

Celebrating



Citizens

Electric Corporation

A Touchstone Energy® Cooperative 

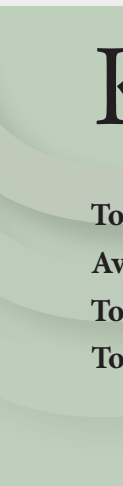
Annual Report

1947-2017

70 Years of Cooperation

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Our Mission

We are dedicated to providing our members with safe, reliable electricity at a cost that is stable and competitive with our neighbors.



Van Robinson
CEO



Ron Klein
VP Operations



Jason Cates
VP Engineering



Joan Huck
Manager of Finance



Kerry Kimrey
IT Supervisor



Eileen Bauman
Admin Assistant/Paralegal



Lynda Wahlers
Human Resources Specialist



Steve Elsea
Manager of Member Services

Key Statistics

Total kilowatt-hours sold.....	1,637,078,264	Residential members.....	24,306
Average residential kWh per year.....	11,360	C&I members.....	2,488
Total members.....	27,079	Public & other sales.....	285
Total number of substations	50	Total miles of energized line.....	3,132

70 Years of Citizens Electric

Citizens Electric Corporation (CEC) celebrated 70 years of service in 2017, and a lot has changed since we began providing electricity to our first members. Following the Cooperative Model, CEC is guided by the Seven Cooperative Principles. As we reflect on the past 70 years, our history of concern for the communities we serve is clearly evident. Through historic flooding and devastating storms, CEC has worked to restore power as quickly and safely as possible. We understand that electricity has become a necessity and not just the luxury it was when our first members were connected.

Our formation came about to meet the needs of those that lived in the rural areas surrounding Ste. Genevieve and Perryville. When Missouri General Utilities was no longer able to provide services portions of its assets, which included the municipalities of Ste. Genevieve & Perryville were acquired by Genevieve Electric Cooperative.

Since cooperatives are not allowed to

serve towns with populations exceeding 1,500, it was necessary for Genevieve Electric Cooperative to reorganize. On Nov. 17, 1947, Citizens Electric Corporation was formed as a corporation functioning as a not-for-profit cooperative returning capital credit patronage to members. This gives CEC the ability to serve Main Street and not Wall Street.

Over the years we have continued to improve service reliability while keeping rates competitive with other Missouri cooperatives. We believe stability is a priority for both corporate and residential members.

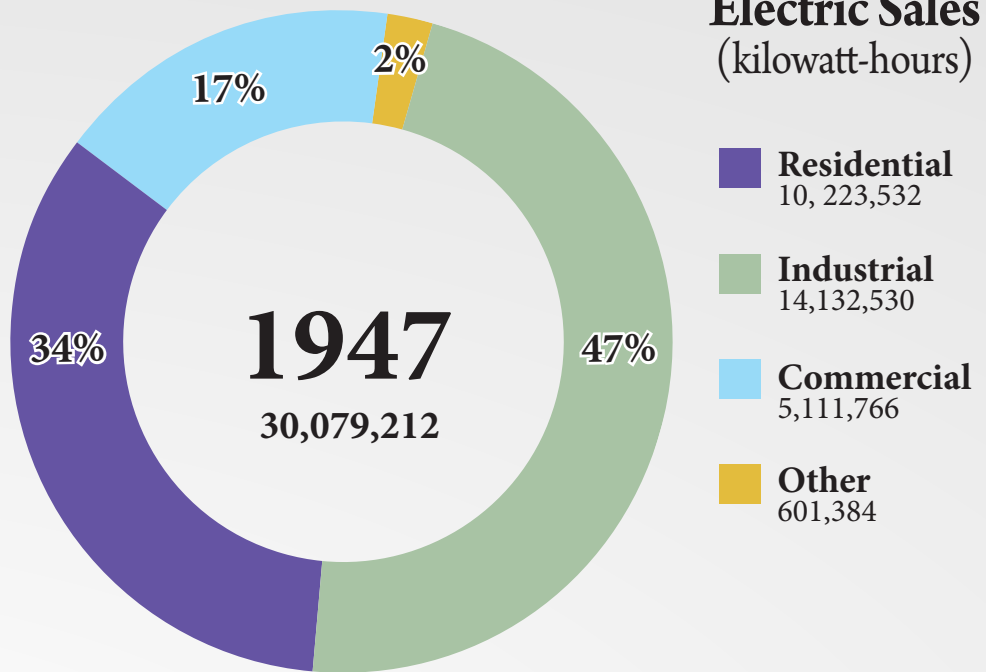
A key foundation of any industry is the ability to function without interruption. CEC's stability and reliability allow manufacturers and employers, as well



Citizens Electric's first Board of Directors. Standing, left: Elvis Brewer, Sam Cook, Hary R. Phillips, Jerome H. Stanton, Walter F. Dickman, Joseph C. Matthews, Francis J. Rozier. Seated, left: Edgar H. Biehle, A.D. Holmes, Paul W. Vaughn, Theodore A. Carron, Fred W. Mahnken, Albert Grebe.

as residential members, to feel confident that the lights will remain on with minimal surprises. Long range planning and foresight have resulted in a system more reliable than our founders could have ever imagined.

