

ANNUAL REPORT 2021



Focused on what **COUNTS**



paulling putnam
ELECTRIC COOPERATIVE, INC

Your Touchstone Energy® Cooperative





**GEORGE CARTER, PRESIDENT & CEO,
AND JOHN SAXTON, CHAIRMAN OF THE BOARD**

2021 ANNUAL REPORT TO THE MEMBERS

A Year of Challenges

This past year, 2021, brought many challenges to your cooperative: the ongoing pandemic, material shortages, inflation, cost spikes, employee changes, and wholesale energy price increases. This list is just a sampling of the factors PPEC handles to provide you with reliable energy at a reasonable price.

Maintaining excellence member service

Obviously, we have all had to deal with the ongoing pandemic. Your cooperative is no different. We were kept on our toes following guidelines set by the Centers for Disease Control (CDC) or by our local health departments. Changes were fast and sometimes contradictory, but through the diligence of our employees, we were able to persevere and maintain our high level of member service.

The pandemic wreaked havoc on our cooperative partners as well. For instance, our after-hours call center (CRC) encountered employee shortages and unprecedented sick leave. This impacted Paulding Putnam members who experienced longer wait times or difficulty reporting outages and other after-hour services. We appreciate all our members' patience during those challenging times.

Enhanced digital presence

The changes caused by the pandemic — including more virtual meetings — have allowed us to expand and improve our electronic presence. We have grown our social media pages, enhanced access to our SmartHub

application, and improved all our mobile device services. In fact, we highly encourage all members to create a SmartHub account, whether via desktop or mobile app. This application provides 24/7/365 access to your account where you can pay your bill, track and monitor usage, and report outages with follow-up notifications.

Material shortages and price spikes

During the pandemic, many of us experienced shortages — the empty spaces on store shelves were hard to miss. This became a major challenge for PPEC during 2021. Material items weren't in stock or delivery times were extended beyond a year in some cases. Items like transformers were simply unavailable. However, through quick action by co-op staff, many of our materials, including transformers, were pre-ordered, putting us first in line to get materials. Typically, we try to keep inventory levels low; however, in this case, we jumped and ordered material well ahead of planned uses. This saved us both in availability and price.

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Material prices have skyrocketed. When material is available, it's priced much higher for the items necessary to provide service to your homes and businesses. Another area of concern is fuel cost. The prices for diesel fuel and gasoline have risen as well. Consider our normal day when all the big trucks and service vehicles are out running — a slight increase in fuel translates into a huge bottom line increase.

Employee endurance and dedication

The most important part of our cooperative is the employees. We cannot provide a high level of service to the membership without a group of caring employees. 2021 stretched our employees thin. As a cost-conscious co-op, we try to run a lean ship. We have mentioned many times how Paulding Putnam operates with at least 10 fewer employees than similar-sized electric cooperatives. When employees are off sick or quarantined, the others must pick up for the loss of their coworkers. We are immensely proud of all our employees and how they sacrificed during this exceedingly challenging time. We want to thank each employee for all they have done over the past year to provide service to our members.

We also want to give a big thank you and happy retirement wishes to Mary Arend, who retired in January 2022. Mary provided outstanding member service for 26 years. We will miss Mary's smile in the office, and I know many members will miss hearing Mary's voice on the phone.

As employees retire, opportunity is created, and employees have a chance to move up in the organization. This past year, we had three linemen graduate from the Central Ohio Lineworker Training (COLT) facility in Mount Gilead. Terry Minic, Garrett Gerdeman, and Jordan Mohler completed this four-year training course and will soon be full journeyman linemen.



Wholesale power costs and transmission

Wholesale power cost, the co-op's largest expense, increased by over 6%, or \$2 million. This forced member costs to increase, due to a higher wholesale power cost adjustment (WPCA) on each member's monthly bill.

