


Annual Report 2018



Citizens
Electric Corporation

A Touchstone Energy® Cooperative 

Our Mission

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

Our Board

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

Alvin Franke

Cape Girardeau

Charles Hurst

Ste. Genevieve/St. Francois

Karl Klaus

Perry

John "Skip" Lottes

Perry

Mark Wengert

Perry

Our Staff

Van Robinson

CEO

Ron Klein

V.P. Operations

Jason Cates

V.P. Engineering

Steve Elsea

Manager of Member
Services

Joan Huck

Manager of Finance

Kerry Kimrey

Information Technologies
Supervisor

Lynda Wahlers

Human Resources
Specialist

Eileen Bauman

Administrative
Assistant/Paralegal

Our Stats

Total kWh Sold

1,699,865,642

Average Residential kWh

12,846

Total Members

27,151

Total residential Members

24,356

C & I Members

2,513

Public & other sales

282

*Total Miles of Energized
Line*

3,144

*Total Number of
Substations*

51

Report to Membership

As we look back on 2018 at Citizens Electric Corporation (CEC), there are numerous accomplishments and developments worth noting.

System reliability has been and will continue to be one of our highest priorities. In 2018, we invested over \$10 million to expand and replace the infrastructure that delivers electricity to CEC's members and another \$11 million to operate and maintain the system. Those expenditures are a key reason why outages were minimal in 2018 and the system reliably delivered power 99.97% of the time.

CEC's financial results in 2018 were also solid. Rates were stable for another year and margins improved over the prior year. Furthermore, CEC gave \$2.5 million back to its members in the form of capital credits. This capital credit retirement was significant in two ways: 1) it was an increase in the total amount returned and 2) we modified the retirement method to pay back some of our newer capital credits while still retiring a substantial amount of the oldest capital credits.

CEC's balance sheet will look a bit different at the end of 2018. In late December, CEC sold its high-voltage transmission assets to our power supplier, Wabash Valley Power Association (WVPA), for approximately \$25 million. Most of the proceeds from this transaction went to retire existing debt on those assets. This sale deepens the long-term relationship with WVPA and allows each partner to focus on its core strengths. While CEC will continue to perform many of the same day-to-day functions (operations, maintenance, planning and design), WVPA will concentrate on emerging issues like network transmission revenue and regulatory compliance. We're optimistic that CEC's members will see financial benefits and reliability improvements from this transaction in the years to come.

2018 will also be remembered for a renewed emphasis on employee safety at CEC. Working on and around energized equipment has its challenges and risks. We were certainly reminded of that near the end of 2017 when a CEC employee had an electrical contact. Thankfully, the individual did not suffer any significant injuries from the event. However, the near miss provided a tremendous wake up call to our organization that we can and must do better. We placed more focus on supervision and communication in 2018 to improve our safety culture and minimize risk. We also successfully completed the Rural Electric Safety Achievement Program in 2018. This program includes audits and observations from external sources to help us on our safety journey.

CEC's SharedSolar program was a bright spot in 2018. CEC had over 150 members voluntarily participating in this environmental benefits offering. For just a few more dollars each month, these members supported the clean, carbon-free energy coming from WVPA's solar arrays. This support led WVPA to select Perryville as a site for the next round of solar arrays.

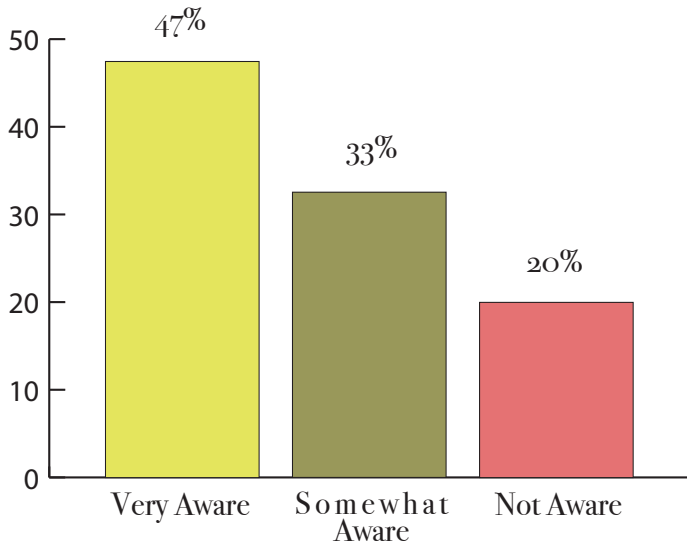
In closing, we'll remember 2018 as a year where much was accomplished, but much is left to do. CEC will remain committed to providing our members with the reliable and affordable electricity that they deserve. We're also committed to providing that service in a safe and responsible manner. We know that our members have increasing expectations for their energy provider and we are focused on meeting those expectations for years to come. Thanks for being a member of CEC.