With a concern for community as strong as it was 70 years ago, you, the member-owners of Citizens Electric guide the decisions we make. We understand the importance of maintaining the service reliability you have come to expect while keeping rates competitive. Your satisfaction is paramount as we move into the next 70 years.



Electric Sales (kilowatt-hours)

Residential
10,223,532

Industrial
14,132,530

Commercial
5,111,766

Other
601,384

Seven Cooperative Principles

- 1. Voluntary and Open Membership:** Cooperatives are voluntary organizations, open to all people able to use its services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
- 2. Democratic Member Control:** Cooperatives are democratic organizations controlled by their members - those who buy the goods or use the services of the cooperative - who actively participate in setting policies and making decisions.
- 3. Member's Economic Participation:** Members contribute equally to, and democratically control, the capital of the cooperative. This benefits members in proportion to the business they conduct with the cooperative rather than on the capital invested.
- 4. Autonomy and Independence:** Cooperatives are autonomous, self-help organizations controlled by their members. If the co-op enters into agreements with other organizations or raises capital from external sources, it is done so based on terms that ensure democratic control by the members and maintains the cooperative's autonomy.
- 5. Education, Training and Information:** Cooperatives provide education and training for members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperative. Members also inform the general public about the nature and benefits of cooperatives.
- 6. Cooperation Among Cooperatives:** Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.
- 7. Concern for Community:** While focusing on members needs, cooperatives work for the sustainable development of communities through policies and programs accepted by the members.

Leadership Report

By Richard DeWilde & Van Robinson

2017 marked the 70th anniversary of Citizens Electric Corporation (CEC). That's quite a milestone and it provokes thought of how the journey began. CEC was formed in 1947 when our predecessor, Genevieve Electric Cooperative, had the opportunity to serve the towns of Perryville and Ste. Genevieve. At that time, the towns were served by Missouri General Utilities (MGU), an investor-owned utility that covered a significant portion of southeast Missouri. MGU was a for-profit entity, but MGU was struggling financially and needed to shed some territory. While Genevieve Electric Cooperative wanted to help its neighbors, Missouri law prohibited a so-called "394 cooperative" like Genevieve from serving towns with populations over 1,500. In order to comply with this law which still exists, Genevieve Electric Cooperative reorganized itself as a "351 corporation" under Missouri statute and became the CEC you know today. While our name and legal form may have changed, our not-for-profit approach and dedication to the cooperative business principles have never changed over

our 70 year history.

Speaking of things that haven't changed, CEC's commitment to reliability and affordability remains strong. In 2017, we invested \$10 million to expand and replace the electrical infrastructure that serves your home, business, church, and school. You may not see it all from your window, but a vast grid of poles, wires, transformers, and other equipment is spread over 1,215 square miles to serve you reliably. We spent another \$11 million to operate and maintain that grid in 2017. That's a lot of money, but those dollars resulted in another great year with the system reliably delivering power 99.94% of the time while rates remained stable.

While we wish the power never went off, we know outages are a reality and we must be prepared. The EF 4 tornado that ripped through Perry County on February 28, 2017, certainly tested that preparation. Shortly after the devastation occurred, CEC enacted its emergency response plan where employees began assessing damage and restoring power to our members. With the help of over 50 line