Paulding Putnam purchases all the electricity we provide to your homes and businesses from Buckeye Power. In fact, PPEC is one of the 24 owners of Buckeye Power, along with the

other Ohio cooperatives. Our power is generated at the Cardinal Plant (and some others we own) and transmitted to our local substations. Buckeye Power, on behalf of Ohio cooperatives, contracts with the transmission line owners to transmit the electricity.

**Our membership grew by 1.5%.
Kilowatt-hour sales grew by
2%. We replaced more than 30
miles of old poles and wires.**

The cost of transmission service has increased in recent years. Transmission cost is the fastest-growing cost within our wholesale electric bill from Buckeye Power. The transmission network in the country is aging. It needs to be replaced, rebuilt, and modernized. This will be a very costly rebuild.

In 2015, transmission cost as part of our Buckeye Power billing was less than 12% of the total power bill. Today, that percentage has increased to 20%. This dramatic increase is directly related to the huge investment in transmission facilities being built.

Finishing strong with successes

Through all the challenges, your cooperative ended with a successful year. Overall, membership grew by just under 1.5%. Kilowatt-hour sales grew by 2%. We replaced more than 30 miles of old poles and wire. Our pole testing and replacement program resulted in more than 200 poles being replaced due to deterioration.

The cooperative had total year-end margins of \$4.7 million. This was just above budget but below the prior year total of \$5.3 million. The decrease in margins was mostly due to the higher wholesale power cost, but also a lower allocation of capital credits from Buckeye Power.

Total operating and maintenance costs, excluding the cost of purchased power, were well controlled. In fact, these costs were \$300,000 below budget or about 5%. By comparison, Paulding Putnam ranks as one of the lowest-cost, most-efficient co-ops nationally. On a per kilowatt-hour basis, Paulding Putnam spends about 7/10 of a cent on operation and maintenance expenses. Nationally, co-ops average about 1.4 cents per kWh, or double what PPEC spends.

The cooperative maintained its rotation of patronage capital by returning \$2.3 million to members in 2021. The retirement of patronage capital is especially important to the cooperative and its board of trustees. Maintaining a retirement

schedule that matches the life of the equipment providing services to your home or business is key to a stable financial future.

The fact that each member receiving service from the cooperative is also an owner of the company is unique in our industry and is a feature of the cooperative business model. Each month, a small portion of the electric bill contains an equity component. This amount is used to build and replace facilities used to supply service to all members. This equity component allows the cooperative to finance projects with cash or equity as opposed to using long-term debt financing. Paulding Putnam's long-term debt to asset ratio is about half that of other cooperatives our size. Balancing this debt-to-equity ratio can be a challenge, but to provide competitive rates and continue to improve service reliability, it is a challenge your cooperative takes seriously.

In September of 2021, members began receiving a new, redesigned bill. This new bill format took a long time to develop, and employees spent many hours designing the a clean, easy-to-read, understandable bill that provides more in-depth information on each member's electric use. We hope you found this contemporary design helpful and useful.

***In Sept. 2021, members
began receiving a new,
redesigned bill in a clean,
easy-to-read format with
more in-depth information.***

The year of 2021 will be remembered as a year of challenges. But it will be further remembered as a year of challenges met. Your cooperative, through the actions of your elected board of trustees and all the hard-working employees, met these challenges successfully.

