

**ANNUAL REPORT 2020**

# We're In This Together



A Touchstone Energy<sup>®</sup> Cooperative 



WE'RE IN THIS  
**TOGETHER**  
CHELCO

## WE ARE CHELCO

Since 1940, Choctawhatchee Electric Cooperative, Inc. (CHELCO) has served our communities by providing safe, reliable and affordable electricity. Although we've grown significantly over the years, our values have always remained the same, and we're committed to improving the quality of life for the members we serve and the communities in which we live. CHELCO is a not-for-profit electric cooperative serving more than 56,000 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



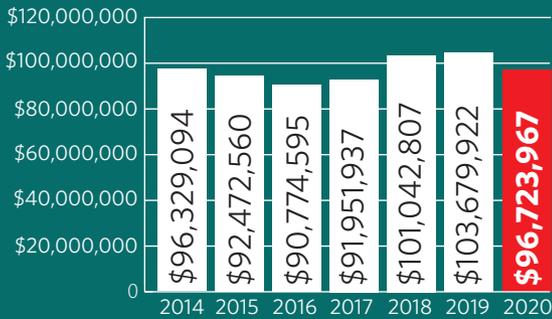
Controllable expenses exclude wholesale power cost, depreciation, interest, taxes and costs related to the operations and maintenance of infrastructure on Eglin Air Force Base.

### WHOLESALE POWER COST PER kWh

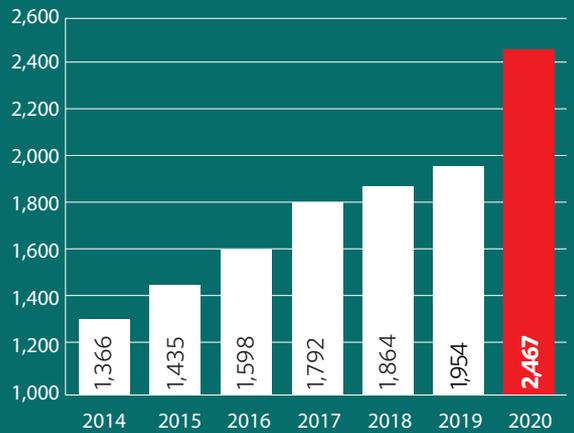


The price CHELCO pays to buy power from PowerSouth.