CEC Board of Directors and Counties Represented



Richard DeWilde
President
Perry



Dr. William Odneal
Vice President
Ste. Genevieve/St. Francois



Marion Kertz
Secretary
Ste. Genevieve/St. Francois



Doyle Oehl
Treasurer
Cape Girardeau



Scott Drury
Ste. Genevieve/St. Francois

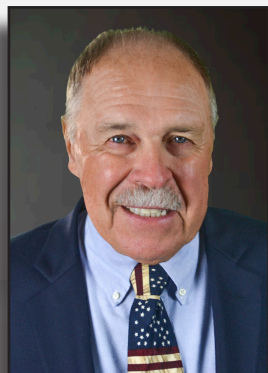
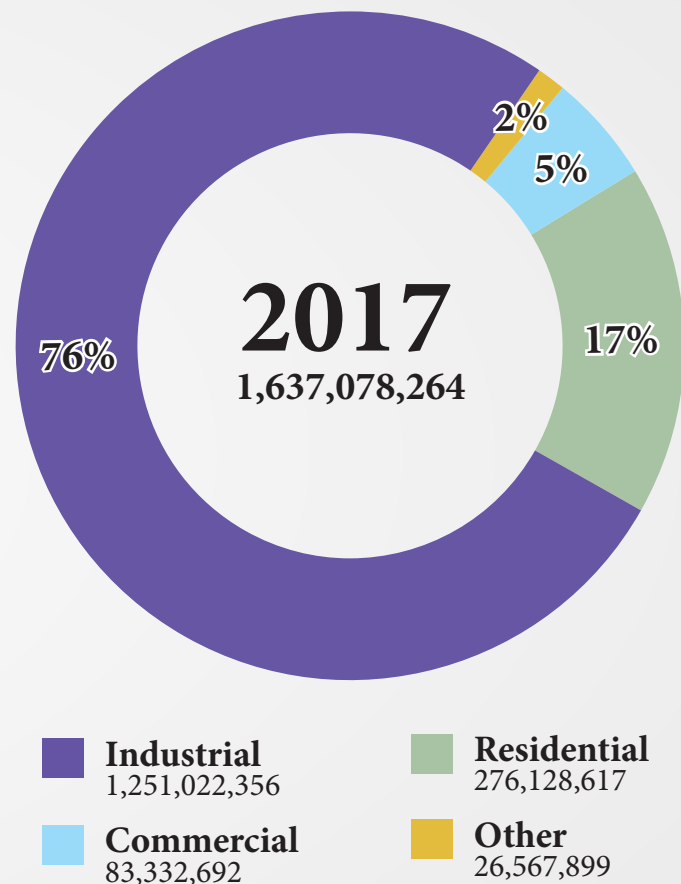
workers from other cooperatives and contractors, power was restored 3 days later to all who could receive it at an approximate cost of \$500,000.

Another important event occurred on September 20, 2017, when the Ste. Genevieve solar station was dedicated. CEC, Wabash Valley Power Association, and the Ste. Genevieve Industrial Development Corporation worked together to build the 500 kW solar array. This step has added more diversity to our power supply portfolio and increased our knowledge of this renewable energy source. Perhaps most importantly, it has provided an attractive opportunity for CEC's members to participate in solar without purchasing and maintaining a rooftop system. In fact, CEC member participation in the SharedSolar program has been so high that Wabash is looking at the possibility of additional solar generation in the near future.

As 2017 came to an end, a major personnel change occurred. Tom Borowiak retired from CEC following an outstanding 42-year career and long tenure as Vice President of Engineering. Tom's fingerprints are all over the reliable transmission and distribution system that CEC members rely on. While we thank Tom for his service and the legacy that he left behind, we're excited to hand the engineering reins to Jason Cates and we look forward to his tenure.

In conclusion, it's clear that a lot has happened during our 70 year journey. People and technology may change, but our commitment to reliable and affordable electricity has not changed. The journey is far from over and that commitment will endure. We thank our members for a great 70 years.

Electric Sales (kilowatt-hours)



Alvin Franke
Cape Girardeau



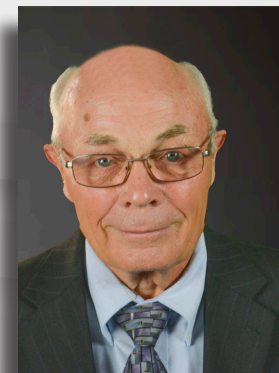
Stan Petzoldt
Perry



John "Skip" Lottes
Perry



Karl Klaus
Perry



Charles Hurst
Ste. Genevieve/St. Francois

A Life of Service

Citizens Electric established an Engineering Department on January 1, 1976, with the addition of Tom Borowiak. This added consistency and stability. Prior to the addition of Borowiak, CEC had utilized consultants to design the electrical system. While this was effective, it was costly and irregular.

Borowiak's primary focus was on surveying voltage, large account power billing, and metering. The department grew as he upgraded existing substations. CEC began designing and constructing new substations soon after.

As the department continued to grow, so did Borowiak's role. After becoming a Licensed Professional Engineer in the 1980's, Borowiak began to oversee all aspects of CEC's engineering projects

including work plans, transmission/distribution design and construction.

Tom also brought a contagious smile and passion for the St. Louis Blues to CEC.

On January 1, 2018

Tom retired after 42

years with CEC. Tom and his wife Lee plan to spend more time with their children and grandchildren. He will be greatly missed by everyone at CEC, and we wish him the best in his well-deserved retirement.



Tom Borowiak

Power Moves[®] Reduces Demand

Energy efficiency is more than saving money. It is about reducing the impact on our system while still enjoying a modern lifestyle.

Citizens Electric and Wabash Valley Power Association (WVPA) have worked together to provide members with incentives to increase energy efficiency via Power Moves[®].

Together we work to reduce electric consumption and demand. The avoided cost of constructing new power plants and increasing the size of associated facilities like substations is used to rebate energy efficient members. By accomplishing the goal, all members benefit with more stable, predictable rates.

We would like to thank

all members who have taken advantage of Power Moves[®] rebates to make homes and businesses more efficient. We would also like to ask you to encourage others to do the same. Together we can ensure the stability of safe, responsible and reliable electric generation and distribution.