Rich DeWilde, Board President

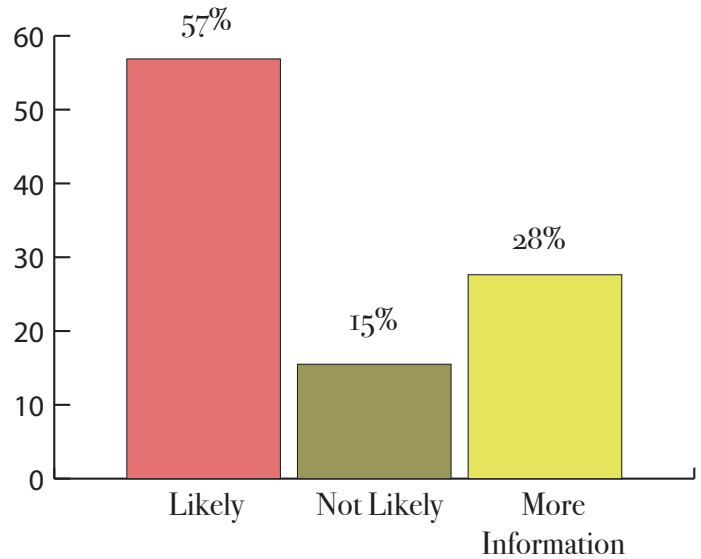
Van Robinson, CEO

Your Opinion Matters

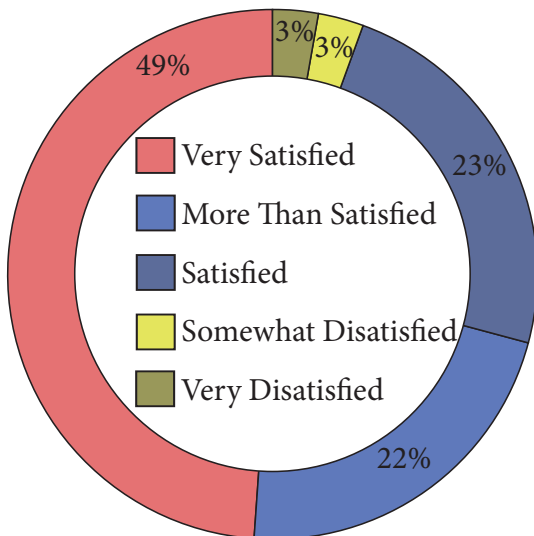
Our Annual Member Survey allows you to share your thoughts and opinions on our performance. The survey is mailed to members every September and reviewed in full by CEC's Staff and Board of Directors.



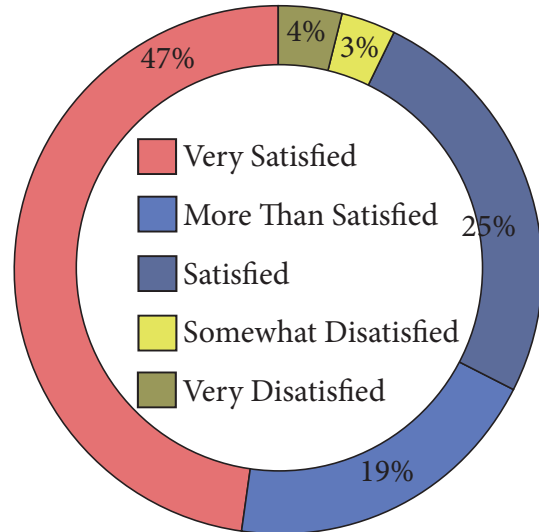
How aware are you that CEC functions as a not-for-profit cooperative and returns capital credits to members?



How likely would you be to run certain appliances at different times of day if that would allow you to pay less for power?



How satisfied are you with the reliability of your electrical service?



If you reported an outage during the past year, how satisfied were you with CEC's response time?

