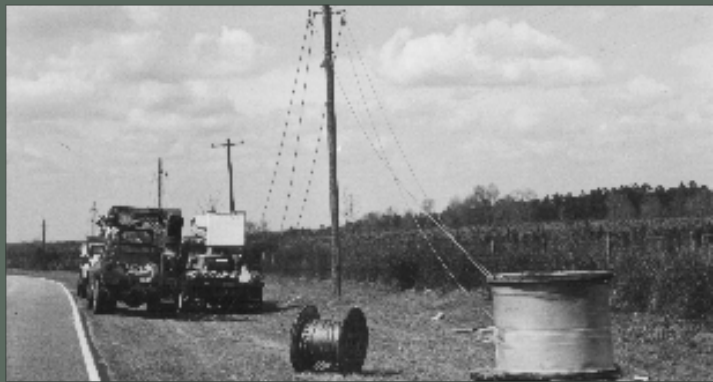
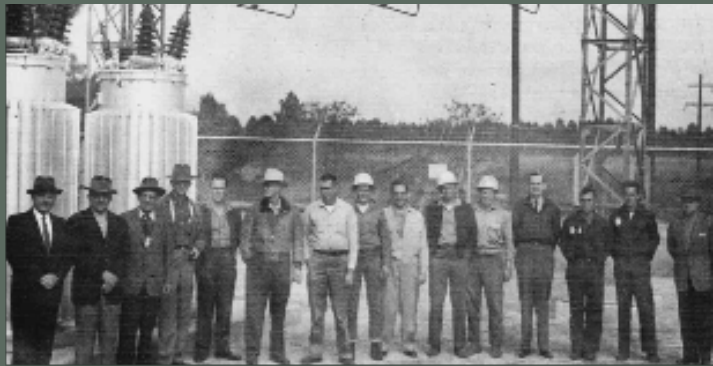


CHELCO

2024 ANNUAL REPORT



*CELEBRATING 85 YEARS OF
SERVICE TO OUR MEMBERS*



A Touchstone Energy[®] Cooperative 

ABOUT CHELCO



Since 1940, Choctawhatchee Electric Cooperative, Inc. (CHELCO) has prioritized service to our members. Now celebrating our 85th anniversary, we are proud to be a leader among cooperatives, excelling in safety, reliability, affordability and member satisfaction.

CHELCO is a not-for-profit electric cooperative serving more than 70,000 accounts in Okaloosa, Walton, Holmes and Santa Rosa counties, including on Eglin Air Force Base, and we are proud to serve you!

WHO WE ARE

OUR MISSION

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

OUR VISION

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

OUR VALUES

Safety First

Commitment to Community

Honesty and Integrity

Excellence in Service

Leadership with Accountability

Continuous Improvement

Outstanding Teamwork



A Word From Your CEO

As we reflect on the past year, I am incredibly proud to be part of a cooperative with such a rich history and commitment to service. CHELCO's 85th year was one of progress, resilience and continued dedication to our members. Our cooperative was built on the principle of people working together for the common good, and today, we stand on the shoulders of those who came before us, visionaries who saw the need for reliable electricity in our rural communities and took action.

This past year has been a testament to the strength of our cooperative. CHELCO has continued to lead the way as a model of excellence for electric cooperatives in reliability, innovation and service. Through years of planning, execution and commitment to our members, CHELCO is positioned for continued success.

For the better part of four decades, I have been fortunate to call myself a co-op man. Having previously served at cooperatives in the Midwest and in Arizona, and as a former President of Touchstone Energy's Board of Directors, I have seen many co-op accomplishments throughout my career. However, CHELCO's steady improvement in all aspects of our day-to-day operation over the past decade is one of the most impressive.

I'm proud to report that in 2024, CHELCO ranked in the top quartile of each of the following service metrics among more than 800 electric cooperatives in the United States: Safety, Reliability, Cost Control and Member Satisfaction. None of this would be possible without the hard work of our employees, the leadership



of our Board of Trustees and the trust our members have placed in us to get the job done.

As we celebrate 85 years of service, I am reminded that our success today is owed in large part to the foundation laid by those before us. I believe that our founding members would look back on our journey and be very proud of where we are today.

A handwritten signature in black ink, reading "Steve Rhodes".

STEVE RHODES
Chief Executive Officer



A lineman on Eglin AFB works on upgrades to the system.



CHELCO's 2024 Youth Tour winners at the US Capitol in DC.