Convenience and Choice

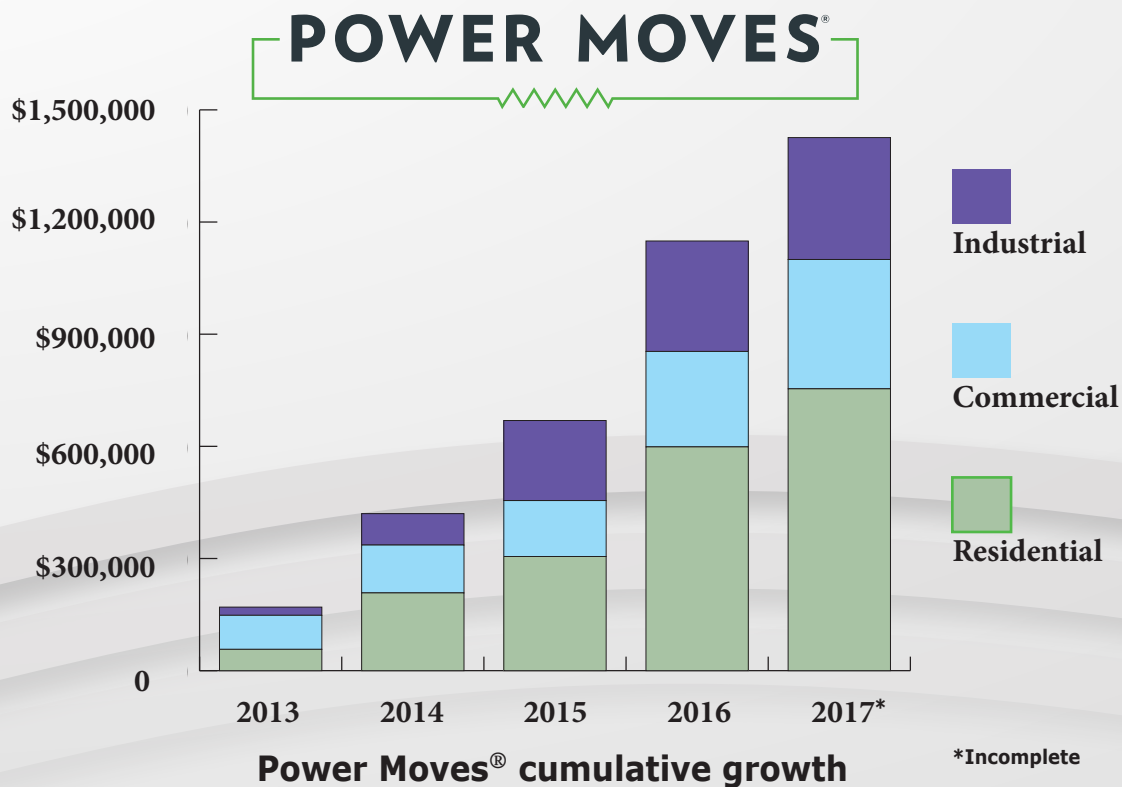
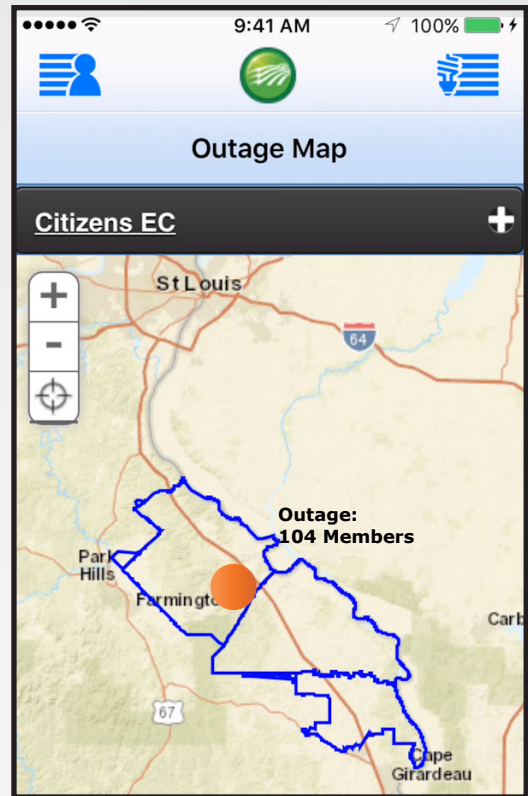
Cooperatives have a history of listening to members. After all, our members are our owners. Many have asked for more choice and more convenience. A large number have found this with CEC Mobile, our app for iOS and Android (available in your app store).

CEC Mobile is free and works on internet connected devices. It allows members to check daily and hourly usage, report and view outages, and make payments from anywhere there is internet

access.

Members can add comments about damaged poles, conductor or other information to assist crews with restoration when reporting an outage. The outage map feature allows members to view impacted areas and learn when power is restored.