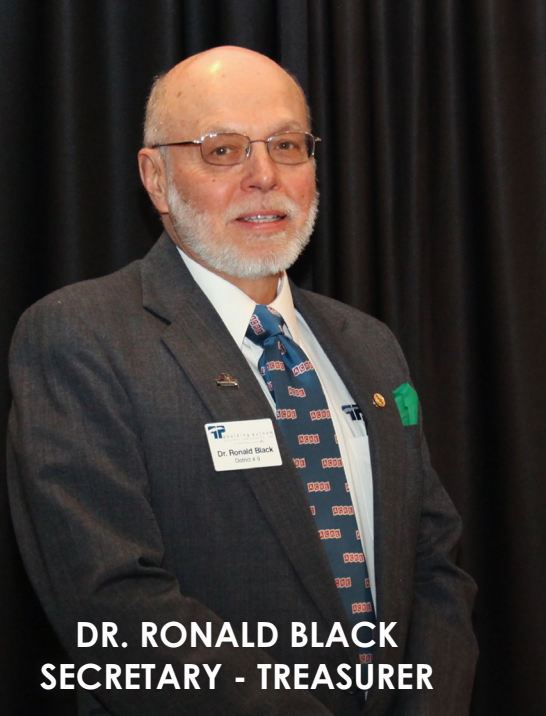
George Carter

GEORGE CARTER, PRESIDENT & CEO

Dr. John Saxton

DR. JOHN SAXTON, CHAIRMAN OF THE BOARD





DR. RONALD BLACK
SECRETARY - TREASURER



2021 TREASURER'S REPORT

The year of 2021 will go down as one of the most challenging for the cooperative. As we dealt with the lingering impacts of the COVID-19 pandemic, the cooperative had to endure drastic price increases and material shortages. Prudent buying and swift responses to these struggles by cooperative personnel allowed PPEC to continue moving forward with construction plans without major cost impacts or delays.

Total revenues increased from the prior year to \$44 million. This was \$2 million above budget. The revenue increase is due to two factors: increased kilowatt-hour sales and a higher wholesale power cost adjustment (WPCA) on all electric bills. Kilowatt-hour sales were 2% above budget. A higher power cost of \$3 million above the prior year caused the WPCA to be billed higher than expected. Purchased kilowatt-hours from Buckeye Power were 3% above budget.

Controllable expenses, typically operating costs, were well managed by our employees. In fact, operating expenses were under budget by \$326,000, or 5%, for the year. Cost control is particularly important to the board, management, and employees. PPEC continues to have some of the lowest cost ratios in the cooperative industry. Total controllable expenses (per kilowatt-hour sold to members) was 1.5 cents per kWh. The average nationally is 2.5 cents per kWh; for cooperatives our size, the average is 2.7 cents. I am proud of PPEC for its strong management of controllable

expenses and for the outstanding budgeting process the board and management undertakes.

Rates are always a major concern for the members and the board. The board works with the management team to ensure rates are fair and reasonable while also maintaining the financial strength of the cooperative. Total operating revenues, per kWh, remained extremely competitive. In fact, in Ohio, Paulding Putnam ranks 20th of the state's 24 co-ops. In other words, only five co-ops in the state have lower rates. 2021 marked the third year the cooperative did not have a rate increase (our last increase was March 2018).

During the budget process, the board reviews projected rates and revenue for the coming year. As part of the budget, the board approved a small rate increase for 2022. This change will only impact the basic monthly service charge on residential accounts, increasing by \$2.05 per month. This adjustment is necessary due to the rising cost of materials and supplies needed to build and rebuild the electric system serving our homes. This increase is just over 1% for the average member. The board always struggles with rate increases, but this is necessary to ensure a financially stable cooperative.

Equity management is a major concern for the board of trustees. Managing the long-term debt with member equity is a difficult balancing act. Ensuring rates are steady, plant investment is maintained, and costs are controlled allows the cooperative to maintain competitive rates and return capital credits to the membership. Member equity in

the cooperative is 64%; nationally, this percentage is 46%, and for cooperatives our size, it's 47%. A strong equity position allows the cooperative to have less long-term debt, which overall reduces rate pressure. However, our board is sensitive to the higher equity and maintains a strong capital credits rotation policy. PPEC returned \$2.3 million back to the members in 2021; this was 3.5% of the cooperative's equity.

Fixed expenses were slightly above the prior year but below budget. Fixed costs are depreciation, taxes, and interest expense. Depreciation has increased in recent years due to our continued plant investment for rebuilding old lines and replacing old equipment. Property taxes continue to increase as well for the same reasons. Interest expense has been stable but increases due to additional long-term debt.

