



United Electric Cooperative, Inc.

A Touchstone Energy® Cooperative 



One of 14 electric cooperatives serving Pennsylvania and New Jersey

United Electric Cooperative, Inc.
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BOARD OF DIRECTORS

Chairman

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 814-583-7320

Vice Chairman

Timothy D. Burkett, District 6
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Secretary/Treasurer

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President & CEO
 Brenda Swartzlander

Consumer Advocate
 Debra Horner, ext. 8508

Richard Heverley, Editor

2019 United Electric Cooperative Annual Report [Annual Meeting canceled]

2019 Chairman's Report



Stephen A. Marshall
 Chairman of the Board

The board of directors and management of United Electric Cooperative are pleased to present the 2019 Annual Report.

As chairman of the board, I and my fellow board members are honored to serve as your stewards through this unique time. I want to assure all of our members that the staff, employees, and board of directors at United Electric have taken the necessary precautions to help ensure safe, reliable electric service continues as normal in spite of the COVID-19 pandemic.

Our CEO, Brenda Swartzlander, in conjunction with the board, has been very proactive in preparing for the challenges presented by the spread of the coronavirus. We have had in place wide-reaching measures aimed at protecting our lineworkers and other employees in order to ensure their safety while maintaining the ability to react quickly and effectively to address any issues with our members' electric service.

For the first time in the history of the cooperative, we have made the decision to cancel our annual meeting. We understand that the annual meeting is a vital part of our cooperative identity, and do not lightly make this decision. It is our sincere hope that by the time we would have been holding the annual meeting in mid-May that this virus will be under control. However, at this time the virus is spreading fast and it would be irresponsible to expose our members and employees unnecessarily.

United Electric Cooperative is on firm financial footing and is positioned

well as we move forward. As you read through this year's report, you will see that we were very busy in 2019. United Electric invested over \$5.4 million in system improvement projects this past year in our continued efforts to assure a reliable electric system. The projects completed in 2019, and those currently in the planning stages, are all designed to meet our current needs, while at the same time, taking into account the future energy needs of our area.

Maintaining our sound financial position has enabled United Electric's board to approve the retirement of capital credits for the 11th consecutive year. Capital credits returned to our members in 2019 were \$1,101,102, which brings the total capital credits returned to our members over the past 11 years to more than \$10.6 million. Results such as these do not come easy. It takes all of us — members, the board of directors, and our dedicated management and employees all working together to keep our cooperative strong and moving forward.

The increased reliability and the financial condition of our co-op is due in a large part to the dedication and hard work of the employees and management of United Electric. On behalf of myself and the entire board of directors, I would like to take this opportunity to thank all of the employees and the members of United Electric for your support and your commitment to making United Electric a cooperative we can all be proud of.

While continuing our commitment
(continues on page 12d)



Brenda Swartzlander
 President & CEO

Engineering Report 2019

Operations Report

In 2019, the Operations Department continued our system improvement and replacement plan to increase reliability to you, our members. In the past year, we rebuilt 25 miles of line. This included projects such as rebuilding the three-phase line along Anderson Creek Road. The line providing power to members in the Utahville area was rebuilt, as well as the line along Route 36 near Cooksburg. Our line rebuild project on Graffius Avenue Extension was also completed in 2019. All of these projects are, as always, designed and built to provide more reliable electric service, as well as increase capacity for the future.

Engineering Report

In 2019, the Engineering Department was kept quite busy staking just over 600 work orders, in addition to the system improvement projects. This work, along with various other member requests, kept us very busy trying to fulfill the needs of our members.

Currently, the Engineering Department is in the planning stages of a

number of projects aimed at improving reliability for our members. Three projects are nearly completed from an engineering perspective and will be ready for construction. These are the Shannondale area rebuild and the Munderf area rebuild projects.

The Engineering Department extends a sincere “thank you” to all of the members who were instrumental in siting these system improvement projects. Your cooperation is the key component in making these, and future projects of this type, a success. Your cooperation in line relocation and changing of poles on your property makes it possible for United Electric to continue to improve service to you and your neighbors.

Vegetation Management

The demand for reliable electric service has never been higher. With stricter regulatory oversight, cooperatives must employ professional tree contractors to achieve a successful and modern vegetation management program.

United Electric has used an Inte-

grated Vegetation Management (IVM) system for many years. IVM blends mowing, hazard tree removal, directional clearance pruning and selective herbicide application into a systematic, cyclical approach to right-of-way management. Maximizing tree-to-conductor clearances, as well as mitigating hazard trees, continues to lessen tree-related outages over the duration of a circuit’s maintenance cycle. A solid IVM program delivers financial, environmental, ecological, and operational results that are cost-effective to the cooperative and our membership. Ignoring vegetation management concerns has never been an option.

In 2019, the cooperative continued aerial patrol, which helps us to locate and proactively eliminate potential outage causing hazards. The Forestry and Line departments jointly conducted a helicopter patrol of 363 miles of line. Forestry was able to identify and correct potential problems in locations between scheduled maintenance operations. During these patrols, we were able to target trees that had broken during prior storms, but had not caused immediate problems, as well as others that had fallen victim to insects or disease. United Electric intends to continue the aerial patrol program in 2020.

