



ANNUAL REPORT

2015



Washington Electric Cooperative, Inc.

A Touchstone Energy® Cooperative 

Cover photo courtesy of Denny Betts Photography:

[Facebook.com/DennyBettsPhotography](https://www.facebook.com/DennyBettsPhotography)

Taken July 2015 above Montpelier, Ohio

Your electric cooperative



David Miller, CCD, BL,
Chairman



Paul Fleeman, CCD, BL,
First Vice Chairman



Betty Martin, CCD
Secretary/Treasurer



Eldon Miller, CCD,
Asst. Secretary/Treasurer



William Bowersock, CCD, BL



Gale DePuy, CCD, BL



Larry Ullman, CCD

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 trustees.

CCD = Credentialed Cooperative Director

BL = Board Leadership

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.

A Touchstone Energy® Cooperative 

Seven Cooperative Principles

- Voluntary and open membership
- Democratic member control
- Members' economic participation
- Autonomy and independence
- Education, training and information
- Cooperation among cooperatives
- Concern for community

From the boardroom

Washington Electric Cooperative

Fulfilling the mission, providing for the future

WASHINGTON ELECTRIC FONDLY LOOKED back at its proud 75 years of service at the 2015 Annual Meeting. As we embark into the future, we face a time full of challenges and opportunities in serving the needs of our membership. The basic mission of the cooperative, to provide reliable electricity and other services while ensuring financial integrity and maintaining a strong community presence, will serve as the compass as we begin this journey.

Following the cooperative business model and the seven cooperative principles will ensure that Washington Electric meets this basic mission. Because Washington Electric is a cooperative, we are a consumer owned, not-for-profit business, designed to represent the interests of the owner/members and act as good stewards of the assets that are entrusted to us. Being a local entity, our services are provided by local people who have a vested interest in the communities we serve. We serve our neighbors, not absentee owners or unknown shareholders in far off places, so the success of the cooperative and the communities we serve are of the highest importance.

Moving forward into the future is not without challenges. Regulations like the Clean Power Plan and Waters of the United States threaten to drive up the cost of generating, transmitting, and delivering electric energy, and the magnitude is unknown. Our membership and all utility users are facing economic challenges themselves, so how we approach these regulations and their potential costs is very important. Costs also continue to escalate for materials, supplies, insurance, and many other operating needs, which continually

makes it more difficult to hold down the cost of electricity delivered to homes and businesses. Aging transmission and distribution infrastructure requires cooperatives and other utilities to invest in and replace significant segments, resulting in costs to raise and service the necessary capital to keep the system functional and viable. Washington Electric continues to invest significant dollars in our right-of-way clearing program that has and will continue to improve the reliability of our members' service. This is a consistent and continuing maintenance program that must be followed to help ensure the reliability of our system. Economic challenges have resulted in reduced revenues as demand for electricity has consistently dropped, making it more difficult to recover all the costs of operation. Higher-efficiency appliances and equipment, a general slowing of the economy, less than ideal weather conditions, and more consumer attention to conservation have trended revenues down over last few years.

Washington Electric will move forward into the future by adhering to the cooperative principles and the purpose defined in its mission that has served it so well historically. WEC will continue to explore new technologies, practices, and methods to continue providing electricity at a fair cost. The future is bright, even with the challenges we face, thanks to the capable and dedicated team we have assembled to meet these challenges. When you have the right team in place, it is possible to complete even the most difficult tasks and achieve the farthest-reaching goals. ☺



**Jack Bragg Jr.,
General Manager/CEO**

WASHINGTON ELECTRIC COOPERATIVE, INC.