I am incredibly pleased to report on the financial strength of the cooperative. Your cooperative remains financially strong and able to meet the future needs of cooperative members. The accounting firm of Bashore, Reineck, Stoller and Waterman, CPAs (BRWS) has audited the financial records of the cooperative as of Dec. 31, 2021, and have issued a "clean" or unqualified opinion of the financial statements. The audited financial statements may be reviewed at the office during normal business hours.

Dr. Ronald Black

Dr. Ronald Black, Secretary-Treasurer

PAULDING PUTNAM ELECTRIC COOPERATIVE

BALANCE SHEET

UNAUDITED

For the year ending Dec. 31, 2021

Assets

Plant Property and Investments:	
Total Plant	\$ 110,376,589
Construction work in progress	\$ 1,341,425
Accumulated Depreciation	\$ (25,137,200)
Net Plant	\$ 86,580,814
Investments:	
Invest. in Assoc. Org. - Patronage Capital ...	\$ 18,343,407
Associated Organization	\$ 2,439,906
Total Plant and Investments	\$ 107,364,127
Current Assets and Debits:	
Cash	\$ 436,629
Temporary Investments/Special Deposits ..	\$ 1,722,626
Receivables	\$ 3,132,014
Merchandise Inventory	\$ 687,041
Other Current Assets	\$ 271,462
Total Current Assets and Debits	\$ 6,299,772
Deferred Debits	\$ 36,006
Total Assets and Debits	\$ 113,699,905

Liabilities and Equity

Current Liabilities and Credits:	
Accounts Payable	\$ 3,059,250
Short-term Notes Payable	\$ 2,300,000
Consumer Deposits	\$ 180,900
Other and Accrued	\$ 2,041,906
Total Current Liabilities and Credits	\$ 7,582,056
Noncurrent Liabilities and Credits:	
Long-term Debt	\$ 33,477,477
Deferred Liabilities and Credits	\$ 437,833
Total Liabilities and Credits	\$ 41,497,366
Equity:	
Operating Margins Prior/Other	\$ 6,517,209
Memberships	\$ 65,163
Patronage Capital	\$ 65,620,167
Total Equity	\$ 72,202,539
Total Liability and Equity	\$ 113,699,905

STATEMENT OF OPERATIONS

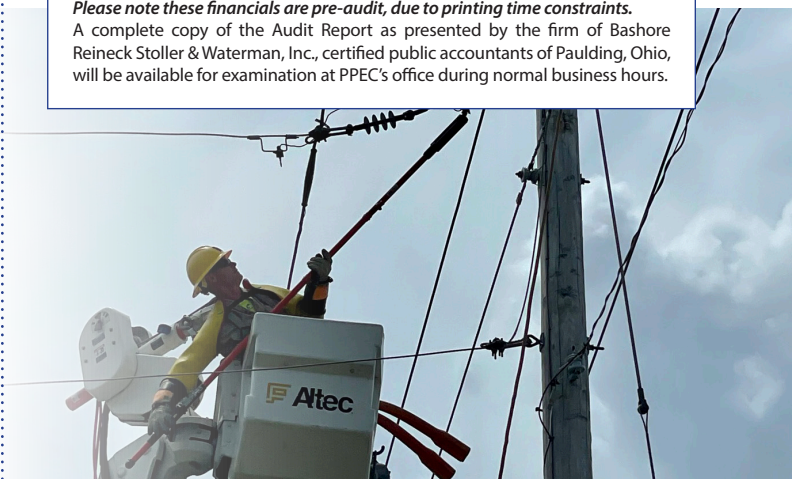
UNAUDITED

For the year ending Dec. 31, 2021

Revenue:	
Sales of Electricity	\$ 44,069,375
Interest Income	\$ 44,648
Other Income	\$ 20,145
Capital Credits	\$ 1,281,675
Total Revenue	\$ 45,415,843
Expenses:	
Cost of Purchased Electric	\$ 28,744,026
Cost of Maintenance on Lines, Poles, Rights-of-Ways, etc.	\$ 2,616,539
Cost of Billing and Consumer Records	\$ 566,545
Cost of Member Services	\$ 586,674
Cost of Administration and Office Operations	\$ 1,932,957
Depreciation Expense	\$ 3,488,972
Business Taxes	\$ 1,261,504
Interest on Long-Term Debt	\$ 1,370,280
Interest on Current Debt	\$ 63,689
Total Expenses	\$ 40,631,187
Net Patronage Capital or Margins	\$ 4,784,656

