

# WE POWER OUR COMMUNITIES

2019 Annual Report



**Covington Electric Cooperative, Inc.**

A Touchstone Energy® Cooperative 

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**Covington Electric Cooperative** is a member-owned electric distribution cooperative serving approximately 23,300 meters in parts of six counties: Covington, Coffee, Dale, Geneva, Crenshaw and Escambia.

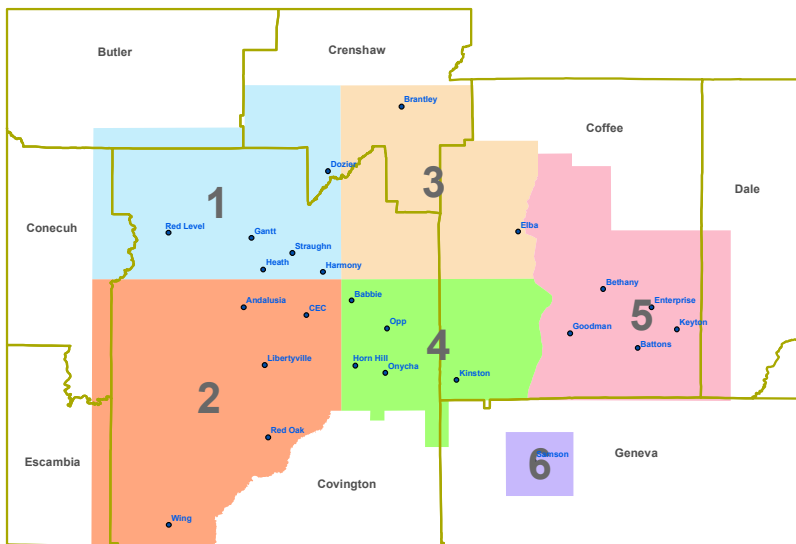


Headquarters:  
18836 U.S. Highway 84  
Andalusia, AL 36421

www.covington.coop  
800-239-4121 Toll Free  
800-239-1193 Report Outages



# CEC SERVICE TERRITORY



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# EXECUTIVE REPORT

This year marks the 75th anniversary of Covington Electric Cooperative, and our industry has evolved in amazing and significant ways in those seven decades.

The cooperative began with a small group of farmers who simply wanted the same opportunities for a better life as those living in the cities. These hard-working citizens came together to utilize resources offered by the government, and they changed the trajectory of not only their lives but also every generation that would follow.

Electricity is an essential part of daily life in 2019. Often, we give it very little thought. That wasn't the case when CEC was organized in 1944. People were appreciative just to have a light in their house and, eventually, a refrigerator or TV. Today, every aspect of life revolves around the use of electricity, whether it's in the home or workplace. Reliability is absolutely critical.

CEC continues to work closely with its wholesale power provider, PowerSouth Energy Cooperative, to help ensure that you have the power you need every time you press a button or flip a switch. Providing reliable energy 24/7 is not easy, and it comes with many complex challenges. CEC and PowerSouth, however, are committed to providing this service in a safe and affordable manner.

We say this from time to time, but it's worth repeating — electric cooperatives are not like other utilities. Co-ops are service-driven, not-for-profit businesses owned by the people they serve: our members. Co-ops are guided by seven principles that help reinforce a foundation built on integrity and purpose. Unlike some electric utilities, we are not owned by shareholders, and that truly makes a difference. With CEC, you have a voice. Members are encouraged to attend the annual meeting to vote on important co-op business. Key decisions during each meeting include elections to fill two board seats. And at times, such as this year, the meeting may also include a vote on bylaw changes. This meeting is a platform to make your voice heard, and we hope you take advantage of the opportunity.

We're very proud of CEC's history and its positive impact on the communities we serve. Our mission would not be possible without your continued support and cooperation. For that, we are humbled and grateful.

Thank you.



**W.B. "Willie" Smith**  
Chairman,  
CEC Board of Trustees



**Charles E. "Ed" Short**  
CEC President, CEO &  
General Manager





## WE POWER ENERGY EFFICIENCY

Helping members improve energy efficiency is important at CEC. We offer energy-efficiency information free to our members through brochures, online tools at [covington.coop](http://covington.coop), tips on social media and articles in *Alabama Living*. CEC members may qualify for energy-efficiency loans to help improve their homes' efficiency. Members can also request a free energy audit to target specific areas in the home where low-cost improvements can be made that may make a big difference on utility bills.

