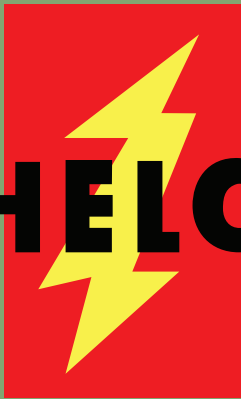




CHELCO



A Touchstone Energy[®]
Cooperative 

POWERED *by*
INNOVATION

2019 ANNUAL REPORT

WE ARE CHELCO

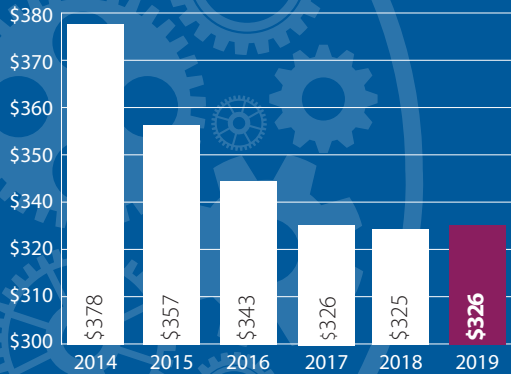
Since 1940, Choctawhatchee Electric Cooperative, Inc. (CHELCO) has existed to provide our communities with safe, reliable and affordable electricity. Our values drive our mission and our vision, and we are fully dedicated to improving the quality of life for all of our members, employees and communities in which we live. CHELCO is a not-for-profit member-owned electric cooperative serving more than 53,000 accounts in Okaloosa, Walton, Holmes and Santa Rosa counties, and we are proud to serve you!



OUR VALUES

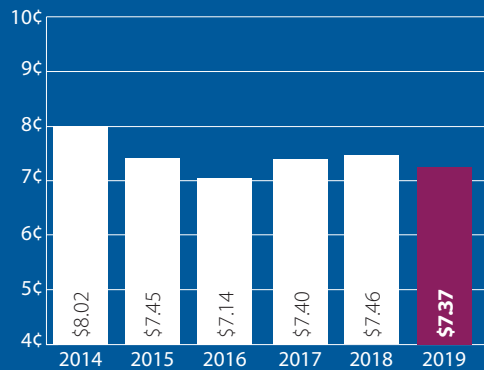
- Safety First
- Commitment to Community
- Honesty & Integrity
- Excellence in Service
- Leadership with Accountability
- Continuous Improvement
- Outstanding Teamwork

CONTROLLABLE EXPENSES PER METER



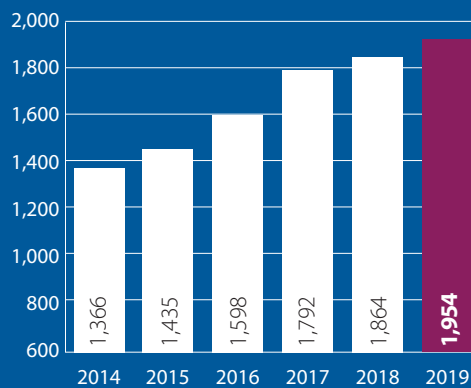
Controllable expenses exclude wholesale power cost, depreciation, interest and taxes.

WHOLESALE POWER COST PER kWh



The price CHELCO pays to buy power from PowerSouth.

NEW MEMBER ACCOUNTS



OUR MISSION

Safely provide quality services and products at a competitive value while adhering to the cooperative principles.



OUR VISION

Continuously promote the quality of life for our members, employees and communities within the scope of our core business.

