



Foundation for the **FUTURE**

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2018



Annual Report

Your Neighbors, Your Trustees

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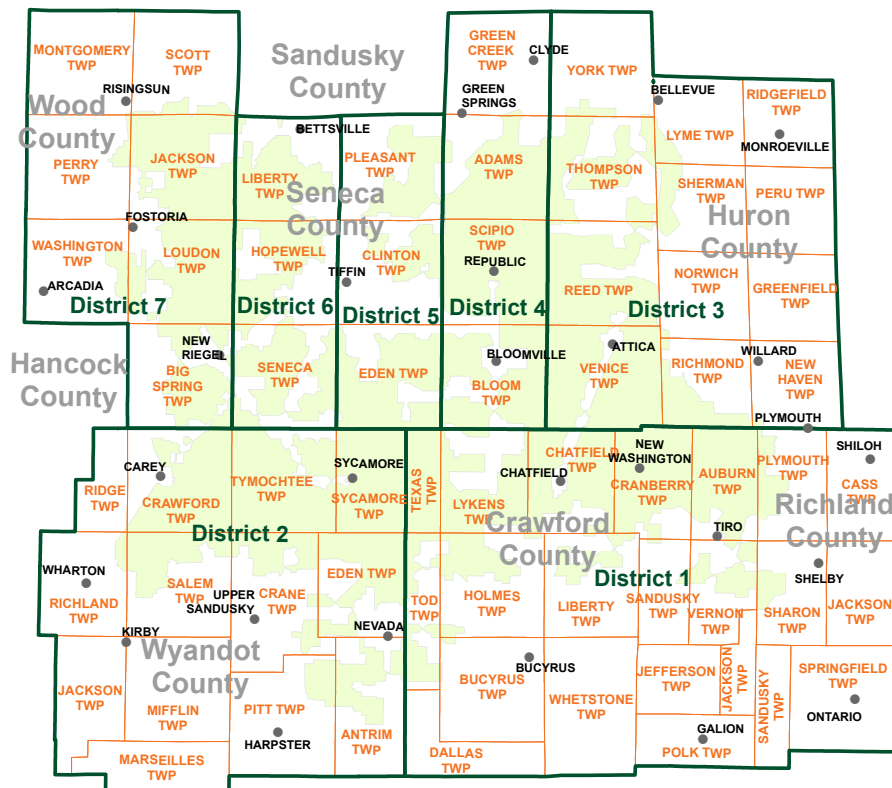
Nick W. Wagner IV
District 3



Ronald P. Frisch
District 5



Michael P. Scherger
District 6



From the Board President



Duane Frankart
President

It is important for elected representatives on the cooperative board of trustees to meet with elected officials, locally and in Washington D.C., to advocate on behalf electric cooperatives.

North Central Electric representatives traveled to

Washington D.C. for the legislative conference. The keynote speaker at the legislative conference was the U.S. Department of Agriculture Secretary Sonny Perdue, a former Georgia governor and dyed in the wool cooperative member. Perdue told more than 2,000 electric cooperative leaders attending the conference, "Broadband has the greatest potential to drive the U.S. economy, yet 24 million American households lack reliable, affordable high-speed internet access." Perdue likened the challenge of providing broadband to unserved and under served parts of the country to how cooperatives delivered electricity to remote communities nationwide

under the Rural Electrification Act (REA) in 1936.

Members of North Central Cooperative continue to give the cooperative high marks for its overall service. NCE achieved an ACSI score of 87, up two points from its 2017 mark. The 87 was the fifth highest score among Ohio's 23 electric cooperatives that participated in the survey. Seventy-three percent of the members surveyed gave the cooperative a satisfaction rating of 9 or 10 on a 10-point scale, which is up three points from 2017.

North Central Electric selected Edward VanHoose, CEO of Clay Electric Cooperative, Inc. (CECI), in Flora, Ill. at its October meeting to be its sixth general manager in the cooperative's 83-year history. VanHoose succeeds Markus Bryant, who retired after 21 years with NCE. We believe Mr. VanHoose brings a wealth of experience and education that will fit our cooperatives for the long term.

From the General Manager



Ed VanHoose
General Manager

We are pleased to report that 2018 was another positive and productive year.