CEC Mobile is safe, secure and gives members more options to manage and view electric consumption, pay their bill and report an outage.



A More Diverse Power Portfolio

Local residents speeding past Ste. Genevieve on Interstate 55 last summer witnessed the construction of Wabash Valley Power's new solar array located next to the highway. They also bought shares of the solar energy produced from the array just as quickly.

In 2017, Wabash Valley Power (WVPA) built the array in Ste. Genevieve as part of Co-op Solar, a new community solar program featuring five solar arrays in Missouri, Illinois and Indiana that generate up to 1.7 megawatts (MW) of electricity. The solar project was just one of more than 30 resources in Wabash Valley Power's diversified power supply portfolio that produces electricity for retail members served by Citizens Electric Corp. and the 22 additional co-ops served by Wabash Valley Power.

"By diversifying our portfolio, we guard against price spikes for any single resource," said Lee Wilmes, Executive Vice President of Risk and Resource Portfolio for Wabash Valley Power. "This also gives us flexibility to explore options that otherwise would not be possible."

WVPA is also taking advantage of declining wind prices. Wabash Valley

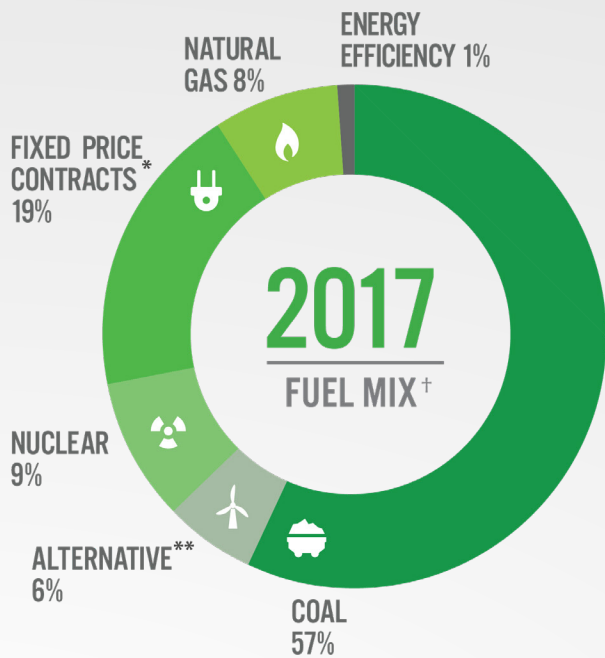
Power's wind energy resources will increase to 131 MW in 2019 and 210 MW by 2020.

Sustainable energy resources have generated interest from communities served by WVPA as well. Citizens Electric was one of five cooperatives offering Co-op Solar to its members when the program debuted last fall. Through March 2018, the co-ops had sold 64 percent of all available solar shares. Citizens Electric retail members purchased 47 percent of all available solar shares.

"By offering a new community solar program, we could provide a solar energy option to all of our retail members, rather than only those with the ability to install solar panels where they live," said Van Robinson, CEO of Citizens Electric. "We have been pleasantly surprised by the overwhelming response, and we are excited about the future possibilities."

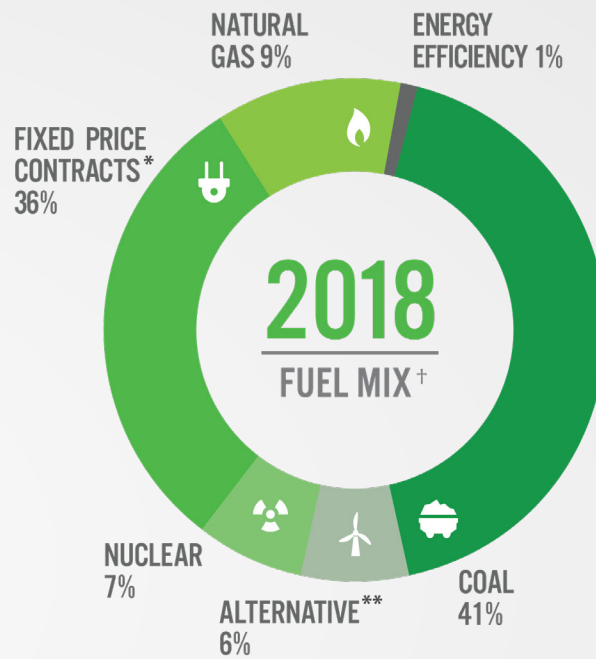
Citizens Electric members purchased 47% of all available solar shares.

WABASH VALLEY POWER FUEL MIX



POWER SUPPLY PORTFOLIO

BIOGAS | COAL | HYDRO | LANDFILL GAS
 NATURAL GAS | NUCLEAR | SOLAR | WIND



*Fuel type varies based on supplier.

**Wabash Valley Power supports renewable energy by owning landfill gas generation and purchasing the output from wind farms and biogas generators. Wabash Valley Power sells, separately, the environmental attributes associated with this generation to its members and third parties and, therefore, does not claim this generation as renewable within our own supply portfolio. To purchase renewable energy credits (RECs), contact your local co-op.