BOARD MEMBERS



Lee Perry
District 1



Terry Pilcher
District 2



James Bishop
Vice President
District 3



Brady Bearden
Assistant Secretary/
Treasurer
District 4



Ronald Jones
District 5



Gerald Edmondson
President
District 6



Bert Prutzman
District 7

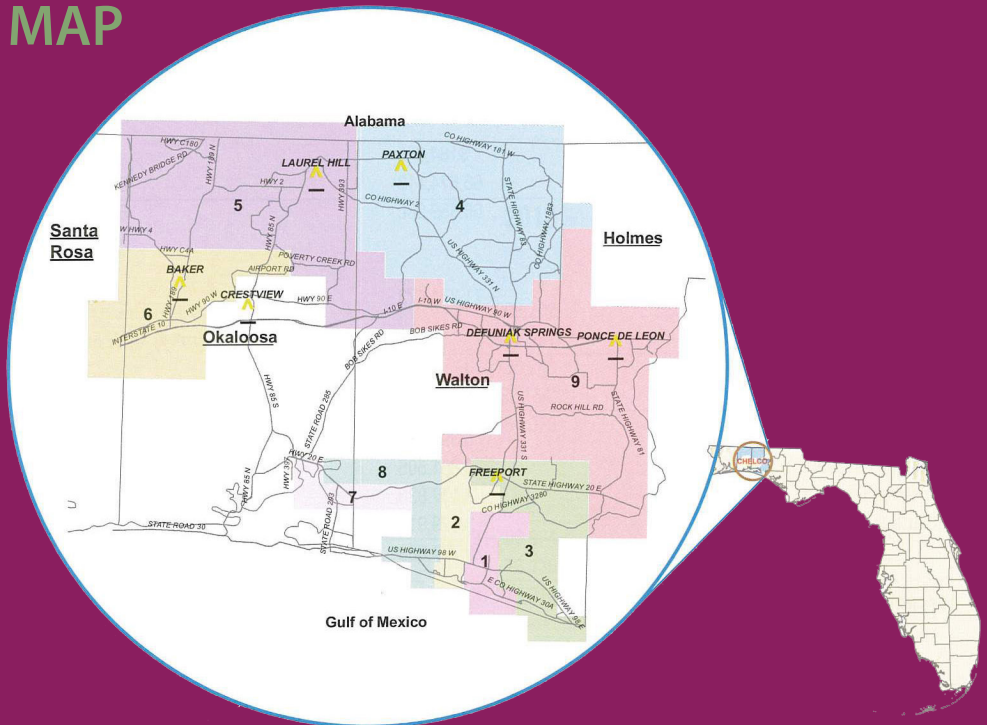


Gayle Hughes
Secretary/Treasurer
District 8



Burt Cosson
District 9

DISTRICT MAP



MESSAGE FROM THE CEO

As I write this in April of 2020, we are in unprecedented times due to the Coronavirus health crisis. In response to the crisis, we immediately activated our Business Continuity Plan, which is a detailed step-by-step guide for responding to various emergencies and disasters. It is generally used during hurricanes and other storms but we were able to lean on it as a guiding light during this pandemic.

Although the disasters we typically prepare for are much different than the Coronavirus crisis, we have quickly adapted and are working diligently to continue to provide reliable electric service to our members. We have accomplished this in the face of changing conditions and evolving governmental guidelines and directives nearly every day. Some of the adjustments we made are; temporarily closing our offices to the public for the first time ever, sending nearly one-fourth of our employees away from their normal work places to work from/at home, staggering the times that our field crews report to the warehouse to start work in the morning so that we can enforce social distancing. These are but a few of the many actions that we've taken to protect our employees and the general public from the virus.

I am extremely proud of the response from our board of trustees and employees in doing our part to combat the invisible enemy. However long this crisis lasts I'm confident that CHELCO will do what's necessary to keep the lights on.

Looking back at 2019, we took steps to protect against a more familiar threat to CHELCO's electric system, hurricanes and other storms. To ensure that we continue to provide excellent service, identify problem areas in our system and restore power as quickly as possible, we opened our new Technology Center in 2019. Built with the latest innovations at its core, the Tech Center is full of new cutting-edge technology to support and improve our ability to provide world class service to our members. Additionally, the new facility includes a hardened energy control center that can withstand hurricane force winds up to 200 mph.

We also opened a new Operations Center on Eglin Air Force Base to support the utility privatization contract, through which we agreed to take ownership, operate and maintain the electric facilities on base beginning in 2017. This contract is valued at \$459 million dollars, in 2019 dollars, over a 50-year term. Members of

CHELCO benefit through shared expenses that are allocated to the contract.

Our ongoing cost control efforts continue to produce significant results throughout the organization. Excluding wholesale power cost reductions from our power supplier, and the regular return of capital credits in December each year, in 2019 our members saved over \$3.3 million through rate reductions, a special capital credit retirement, and avoided energy demand charges. These savings are a direct result of our focus on controlling local costs. These long-term efforts have allowed us to keep rates steady and avoid rate increases even while expanding our facilities.