Message from the Board President



Gerald Edmondson
District 6
President

Looking back on our cooperative's history of service, I'm proud to represent you, our members. 2024 was another successful year. We experienced tremendous growth, had a minimal distribution rate increase for the first time in over a decade, and above all else, we kept our employees and community safe. As we celebrate a milestone anniversary in 2025, I encourage you to remember those who laid CHELCO's foundation more than 85 years ago. I'm grateful for the opportunity to serve as your District 6 Trustee and as Board President, and I appreciate the commitment of each of my fellow trustees in their service to you. -Gerald Edmondson, Board President and District 6 Trustee

CHELCO Board of Trustees



Lee Perry
District 1



Terry Pilcher
District 2



Reese Harrison
District 3



Brady Bearden
District 4
Vice President



Ronnie Jones
District 5



Bert Prutzman
District 7
Asst. Secretary/Treasurer



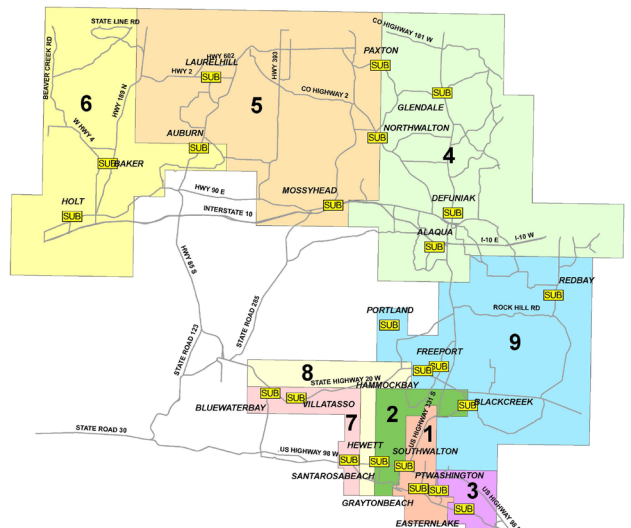
Gayle Hughes
District 8
Secretary/Treasurer



Dwayne Davis
District 9

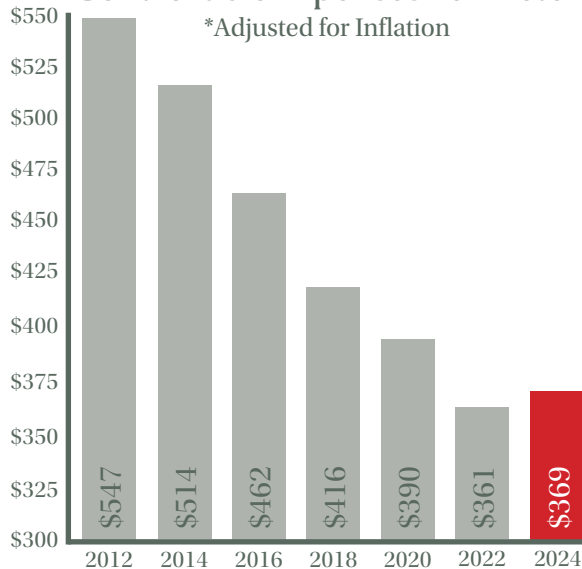
CHELCO Board District Map

CHELCO's Board of Trustees is composed of nine members, each representing a specific geographic district within our service territory. These districts ensure that all areas of our membership have a voice in the cooperative's governance. Trustees serve three-year terms, with elections held annually for three of the nine districts to maintain continuity and member representation. To ensure fair and equitable representation, CHELCO periodically reviews and rezones districts as needed to balance the population in each district.

