

Lighting the Way

In South Alabama For 80 Years



2023
Annual
Report



Board of Trustees



Charles Grace
District I – Dozier



Dr. Bill King
Assistant Sec./Treas
District II



W.B. Smith Jr.
Chairman
District III – Brantley



C. Heflin Smith
Vice Chairman
District IV – Kinston



Trey Martin
District V – Enterprise



Patricia Janasky
Sec./Treas.
District VI – Samson

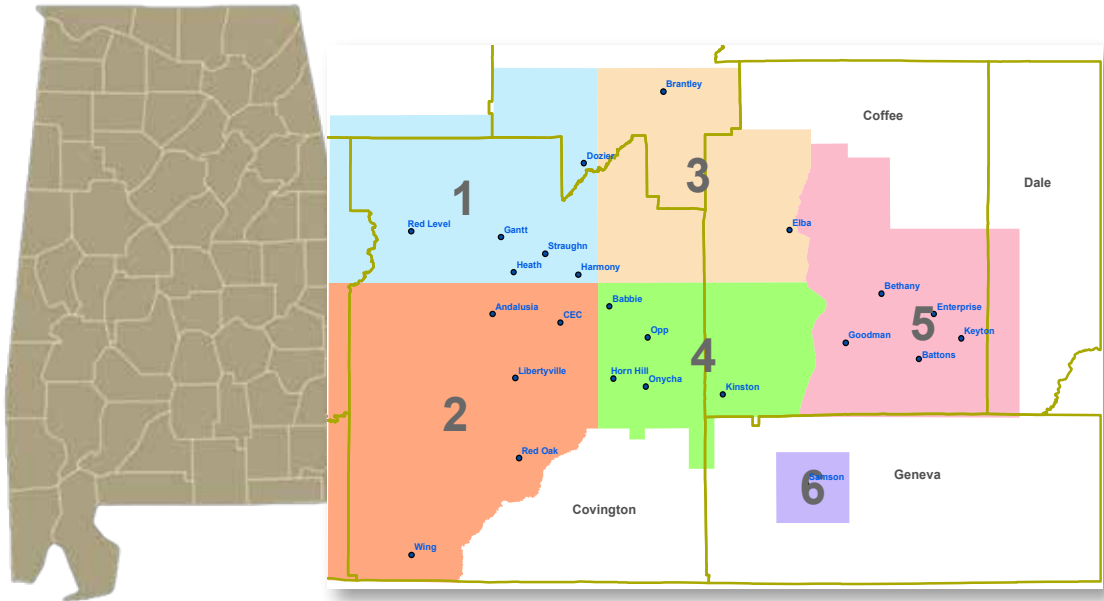




Table of Contents

| | |
|--------------------------------------|--------------|
| The Executive Report..... | 4-5 |
| Taking Charge of Change | 6-7 |
| Community Involvement..... | 8 |
| Charting Our Future..... | 9 |
| Expanding the Hive at Buzz..... | 10-11 |
| Statement of Revenue & Expenses..... | 12-13 |
| Balance Sheet | 14-15 |

About Us

Covington Electric Cooperative is a member-owned electric distribution cooperative serving approximately 24,300 meters in parts of six counties: Covington, Coffee, Crenshaw, Geneva, Escambia and Dale.

Headquarters:
18836 U.S. Highway 84 | Andalusia, AL 36421
Branch Office:
19349 Hwy 134 | Enterprise, AL 36330
www.covington.coop
800-239-4121 — Toll Free
800-239-1193 — Report Outages

The Executive Report

This year marks the 80th anniversary of Covington Electric Cooperative. The evolution of our industry during the last 80 years has been amazing and impactful beyond one's imagination.

For CEC, it began in 1944 with a small group of farmers and other rural citizens who simply wanted the same opportunities for a better life as those living in cities. These hard-working people came together in an organized effort to utilize resources offered by the government, changing the trajectory of not only their lives, but every generation that would come after them.