Nothing is more important than the safety of our employees and the public. I'm very proud of the conscientious efforts of the CHELCO employees to make constant strides in this area. In the last six years, we have recorded "No Lost Time Injury" streaks of 650+ days and 815 days. It is one of our constant strategic initiatives and is always our number one priority.

We continually look for and research reasonable innovations in our industry.

In response to member interest, we developed a 120kW community solar project and placed it on the roof of the Operations Center. All blocks sold out before construction in 2018. As of today, we continue to have a list of members awaiting subscriptions. Also in 2019, we saw historic growth for personal solar installations at members' homes and businesses.

As we continue to seek new and improved ways to serve you, we welcome your ideas and perspectives.

After all, it takes all of us to prepare for a future in which we are "Powered by Innovation."

After all, it takes all of us to prepare for a future in which we are "Powered by Innovation."



STEVE RHODES
Chief Executive Officer

2019 HIGHLIGHTS

FACILITIES

Facility upgrades were key to CHELCO's growth in 2019. We opened our new state-of-the-art Technology Center in DeFuniak Springs, which houses the energy control center, engineering, geographic information systems, power quality, meter services, portions of IT and our call center.

CHELCO's Eglin Operations Center opened in January and is home to CHELCO's operations, engineering and support staff who serve Eglin Air Force Base.

Southland Utility Services, a wholly-owned subsidiary of CHELCO, opened its new headquarters next door to our Technology Center. Their new building proximity to our Operations Center helps strengthen the essential connection between CHELCO and Southland. Southland performs underground construction, right-of-way clearing and other utility services for CHELCO.

These buildings were constructed and opened with no rate increases for our members, and we can attribute that to our efforts to dramatically reduce controllable costs in recent years.

In 2020, construction will commence on CHELCO's headquarters building which will be relocated to the West DeFuniak Springs campus, consolidating all DeFuniak Springs employees into one location. This will allow for better communication and collaboration among employees to more efficiently serve our members.

INNOVATION

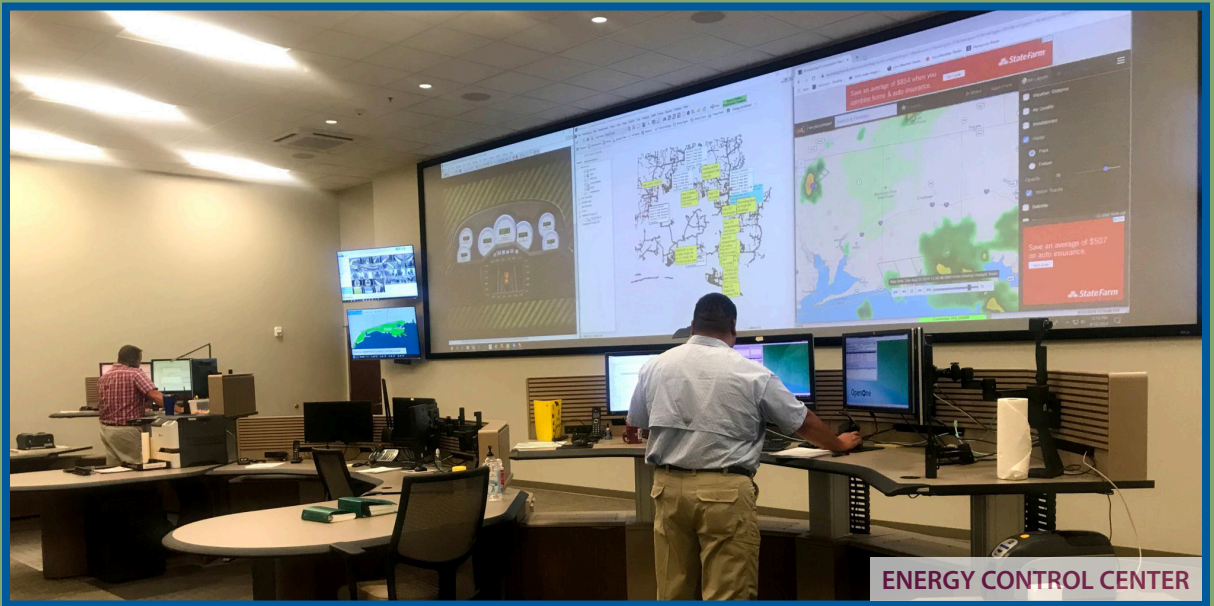
New innovations led the way at CHELCO in 2019. Our new energy control center features technology that



400
Employee-donated
volunteer hours



58
Minutes in
System Average
Interruption Duration
Index



ENERGY CONTROL CENTER

allows for continual monitoring of our entire electrical system. Because of these upgrades and efficient communication, our system average interruption duration index (SAIDI) was 58 minutes, which ties the best year on record for CHELCO. Technology and teamwork have helped greatly reduce outage times since 2013, and we're proud to be among the best co-ops in the nation in outage restoration time.

