field.

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 week-long leadership experience in Washington, D.C. We also sponsor two local teachers to participate in Be E3 Smart, an energy efficiency education program that provides lesson plans and materials for classroom and home use.

Leadership and staffing

Washington Electric's Board of Trustees announced the hiring of Jeffrey Triplett as general manager/CEO following the departure of Jack Bragg, who accepted a position at a Kentucky electric cooperative. Four apprentice linemen joined the operations department, and Line Superintendent Bruce Swope completed the Leadership Edge program at Ohio's Electric Cooperatives. Trustees William Bowersock, Gale DePuy, Betty Martin, and Larry Ullman each achieved Director Gold credentials through NRECA, and Board Chairman Paul Fleeman was recognized for recertifying his Director Gold status.





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