### ELECTRIC REVENUE



### 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



**\*Jim Bishop**  
District 3



**Brady Bearden**  
*Vice President*  
District 4



**Ronald Jones**  
District 5



**Gerald Edmondson**  
*President*  
District 6



**Bert Prutzman**  
*Assistant Secretary/  
Treasurer*  
District 7

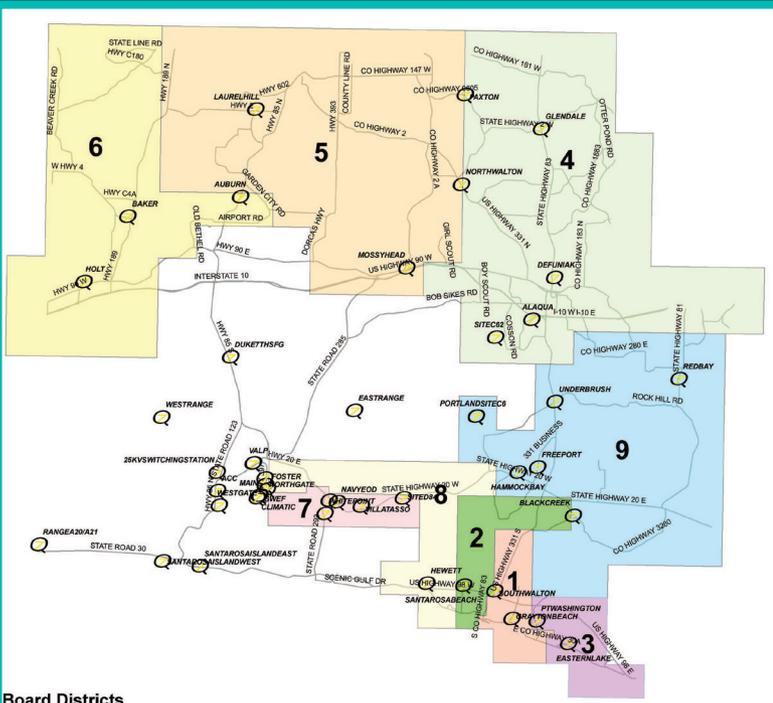


**Gayle Hughes**  
*Secretary/Treasurer*  
District 8



**Burt Cosson**  
District 9

## DISTRICT MAP



Board Districts

\*In 2020, we lost a dedicated member of our Board of Trustees, Jim Bishop to a sudden illness. Jim was the District 3 Trustee for 30 years, and he served a portion of that time as the Board's Vice President. Jim truly cared about his role as a board member, and his contributions to CHELCO over the years were plentiful. He will be greatly missed.

# MESSAGE FROM THE CEO

Well, we made it. 2020 is behind us, and it was certainly an unusual and challenging year for all of us. I'm very proud of the quick, unplanned adjustments we made at CHELCO in 2020 to keep our members and employees safe while providing reliable and affordable electricity. Going into the year, no one could have foreseen the changes we and the rest of the world would have to make.

In March 2020, we implemented our COVID-19 mitigation plan to keep employees and members safe, and to help our members who were struggling financially. Through teleworking, social distancing, frequent sanitization and wearing masks, I'm proud to say we have done an excellent job of staying safe and healthy.

During the pandemic, more than ever, it was crucial to band together as one community to support and care for one another. Our employees came together to support local restaurants, first responders and health care workers to show that their dedication did not go unnoticed. I want to extend a sincere thank you to the CHELCO membership and employees for your grit and determination through the pandemic – it was a challenging year for all of us.

Even without COVID-19, 2020 would have been an eventful year. In May, we faced a wildfire in the south end of Walton County, and we had a busy summer monitoring the record-breaking Atlantic Hurricane Season, which produced 30 named storms.

We also spent much of the year planning and eventually breaking ground on our new Administrative Wing addition to our Technology Center in DeFuniak Springs. This addition will bring together all DeFuniak Springs-based employees to one central campus, allowing us to work more efficiently to better serve our fast-growing membership. I'm proud to say that, as promised, construction is projected to be completed with no rate increase and no financial impact on our members. In fact, a rate decrease will soon be announced.

COVID-19 didn't hamper our continued efforts to control costs and maximize our efficiency. Even

though the pandemic created additional expenses, we actively sought out opportunities to control costs where possible. Through demand-side management tools like the water heater switch program, CHELCO avoided \$1.3 million in wholesale power costs. This resulted in an average savings of \$22 per member. During the pandemic, we were able to return \$3.9 million to members in capital credit retirements, helping offset power bills and provide relief during difficult times.

Nothing is more important than the safety of our employees, members and communities. Our team has made active efforts to improve in this area over the last several years. As a result, we are currently on a nearly two-year streak of no lost-time injuries. This year, our world took a sudden turn with COVID-19. Still, we made quick adjustments to maintain our "safety first" mentality, emphasizing that safety includes everyone at CHELCO, not just those working on the lines. Our focus on safety will continue.

I'd like to thank our dedicated members for their patience and understanding as various aspects of our daily operations were altered in 2020 to adhere to CDC guidelines. Many of these adjustments have been reversed in recent months as knowledge of how to manage the pandemic shifted and evolved since early 2020. Other changes to our business remain in place for the time being, but as vaccinations proceed and the pandemic fades, we will strive to return to a more normal state of operations. Until then, I encourage you to keep your chin up and be safe out there. Better times will soon be here.