In 2019, CHELCO introduced outage text notifications. Over 40,000 cell phone numbers have opted in and we sent more than 22,000 texts in 2019. These texts allow for much quicker and more convenient outage notification than phone calls or website visits, and we take pride in keeping our members informed on when they can expect their power to come back on.

As electric vehicles (EV) have grown in popularity and capability, we began researching them in 2019, and will expand our research as electric vehicles become an impactful aspect of the electric grid. We recently purchased a Nissan Leaf, an electric vehicle with no carbon emissions. As electric vehicles become a more

common sight on the road, we plan to become a reliable source of information for all your EV questions.

Our employees once again demonstrated their generosity and care in 2019, giving much of their time and money to help worthy causes in our communities.

Employees contributed \$21,420 to United Way which fights for the health education and financial stability of every person in every community. Employees also raised more than \$15,000 for the American Cancer Society Relay for Life, the American Heart Association Heart Walk, Friends for Autism Awareness and Community Christmas. They also donated more than 400 volunteer hours to needs in our communities.

We are proud to announce that we reached our goal in funding for Electrify Guatemala, a project that Florida electric cooperatives, with the support of NRECA International, are teaming up to bring power to a remote village. Employees raised money through



Employees donated
\$36,420
to community
organizations

Ranked
TOP 25 %

Nationally in
member satisfaction,
safety and reliability and
cost control



22,000
Outage text notifications
sent to members



60,317
Service locations-
including Eglin AFB

2019 HIGHLIGHTS

internal fundraisers and our Charity Bass Tournament. The tournament raised more than \$5,500. Because of these efforts, we will be able to send two linemen to help with the project later this year.

The giving wasn't just from our employees, though. Many of our members participated in programs like

Members Helping Members, which allows CHELCO members to make donations to help those in need pay their electricity bills. Thousands of our members also participated in our newest program, Operation Round Up.

Operation Round Up allows members to round up their monthly bill to the next whole dollar amount, and the spare change is then given back to worthy causes in our communities. Thousands of our members embraced this new program with open arms, and together we raised nearly \$15,000 in 2019.

Through Operation Round Up, we were able to award 23 grants to organizations like the American Cancer Society, American Heart Association, Boy Scouts of America, Children In Crisis, Friends of Army Aviation, Inc. and CALM – Crisis Aid for Littles and Moms.

YOUTH AND EDUCATION PROGRAMS

CHELCO's youth programs have impacted countless lives over the years, and in 2019 we continued our dedication to our future leaders through scholarships, Youth Tour, safety demonstrations and teacher support.

In 2019, we awarded three \$1,000 CHELCO Scholarships to dependents of CHELCO members. CHELCO also sponsored three \$1,000 scholarships at Northwest Florida State College through the CHELCO Scholarship Endowment.

CHELCO contributed \$6,000 to Walton and Okaloosa county school districts' education foundations. The money is matched dollar for dollar by the Consortium of Florida Education Foundations, giving teachers a



2019 YOUTH TOUR



\$758,792

Avoided wholesale power costs through demand-side management measures



23

Operation Round Up grants awarded



6

\$1,000 scholarships awarded

total of \$12,000 in each district for classroom grants for projects that will benefit and engage their students.

Outside of the classroom, CHELCO partners with PowerSouth, National Energy Education Development and area cooperatives to co-host a free Energy Education workshop for teachers in the STEM field. The workshop provides fun, engaging, fast-paced activities about electric generation and distribution with a focus on energy education. Attendees receive tools and curriculum necessary to integrate the activities into their classrooms.

UTILITY PRIVITIZATION CONTRACT

CHELCO's 50-year utility privatization (UP) contract to own, operate, maintain and replace the distribution and transmission electrical system on Eglin Air Force base continued in 2019, yielding benefits to both the military and the CHELCO membership.