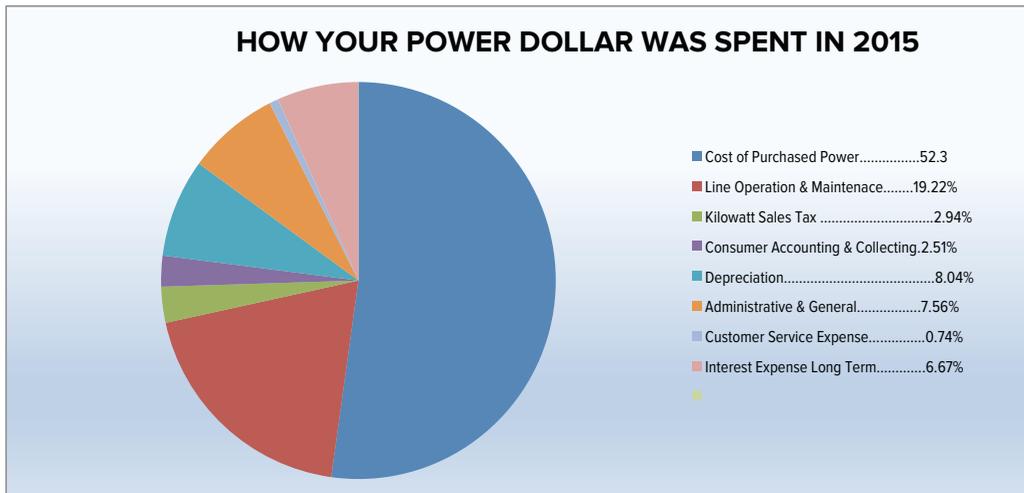
BALANCE SHEETS

December 31, 2015 and 2014

ASSETS	2015	2014
UTILITY PLANT	47,106,034	45,614,296
Electric plant in service		
Construction work in progress	238,037	490,174
	<u>47,344,071</u>	<u>46,104,470</u>
Less: Accumulated provision for depreciation and amortization	(11,465,324)	(10,787,836)
NET UTILITY PLANT	<u>35,878,747</u>	<u>35,316,634</u>
INVESTMENTS AND OTHER ASSETS		
Investments in associated organizations	7,733,110	7,154,188
Deferred charges	674,429	785,115
TOTAL INVESTMENTS AND OTHER ASSETS	<u>8,407,539</u>	<u>7,939,303</u>
CURRENT ASSETS		
Cash and cash equivalents	1,417,544	1,125,217
Accounts receivable, net of allowance for doubtful accounts of \$263,890 (\$249,046 in 2013)	2,921,311	3,486,502
Materials and supplies	362,480	335,781
Prepayments	103,466	109,568
TOTAL CURRENT ASSETS	<u>4,804,801</u>	<u>5,057,068</u>
TOTAL ASSETS	<u>\$49,091,087</u>	<u>\$48,313,005</u>
LIABILITIES AND EQUITIES		
EQUITIES		
Patronage capital	21,281,105	21,092,676
Accumulated other comprehensive income	448,700	460,100
Other equities	5,357	5,357
TOTAL EQUITIES	<u>21,735,162</u>	<u>21,558,133</u>
LONG-TERM LIABILITIES		
Mortgage notes payable	22,572,472	22,734,754
Accrued sick leave	353,702	373,422
Accrued postretirement benefits	292,600	307,600
TOTAL LONG-TERM LIABILITIES	<u>23,218,774</u>	<u>23,415,776</u>
CURRENT LIABILITIES		
Line of Credit	500,000	
Current maturities of long-term debt	991,000	1,012,000
Accounts payable	1,215,758	1,030,239
Consumer deposits	220,787	208,467
Accrued liabilities	1,209,606	1,088,390
TOTAL CURRENT LIABILITIES	<u>4,137,151</u>	<u>3,339,096</u>
TOTAL LIABILITIES AND EQUITIES	<u>\$49,091,087</u>	<u>\$48,313,005</u>

WASHINGTON ELECTRIC COOPERATIVE, INC.
STATEMENTS OF REVENUES AND EXPENSES
For the Years Ended December 31, 2015 and 2014

	2015	2014
OPERATING REVENUES	\$16,526,592	\$17,148,231
OPERATING EXPENSES		
Cost of power	8,850,064	9,047,054
Distribution expense - operations	1,135,681	987,894
Distribution expense - maintenance	2,148,008	1,999,172
Consumer accounts	549,705	608,101
Administrative and general	1,280,658	1,304,613
Depreciation and amortization	1,359,273	1,292,327
Taxes	496,689	494,336
TOTAL OPERATING EXPENSES	<u>15,820,078</u>	<u>15,733,497</u>
OPERATING MARGINS BEFORE FIXED CHARGES	706,517	1,412,895
Interest on long-term debt	1,133,055	1,124,178
OPERATING MARGINS AFTER FIXED CHARGES	(426,538)	288,717
Capital credits	836,694	596,609
OPERATING MARGINS	<u>410,156</u>	<u>885,326</u>
NON-OPERATING MARGINS		
Interest income	129,571	82,436
Other income	23,342	76,539
TOTAL NON-OPERATING MARGINS	<u>152,913</u>	<u>158,975</u>
NET MARGINS FOR PERIOD	<u>\$563,069</u>	<u>\$1,044,301</u>



WEC uses advanced technology to improve members' electric service

2015 BROUGHT EXCITING TECHNOLOGY advancements for Washington Electric. The most notable among these was an automated meter reading (AMR) project that not only eliminated the need for members to submit monthly meter readings, but also enhanced our accounting, billing, and outage management practices.