**"I'm very proud of the quick, unplanned adjustments we made at CHELCO in 2020 to keep our members and employees safe while providing reliable and affordable electricity"**



**STEVE RHODES**  
Chief Executive Officer

# 2020 HIGHLIGHTS

## WE'RE IN THIS TOGETHER

There are many times we have to plan for emergencies in the electric co-op world. Being prepared for hurricanes, natural disasters and other threats is something that CHELCO always takes seriously. Last spring, COVID-19 presented a new and unknown crisis, and it forced us all to make quick adjustments to our daily lives.

When COVID-19 and its severity was still largely unknown, CHELCO implemented several safety measures to keep employees and the community healthy. As essential employees, we couldn't shut down, so we learned how to work through the pandemic safely.

In March, CHELCO began sending a few employees to work from home to reduce the risk of exposure at work and to guarantee that we could continue business if an internal outbreak occurred. Soon after, we closed our offices to the

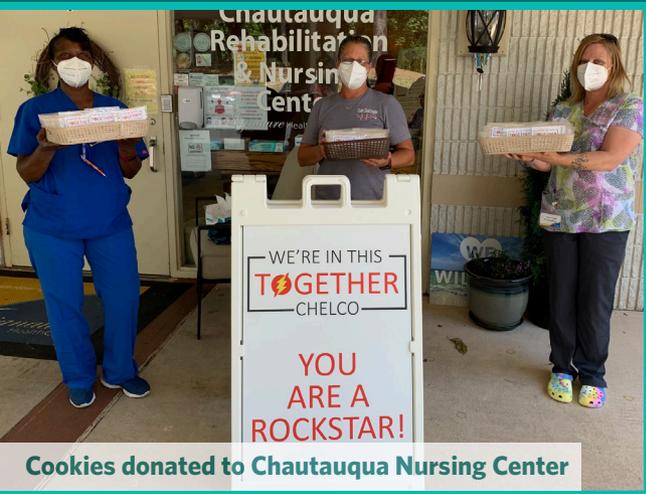
public and encouraged alternative payment options for those who typically paid in person.

At the same time, CHELCO voluntarily suspended disconnections for non-payment from March through mid-July in response to community and member needs. We also eliminated all service-related charges on member accounts to help mitigate the financial burden of the pandemic. Although disconnections have resumed, CHELCO remains lenient in its payment arrangements with members who are behind on their bills.

While CHELCO employees were fortunate to continue operating, many organizations in our area weren't so lucky. Restaurants and other small businesses suffered from a significant reduction in income during the early months of the pandemic. In the co-op spirit, CHELCO stepped up to help during difficult times.

Through internal fundraisers and CHELCO-sponsored employee lunches, CHELCO and its employees, along with subsidiary Southland Utility Services, contributed more than \$25,000 to 31 locally-owned restaurants in our service territory. CHELCO also supported locally-owned businesses by buying gift cards that were used in our annual meeting prize drawing.

Essential front-line workers faced physical, mental and emotional burdens as the pandemic worsened. To show our gratitude for their service, CHELCO provided cookies to health care workers at Chautauqua Rehabilitation and Nursing Center, The Manor at Bluewater Bay and North Okaloosa Medical Center, and delivered pizza to the Walton County Sheriff's Office, DeFuniak Springs Police Department and DeFuniak Springs Fire Department.



Cookies donated to Chautauqua Nursing Center



74

Number of degrees our 162 employees hold



70.83

Minutes in System Average Interruption Duration Index



Employees donated over \$35,000 to our communities



Administrative Wing groundbreaking

While COVID-19 still lingers, we will continue to implement measures to keep our employees and members safe. We thank our members for their patience and understanding through these challenging times.

## DEFUNIAK SPRINGS CAMPUS

In October, our contractors broke ground on a new addition to our Technology Center on Hwy. 331 N. in DeFuniak Springs. This addition will bring all CHELCO employees working in DeFuniak Springs together, allowing us to work more closely with one another at one main campus.