In August 2017, CHELCO assumed ownership of all Eglin substations and all electrical distribution equipment on base. Since then, CHELCO has received feedback from the military and civilians working on base about the high quality of service and response time that our Eglin crews have provided.

In addition to benefits to those on base, the 50-year contract also benefits the entire membership by making more efficient use of employees, technology, equipment and facilities, helping keep rates low for our members.



\$3.7 Million
Capital credits
returned to members



\$12,000
Donated in classroom
grants for Okaloosa and
Walton Counties

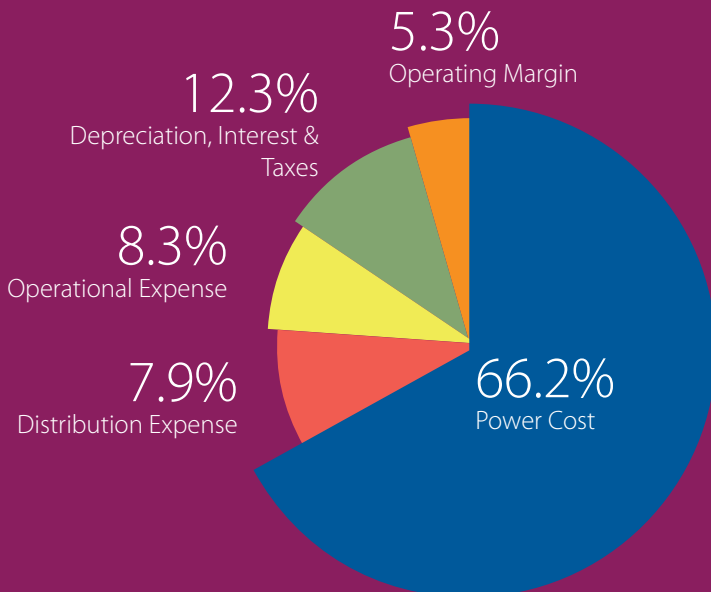
CHOCTAWHATCHEE ELECTRIC COOPERATIVE, INC.

OPERATING STATEMENT

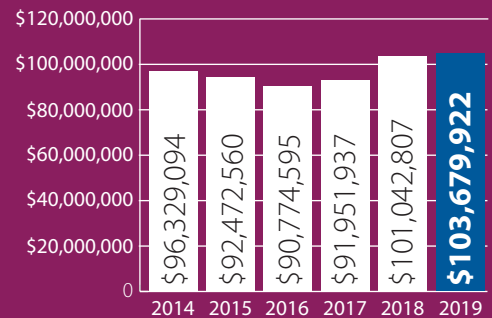
DECEMBER 31, 2019 AND 2018

	2019	2018
Statement of Operations		
Operating Revenues	107,422,025	104,558,481
Operating Expenses		
Purchase Power	71,080,372	68,877,253
Operations & Maintenance	8,868,384	8,969,194
Collections, Administrative & General Expense	8,536,768	7,827,345
Depreciation	7,580,628	7,146,364
Taxes	1,175,420	1,174,930
Interest	4,467,065	4,205,914
Total Operating Expenses	101,708,637	98,201,000
Operating Margin	5,713,388	6,357,481
Other Income or Deductions		
Interest Income	218,471	140,777
Misc Income (Exp)	181,184	128,903
G&T Capital Credits	1,549,788	1,355,825
Other Capital Credit or Patronage	515,184	466,428
Total Non-Operating Margins	2,464,627	2,091,933
Net Margins	8,178,015	8,449,414

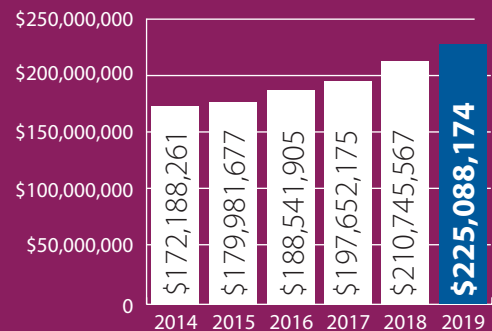
WHERE DOES YOUR DOLLAR GO?



ELECTRIC REVENUE



TOTAL UTILITY PLANT



CHOCTAWHATCHEE ELECTRIC COOPERATIVE, INC.