We often give little thought to how essential electricity is to our everyday lives, unlike past generations in rural Alabama. For many years, people were thankful just to have lights in their homes and eventually, a refrigerator or TV. Today, our homes and workplaces literally revolve around the use of electricity 24/7. Having access to reliable electricity is critical in sustaining our basic needs and providing the comforts we expect, but often take for granted.

CEC partners with its wholesale power provider, PowerSouth Energy Cooperative, to provide you with reliable energy 24 hours a day, 365 days a year. This monumental task comes with countless challenges, and most are complex. Fortunately, we have dedicated employees working tirelessly to help ensure your power flows on demand and with as few interruptions as humanly possible, particularly when it comes to Mother Nature.

In addition to providing reliable electricity, CEC has worked diligently in recent years to build a reliable fiber-optic internet service to our members. Buzz Broadband has enabled rural communities in south Alabama to have fast, reliable internet

service at affordable prices with no contracts and no data limits. We are in the final phase of the build out of this network, and we're very excited about the opportunities Buzz is providing to CEC members.

You've heard this from us before, but it's always worth repeating. Electric cooperatives work differently than other utility companies. Co-ops are not-for-profit, service-based businesses owned by the people they serve—their members. Unlike other electric utilities, co-ops are not owned by shareholders who may, or may not, live in the same state where services are provided. This is significant because your cooperative is governed and operated by local citizens who live in the CEC service area.

Another co-op difference is the fact that you have a voice through your vote during the business period of annual meeting, which is conducted electronically and by mail. Two board seats are up for election every year and any eligible CEC member who completes the necessary paperwork by the stated deadline can be put on the ballot. Information regarding this process is available on the CEC website. There also may be times when bylaw changes are needed and your vote on those changes is important. Annual meetings are an opportunity to make your voice heard and we encourage you to be a part of this democratic process.

We are very proud of CEC's arduous beginnings and the advancements it has achieved during the last 80 years. Our success would not be possible without the continued support and cooperation from our members. For that we are humbled and grateful. Thank you.

“CEC partners with its wholesale power provider, PowerSouth Energy Cooperative, to provide you with reliable energy 24 hours a day, 365 days a year.”



Mark Parker

Mark Parker
CEC President and CEO

W.B. Smith Jr.

W.B. Smith Jr.
Chairman, CEC
Board of Trustees

Taking Charge of Change



Embracing Technology

CEC is always finding new ways to utilize technology to improve service and increase efficiency. Obviously the way we build power lines has drastically changed since the 1940s, but other major changes have happened as well, and you won't see those just driving down the road. The implementation of fiber technology, innovative software, and AMI smart meters are just a few of the components that have revolutionized the way we deliver power. Our dispatch control center streamlines work orders and not only tracks outage response efforts, but in some cases it directs those efforts to help minimize outage times. Our member service representatives are better able to assist members with questions and concerns because they have access to advanced software that provides a plethora of real-time data.