Our current Headquarters campus on Baldwin Avenue in DeFuniak Springs will be sold. The Tech Center will be remodeled to house our payment center, allowing members to conduct all CHELCO business in one place. Construction

continues to progress and is expected to be completed sometime in early 2022. We look forward to serving you from our new DeFuniak Spring campus for years to come.

## YOUTH, EDUCATION AND COMMUNITY PROGRAMS

Although COVID-19 put a halt to most events in 2020, there were a few things we were able to do before the pandemic struck.

In 2020, CHELCO's scholarship program expanded to benefit six member dependents. Previously, the application process awarded three scholarships but simplifying the process allowed us to select six winners at random in a drawing to benefit a diverse group of students. In support of our local educators, CHELCO contributed \$6,000 to each of the Walton and Okaloosa county school districts for teacher and

Ranked  
**TOP 25** %

Nationally in member satisfaction, reliability and cost control



**24**  
Employees sent to neighboring co-ops to help with storm restoration



**62,741**  
Service locations including Eglin AFB

# 2020 HIGHLIGHTS



**Employees are required to wear a mask when riding together**

classroom grants, which was matched by the Consortium of Florida Education Foundations.

Although our yearly events like the CHELCO Charity Golf Tournament were put on pause, we found new ways to serve the community. In November, we hosted our first-ever virtual 5k, the CHELCO Charity Turkey Chase, allowing participants to complete the 5k at their own time and location. In total, the virtual 5k raised over \$2,500 to benefit the American Heart Association's Heart Walk and Community Christmas, which buys Christmas gifts for children in our area. Our employees continued to serve on local boards to stay involved with the community, utilizing Zoom and other platforms to attend virtual meetings.

In 2020, Operation Round Up continued to grow and positively impact our communities. Last

year, CHELCO's members contributed \$31,750 to nonprofit organizations. In total, 15 grants were awarded to nonprofits in our area, including organizations like Food for Thought that supplies meals to children and families, Children in Crisis which provides foster care, Habitat for Humanity and more.

## SYSTEM MAINTENANCE, GROWTH AND CHALLENGES

As our membership continues to grow at a rate three times faster than the electric cooperative average in our state, last year was a busy year for all of us. We continuously work hard to maintain and improve our reliable and safe distribution system with exceptional member service. In 2020, we added three new sites to our feeder automation system, which helps minimize outages for our members by allowing us to



**\$1.33 Million**  
Avoided wholesale power costs through demand-side management measures



**\$31,750**  
Operation Round Up grants awarded



**6**  
\$1,000 scholarships awarded

restore power to a portion of the affected members instead of waiting for the entire outage restoration. We also added two drones to the CHELCO toolbox. These drones will allow us to safely and conveniently monitor our system and fly to areas that were previously difficult to reach. With innovative drone technology, we can identify the causes of outages and assess damage following storms, streamlining the restoration process.

In May, we faced a sudden and dangerous threat to our system around Highway 98 in Santa Rosa Beach. On May 6, a small brush fire turned into a massive wildfire, destroying property and causing widespread panic. Thankfully, the South Walton Fire Department, along with help from neighboring fire departments, got the fire under control before it spread any further, but dozens of homes were damaged or destroyed by the time the flames had died down. Throughout the wildfire, CHELCO worked closely with the fire department to de-energize lines to ensure that our members were safe.

Last year was an extremely active hurricane season. Hurricane Sally made landfall in Gulf Shores, Alabama, as a Category 1 hurricane Sept. 16 and swept back across the Florida Panhandle, leaving thousands of CHELCO members without power. Our team worked around the clock to quickly restore power to all homes and businesses capable of receiving electricity. Our neighbors to the west endured several major storms last summer. CHELCO sent 24 personnel to assist with restoration at DEMCO in Louisiana, Central Alabama Electric Cooperative and Baldwin EMC in Alabama.