CEC offers discounted energy-efficient water heaters to its members who sign up for the H2O Water Heater Load Control Program. This peak-shaving program helps CEC's wholesale power provider, PowerSouth Energy Cooperative, better manage electric demand during extreme temperatures in the winter and summer months. On average, PowerSouth conducts about four peak-shaving events each year. Detailed information about this program and others, as well as links to energy-saving tips, can be found on CEC's website.

Your cooperative supports a wide range of community-enhancing programs and events. Some of these special programs include the Rural Electric Youth Tour, Career Fairs, Liberty Learning Super Citizens Program, Bright Ideas Teacher Grants, A Cooperative Environment, Electric Foundation Scholarships, American Cancer Society's Relay For Life, Child Advocacy Centers, American Red Cross Blood Drives and many more.

## WE POWER FUTURE GENERATIONS

Each year, CEC participates in the Rural Electric Youth Tour. This program allows high school juniors at schools served by CEC to participate in annual Montgomery and Washington, D.C., youth tours. In 2018, CEC sponsored 12 students for the Montgomery tour and two for the Washington tour. Students participated in team-building activities and exciting historical tours of our state capital and the nation's capital, as well as other noteworthy sites.

Offering scholarship opportunities to qualifying students who plan to further their education after high school is another way CEC demonstrates its commitment to the communities it serves. CEC offers multiple scholarship opportunities each year to high school graduates who are the dependents of CEC members. These scholarships are awarded as part of the Electric Cooperative Foundation in Montgomery. The organization was created by the electric cooperatives of Alabama in 1997 to provide eligible high school seniors scholarships for postsecondary or technical institutions. There are two \$1,000 scholarships available at each of the six high schools CEC serves. One scholarship goes to a student pursuing a college degree, and one goes to a student pursuing a technical college degree. There are also two at-large scholarships, with the same stipulations, available to CEC dependents not attending schools served by the co-op. The Electric Cooperative Foundation receives all applications and selects the scholarship recipients. In 2018, CEC awarded \$9,000 in scholarships to deserving students. CEC encourages its members who have children or grandchildren going into the 12th grade next school year to discuss the scholarships and to help ensure these opportunities are fully utilized.

CEC is involved with schools in and around our service area, and we often participate in career fairs to introduce students to the many employment opportunities available at cooperatives. Our career fair participation even offers hands-on learning opportunities in which students attempt to maneuver tools and equipment while wearing the gear used by our lineworkers. We also spend many hours educating our youth and others in the community about the importance of electrical safety. Our safety demonstrations can be geared to fit a variety of age groups. These demonstrations are presented to schools, community groups and local fire departments upon request.

# WE POWER SAFETY

CEC maintains an ongoing safety program, with regular employee meetings for training in safe work procedures. Employees also participate in online safety courses and hands-on activities to help increase awareness of safety hazards and to improve safety. CEC's goal is to eliminate on-the-job accidents, as well as accidents involving property — both CEC's and others.

Promoting safety awareness to CEC members and the public is important. That's why CEC employees conduct electrical safety demonstrations and provide free electrical safety information online, at each office location and by mail upon request. CEC strives to work and live 100 percent safe every day.

# WE POWER RELIABLE SERVICE

Providing excellent service is one of CEC's primary objectives. Barring major developments beyond its control — major storms or a power failure at the wholesale power supply level — CEC is determined to provide as near 100 percent uninterrupted service as possible. Service interruptions in 2018 amounted to less than two hours per member.

Within the last 20 years, hundreds of miles of outdated power lines insufficient to carry the loads or to provide the service required have been rebuilt. New lines and other facilities have been installed where necessary. CEC has an ongoing maintenance program on existing facilities to keep them in the best condition possible. With your continued support in such areas as permitting the clearing of rights of way, CEC is confident its efforts will provide the reliable electric service on which you depend.