A team of 17 volunteer lineworkers from Ohio electric cooperatives traveled to Guatemala to bring electricity to two small

villages. They spent nearly three weeks working to provide electricity to 140 households that had never had electric service. Our co-ops sent linemen Mike Stahl and Paul Weaver from NCE and photographer/videographer Brian Barr from LMRE.

We completed construction of the co-op's 12th substation. The \$20 million Adrian substation in Wyandot County will enhance service reliability and alleviates some of the load on the Carey substation.

In 2018 the cooperative experienced 217 outages. This is lower than our 10-year average of 241 outages. Weather-related issues caused more of the outages than any other cause.

We continued support for our area youths with several programs. The co-op sent Be E3 Smart

students from Seneca East, Buckeye Central, and St. Bernard schools to tour our Cardinal generating plant in Brilliant, Ohio to learn how electricity is generated and sent to your homes. We selected two students to represent the co-op on the annual Youth Tour to Washington, D.C. They met with members of Ohio's congressional delegation and toured many historical sites in the nation's capital. We also awarded \$11,500 in scholarships to five children of co-op members. We anticipate expanding our youth programs in the years to come.

The cooperative retains annual margins to provide working capital for the co-op, and when revenue exceeds expenses, the excess is retained and returned to our members. NCE refunded more than \$715,000 back to our members at the end of 2018. We also reached the milestone of returning more than \$20 to our members since 1980.

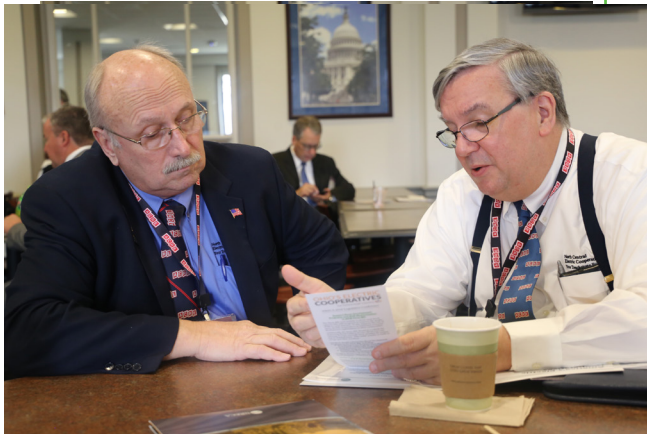
As a cooperative, we are guided by you, our member. We make decisions with your best interests in mind. This is one of the many things that makes co-ops unique.

The year at a glance 2018

North Central Electric provides the community with more than safe, reliable, and affordable power. NCE supports the community with youth programs and the People Fund. When another co-op is in need, NCE is there to lend a hand – whether it's in another state or another country. NCE is led by members in your community and every year we gather with our members for the annual meeting. System maintenance is always a priority. Being proactive with construction and maintenance helps avoid major outages before they happen. And as a not-for-profit cooperative, at the end of the year, NCE shares the unused revenue back to the people we serve.

March

Project Ohio: Ohio linemen from cooperatives across the state, including North Central Electric, came together to bring electricity to two small Guatemalan villages during Project Ohio. Over \$20,000 was raised by Ohio's cooperative employees and trustees to support the project.



Legislative Conference: Each year, North Central Electric sends representatives to Washington, D.C. for the annual electric cooperatives Legislative Rally. The theme of the 2018 conference was bringing broadband service to under-served areas of rural America.

June

April

Annual Meeting: About 1,550 members and guests attended the 2018 Annual Meeting and Family Fun Day. Face painting was a hit among the children in attendance, as well as Jungle Bob's animal show and several inflatable games, before dinner was served and the business meeting began.



Cardinal Tour: Forty-seven students participating in the Be E3 Smart program from three area schools attended a tour of the Cardinal Generating Station in Brilliant, Ohio. On the trip, they learned how a coal plant generates the electricity they use in their everyday lives.

September



Ribbon Cutting: North Central Electric completed construction on the Adrian substation in northeast Wyandot County. It is the cooperative's 12th substation, and first since 2002.

November

December



Mutual Aid: North Central linemen (back row) Chad Burger, Brian Miller, Donovan Roth, and Aaron Lindsey assisted with power restoral efforts in North Carolina after Hurricane Michael devastated areas of the state.