As part of our 50-year utilities privatization (UP) contract, CHELCO continued to maintain all Eglin AFB substations and electrical distribution equipment on base. The UP contract benefits our entire membership by making more efficient use of employees, technology, equipment and facilities, helping keep rates low for all of our members.

## LOOKING FORWARD

Reflecting on the past year, we faced the unexpected and met many challenges with resolve. In CHELCO's history, there hasn't been a year as unprecedented as 2020, but our employees and members made adjustments to adapt to our unique circumstances. As we continue to navigate these uncertain times, we will always put our members' needs first. As a co-op, we exist solely for you, and we hope that remains evident in the years ahead.



**\$3.9 Million**  
Capital credits  
returned to members



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



**99**  
Certifications held by  
employees

# CHOCTAWHATCHEE ELECTRIC COOPERATIVE, INC.

## OPERATING STATEMENT

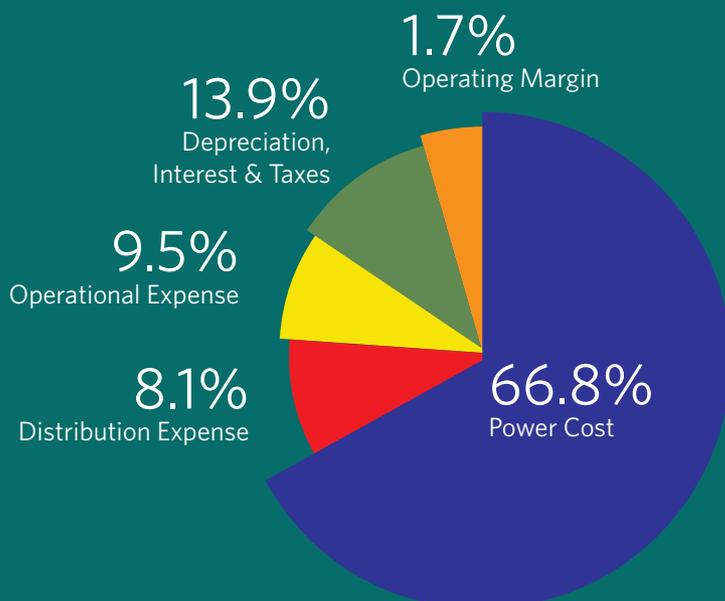
### DECEMBER 31, 2020 AND 2019

	2020	2019
<b>Statement of Operations</b>		
Operating Revenues	110,525,318	115,306,793
<b>Operating Expenses</b>		
Purchase Power	67,046,064	68,962,582
Operations & Maintenance	12,211,202	11,088,331
Collections, Administrative & General Expense	9,501,871	9,925,133
Depreciation	11,612,651	11,022,552
Taxes	1,313,881	1,175,420
Interest	6,388,385	6,343,284
<b>Total Operating Expenses</b>	<b>108,074,054</b>	<b>108,517,302</b>
<b>Operating Margin</b>	<b>2,451,264</b>	<b>6,789,491</b>
<b>Other Income or Deductions</b>		
Interest Income	127,937	218,877
Misc Income (Exp)	3,188,830	1,070,829
G&T and Other Capital Credits	1,989,390	2,047,931
<b>Total Non-Operating Margins</b>	<b>5,306,157</b>	<b>3,337,637</b>
<b>Net Margins</b>	<b>7,757,421</b>	<b>10,127,128</b>

Amounts disclosed include on both the Balance Sheet and the Statement of Operations include financial activity for the assets owned and maintained on Eglin Air Force base. These amounts were not included in prior year presentations.