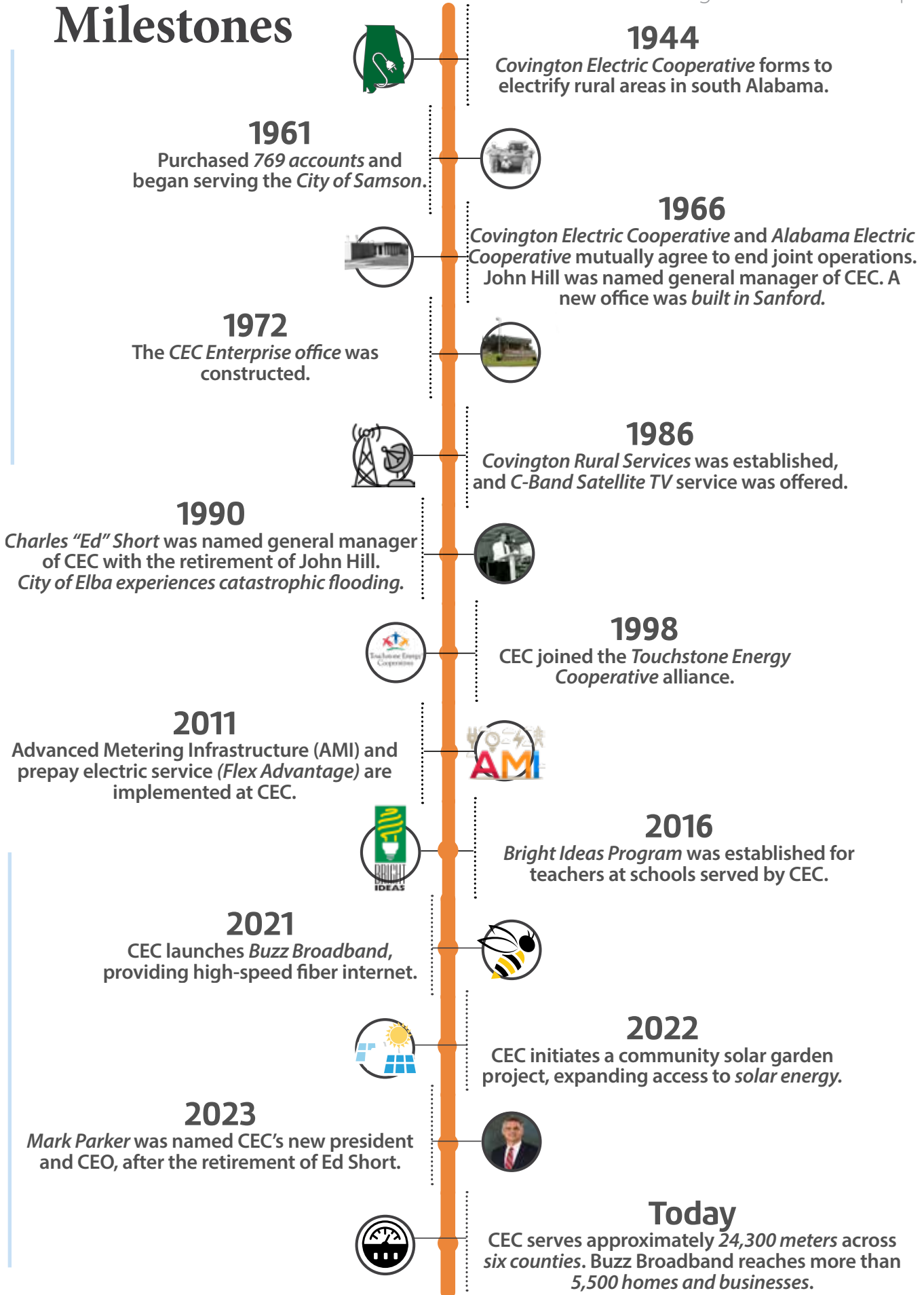


A Culture of Safety First

CEC is extremely diligent in its commitment to safety. We have monthly safety meetings, weekly tailgate safety briefs, daily inspections, periodic specialized training, and each year all employees take online safety courses to increase their awareness of safety hazards and to learn about preventive measures that can help mitigate the risk of on-the-job accidents. Our goal is create a culture of safety first in the minds of our employees and bring safety awareness to the members we serve. That's why CEC employees conduct electrical safety demonstrations and presentations for all ages. We provide free electrical safety information at our offices, by mail upon request, and through our online resources. CEC strives to work and live 100% safe every day.



Milestones





Community Involvement

YOUTH TOUR

CEC sponsored four local student-delegates to Washington, D.C., to attend the national Rural Electric Youth Tour program last June. These students joined more than 50 other high school juniors from Alabama, and more than 1,600 students in D.C., for this amazing week-long adventure. In March 2023, the co-op also sponsored local students to attend the Montgomery Youth Tour. Participants toured historical sites, learned about state history, heard from state legislators and took part in team building leadership activities. The National Rural Electric Cooperative Association (NRECA) created the Youth Tour program in the 1950s to educate students about the nation's history and the role electric cooperatives played in it.