# WE POWER MEMBER SERVICES

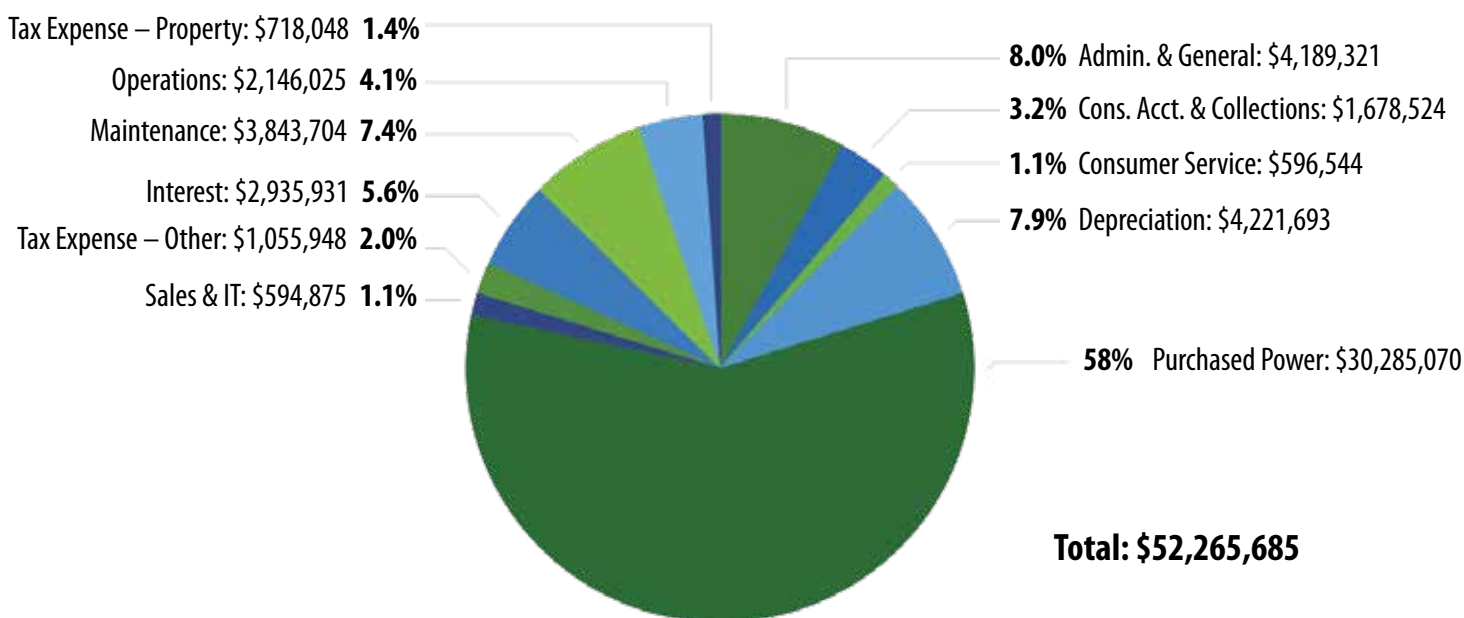
Your cooperative offers convenient bill payment options, including three kiosks payment machines open 24/7 at the Sanford, Enterprise and Samson offices. Other solutions include online bill pay and free CEC Connect and Covington Connect apps. Also, members may choose from an automated phone payment system, auto draft, mail or a visit to any CEC office during the hours of 7:30 a.m.-4:30 p.m. Monday through Friday. CEC office closings are posted at lobbies and publicized through Alabama Living and social media.

CEC also offers Flex Advantage, which is a prepay program that allows members to purchase electricity in advance and to avoid delinquent fees and deposits for service. To learn more about any of these products or services, simply contact CEC by phone or email or visit the CEC website.