Capital Credits: After returning over \$715,000 in capital credits in 2018, North Central Electric reached a milestone of over \$20 million returned to its members. The total refund was up 19 percent from 2017.

October

Co-op Facts

North Central Electric has been supplying safe, reliable, and affordable power for over 80 years to its members.

At the heart of any cooperative is a team of individuals working together to bring the best service possible to its members. NCE's 33 full-time employees are no different. From the linemen out in the field to the office staff answering outage calls and questions from the 9,657 members, it's the cooperative's goal is to make sure the lights stay on for everyone in the co-op's seven-county service territory.

NCE's line crews and operations staff focus on making sure all 1,794 miles of electric line is functioning correctly, running pole inspections, line maintenance, and right-of-way clearing all year long to avoid as many outages as possible. And with an average of 5.4 members per mile of line being served, every foot matters. If a storm does hit, crews understand that the number one priority is getting the members' lights back on as quickly and safely as possible.

NCE's efforts were reflected in the 2018 American Customer Satisfaction Index (ACSI) score, where members helped us achieve an ACSI score of 87, up two marks from our 2017 score. This was the fifth-highest score among Ohio's 23 participating electric cooperatives.

NCE is also committed to bringing renewable energy to its members through the OurSolar program, and the co-op's 152 solar panels produced 52,221 kWh in 2018. OurSolar reflects NCE's balanced approach to electricity generation.



33
full-time employees



9,657
members



1,794
miles of electric line



5.4
members per mile



87
ACSI score



52,221 kWh
OurSolar output



Construction and Maintenance

Maintenance efforts and technology enhancements are paying dividends when it comes to providing reliable service for our members.

In 2018 the cooperative experienced 217 outages. This is lower than NCE's 10-year average of 241 outages. Weather-related issues caused 31 percent of the outages for the year, followed by equipment related outages at 25 percent.

The average length of time members were without power slightly increased in 2018 by 25 minutes to about an hour and 45 minutes from just 1 hour and 20 minutes in 2017. This marked the ninth time in the past 11 years the average duration of outages was below two hours.

"With advanced upgrades made by the engineering department and the dedicated commitment to maintenance from our linemen, we have been able to keep outage times to a minimum," Operations Manager Randy Phillips says. "Our maintenance efforts show when severe weather hits. Unfortunately, we do see the occasional transmission outages that are out of our control."

The cooperative completed construction of a new distribution substation in northeast Wyandot County in 2018. The Adrian substation marks the cooperative's 12th substation.

The \$2 million Adrian substation, located on Township Highway 107 in Tymochtee Township, was built to enhance service reliability and alleviate some of the load on the Carey substation. It also accommodates the growing demand of two of the cooperative's largest commercial consumers, the National Lime and Stone Co. and Kalmbach Feeds near Carey.

"The new substation is going to add to the reliability of all the members in the Carey area because if we lose transmission service to our substation, we can backfeed all our members from the Carey substation," said Brad Warnement, director of engineering and operations.

The Adrian substation will be connected to the cooperative's supervisory control and data acquisition (SCADA) system which gives the cooperative the ability to monitor electric load and control substation from the cooperative headquarters.



Giving back to the community

Total number
of grants awarded
in 2018

22

Total dollar
amount funded
in 2018

\$43,860.06

Total number of
grants issued
since 1999

491

Total dollar
amount funded
since 1999

\$864,478.79

Concern for Community was the guiding cooperative principle that the North Central Electric Board used when they implemented the People Fund. It was a bold step when it was decided to enroll all of North Central's members into the program. If a member desires, they can opt out of the People Fund program at any time. The average donation remains the same today — 50 cents per month, per participating member.



About 87 percent of the Cooperative members in 1999 voluntarily rounded up their monthly electric bills to the next dollar. Today, member participation is at 93 percent.

Now in its 20th year, the People Fund has awarded \$86,447 with 491 grants since inception in 1999 through December 2018. Grants to individuals are capped at \$3,000 while organizational grants are capped at \$10,000.



Since 1980, more than \$20.4 million in capital has been returned to members. About 12,500 North Central Electric current and former members received their patronage capital credits refunds totaling \$715,947 in 2018.