BRIGHT IDEAS

CEC offers the Bright Ideas grant program to help teachers with learning initiatives that are not covered by traditional funding. The program is available to K4-12 grade teachers at schools that are served by CEC. In December 2023, CEC awarded more than \$14,000 in grants to 19 teachers at multiple schools. These grants are helping teachers implement exciting projects in their classrooms that might not otherwise be possible.

CAREER EXPOS

CEC participates in career fairs and expos each year in an effort to educate our youth about possible career paths that are available right here within their own communities. These events introduce students to a wide array of careers and provides them with opportunities to interact with exhibitors by asking questions and taking part in hands-on activities related to the jobs they are learning about.

SCHOLARSHIPS

Each year, CEC offers up to 14 (\$1,000) scholarships through the Electric Cooperative Foundation. There is one technical college scholarship and one four-year college scholarship available to the six schools that CEC serves. The co-op also offers two scholarships with the same guidelines for qualifying students attending high schools not served by CEC. Scholarship recipients must be a high school senior and the dependent of a CEC member to be eligible.

CEC supports many educational programs and worthwhile events. Some of those include the Liberty Learning Program, Red Cross Blood Drives, Meredith's Miracles, A Cooperative Environment, and Chambers of Commerce just to name a few. To learn more about CEC's community involvement, please visit us online at www.covington.coop.

Charting our Future

MODERN CONVENIENCES

Since the beginning of rural electrification in the mid-1930s, electric cooperatives have embraced the development of services and products that make life easier. Going from a time when some people had to be convinced to put a meter on their home just to illuminate one light bulb, to where we are today has been nothing short of remarkable.

The pictures on this page provide a stark reminder of how drastically things have changed through the years in a relatively short period of time. These days time seems to be traveling at warp speed and we know our members are busier than ever. That's why we work hard to utilize the latest technology so when you interact with CEC, it's not only easy and convenient, but it's also a pleasure.

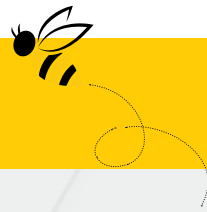
You can still come by and visit us during regular business hours to pay your electric bill in-person, or you can pick up your smart phone and pay your bill from just about anywhere. Payment options are plentiful and include using our lobby kiosks, mail, automated phone system, online, participating stores, bank draft, or by using the CEC app.

Paying your bill isn't the only thing you can do without leaving the comfort of your home. Members can also monitor their energy usage, chat with MSRs, apply for service, report power outages in the CEC app, update account information and so much more. Members can learn about the other services and products that we offer by visiting our website. Some of those include surge suppression equipment, electric grills, and water heater sales. Maybe you're considering replacing your old heating and cooling unit, if so, be sure to check out rebate information on our website to see if you may qualify for a rebate.

STAYING CONNECTED

CEC communicates with members in several ways including Alabama Living magazine, website, social media accounts on Facebook, Instagram, and X (twitter), as well as YouTube for videos. We've recently implemented SMS messaging to allow members to get pertinent information directly to their phones. The annual report is a comprehensive communication effort to share CEC's financial reports, insights, accomplishments and goals for the current year.





Expanding the Hive at Buzz

Buzz Broadband is a fiber-to-the-home business that is a wholly-owned subsidiary of Covington Electric. It delivers information almost at the speed of light, making it the best technology for internet service. The build-out of Buzz Broadband is nearly complete, and we're pleased with the progress we've made in 2023, despite the continued challenges of supply chain issues and labor shortages.


Every CEC member will have access to this world-class internet service. Subscribers are very pleased with the speed, quality and affordability of Buzz Broadband. We are so proud to play a small role in helping to bridge the digital divide in this country, especially in the rural areas that we serve in south Alabama.

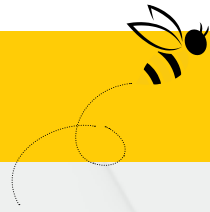


GET SPEEDS of 200 Mbps, 1 Gbps or 2 Gbps!

Prices begin as low as \$59.95 per month!