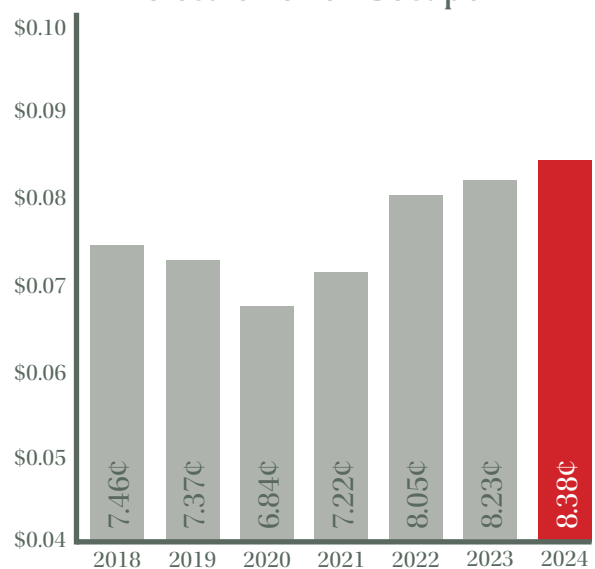


CHELCO By the Numbers

Controllable Expenses Per Meter

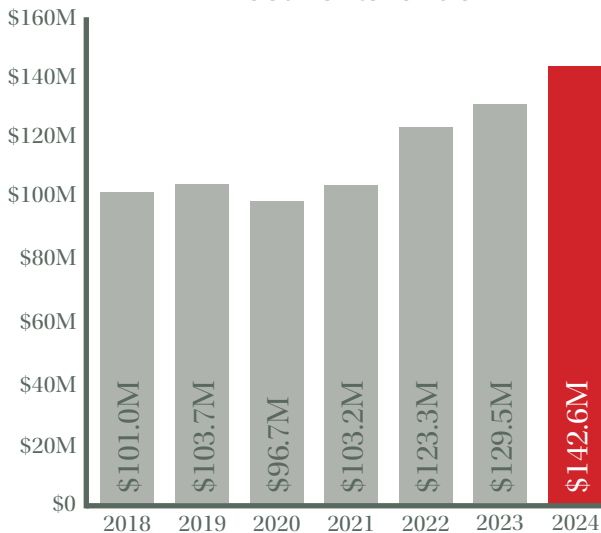


Wholesale Power Cost per kWh

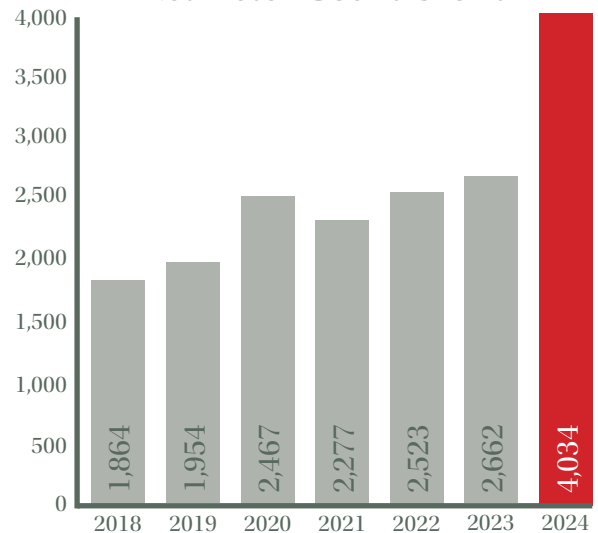


*Excludes wholesale power cost, depreciation, interest, taxes and costs related to operations and maintenance of Eglin AFB infrastructure.

Electric Revenue



Net Meter Count Growth



CHELCO is one of the fastest-growing electric cooperatives in the United States and now serves more than 70,000 accounts.

A Leader Among Cooperatives

Top 25%



Safety



Reliability



Cost Control



Member Satisfaction

Among more than 800 electric cooperatives in the United States.

Year in Review



CHELCO Executive Team: CEO Steve Rhodes (center) & VP Emily Cowan, SVP Matthew Avery, VP Robin Shaw and VP Scott Seay.

Celebrating 85 Years of Service to Our Community

Many years ago, an idea became a vision—one that would bring light, opportunity and transformation to communities once left in the dark.

On May 11, 1935, President Franklin D. Roosevelt issued Executive Order 7037, laying the groundwork for the creation of the Rural Electrification Administration. One year later, Congress solidified this effort by passing the Rural Electrification Act of 1936, a critical bill to support the need for rural electrification in the United States. This landmark legislation made low-interest loans available to finance rural electrification projects, paving the way for modern electric cooperatives.



At Choctawhatchee Electric Cooperative, Inc., our story began in 1940. Long before we became known simply as CHELCO and before our iconic lightning bolt in a red box, a group of determined citizens came together to form a cooperative. Their goal was simple but ambitious: to bring electricity to rural areas that privately owned utilities had deemed too costly to serve.

While our communities have changed dramatically since those early days, our cooperative's foundation remains the same. We owe everything to the pioneers of rural electrification—visionaries who worked tirelessly, often with little or no pay, to serve their neighbors. Without President Roosevelt's leadership, the passage of the Rural Electrification Act, and the dedication of our earliest members and employees, CHELCO as we know it today would not exist.

As we celebrate 85 years of service, we honor those who came before us, those who stand with us today, and those who will shape our cooperative's future for generations to come.