BALANCE SHEETS

ASSETS	FOR THE YEARS ENDED DECEMBER 31	
	2018	2017
UTILITY PLANT		
Electric plant	\$177,279,433	\$214,695,585
Less accumulated depreciation	56,882,993	72,649,767
	120,396,440	142,045,818
INVESTMENTS	24,146,734	22,648,114
CURRENT ASSETS		
Cash and cash equivalents	36,361,507	7,340,307
Receivables, less provision for uncollectible accounts of \$11,250 in 2018 and \$10,200 in 2017	12,014,836	12,552,214
Materials	2,868,378	2,772,519
Prepayments	129,391	184,068
Current portion of deferred debits	2,279,947	2,279,947
Total current assets	53,654,059	25,129,055
DEFERRED DEBITS	6,877,844	9,157,761
Total assets	\$205,075,077	\$198,980,748
LIABILITIES AND CAPITAL	2018	2017
CAPITAL EQUITIES		
Memberships	\$90,855	\$92,500
Patronage capital	106,482,818	99,615,914
Other equities	101,660	101,991
	106,675,333	99,810,405
LONG-TERM LIABILITIES	80,370,805	78,587,757
ACCUMULATED POSTRETIREMENT BENEFIT OBLIGATION	1,569,079	5,560,858
CURRENT LIABILITIES		
Current maturities of long-term debt	2,448,486	4,586,027
Accounts payable	8,169,738	8,079,164
Accrued expenses	1,446,750	1,165,554
Customer deposits	853,260	888,365
Total current liabilities	12,918,234	14,719,110
DEFERRED CREDITS	3,541,626	302,618
Total liabilities and capital	\$205,075,077	\$198,980,748

The financial reports listed herein are based on the year-end audits by Kerber, Eck and Braeckel, LLP of Carbondale, Ill. for 2018 and 2017. 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, 2018 and 2017. 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

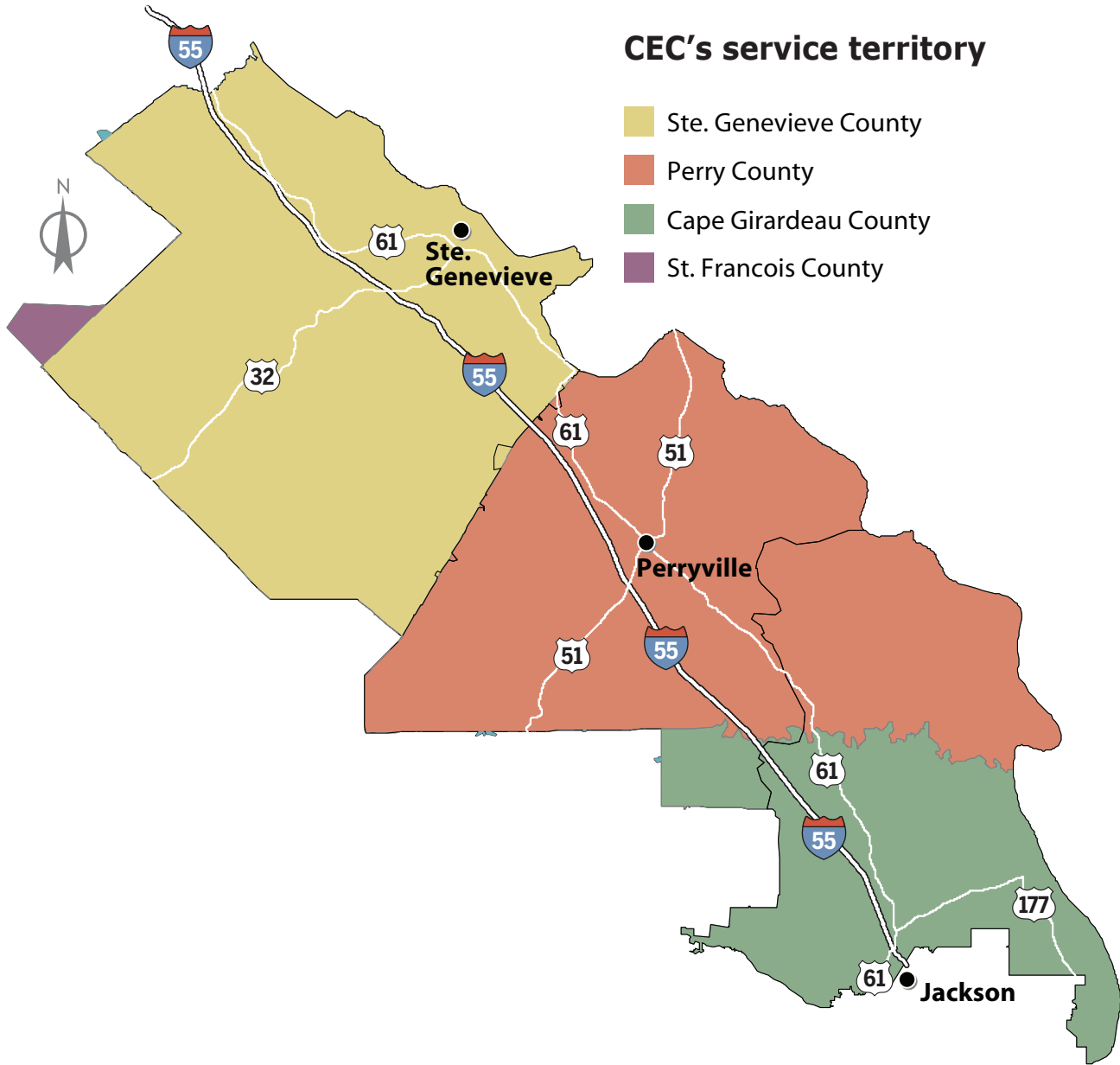
	2018	2017
Operating revenue		
Electric energy revenue	\$120,700,136	\$124,137,065
Miscellaneous electric revenue	104,523	102,109
Total operating revenue	120,804,659	124,239,174
Operating expenses		
Cost of power purchased	87,231,652	91,944,807
Operating expenses - transmission	1,310,207	1,367,480
Operating expenses - distribution	5,947,679	6,056,380
Maintenance of distribution plant	3,917,609	3,483,614
Accounting and collection expenses	1,198,006	1,117,301
Other customer expenses	581,280	525,981
Administrative and general	3,495,835	3,305,472
Depreciation	6,670,890	6,517,722
Taxes	1,555,000	1,472,203
Total operating expenses	111,908,158	115,790,960
Operating margin before interest charges	8,896,501	8,448,214
Interest on debt	2,967,510	3,236,955
Operating margin before capital credits	5,928,991	5,211,259
Capital credits and patronage dividends	1,981,361	1,485,901
Operating margin	7,910,352	6,697,160
Interest revenue	241,746	117,966
Other revenue	271,859	(7,971)
NET MARGIN	8,423,957	6,807,155
OTHER COMPREHENSIVE INCOME		
Amortization of gain on post-retirement benefit obligation	885,157	-
TOTAL NET MARGINS.	9,309,114	6,807,155
Patronage capital — beginning of year	99,615,914	94,622,755
Retirement of capital credits	(2,442,210)	(2,115,614)
Unclaimed capital credits	-	301,618
Patronage capital — end of year	\$106,482,818	\$99,615,914