AMR is a comprehensive set of technologies and software applications that allows utilities to remotely collect meter readings and send them to a central database for billing. Washington Electric uses the Aclara Two-Way Automatic Communication System (TWACS), which uses our existing power lines to communicate with the meter and to transmit consumption data. This system provides many benefits for the cooperative, including meter-reading accuracy, helpful electric consumption data for the consumer, and data that is used in assessing and restoring power outages.

It's important to note that this is not a radio-based system, so no wireless radio frequency signals are transmitted. The meters use "power-line carrier" technology to send and receive data to and from the cooperative over the power lines. The substation is connected to the office via a secure computer network. There are no radioactive elements that emit radiation.

TWACS-enabled electric meters only communicate when scheduled, and each communication with the cooperative takes less than eight seconds. TWACS automates only the meter-reading process. No user or account information is transmitted. Data collected via TWACS is the same data

currently available from manually read meters.

Members have asked us if their meters know what electrical devices or appliances are being used inside the home. The answer is no. Meters only collect the hourly energy-use data. The meters do not know what appliances are being used, and they cannot monitor personal activities inside the home. The collected data is no different than what would be collected if a meter reader visited your home. So in fact, AMR is actually a less invasive method of collecting meter readings.

This advanced technology has also allowed us to close a billing gap. Prior to AMR, the billing period was a month or more behind. For example, bills due in October were actually for August's electricity use. Using AMR means the co-op is able to read your meter monthly and bill you for the energy consumed during that 30- or 31-day billing period, with no time gap in between energy use and billing.

"With this new technology, Washington Electric is now more automated than many cooperatives throughout the country — even some that are 50 times our size," said Allen Casto, Washington Electric's information technology specialist. "Members are now being billed for the electricity they consume in a much timelier manner. Our customer service representatives now have better information for helping members understand their energy use. We're proud to have put in place a system that not only makes our employees' jobs easier, but ultimately — and most importantly — benefits our members." ☞



ACLARA™

Get to know your co-op network

The power behind your power

EVERY DAY, WASHINGTON ELECTRIC COOPERATIVE is hard at work to make sure all of our members have the electric power they need at the best possible price. And behind the scenes, we are working with a network of cooperatives to make that happen.

Washington Electric is a member-owner of Buckeye Power, Inc., our wholesale electricity provider, along with 24 other electric distribution cooperatives serving Ohio. We helped to create this second-tier co-op so that we have more control over power supply and pricing.

It takes a lot of money to run an electric co-op, so when we need to borrow capital, in addition to the U.S. Department of Agriculture's Rural Utilities Service, we know we can also turn to the National Rural Utilities Cooperative Finance Corporation (CFC). CFC is a lending cooperative owned by electric co-ops throughout the country.

As you know, every month we generate an electric bill that we send to you either electronically or through regular mail. We use National Information Solutions Cooperative to ensure we can apply the latest technology to send timely, accurate bills to you.

No business can operate without several different types of insurance, such as general liability, auto, and worker's compensation. So once again,

along with other electric cooperatives across the country, we are members of Federated Rural Electric Insurance Exchange. This allows us to maintain reliable coverage at an affordable price.

It also takes a whole lot of "stuff" to operate an electric co-op, such as poles, wires, transformers, and many other items that you may not see. This is why we partnered with other co-ops to create the Rural Electric Supply Cooperative, which allows us to have quick access to all the materials we need at the best price.

Washington Electric is also a member of Touchstone Energy® Cooperatives, a nationwide alliance of 750 local, consumer-owned electric cooperatives. Our participation gives us access to a wealth of educational materials and helps us to benchmark our performance in comparison with other co-ops so that we can learn from others as we constantly strive to serve you better.

Finally, your cooperative is also part of the Cooperative Response Center, which allows us to answer your calls 24 hours a day, 365 days a year.

You see, while you are a member of one electric co-op, you are actually connected to many other co-ops. Being connected to this cooperative network ensures your needs are met in the most efficient and cooperative way possible. ☺





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After Hours Outage Calls:

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