



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

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Consumer Advocate
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Richard Heverley, Editor

2020 United Electric Cooperative Annual Report [Annual Meeting postponed]

Chairman's Report



Stephen A. Marshall
 Chairman of the Board

ON BEHALF of your board of directors and management of United Electric Cooperative, I am pleased to present the 2020 Annual Report of the Cooperative.

My fellow board members and I are honored to serve as your stewards of United Electric Cooperative throughout these unusual times. In 2020, the COVID-19 pandemic caused changes in all of our lives. I am pleased to report that with the cooperation of our members, management and the staff of United Electric, we were successful in keeping change to our operations as seamless as possible, while continuing to provide safe, reliable electric service to our members.

Throughout this pandemic, our CEO, Brenda Swartzlander, in conjunction with the board, has been very proactive in taking on the challenges of preventing the spread of the coronavirus through our workforce. Changes were made to every aspect of our operations to ensure the safety of our personnel, as well as our members, while maintaining our ability to react quickly and effectively to address any issues with our members' electric service.

Due to the uncertainty surrounding the ongoing COVID-19 pandemic and the restrictions on public meetings, we have decided the only sensible thing to do is to postpone our annual

meeting, which is usually held in May. We understand that the annual meeting is a vital part of our cooperative and do not make this decision lightly. It is our sincere hope that this virus will be under control soon and we can return to making decisions without taking it into consideration. However, for at least the time being, this virus continues to be with us, and United Electric would be negligent in subjecting our members and employees to unnecessary exposure to it.

On a more upbeat note, I am pleased to report that 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 we were very busy in 2020. In our continued efforts to ensure a reliable electric system for our members, United Electric invested over \$5.4 million in system improvement projects this past year. The projects completed in 2020, and those currently in the planning stages, are all designed to meet our current needs, while at the same time they take into consideration the future energy needs of our communities.

Maintaining our sound financial position has enabled United Electric's board to approve the retirement of capital credits for the 12th consecutive



Brenda Swartzlander
 President & CEO

(continues on page 12b)

2020 Chairman's Report

(continued from page 12a)

year. Capital credits returned to our members in 2020 totaled \$1,077,657, which brings the total capital credits returned to our members over the past 12 years to more than \$11.7 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.

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 commitment to making United Electric a cooperative we can all be proud of. The increased reliability and the financial condition of our co-op would not be possible without the dedication and hard work of the employees and management of United Electric and the support and cooperation of all of our members.

Your cooperative board and management remain mindful of the need to maintain reasonable rates as we carry

on our commitment to improving the reliability of our system. We thoroughly evaluate all of our operations for ways to hold the line on costs, while continually monitoring issues and legislation at both the national and statewide levels that could adversely affect our ability to keep costs low for our members. With all of us working together, I have confidence that we will continue to meet the numerous challenges of adhering to the directives from both state and federal authorities pertaining to the COVID-19 outbreak while keeping the lights on for our members. I am also confident United Electric will come out of this challenging period as strong as ever.

We will truly miss seeing all of you at the annual meeting in May, but we look forward to seeing you when it is safe for all of us to come together to conduct the business of your cooperative. In the meantime, stay safe and healthy.



Stephen A. Marshall
Chairman of the Board

Treasurer's Report

As treasurer of United Electric Cooperative, it is my privilege to present the 2020 Audited Financial Statements for the cooperative. The year saw continued financial stability in the financial condition of the cooperative. The 2020 margins ended the year at \$2,677,031 as compared with \$2,242,723 for 2019. The margin of \$2,677,031 is 9.7% of the year's revenue and will be allocated to each member's capital credits account.