BALANCE SHEET

DECEMBER 31, 2019 AND 2018

	2019	2018
Utility Plant		
Distribution Plant in Service	223,884,494	203,571,177
Construction Work in Progress	1,203,680	7,174,390
	<u>225,088,174</u>	<u>210,745,567</u>
Accumulated Provision for Depreciation	(66,096,191)	(61,758,394)
Net Distribution Plant	<u>158,991,983</u>	<u>148,987,173</u>
Long-Term Assets		
Patronage Capital of Associated Cooperatives	43,303,353	41,564,118
Other Long-Term Assets	303,510	249,964
Total Long-Term Assets	<u>43,606,863</u>	<u>41,814,082</u>
Current Assets		
Net Accounts Receivable	10,467,998	11,985,464
Cash & Cash Equivalents	6,332,710	7,242,791
Materials & Supplies	4,216,920	4,094,642
Other Current Assets	99,277	269,726
Total Current Assets	<u>21,116,905</u>	<u>23,592,623</u>
Deferred Debits		
	783,658	751,311
TOTAL ASSETS	<u><u>224,499,409</u></u>	<u><u>215,145,189</u></u>
Equities		
Memberships	226,410	220,015
Patronage Capital	100,432,737	95,799,507
Total Equities	<u>100,659,147</u>	<u>96,019,522</u>
Long-Term Debt		
	92,579,338	89,429,721
Current Liabilities		
Current Portion of Long-Term Debt	4,240,464	3,946,326
Line of Credit	7,764,273	8,408,743
Accounts Payable	5,744,825	6,891,640
Consumer Deposits	3,652,840	3,462,911
Other Current Liabilities	1,008,617	1,511,261
Total Current Liabilities	<u>22,411,019</u>	<u>24,220,881</u>
Deferred Credits		
	8,849,905	5,475,065
TOTAL EQUITIES & LIABILITIES	<u><u>224,499,409</u></u>	<u><u>215,145,189</u></u>

AUDITOR'S FINDINGS

At the direction of your Board of Trustees, CHELCO's financial records are subjected to an annual audit performed by an independent, certified public accounting firm. The Board is responsible for the selection of this firm and mandates that it be changed periodically to ensure independence and accuracy. After examining the financial records for 2019, CHELCO's auditors rendered an opinion without qualification, which means the financial reports they examined presented fairly, in all material respects, the finances of CHELCO and that its accounting practices were in conformity with generally accepted accounting principles. A condensed version of the Income Report and Balance Sheet are presented in this report.



THE COOPERATIVE PRINCIPLES

Principle 1:
Voluntary and Open Membership

Principle 2:
Democratic Member Control

Principle 3:
Members' Economic Participation

Principle 4:
Autonomy and Independence

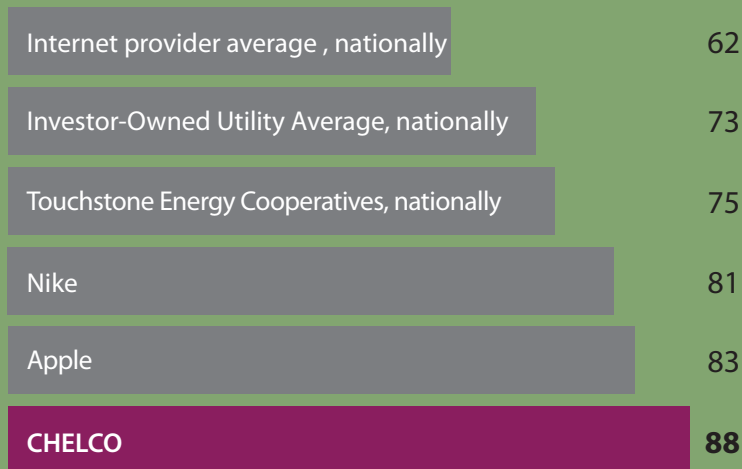
Principle 5:
Education, Training and Information

Principle 6:
Cooperation Among Cooperatives

Principle 7:
Concern for Community

2018-2019 ACSI* SCORES

American Consumer Satisfaction Index



*ACSI is a national cross-industry measure of consumers' satisfaction with the quality of products and services available to them. CHELCO participates in these surveys as a means to benchmark our members' satisfaction.

CHOCTAWHATCHEE ELECTRIC COOPERATIVE

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(850) 892-2111

CHELCO.com