Then and now, **Proud to be CHELCO.**

Safety First

We are thankful to begin our 2024 progress report with great news in safety. In 2024, we accomplished several milestones regarding employee safety, most notably establishing a new record for time worked without an employee lost-time injury. Our previous record of 886 days was surpassed on June 11, and we closed 2024 with an active streak of 1,088 days as of Dec. 31.

Due to significant growth in both our workload and staff, we also began tracking employee hours worked without a lost-time injury to more accurately measure our progress. We closed 2024 with a streak of just over 1 *MILLION* employee hours worked without a lost-time injury, a testament to the safety commitment of each of our employees.

We are thankful that, at the time of publication, these records continue to grow each day, and our employees are consistently going home safely to their families each night. Our commitment to *Safety First* is never-ending, and we are grateful for your thoughts and prayers for the continued safety of our staff and communities.



Year in Review

Record Growth in 2024



“Doing more in 2024” became a common phrase among CHELCO employees last year, and with good reason. A significant growth in membership has subsequently led to a staggering increase in workload.

CHELCO, currently the 73rd largest electric cooperative out of 812 in the United States, experienced a net growth of 4,034 meters in 2024—surpassing our previous record set in 2023 by more than 1,000. Remarkably, 2024 marked the third consecutive year, and the fourth in the past five, that CHELCO has set a new record for single-year growth.

To put these numbers into perspective, CHELCO's meter count grew by nearly 6% in 2024, which is six times greater than the national co-op average. In fact, in many ways, CHELCO is anything but average. We are approximately four times larger than the average U.S. electric co-op, sell approximately three times more kilowatt-hours and have around 180 employees, compared to the national average of fewer than 50.

“Growth is good in the long run, but can be challenging when it occurs so rapidly.”
-CEO Steve Rhodes

Long-term, this growth is a positive development for our membership. For example, our rates have been kept very affordable in part due to our consumer density. We currently serve around 14 members per mile of line, compared to just over six for the average co-op, which allows us to spread costs across more members.

However, recent growth has strained resources and increased our expenditure on equipment, fuel and a myriad of other crucial aspects of bringing power to our members. We are doing our best to control what

we can, but inflation on necessary materials has certainly proved to be a challenge for CHELCO and co-ops around the country.

Excellent Reliability

By investing in new grid technology and keeping lines clear of limbs and other vegetation growth, CHELCO excelled at keeping the lights on and quickly restoring power when outages occurred in 2024. There are several performance metrics used to gauge a utility system's overall reliability: SAIDI, SAIFI and CAIDI. These metrics help CHELCO and other electric utilities assess outage frequency and duration, guiding improvements in system reliability and service quality.

First, SAIDI (system average interruption duration index) measures in minutes the total duration of power outages experienced by the average member over a one-year period. Over the past two decades, our SAIDI number has steadily declined, from 130 minutes in 2004 to exactly 60 in 2024. Given that there were 8,784 hours in 2024, we are proud that our average member only experienced one of those hours without power.



CHELCO received Survalent's Industry Leadership Award for our use of technology in delivering resilient, reliable power to our members.

Next, our SAIFI (system average interruption frequency index) metric measures how often the average member experiences a power outage. In 2024, members experienced an average of 0.76 outages, a number that has also declined steadily since 2004, when average members experienced 1.20 outages per year.

Another important metric is CAIDI (customer average interruption duration index), which helps us gauge the effectiveness of our restoration efforts during power outages. Measured in minutes per outage, our CAIDI metric has also steadily decreased, from 109 minutes in 2004 to 86 minutes in 2024.

Year in Review

Driven by our commitment to enhancing reliability and responding to record growth in recent years, our construction work plan—detailing system improvements, upgrades and expansions—has nearly doubled since 2020. In 2024, we completed several key reliability projects, including the installation of “TripSaver” devices, which reduce the frequency, duration and impact of service interruptions. Additionally, replacing aging poles, transformers and other infrastructure, along with upgrading our substations, ensures our electric service remains among the most reliable in the nation.

In addition to our efforts at improving reliability, we also enhanced our communication efforts to ensure members were notified of outages, planned work in their area and many other important updates.

Facilities

For several years now, there has been at least one major building project underway for the cooperative. In 2024, the next step in our facilities plan broke ground. To better serve our members and continue to improve our CAIDI metric, we will soon open our new Member Service and Operations Center in Freeport. This new facility will provide a more central hub for our crews in the rapidly growing areas in and around Freeport, and Santa Rosa Beach, improving outage response times and enhancing member service capabilities.