Eileen Pisaneschi
Secretary/Treasurer

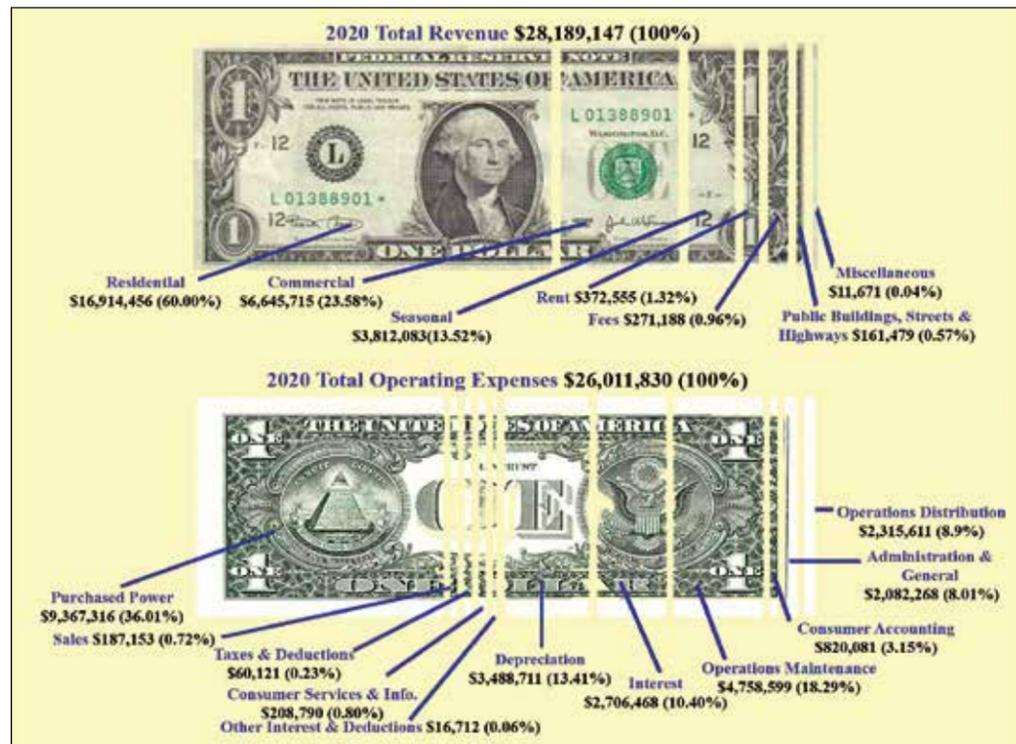
Operating revenues increased to \$27,629,147 compared to \$27,585,964 in 2019. Maintenance expenses increased from \$4,711,801 in 2019 to \$4,758,599 in 2020. Interest expense for the year was 10.4% of our operating expenses; during 2019, this amounted to 10.3%. Interest expense on long-term debt in 2020 was \$49,707 more than it was in 2019.

After allocation of this year's margins and estate retirements, the total equity of the members will increase from \$36,730,496 to \$38,465,971. The membership's equity ratio for the end of 2020 is 34.68%.

During 2020, work proceeded on our construction work plan for system improvements. The cost of construction work completed during 2020 was \$4,809,844 in additions and \$1,038,396 in retirements.

The net increase in plant for 2020 was \$4,271,630. Improvements included sectionalizing lines to decrease outages, upgrading substations, adding and replacing reclosers, replacing old wire and poles, and adding new services. This work plan has been put in place to improve the reliability of the electric service.

During 2020, a general capital credits retirement to the members was accomplished utilizing the FIFO (First In First Out) method. The 2020 general retirement marks the 12th year in a row United has returned capital credits to the membership. The general capital credits retirement was completed in October in the amount of \$803,861. United continues to settle estate capital credits retirements, which for the year totaled \$273,796. The total amount of capital credits distributions made for 2020 amounted to \$1,077,657.



FINANCIAL HIGHLIGHTS

CONDENSED STATEMENT OF OPERATIONS
For the year ending December 31, 2020

	2020	2019
OPERATING REVENUES	\$ 27,629,147	\$ 27,585,964
OPERATING EXPENSES		
Purchased Power	9,367,316	9,786,973
Other Operations	5,613,902	5,217,952
Maintenance	4,758,599	4,711,801
Depreciation	3,488,711	3,363,311
Taxes	60,121	59,059
Interest on Long-term Debt	2,706,468	2,656,761
Other Interest and Deductions	16,712	55,564
Total Operating Expense	26,011,829	25,851,421
OPERATING MARGINS	1,617,318	1,734,543
NON-OPERATING MARGINS		
Total Non-Operating Margins	1,059,713	508,180
NET MARGINS	\$ 2,677,031	\$ 2,242,723