“Refunding capital credits sets cooperatives like North Central Electric apart from other utilities,” Board President Duane Frankart said. “The board believes by refunding margins we’re sending a positive message to our members that the co-op is financially stable and that their board is making sure we operate efficiently and effectively. Being a member of the cooperative is the reason you receive refund while other people who are customers of investor-owned utilities do not.”

The total refund is up about 19 percent from 2017. Director of Finance and Accounting Kristine Dawson explained there are two components to the refund — North Central Electric’s portion and Buckeye Power’s portion. “The Buckeye Power 2018 refund was 42 percent more than it was in 2017,” Dawson said. “The cooperative’s portion of the refund also increased slightly.” Buckeye Power is the wholesale power supplier for NCE and is also a cooperative.

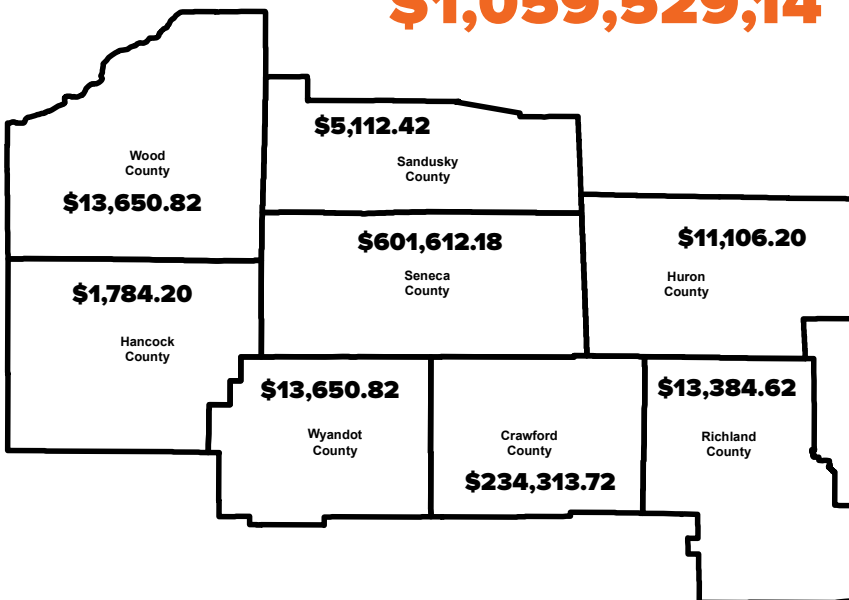
The cooperative retains annual margins to provide working capital for new construction, equipment, and system improvements throughout the cooperative’s service area. If NCE’s revenue exceeds expenses for the year, the excess is retained as margins and is allocated back to the members on the basis of their patronage.

Review of Capital Credits Refunds

Pre-2010....	\$ 14,127,258
2010.....	\$ 746,423
2011.....	\$ 707,530
2012.....	\$ 578,667
2013.....	\$ 725,119
2014.....	\$ 689,373
2015.....	\$ 693,150
2016.....	\$ 891,446
2017.....	\$ 599,174
2018.....	\$ 715,947
Total.....	\$ 20,474,087

Total property tax paid in 2018

\$1,059,529,14



Statements of Revenue and Expenses

ASSETS

UTILITY PLANT

Utility plant in service	\$ 72,094,216	\$69,435,040
Construction work in process	1,805,392	587,913
	-	-
	73,899,608	70,022,953
Less: Accumulated depreciation	(23,423,828)	(22,158,581)
	50,475,780	47,864,372

INVESTMENTS

Investments in associated organizations, at cost	13,318,418	12,420,072
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CURRENT ASSETS

Cash and cash equivalents	270,157	763,950
Restricted Cash	360,551	255,009
Accounts receivable, consumers and other, less allowance for doubtful accounts of \$36,000 in 2018, \$37,000 in 2017	3,115,606	3,086,119
Interest receivable	7,372	7,412
Materials and supplies	648,800	830,243
Prepayments	110,236	119,338
Total current assets	4,512,722	5,062,071

OTHER ASSETS

Deferred Compensation	-	139,623
Prepaid Deferred Pension Costs (Note 10)	899,426	881,996
	899,426	1,021,619
	\$ 69,206,346	\$ 66,368,134