# FINANCIAL HIGHLIGHTS

- Power sales to members in 2018 totaled 389,645,397 kWh.
- Average monthly usage by all members during 2018 was 1,396.85 kWh.
- In 2018, miles of line in service increased to 2,770. CEC has facilities (lines, poles, etc.) and consumers in parts of six counties: Covington, Coffee, Crenshaw, Dale, Geneva and Escambia.
- Density (number of consumers per mile of line) at the end of 2018 was 8.41.
- Operating electric revenue received during 2018 was \$54,889,447.
- The facilities charge and the charge per kWh for residential meters remained unchanged in 2018 at \$33.55 and 11.298 cents/kWh respectively.
- Operating expenses during 2018 amounted to \$43,334,065.
- Total margins achieved during 2018, including capital credit assignments and non-operating margins, were \$4,662,753.
- CEC is required by loan agreements with its bankers — the Rural Utilities Service (RUS, formerly REA), the National Rural Utilities Cooperative Finance Corporation (CFC), and CoBank — to earn margins as a prudent business practice.
- Loan payments amounting to \$7,707,313 were made during 2018. Included were repayments on principal totaling \$4,771,382, plus interest payments of \$2,935,931. Principal repayments made during 2018 increased by \$930,126 from 2017 repayments. At the end of 2018, CEC's total indebtedness to RUS, CFC and CoBank stood at \$78,635,281.

## EXPENSE BREAKDOWN



# STATEMENT OF REVENUE & EXPENSES

	<b>2018</b>	<b>2017</b>
<b>REVENUE:</b>		
Total Revenue	\$54,889,447	\$52,637,723
<b>EXPENSES:</b>		
Cost of Purchased Power	\$30,285,070	\$29,215,602
Operations & Maintenance	5,989,729	6,405,673
Administrative & General	4,189,321	3,740,921
Consumer Accounting	1,678,524	1,535,079
Member Services & Sales	1,191,421	1,111,281
Depreciation & Amortization	4,221,693	3,887,805
Tax Expenses	1,773,996	1,784,430
Interest on Long Term Debt	2,935,931	3,079,492
<b>TOTAL EXPENSES:</b>	<b>\$52,265,685</b>	<b>\$50,760,283</b>
<b>MARGINS:</b>		
Operating Margin	\$2,623,762	\$1,877,440
Non-Operating Margin	1,249,828	\$1,613,692
<b>TOTAL MARGINS:</b>	<b>\$3,873,590</b>	<b>\$3,491,132</b>
<b>CAPITAL CREDIT ASSIGNMENTS:</b>		
PowerSouth Energy Cooperative	\$602,427	\$481,716
Other Sources	186,736	333,609
<b>TOTAL CAPITAL CREDITS:</b>	<b>\$789,163</b>	<b>\$815,325</b>
<b>TOTAL MARGINS, ALL SOURCES:</b>	<b>\$4,662,753</b>	<b>\$4,306,457</b>