BUZZ BY THE NUMBERS

| | | | |
|---|---------------|---|---------------------|
|  Total locations with access to Buzz Broadband | 18,672 | Total miles of fiber | 3,026 |
| Average weekly new customers | 63 | Total grants awarded through the end of 2023 | \$15,300,000 |
| BUZZ employees | 10 | Landline phone services using Buzz Broadband | 538 |
| | | Total customers connected as of March 5, 2024 | 5,579 |



Buzz Broadband Testimonials



"What else could one possibly want? The service is excellent! This April will be 2 years that I've had Buzz and my service hasn't been off a single time (that I know of) during that time." - Gary



"Reliable service. Which Buzz has delivered!!! Thank you. Proves technology is here and capable if infrastructure is funded." - Tanya



"It's a whole new world for us. As soon as you can sign up, sign up." - Jessica



Buzz Broadband has the Best support team I've ever had to work with!! Thanks Buzz!!!
- Dewayne



"I think everyone should switch over to it. Everybody we interacted with - from the sign-up to the installation - has been polite, professional and courteous. It's been amazing" - Chris

For more information, visit www.buzzbroadband.com,
email customerservice@buzzbroadband.com,
or call 833-399-BUZZ (2899).

STATEMENT OF | REVENUE & EXPENSES

2023

2022

TOTAL REVENUE: \$64,788,844 \$62,309,787

OPERATING EXPENSES:

| | | |
|----------------------------------|---------------------|---------------------|
| Cost of Purchased Power | \$34,836,923 | \$34,356,413 |
| Operations & Maintenance | 7,788,659 | 7,717,613 |
| Administrative & General | 3,745,243 | 3,831,643 |
| Consumer Accounting | 1,677,141 | 1,545,558 |
| Member Services & Sales | 908,664 | 890,660 |
| Depreciation & Amortization | 5,435,496 | 5,187,235 |
| Tax Expenses | 1,627,412 | 1,593,741 |
| Interest on Long-Term Debt | 4,526,421 | 3,589,790 |
| Total Operating Expenses: | <u>\$60,545,959</u> | <u>\$58,712,653</u> |

MARGINS:

| | | |
|-----------------------|--------------------|--------------------|
| Operating Margin | \$4,242,885 | \$3,597,134 |
| Non-Operating Margin | 1,886,042 | 44,095 |
| Total Margins: | <u>\$6,128,927</u> | <u>\$3,641,229</u> |

CAPITAL CREDIT ASSIGNMENTS:

| | | |
|-------------------------------|-----------|-----------|
| PowerSouth Energy Cooperative | \$603,187 | \$608,803 |
| Other Sources | 289,570 | 234,127 |

TOTAL CAPITAL CREDITS: \$892,757 \$842,930

TOTAL MARGINS, ALL SOURCES: \$7,021,684 \$4,484,159

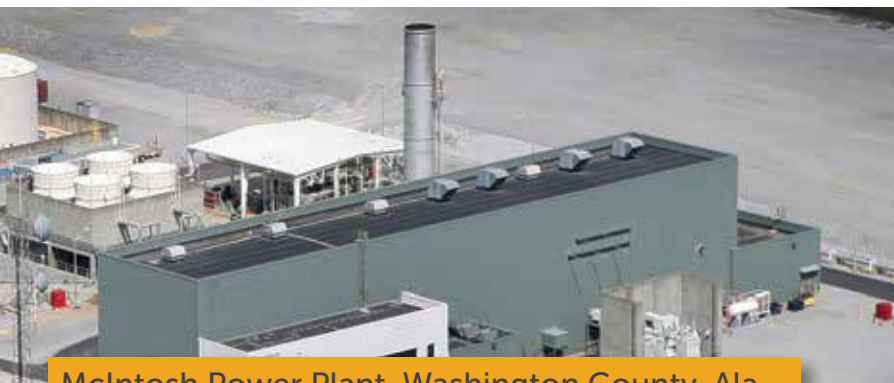
PURCHASED POWER | 58% OF REVENUE



Lowman Energy Center in Leroy, Ala.