In 2019, United Electric maintained 661 miles of line at an average cost of \$3,120/mile. The main focus of our 2019 vegetation management program was proactive, full- and mid-cycle maintenance.

Dollars spent today continue to reduce the number of outages and improve reliability by correcting tree-to-conductor conflicts. Keeping our right-of-ways clear for maintenance and repair crew access lessens the potential of damage to line equipment, translating to cost-effectiveness through increased productivity and shorter duration of storm-caused outages. Increased safety for our mem-

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ANNUAL MEETING CANCELED!

Due to the COVID-19 pandemic, UNITED ELECTRIC'S ANNUAL MEETING has been CANCELED!

Treasurer's Report

As treasurer of United Electric Cooperative, it is my privilege to present the 2019 Audited Financial Statements for the cooperative. The year saw continued financial stability in the financial condition of the cooperative. The 2019 margins ended the year at \$2,242,723 as compared with \$2,223,366 for 2018. The margin of \$2,242,723 is 8.1% of the year's revenue and will be allocated to each member's capital credit account.



Eileen Pisaneschi
Secretary/Treasurer

Operating revenues increased to \$27,585,964 compared to \$26,558,121 in 2018. Maintenance expenses increased from \$3,823,130 in 2018 to \$4,711,801. Interest expense for the year was 10.3% of our operating expenses; during 2018, this amounted to 10.2%. Interest expense on long-term debt in 2019 was \$120,629 more than it was in 2018.

After allocation of this year's margins and estate retirements, the total equity of the members will increase from \$34,220,499 to \$36,730,649. The members' equity ratio for the end of 2019 is 34.04%.

During 2019, work proceeded on our construction work plan for system improvements. The cost of construction work completed during 2019 was \$5,407,912 in additions and \$1,093,566 in retirements.

The net increase in plant for 2019 was \$3,357,665. Improvements included sectionalizing of lines to decrease outages, upgrading of substations, adding and replacing reclosers, replacing old wire and poles, installing Aclara meters, and adding new services. This work plan has been put in place to improve the reliability of the electric service.

During 2019, a general capital credits retirement to the members was accomplished utilizing the FIFO (First In First Out) method. The 2019 general retirement marks the 11th year in a row United has returned capital credit to the membership. The general capital credit retirement was completed in October in the amount of \$833,591. United continues to settle estate capital credit retirements, which for the year totaled \$267,511. The total amount of capital credit distributions made for 2019 amounted to \$1,101,102. ☀

FINANCIAL HIGHLIGHTS

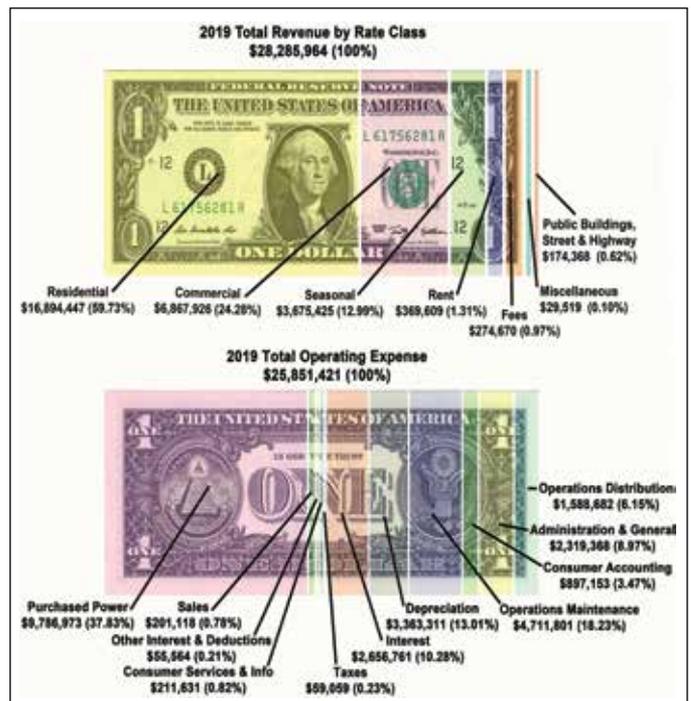
CONDENSED STATEMENT OF OPERATIONS For the year ending December 31, 2019

	2019	2018
OPERATING REVENUES	\$ 27,585,964	\$ 26,558,121
OPERATING EXPENSES		
Purchased Power	9,786,973	10,392,213
Other Operations	5,217,952	4,828,201
Maintenance	4,711,801	3,829,130
Depreciation	3,363,311	3,170,023
Taxes	59,059	58,194
Interest on Long-term Debt	2,656,761	2,536,132
Other Interest and Deductions	55,564	95,102
Total Operating Expense	25,851,421	24,908,995
OPERATING MARGINS	1,734,543	1,649,126
NON-OPERATING MARGINS		
Total Non-Operating Margins	508,180	574,240
NET MARGINS	\$ 2,242,723	\$ 2,223,366