## WHERE DOES YOUR DOLLAR GO?

\*Excludes costs related to the operations and maintenance of Eglin Air Force Base



## TOTAL UTILITY PLANT



# CHOCTAWHATCHEE ELECTRIC COOPERATIVE, INC.

# BALANCE SHEET

## DECEMBER 31, 2020 AND 2019

	2020	2019
<b>Utility Plant</b>		
Distribution Plant in Service	340,565,751	331,797,991
Construction Work in Progress	11,835,236	5,139,531
	<u>352,400,987</u>	<u>336,937,522</u>
Accumulated Provision for Depreciation Net Distribution Plant	<u>(100,621,773)</u>	<u>(96,113,158)</u>
	251,779,214	240,824,364
<b>Long-Term Assets</b>		
Patronage Capital of Associated Cooperatives	44,964,232	43,303,353
Other Long-Term Assets	374,751	303,510
Total Long-Term Assets	<u>45,338,983</u>	<u>43,606,863</u>
<b>Current Assets</b>		
Net Accounts Receivable	12,975,383	11,858,904
Cash & Cash Equivalents	14,725,360	8,636,525
Materials & Supplies	9,391,493	7,513,662
Other Current Assets	212,825	115,812
Total Current Assets	<u>37,305,061</u>	<u>28,124,903</u>
<b>Deferred Debits</b>	45,592	729,668
<b>TOTAL ASSETS</b>	<u><u>334,468,850</u></u>	<u><u>313,285,798</u></u>
<b>Equities</b>		
Memberships	237,110	226,415
Patronage Capital	106,914,196	103,336,557
Total Equities	<u>107,151,306</u>	<u>103,562,972</u>
<b>Long-Term Debt</b>	163,674,767	163,377,123
<b>Current Liabilities</b>		
Current Portion of Long-Term Debt	7,582,990	7,662,369
Line of Credit	19,858,572	8,451,495
Accounts Payable	6,576,203	5,934,598
Consumer Deposits	3,826,872	3,652,840
Other Current Liabilities	3,369,246	3,044,698
Total Current Liabilities	<u>41,213,883</u>	<u>28,746,000</u>
<b>Deferred Credits</b>	22,428,894	17,599,703
<b>TOTAL EQUITIES &amp; LIABILITIES</b>	<u><u>334,468,850</u></u>	<u><u>313,285,798</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 2020, 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. Condensed financial information contained herein was prepared by management and is derived from information contained in the audited financial statements. However, the condensed financial statements have not been subjected to any audit procedures, and do not include all disclosures and other information required for the statements to be considered to be presented in accordance with US GAAP.

# THE COOPERATIVE PRINCIPLES

Principle 1:  
Voluntary and Open Membership

Principle 2:  
Democratic Member Control

Principle 3:  
Members' Economic Participation

Principle 4:  
Autonomy and Independence

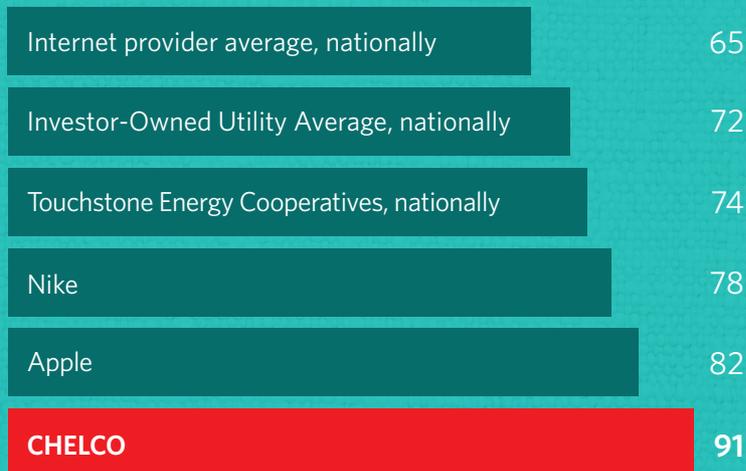
Principle 5:  
Education, Training and Information

Principle 6:  
Cooperation Among Cooperatives

Principle 7:  
Concern for Community

## 2020 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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CHELCO.com