Rendering of the Freeport Member Services and Operations Center

With the completion of our Headquarters campus, our employees and members have enjoyed the amenities of our new facility, which was a project that took many years of planning, revisions and construction before finally being completed in 2023.

Community Involvement

As a cooperative, one of our seven guiding principles is Concern for Community, and there are many ways we strive to make that a priority. Whether through

employee giving and volunteering or member-funded non-profit support, our entire cooperative has a heart for the place we call home.

Operation Round Up continues to make a huge impact, and it is funded entirely by more than 25,000 members who have voluntarily rounded up their bill to the next whole dollar amount – an average of 50 cents per month – to support local non-profits. In 2024, members rounded up just over \$134,000, allowing us to award 46 grants totaling \$121,779 to 501(c)(3) organizations in our community. Since its introduction in 2019, Operation Round Up has awarded \$422,954 across 176 total grants, and we are projected to surpass the \$500,000 milestone in 2025. To learn more about Operation Round Up, please visit CHELCO.com/Operation-Round-Up.

One new development in 2024 was the launch of the Drebing Fund, named in honor of Muriel “Midge” Drebing. Mrs. Drebing passed away in 2021 and left a generous bequest of \$1.9 million to CHELCO, requesting that it be used to help those in need. To honor her wishes, CHELCO’s Board of Trustees opted to invest the funds to earn interest, using the annual gains to provide ongoing support to local non-profits through a partnership with United Way Emerald Coast. In 2024, the Drebing Fund made a \$90,000 impact in our community. A large portion of the funds – \$67,500 – was awarded to 501(c)(3) non-profit organizations working in CHELCO’s service territory to support critical needs. The other portion – around \$22,500 – was distributed to agencies that help members with utility payment assistance. We are grateful to Mrs. Drebing for her profound contribution, which will touch many lives throughout our area for years. To learn more about the Drebing Fund, please visit CHELCO.com/Drebing-Fund.

Eglin Air Force Base

As part of CHELCO’s 50-year utility privatization (UP) contract with Eglin Air Force Base, we continued to own and maintain all substations and electric transmission and distribution infrastructure on base. The UP contract, which completed its eighth year in 2024, helps keep rates affordable for all members by allowing us to defray certain expenses that don’t have to be paid by the membership and providing more efficient use of employees, equipment and facilities. CHELCO continues to be a proud mission partner of Eglin AFB, and we are grateful for the opportunity to support our military through the UP contract.

2024 Annual Meeting Minutes

The Annual Meeting of Members of Choctawhatchee Electric Cooperative, Inc. (CHELCO) was held on Saturday, April 6, 2024, at Freeport High School in Freeport, FL.

Mr. Gerald Edmondson, President, welcomed members to the 83rd Annual Meeting and called the meeting to order. Trustee Ronnie Jones gave the invocation. The Walton High School Junior ROTC Color Guard presented the flag; Mr. Edmondson led the Pledge of Allegiance, and the national anthem was played.

Mr. Edmondson acknowledged local dignitaries for their attendance at the meeting, and introduced the Board of Trustees by district as their photos were displayed.

Determination of Quorum and Trustee Election Report

Attorney C. Jeffrey McInnis provided the notice of the meeting and proof of due publication and mailing. He reported that on March 4, 2024, 51,848 ballots were mailed to the active members of the Cooperative. All votes received by 5 p.m. on April 1, 2024, at the offices of Warren Averett, Certified Public Accountants, were considered. A total of 2,277 valid ballots were received by that date. A two percent (2%) quorum (at least 1,037) of responses was met, which is a requirement of Article III, Section 5 of CHELCO's bylaws. The voting resulted in the following winners:

DISTRICT 1

Lee Perry

DISTRICT 7

Bert Prutzman

DISTRICT 9

Dwayne Davis

Approval of 2023 Annual Meeting Minutes

Mr. Edmondson referenced the 2023 Annual Meeting minutes which were printed within the Annual Report for review by attendees. Upon a motion being made and seconded, President Edmondson asked all in favor of the minutes to say "Aye"; all opposed to say "No". The 2023 Annual Meeting minutes were approved.