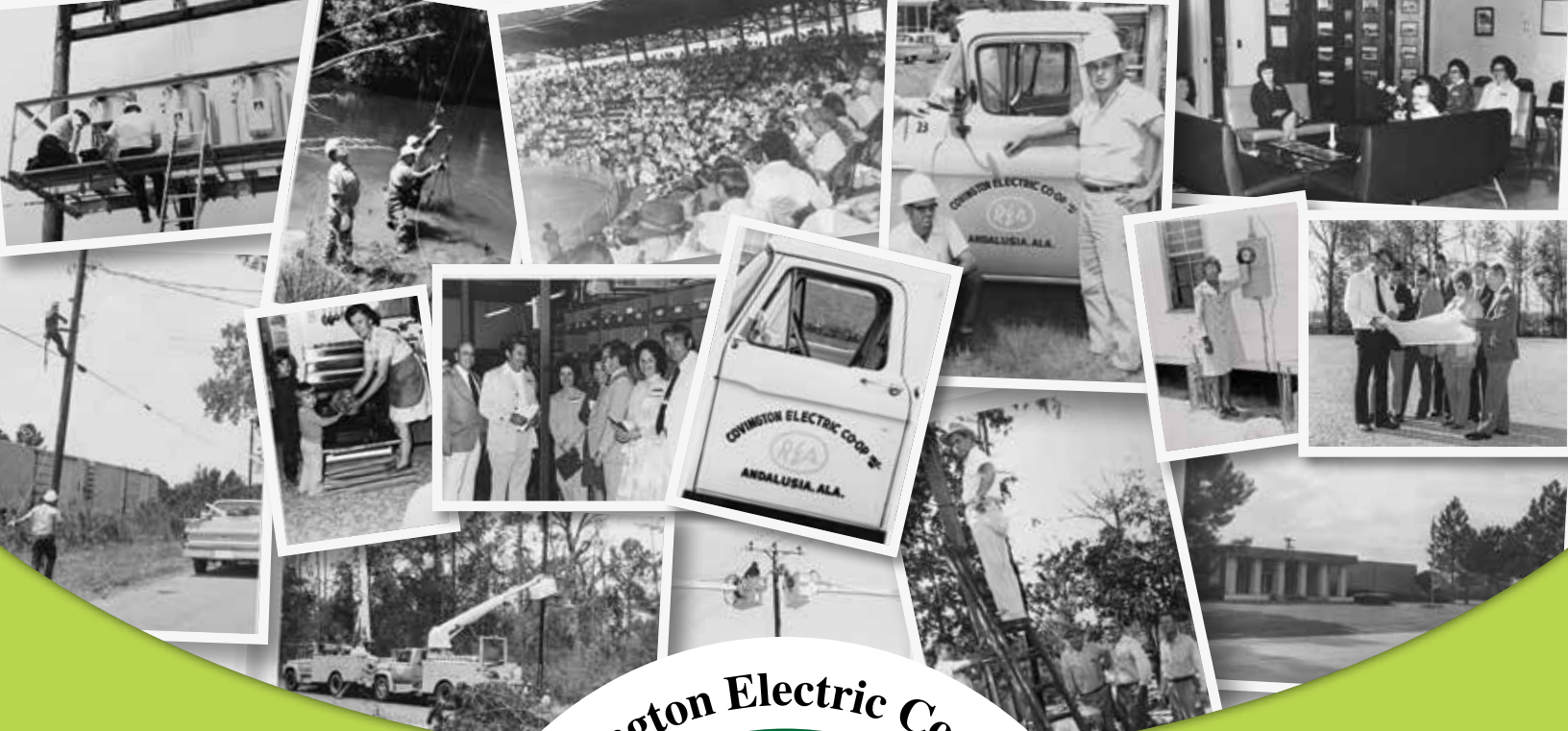
# BALANCE SHEETS

<b>Assets:</b>	<b>2018</b>	<b>2017</b>
<b>Utility Plant:</b>		
Utility Plant	\$144,859,692	\$138,192,389
Construction Work in Progress	\$717,298	\$364,083
	\$145,576,990	\$138,556,472
Less: Accumulated Depreciation	(\$35,333,085)	(\$33,951,817)
Net Utility Plant	\$110,243,905	\$104,604,655
<b>Other Assets and Investments:</b>		
Investments in Subsidiary Companies	\$243,229	\$421,697
Investments in Associated Organizations	\$23,808,068	\$23,123,875
Economic Development Notes Receivable	\$40,823	\$55,199
Other Investments	\$0	\$0
Total Other Assets and Investments	\$24,092,120	\$23,600,771
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$14,116,471	\$16,260,451
Notes Receivable (Net)	\$192,556	\$469,266
Accounts Receivable (Net)	\$1,221,760	\$684,017
Materials and Supplies	\$956,458	\$979,743
Prepayments	\$346,883	\$382,408
Other Current and Accrued Assets	\$3,726,240	\$3,900,174
Total Current Assets	\$20,560,368	\$22,676,059
<b>Deferred Charges:</b>		
Deferred Debits	\$1,649,226	\$1,974,026
Total Deferred Charges	\$1,649,226	\$1,974,026
Total Assets	\$156,545,619	\$152,855,511



# BALANCE SHEETS

Liabilities and Equities	2018	2017
<b>Equities:</b>		
Memberships	\$93,918	\$92,853
Patronage Capital	\$64,869,634	\$62,282,319
Other Equities	\$6,631,645	\$5,082,048
Total Equities	\$71,595,197	\$67,457,220
<b>Long-Term Liabilities:</b>		
Mortgage Notes	\$74,210,033	\$79,143,762
Obligations Under Capital Leases - Non Current Payments - Unapplied	\$2,322,745 (\$10,157,891)	Not Applicable (\$12,990,145)
Other Liabilities	\$2,736,459	\$3,476,600
Total Long-Term Liabilities	\$69,111,346	\$69,630,217
<b>Current Liabilities:</b>		
Current Maturities on Long-Term Liabilities	\$4,430,175	\$4,259,901
Accounts Payable	\$2,907,806	\$2,915,486
Member Deposits	\$1,926,462	\$1,908,076
Accrued Liabilities	\$4,722,773	\$4,632,750
Other Deferred Credits	\$1,851,860	\$2,051,861
Total Current Liabilities	\$15,839,076	\$15,708,074
Total Equities and Liabilities	\$156,545,619	\$152,855,511