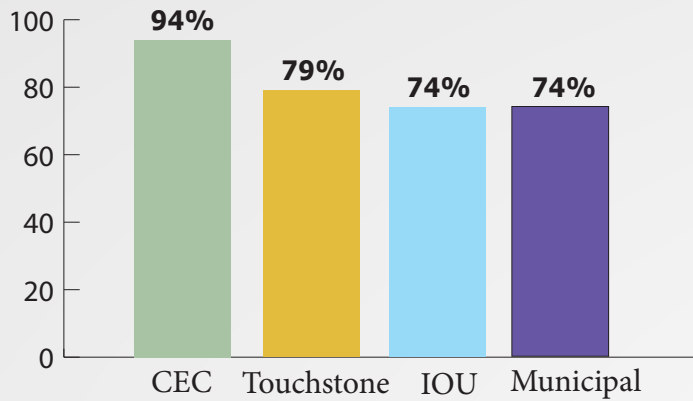
† As of November 3, 2017

Wabash Valley Power
 energy smart

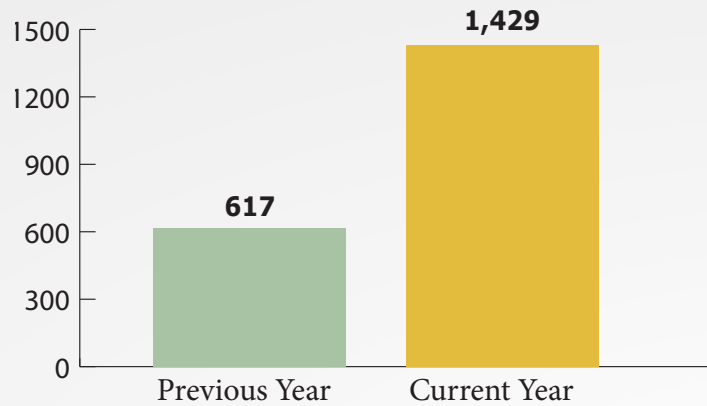


Guided By You

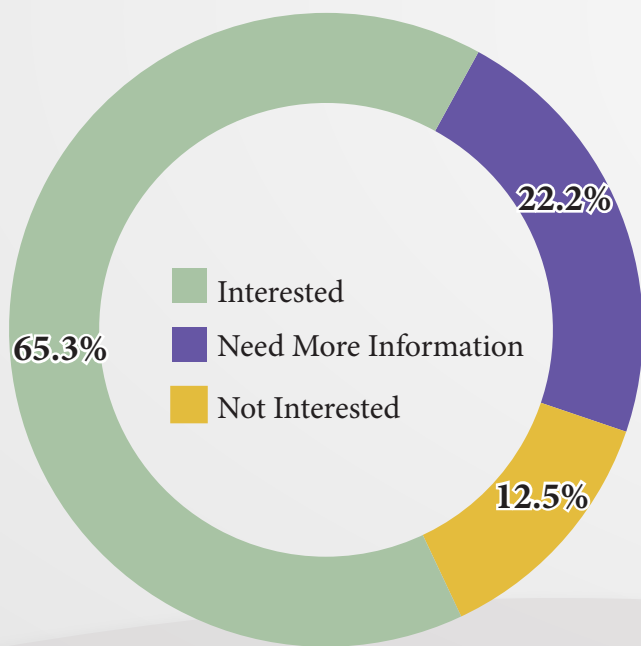
CEC conducts an Annual Member Survey to gauge opinions on what we're doing well and where we need to improve. The survey results also provide instructive feedback on existing services and interest in new services.



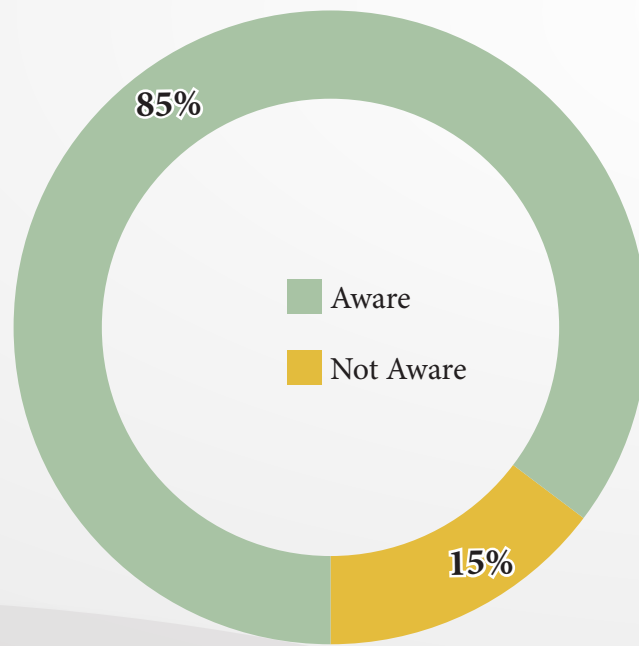
CEC member satisfaction is higher than that of Touchstone Energy, Investor Owned Utilities and Municipal Utilities.