Wing Solar, Covington County, Ala.



McIntosh Power Plant, Washington County, Ala.



James A. Vann Jr. Power Plant, Gantt, Ala.



CEC uses 58% of our annual revenue to purchase wholesale power from PowerSouth Energy Cooperative. Due to PowerSouth's diverse generation portfolio which includes natural gas, nuclear, coal and renewables, it helps to ensure that we can provide reliable power to members on demand 24/7 without interruptions to their daily lives.

BALANCE SHEET | ASSETS

| | 2023 | 2022 |
|---|----------------------|----------------------|
| Utility Plant: | | |
| Utility Plant | \$188,711,573 | \$179,290,595 |
| Construction Work in Progress | 30,515,709 | 22,042,849 |
| | 219,227,282 | 201,333,444 |
| Less: Accumulated Depreciation | (50,710,709) | (46,233,127) |
| Net Utility Plant | \$168,516,573 | \$155,100,317 |
| Other Assets and Investments: | | |
| Investments in Subsidiary Companies | (\$148,589) | (\$393,228) |
| Investments in Associated Organizations | 27,585,629 | 26,613,471 |
| Economic Development Notes Receivable | 160,210 | 184,738 |
| Other Investments | 15,150,000 | 200,000 |
| Total Other Assets and Investments | \$42,727,250 | \$26,604,981 |
| Current Assets: | | |
| Cash and Cash Equivalents | \$5,797,604 | \$7,106,977 |
| Notes Receivable (Net) | 6,611,349 | 5,336,116 |
| Accounts Receivable (Net) | 12,889,982 | 13,716,863 |
| Materials and Supplies | 4,147,287 | 1,531,646 |
| Prepayments | 364,385 | 337,924 |
| Other Current and Accrued Assets | 4,349,999 | 4,518,596 |
| Total Current Assets | \$34,160,606 | \$32,548,122 |
| Deferred Charges: | | |
| Deferred Debits | \$25,225 | \$386,635 |
| Total Deferred Charges | \$25,225 | \$386,635 |
| Total Assets | \$245,449,654 | \$214,640,055 |

BALANCE SHEET | LIABILITIES & EQUITIES

| | 2023 | 2022 |
|--|----------------------|--------------------------|
| Equities: | | |
| Memberships | \$99,858 | \$98,758 |
| Patronage Capital | 87,079,248 | 72,519,452 |
| Other Equities | 4,332,583 | 12,528,293 |
| | <hr/> | <hr/> |
| Total Equities | \$91,511,689 | \$85,146,503 |
| Long-Term Liabilities: | | |
| Mortgage Notes | \$126,561,933 | \$106,987,883 |
| Obligations Under Capital Leases - Non Current Payments - Unapplied | 1,173,521 — | 1,806,030 (4,124,533) |
| Other Liabilities | 3,519,109 | 2,929,885 |
| | <hr/> | <hr/> |
| Total Long-Term Liabilities | \$131,254,563 | \$107,599,265 |
| Current Liabilities: | | |
| Current Maturities on Long-Term Liabilities | \$6,890,369* | \$5,943,550* |
| Accounts Payable | 4,061,742 | 4,822,363 |
| Member Deposits | 2,136,810 | 2,103,880 |
| Accrued Liabilities | 9,342,620 | 8,572,633 |
| Other Deferred Credits | 251,861 | 451,861 |
| | <hr/> | <hr/> |
| Total Current Liabilities | \$22,683,402 | \$21,894,287 |
| | <hr/> | <hr/> |
| Total Equities and Liabilities | \$245,449,654 | \$214,640,055 |

*NOTE: This includes RUS-FFB, CFC, CoBank and Leases on vehicles.



**Covington Electric
Cooperative, Inc.**

A Touchstone Energy® Cooperative 



Contact Us:

800-239-4121 — Toll-Free

800-239-1193 — Report Outages

833-399-2899 — Buzz Broadband

covington.coop