MEMBERS' EQUITIES AND LIABILITIES

MEMBERS' EQUITIES

Memberships	\$ 80,980	\$ 80,810
Patronage capital	29,436,903	27,867,166
Other equities	1,453,040	1,335,305
	30,970,923	29,283,281
	31,921,800	30,733,139

LONG-TERM DEBT

CURRENT LIABILITIES

Accounts payable	1,647,669	1,943,737
Principal payments due within one year on long-term debt	1,426,489	1,379,860
Consumer deposits	319,075	319,600
Accrued liabilities	1,514,726	1,426,073
Total current liabilities	4,907,959	5,069,270

ACCRUED SICK LEAVE BENEFIT PLAN

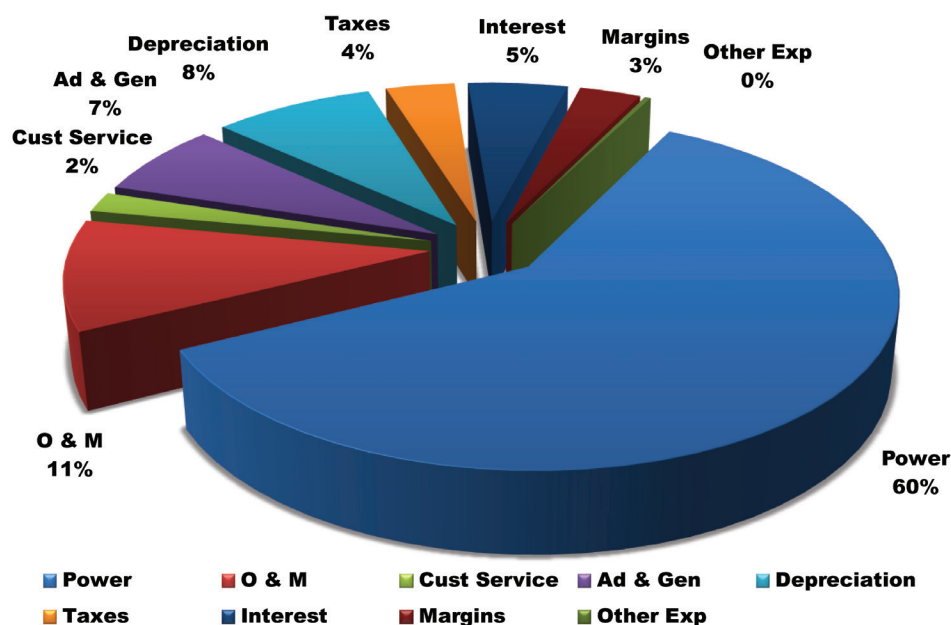
DEFERRED CREDITS

ACCRUED POST-RETIREMENT LIABILITY

	869,594	783,618
	24,749	23,505
	511,321	475,321
	\$ 69,206,346	\$ 66,368,134

OPERATING REVENUE	\$ 25,550,172	\$ 24,258,104
OPERATING EXPENSES		
Cost of power	15,361,864	14,573,573
Distribution - operations	1,739,920	1,609,262
Distribution - maintenance	931,145	888,910
Consumer accounts	491,795	518,413
Administrative and general	1,767,535	1,672,656
Depreciation and amortization	2,157,788	2,067,126
Taxes	914,395	840,060
	23,364,442	22,170,000
OPERATING MARGINS		
BEFORE FIXED CHARGES	2,185,730	2,088,104
FIXED CHARGES		
Interest on long-term debt	1,319,767	1,352,697
Interest on short-term debt	9,389	11,005
	1,329,156	1,363,702
OPERATING MARGINS		
AFTER FIXED CHARGES	856,574	724,402
NON-OPERATING MARGINS		
Patronage Capital	1,362,192	1,209,772
Interest income	46,703	45,330
Other income (expense)	(1,526)	(16,806)
	1,407,369	1,238,296
NET MARGINS	\$ 2,263,943	\$ 1,962,698

Where your payment goes to





Adrian
1737 Twp Hwy 107
Carey

In Case of
Emergency
1-800-426-3072

DANGER
High Voltage
Electricity
KEEP OUT