Please note these financials are pre-audit, due to printing time constraints.

A complete copy of the Audit Report as presented by the firm of Bashore Reineck Stoller & Waterman, Inc., certified public accountants of Paulding, Ohio, will be available for examination at PPEC's office during normal business hours.



PPEC FOCUSES ON WHAT COUNTS:

safety and member service



PAULDING PUTNAM ELECTRIC CO-OP

2021 Official Annual Meeting Minutes — March 20, 2021

The Annual Meeting was held at Paulding Putnam Electric Cooperative's headquarters building, Paulding, Ohio. Dr. John Saxton, Board Chairman, called the meeting to order at 10 a.m. The meeting was held as a virtual/video conference broadcast on the internet via Facebook Live and YouTube. Chairman Saxton began the meeting by reciting the Pledge of Allegiance.

Chairman Saxton noted the meeting notice had been mailed to all members in the February issues of Cooperative Living (Ohio) and Indiana Connection (Indiana) and this notice contained the meeting agenda. He stated he was dispensing with the reading of the notice as it had been certified as mailed to all members. He stated the agenda would be approved as mailed.

Dr. Ronald Black gave the Treasurer's Report. He stated his written report appeared in the Cooperative's Annual Report, and members could obtain a copy at the office or review the audit report upon request. He further stated the audited financial report was completed by the local firm of Bashore, Reineck, Stoller & Waterman. The CPA firm had issued an unqualified or clean audit opinion.

Chairman Saxton discussed the meeting theme, "Hope isn't Canceled," and related it to recent events of the COVID pandemic. He stressed the importance of safety with cooperative employees. He stated much of the cooperative's work must be performed at the office and in the field; he thanked the employees for their commitment. Chairman Saxton informed the audience of the upcoming Member Appreciation event to be held on July 24, 2021, and to look for additional details regarding the event in the near future.

CEO George Carter gave the President's report. He stated the cooperative had seen several employees retire in the past year and he spoke of the challenges replacing the lost knowledge and experience. He stated the cooperative had a very good year both financially and operationally. He stated outage minutes were reduced due to utility line rebuilds and maintenance. Mr. Carter reviewed some of the challenges the cooperative faced during the pandemic and thanked the employees for their dedicated efforts to serve the membership.

Mr. Carter was called upon to present the trustee election results. Three (3) Districts (3, 7, and 8) were up for election: Trustee Timothy Derck (District 3) was re-elected by affirmation. Districts 7 and 8 held contested elections. Kenneth Niese was re-elected in District 7 and Adam Schnipke was elected to serve in District 8.

Dr. Ronald Black was asked to review the Code of Regulation elections. He stated nine (9) revisions to the Code had been presented to the membership for approval. Dr. Black reported over 2,100 members cast votes in the election, which was the largest number of members voting in the history of the cooperative and represented nearly 20% of all members. He reported all 9 Code of Regulation changes were overwhelmingly approved by the members.

Chairman Saxton took a moment to thank outgoing trustee Mr. Douglas Fortman, who chose not to seek re-election. Chairman Saxton thanked Mr. Fortman for his six (6) years of dedicated service and presented Mr. Fortman with a plaque honoring his service.

There being no further business to come before the meeting, Chairman Saxton declared the meeting adjourned.