CEC continues to reach members by using Facebook.



The majority of CEC members are interested in Dynamic Pricing that gives them control to reduce their electric cost.



The majority of CEC members are aware that CEC functions as a not-for-profit cooperative

BALANCE SHEETS

	FOR THE YEARS ENDED DECEMBER 31	
ASSETS	2017	2016
UTILITY PLANT		
Electric plant	\$214,695,585	\$207,738,752
Less accumulated depreciation	72,649,767	68,032,920
	142,045,818	139,705,832
INVESTMENTS	22,648,114	21,626,208
CURRENT ASSETS		
Cash and cash equivalents	7,340,307	9,513,121
Receivables, less provision for uncollectible accounts of \$10,200 in 2017 and \$12,400 in 2016	12,552,214	11,955,188
Materials	2,772,519	2,597,185
Prepayments	184,068	119,991
Current portion of deferred debits	2,279,947	2,498,388
Total current assets	25,129,055	26,683,873
DEFERRED DEBITS	9,157,761	12,494,844
Total assets	\$198,980,748	\$200,510,757
LIABILITIES AND CAPITAL	2017	2016
CAPITAL EQUITIES		
Memberships	\$92,500	\$93,775
Patronage capital	99,615,914	94,622,755
Other equities	101,991	101,991
	99,810,405	94,818,521
LONG-TERM LIABILITIES	78,587,757	83,194,309
ACCUMULATED POSTRETIREMENT BENEFIT OBLIGATION	5,560,858	5,134,076
CURRENT LIABILITIES		
Current maturities of long-term debt	4,586,027	8,500,036
Accounts payable	8,079,164	6,635,563
Accrued expenses	1,165,554	1,009,359
Customer deposits	888,365	916,275
Total current liabilities	14,719,110	17,061,233
DEFERRED CREDITS	302,618	302,618
Total liabilities and capital	\$198,980,748	\$200,510,757

The financial reports listed herein are based on the year-end audits by Kerber, Eck and Braeckel, LLP of Carbondale, Ill. for 2017 and 2016. These audits determined the financial books of Citizens Electric Corporation were maintained in accordance with generally accepted accounting principles. The auditors have determined these reports represent fairly the financial position of the Corporation as of Dec. 31, 2017 and 2016. Any CEC member interested in reviewing an audit report is welcome to visit the office, and we will be happy to make the report available to you.