CONDENSED BALANCE SHEET
December 31, 2020

	2020	2019
ASSETS		
Electric Plant (at cost)	\$ 126,719,420	\$ 122,447,790
Construction work in progress	1,006,158	2,178,861
Less accumulated depreciation	(35,761,308)	(33,593,235)
Net Plant	91,964,270	91,033,416
Other Assets and Investments	7,863,664	7,114,989
Current Assets	9,285,328	7,713,763
Deferred Charges	1,805,313	2,045,970
Total Assets	110,918,575	107,908,138
EQUITIES AND LIABILITIES		
Memberships	\$ 52,140	\$ 54,505
Patronage Capital	32,513,645	33,198,363
Other Equities	5,900,186	3,477,783
Total Equities	38,465,971	36,730,651
Long-Term Debt	63,653,668	61,965,384
Current Liabilities	6,193,430	7,258,181
Deferred Credits / Regulatory Liabilities	2,605,506	1,953,922
Total Equities and Liabilities	110,918,575	107,908,138

2020 Audit of United Electric Cooperative conducted by
Fiore, Fedeli, Snyder, Carothers LLP Certified Public Accountants



Engineering Report 2020

Operations department

In 2020, the Operations Department continued our system improvement and replacement plan to increase reliability to you, our members. In the past year, we rebuilt about 20 miles of line. This included projects such as the rebuilding of the three-phase line near Horntown to relocate it out of a swamp. Our aging single-phase line in the Shannondale area was rebuilt and the Henderson South main three-phase line was rebuilt all the way to a Laurel Ridge switch point. All of these projects are, as always, designed and built to provide more reliable electric service, as well as increase capacity for the future.

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

Engineering department

Currently, the Engineering Department is in the planning stages of a number of projects aimed at improving reliability for our members. The engineering stages for three major projects are nearing completion, and these projects will soon be ready for the construction stage to begin. These projects are: Five Points South project, where we will be replacing primary underground line with three-phase overhead line; a Munderf project, where we will rebuild the three-phase line and possibly relocate some of it; and a Conifer-Roseville project that will be a three-phase overhead line rebuild.

In 2020, the Engineering Department kept quite busy staking just over 600 work orders for projects outside of the system improvements. This work, along with various other member requests, keeps us very busy fulfilling all members’ needs.

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 employs Integrated Vegetation Management (IVM), which blends directional clearance pruning, hazard tree removal, mowing and selective herbicide application into a systematic, cyclical approach to right-of-way management. Maximizing tree-to-line clearances, as well as mitigating hazard trees, IVM 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 its membership. Ignoring vegetation management concerns is not an option.

Aerial patrol

In 2020, United Electric continued to utilize aerial patrols to locate and proactively mitigate potential outage-causing hazards. The Forestry Department and Line Department jointly conducted a helicopter patrol of 380 miles of line. United personnel were able to identify and correct potential problems on locations between scheduled maintenance operations. Patrols targeted trees that had broken but not caused immediate problems from prior storms, as well as others that had fallen victim to insects or disease. United intends to continue the aerial patrol program in 2021.

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 rights-of-way and improve reliability throughout our system. In terms of system reliability, maintaining the right-of-way is key to keeping our rights-of-way clear for maintenance and repair crew access. Increased safety for our members, their families and United

personnel is achieved by preventing trees from coming into contact with energized lines.

In 2020, United Electric maintained 758 miles of line at an average cost of \$3,066/mile. The main focus of 2020’s vegetation management program was proactive, full- and mid-cycle maintenance. Through the use of qualified contractors, United Electric corrects inadequate vegetation-to-line clearances, accessibility issues and danger-tree mitigation before they become the cause of outages.

Wood pole inspection and treatment

The wood pole inspection/treatment process increases the 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 the ground to the 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 deterioration 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 2020, 5,939 poles were inspected and treated at an average cost of \$22.03/pole. Eighty-six poles (1.4%) were determined to be unserviceable. From inspection reports, our engineering technicians are able to plot and create the work orders for line crews to replace the defective poles. Service orders are also issued to the Line Department for repair of damaged hardware, if applicable. 🔍

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.

■ WATER

Three-day supply, one gallon per person per day.

■ TOOLS

Flashlight, extra batteries, manual can opener, battery-powered or hand-crank radio, NOAA Weather Radio with tone alert.

■ 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.