**Building  
on our  
past**

**Preparing  
for our  
future**



# YOUR VOICE MATTERS TO US!

CEC would like to know what you think about co-op related matters. Complete and submit this survey for a chance to win a \$250 Visa gift card. Just drop off the completed survey at any CEC office or mail it to our main office located at 18836 U.S. Highway 84, Andalusia, AL 36421. One survey per membership. All eligible surveys will be entered into a drawing for a chance to win one of four \$250 Visa gift cards. Surveys must be received no later than Monday, April 22, 2019, at 4:30 p.m. **All questions and contact information on this form must be completed to be eligible for the prize drawing.**

1. How long have you received electric service from CEC?  
 1-5 years                       11-20 years  
 6-10 years                       Over 21 years
2. Please rate your satisfaction with CEC on each of the following:  
*(Scale of 1-10 with 1 not at all satisfied and 10 very satisfied)*  
  
Providing reliable electric service \_\_\_\_\_  
Charging reasonable rates \_\_\_\_\_  
Restoring power quickly after an outage \_\_\_\_\_  
Friendly and knowledgeable employees \_\_\_\_\_  
Ease of doing business with CEC \_\_\_\_\_
3. How would you rate your overall satisfaction with CEC? *Scale of 1-10 with 1 not at all satisfied and 10 very satisfied)* \_\_\_\_\_
4. Do you view yourself as a member or as a customer of CEC?     Member     Customer
5. How would you like for CEC to communicate with you?     Alabama Living     Email     Bill Insert  
 Newspaper     TV     Radio     CEC Website     Social Media     Letters     Texts
6. Would you be interested in purchasing power from a solar garden?     Yes     No
7. Are you considering purchasing an electric vehicle?     Yes     No
8. Assume you could choose your electric company. If you could choose today, would you pick CEC to be your utility provider?     Yes     No
9. Is CEC part of the Touchstone Energy alliance of electric cooperatives?     Yes     No
10. Have you downloaded the free CEC app?     Yes     No

*Please turn over to complete the survey.*

# YOUR VOICE MATTERS TO US!

[Survey Continued]

11. Please rate the importance of each of the following:  
(Scale of 1-10 with 1 not at all important and 10 very important)

- Provides energy-efficiency assistance \_\_\_\_\_
- Is committed to offering renewable energy \_\_\_\_\_
- Provides financial support to community organizations and nonprofits \_\_\_\_\_
- Is effectively working to control costs \_\_\_\_\_
- Provides financial support for education and student opportunities \_\_\_\_\_
- Provides financial support for economic development efforts \_\_\_\_\_

12. Have you used the CEC website [www.covington.coop](http://www.covington.coop) during the last six months?  Yes  No

13. What brought you to the CEC website? Please check all that apply.

- |                            |       |                               |       |
|----------------------------|-------|-------------------------------|-------|
| Pay bill                   | _____ | Energy-efficiency information | _____ |
| Check outage viewer        | _____ | Check usage history           | _____ |
| Apply for new service      | _____ | Safety information            | _____ |
| Member benefit information | _____ | Community involvement         | _____ |
| Water heater sales         | _____ | Alabama Living                | _____ |
| Co-op Connections Card     | _____ | Other                         | _____ |

## Please confirm your contact information

Please confirm your contact information to receive important information from CEC.

Name on CEC Account: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Physical Address (if different from mailing): \_\_\_\_\_

Primary Phone Number: \_\_\_\_\_ Secondary Phone Number: \_\_\_\_\_

Email Address: \_\_\_\_\_

Signature: \_\_\_\_\_

Number will be updated on account for outage reporting purposes and other notifications.  
All information is confidential and only used for CEC purposes.