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31

	2018	2017
Cash flows from operating activities		
Net margin	\$8,423,957	\$6,807,155
Adjustments to reconcile net margin to net cash provided by operating activities		
Depreciation	6,670,890	6,517,722
Amortization	2,279,917	2,299,482
Patronage capital credits	(1,650,914)	(1,485,214)
Amortization of gain from post retirement benefit obligation	885,157	-
Interest income received RUS cushion of credit	(237)	4
Changes in:		
Receivables	537,378	(597,026)
Prepaid expenses	54,677	(64,077)
Materials	(95,859)	(175,334)
Accounts payable	90,574	1,443,601
Accrued liabilities	281,196	156,195
Accumulated provision for pensions and benefits	(451,153)	426,782
Deferred credits and debits	(301,618)	-
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	16,723,965	15,329,290
Cash flows from investing activities		
Investment in plant	(10,356,141)	(8,857,708)
Return of regulated assets - WVPA		1,256,042
Proceeds from sale of transmission assets	25,334,629	
Patronage capital credits	152,294	463,308
NET CASH FLOWS USED IN INVESTING ACTIVITIES	15,130,782	(7,138,358)
Cash flows from financing activities		
Long-term borrowing	4,271,976	-
Principal payments on long-term debt	(4,626,232)	(8,520,565)
Capital refunds to members	(2,296,854)	(1,762,199)
Decrease in customer deposits	(35,105)	(27,910)
Decrease in other capital	(147,332)	(53,072)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	(2,833,547)	(10,363,746)
Increase (decrease) in cash and cash equivalents	29,021,200	(2,172,814)
Cash and cash equivalents at beginning of year	7,340,307	9,513,121
Cash and cash equivalents at end of year	36,361,507	7,340,307
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$2,967,510	\$3,236,955

CEC's service territory



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