CONDENSED BALANCE SHEET December 31, 2019

	2019	2018
ASSETS		
Electric Plant (at cost)	\$ 122,447,790	\$ 119,090,125
Construction work in progress	2,422,902	3,328,833
Less accumulated depreciation	(33,837,276)	(32,985,699)
Net Plant	91,033,416	89,433,259
Other Assets and Investments	7,117,714	7,006,422
Current Assets	7,713,763	5,171,976
Deferred Charges	2,043,245	2,363,629
Total Assets	107,908,138	103,975,286
EQUITIES AND LIABILITIES		
Memberships	\$ 54,505	\$ 56,990
Patronage Capital	33,590,501	32,454,328
Other Equities	3,085,643	1,709,181
Total Equities	36,730,649	34,220,499
Long-Term Debt	59,055,775	56,707,539
Other Non-Current Liabilities	1,353,098	1,349,343
Current Liabilities	8,814,694	10,497,921
Deferred Credits / Regulatory Liabilities	1,953,922	1,199,984
Total Equities and Liabilities	107,908,138	103,975,286

2019 Audit of United Electric Cooperative conducted by
Fiore, Fedeli, Snyder, Carothers LLP Certified Public Accountants



Engineering Report 2019

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bers, their families and United Electric personnel is achieved by preventing trees from coming into contact with energized conductors.

The success of any program is directly related to the “cooperation” between our members and United Electric. With your cooperation, we will continue to maintain safer right-of-ways and improve reliability throughout our system.

Wood Pole Inspection and Treatment

The wood pole inspection/treatment process increases serviceability of poles indefinitely. This process also pinpoints locations of non-serviceable and “danger” poles.

This procedure begins with a visual inspection of the pole from ground line to top. If warranted, a sonic test is performed to determine decay and voids. Poles with voids are bored and probed for a more accurate determination of the extent of the void. If serviceable, the inspector will inject an internal treatment to stabilize the decay of the wood. Partial excavation of the pole to a depth of 6 to 9 inches follows. The inspector looks for signs of decay, green mold, bleaching, etc. If any of the aforementioned is present, a full excavation to a depth of 18 inches is performed. Decay is scraped away, and a preservative and moisture barrier are then applied.

United Electric maintains a systematic Wood Pole Inspection Program, thereby allowing us to determine the serviceable life and safety of our poles. In 2019, 3,208 poles were inspected and treated at an average cost of \$27.82/pole. Seventy-five poles (2.3%) were determined to be unserviceable. From inspection reports, our engineering technicians are able to plot and create service orders for line crews to replace the defective poles. Service orders are also issued to the Line Department for repair of any damaged hardware that was noticed during the inspection. ⚡

2019 Chairman’s Report

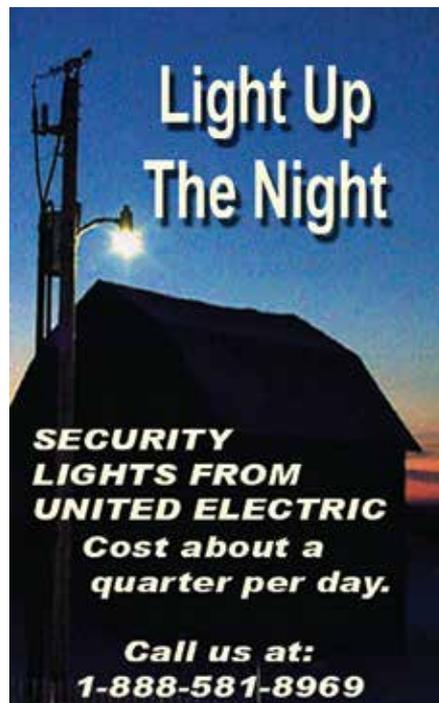
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to improved reliability, your cooperative board and management remain mindful of the need to maintain reasonable rates. We continually scrutinize our operations of the cooperative to hold the line on costs, while closely monitoring issues and legislation at both the state and national levels that could adversely affect our ability to keep costs low for our members. The ever-changing directives from both state and federal authorities due to the COVID-19 outbreak have presented us with numerous challenges. But with all of us working together, we will keep the lights on and come out of this challenging period as strong as ever.

We will truly miss seeing all of you at the annual meeting this year, but we look forward to seeing all of you at next year’s meeting. Our hopes and prayers are that all of our members and all of the people throughout the communities we serve come through this pandemic healthy and safe from harm. ⚡



Stephen A. Marshall
Chairman of the Board



BE PREPARED BEFORE A STORM STRIKES

In the event of a power outage, be prepared by keeping the following items in an easy-to-find emergency supply kit.

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■ WATER
Three-day supply, one gallon per person per day.
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■ TOOLS
Flashlight, extra batteries, manual can opener, battery-powered or hand-crank radio, NOAA Weather Radio with tone alert.
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■ FIRST AID KIT AND PRESCRIPTIONS
First aid supplies, hand sanitizer and at least one week’s supply of prescriptions and medications for the family.

Learn more at www.ready.gov 

 AMERICA'S ELECTRIC COOPERATIVES

Source: American Red Cross, Federal Emergency Management Agency.