Cooperative News



Mary Arend (Member Service Rep)
Retired January 2022 after 26 years
of dedicated service



**Won 1st place for Hope Isn't
Cancelled Billboard/Video Campaign**
National Spotlight on Excellence Contest



Welcomed 3 full-time employees:
Communications Coordinator Eric Herman,
Member Service Reps Laurie Ford and
Kathy Kuckuck, Accountant Racheal Head

2021: *Focused on what counts*

JANUARY



SCHOLARSHIPS

\$5,400 was awarded to 7 area students to uplift the next generation of leaders. Seniors Eric Thornell of Antwerp and Morgan Hefner of Wayne Trace earned top honors.

FEBRUARY



OPERATION ROUND UP

An ORU donation (funded by members' rounded up bills) allowed local students to attend a Lima Symphony Orchestra Young People's concert.

MARCH



WELCOMING A NEW TRUSTEE

PPEC's 85th Virtual Annual Meeting on March 20 saw more than 1,000 viewers tune in. District 8 board trustee Adam Schnipke was elected.

APRIL



KADY GENE APARTMENTS

Radio-controlled switches were installed in 50 new duplex units for seniors in New Haven, IN. They received a rebate for energy efficiency.

MAY



ELECTRICAL SAFETY MONTH

We present at local schools on a variety of topics ranging from BeE3 Smart energy efficiency to safety. Smaller tabletop demos are also available.

JUNE



PARADES & EVENTS

We participated in several community parades ranging from Kalida's Pioneer Days Festival to New Haven's First Responders Event. Giving back is part of our DNA as a community co-op.

JULY



MEMBER APPRECIATION

More than 750 members and guests attended our Van-Del Drive-In Movie Night, with dinosaur activities, giveaways, and entertainment for the whole family.

AUGUST



FACILITIES INSPECTION

PPEC's facilities underwent a 3-day comprehensive safety inspection through NRECA and OEC. We received high marks, scoring the highest possible in 5 of the 17 categories.

SEPTEMBER



SOLAR 101 Q&A

We held our 2nd annual Solar 101 event to answer members' questions about renewable energy and help navigate sizing, payback, billing, and other considerations.

OCTOBER



SAFETY & POLE REPLACEMENTS

2021 saw an alarming increase in car-pole accidents and related outages, so we launched a distracted driving campaign with #ItCanWait.

NOVEMBER



KIWANIS CLUB

Employees presented how PPEC's shared services program works, saving members' money by sharing employees' talents with neighboring co-ops. This model gave inspiration to local businesses.

DECEMBER



\$2.3 MILLION RETURNED

Members received capital credits totaling \$2.3M on this month's bill, representing each member's ownership in the co-op. As a not-for-profit co-op, we return margins to YOU!

*These are just a few of the many ongoing programs, events, and campaigns that took place at Paulding Putnam Electric Cooperative in 2021. To stay up-to-date with current programs and activities, members are encouraged to follow us on social media (Facebook, Twitter, Instagram, LinkedIn or YouTube), download our SmartHub app, and visit our website at www.PPEC.coop.



VIRTUAL ANNUAL MEETING AGENDA:

Call to Order

Board Chairman — Dr. John Saxton

Approve Minutes From Last Year

Board Chairman — Dr. John Saxton

Treasurer's Report

Board Secretary-Treasurer — Dr. Ron Black

Chairman's Report

Board Chairman — Dr. John Saxton

President's Report

CEO — George Carter

Trustee Election Results

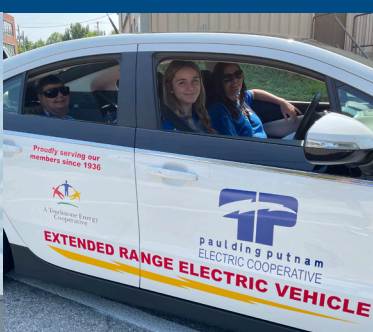
Board Secretary-Treasurer — Dr. Ron Black

Introduction of New Board Member

Board Chairman — Dr. John Saxton

New/Old Business

Adjourn



TP
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