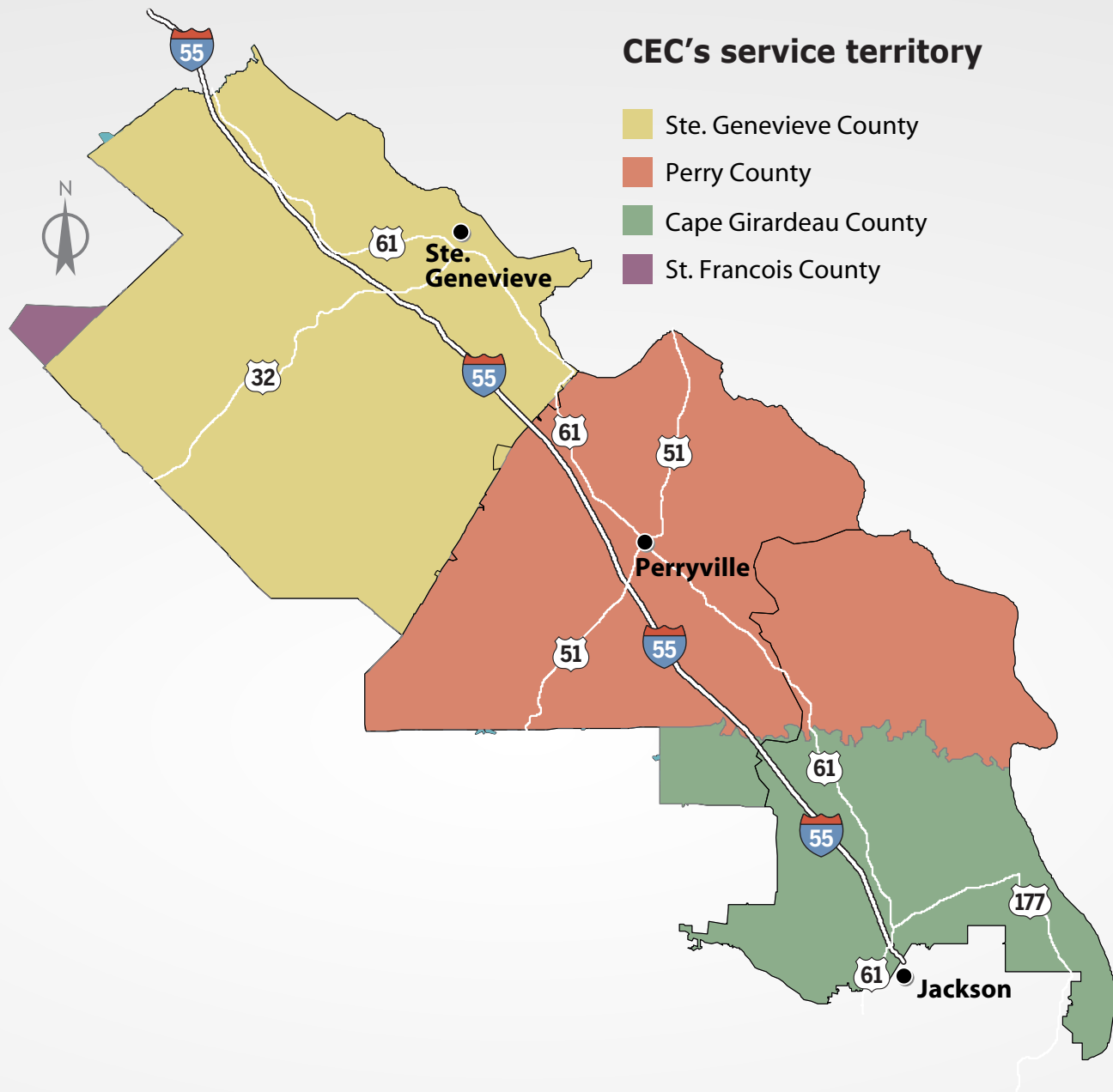
STATEMENTS OF EARNINGS AND PATRONAGE CAPITAL

FOR THE YEARS ENDED DECEMBER 31

	2017	2016
Operating revenue		
Electric energy revenue	\$124,137,065	\$122,898,838
Miscellaneous electric revenue	102,109	94,458
Total operating revenue	124,239,174	122,993,296
Operating expenses		
Cost of power purchased	91,944,807	90,613,227
Operating expenses - transmission	1,367,480	1,612,729
Operating expenses - distribution	6,056,380	5,558,880
Maintenance of distribution plant	3,483,614	3,259,740
Accounting and collection expenses	1,117,301	1,033,281
Other customer expenses	525,981	540,310
Administrative and general	3,305,472	3,169,845
Depreciation	6,517,722	6,623,193
Taxes	1,472,203	1,496,440
Total operating expenses	115,790,960	113,907,645
Operating margin before interest charges	8,448,214	9,085,651
Interest on debt	3,236,955	3,516,048
Operating margin before capital credits	5,211,259	5,569,603
Capital credits and patronage dividends	1,485,901	2,997,549
Operating margin	6,697,160	8,567,152
Interest revenue	117,966	60,985
Gain/(Loss) on sale of property	-	-
Other revenue	(7,971)	(4,530)
NET MARGIN	6,807,155	8,623,607
Patronage capital — beginning of year	94,622,755	88,108,247
Retirement of capital credits	(2,115,614)	(2,410,717)
Unclaimed capital credits	301,618	301,618
Patronage capital — end of year	\$99,615,914	\$94,622,755

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31	
	2017	2016
Cash flows from operating activities		
Net margin	\$6,807,155	\$8,623,607
Adjustments to reconcile net margin to net cash provided by operating activities		
Depreciation	6,517,722	6,623,193
Amortization	2,299,482	2,523,023
Patronage capital credits	(1,485,210)	(2,997,549)
Changes in:		
Receivables	(597,026)	(713,002)
Prepaid expenses	(64,077)	375,417
Materials	(175,334)	55,319
Accounts payable	1,443,601	550,491
Accrued liabilities	156,195	(173,815)
Accumulated provision for pensions and benefits	426,782	399,032
Deferred credits and debits	-	150,238
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	15,329,290	15,415,954
Cash flows from investing activities		
Investment in plant	(8,857,708)	(7,178,973)
Change in other investments	1,256,042	1,000,000
Patronage capital credits	463,308	738,855
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(7,138,358)	(5,440,118)
Cash flows from financing activities		
Long-term borrowing	-	4,500,000
Principal payments on long-term debt	(8,520,565)	(8,036,379)
Capital refunds to members	(1,762,199)	(2,071,947)
Decrease in customer deposits	(27,910)	(11,480)
Decrease in other capital	(53,072)	(37,461)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	(10,363,746)	(5,657,267)
Increase (decrease) in cash and cash equivalents	(2,172,814)	4,318,569
Cash and cash equivalents at beginning of year	9,513,121	5,194,552
Cash and cash equivalents at end of year	7,340,307	9,513,121
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$3,236,955	3,516,048



Citizens
 Electric Corporation

A Touchstone Energy® Cooperative 

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 Perryville, MO 63775
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