President's Report

Mr. Edmondson provided the President's report. He stated the not-for-profit Cooperative does not gain profits, and decisions are made with the member-owners' best interests in mind. 2023 was a strong year for CHELCO. Providing safe, reliable and affordable electricity to members is the top priority. We ranked in the top quartile of co-ops in the reliability metric. It has been over two years since the last lost-time injury. The Cooperative has hosted two member appreciation events this past year and experienced the best year of the Operation Roundup program, where members round up their monthly bill payments to the next whole dollar amount. Proceeds of those funds provided 46 grants to local non-profit organizations in 2023, totaling \$114,000. Members in attendance viewed a video highlighting three organizations who benefited from our members' charitable giving.

Treasurer's Report

Ms. Gayle Hughes presented the Treasurer's report. The accounting firm of Warren Averett performed an annual audit of the 2023 financial statements through December 31, 2023. Those statements were printed in the Annual Report for reference. The financial reports were thoroughly examined, and no issues were found. Despite inflation and global economic challenges, CHELCO performed well in 2023. As one of the fastest growing cooperatives in the United States, we welcomed over 2,600 new members, and for the second year in a row sold over one billion kilowatt-hours of electricity to nearly 65,000 meter points over 4,400 miles of line. The distribution plant now totals over \$389,000,000 worth of lines, poles, and transformers. Ms. Hughes stated we must maintain financial strength to continue reliably serving a growing territory.

Mr. Edmondson thanked the Board for their leadership and thanked senior staff, the leadership team, and employees for all they do. He introduced CEO Steve Rhodes, who has served in his role since 2013. In this time, a 50-year utility privatization contract was entered to serve Eglin Air Force Base, and a new headquarters campus was constructed. Safety remains his top priority.

CEO Report

Mr. Rhodes thanked the members for their attendance, and he congratulated the three incumbents -- Lee Perry, Bert Prutzman, and Dwayne Davis, for being re-elected to the Board. He acknowledged the employees for setting up to prepare for the meeting, and all they do throughout the year. He thanked the Board for allowing him to serve as CEO the past 11 years and stated it is an honor to do so.

Mr. Rhodes stated inflation and supply chain issues continue to bring cost pressures. In 2019, the Cooperative spent \$270,000 on minor materials to maintain the system. In 2023, that cost was \$1,000,000. An average pole then cost \$177, but is now \$284, for an increase of 62 percent; and wire has doubled in price since 2020. Fuel for the fleet which cost \$372,000 has now doubled to \$834,000. Materials needed to maintain the fleet have increased from \$265,000 to \$600,000. A transformer which formerly took approximately two months to receive, now can take over a year. Mr. Rhodes remarked it is difficult to maintain a growing system when every component required to run the business has significantly increased in cost. The hard work and creativity of our employees has made it possible to overcome these supply challenges all while CHELCO is growing at four times the national average. A short video was produced and shown to depict the growth within our area.

The Cooperative's goal is to control costs while maintaining or improving safety, service reliability, member satisfaction, and employee engagement. In 2023, we maintained our superior performance in seven of the nine individual metrics we track, and we ranked in the top 25 percent of 850 electric co-ops nationally. Our member satisfaction scores were considerably higher than respected organizations like Amazon, Google, and Chick-fil-A. A short compilation of members' appreciative comments was shown by video.

Mr. Rhodes stated the highest priority is public and employee safety. Our current streak without a lost time injury is 820 days. We have presented electrical safety awareness training to over 490 people this past year, and our safety focus will continue. We have worked to control costs and have reduced them by 12 percent since 2012. We rank in the top five percent of our peers at controlling costs. Through demand side management efforts, we have saved \$3,700,000 in wholesale power costs in 2023, for a total savings on those costs of \$28,000,000 since 2014. Special capital credit refunds and two distribution rate decreases have taken place since 2015. However, due to the increasing cost pressures named today, the distribution rate must be raised for the first time in over a decade by 3.5% for the average residential member's bill, or approximately \$5/month. The rate will take effect on June power bills. CHELCO consistently has remained among the lowest rates in the state, a distinction which will continue even with the modest adjustment. Mr. Rhodes credited the Board's governance, the management's leadership, and the employees' hard work and dedication for the performance described.

Mr. Rhodes discussed CHELCO's participation in December 2022, along with other Florida cooperatives, in the National Rural Utilities Cooperative Association (NRECA) international project which provided power to a rural village in Jalapa, Guatemala. A video was shown which captured the project. CHELCO linemen Ricky Brassell, Jason Price, and Derek Tabor were recognized by the CEO and applauded by audience members for their participation in the NRECA international project.

Mr. Rhodes promised a continued dedication to keeping the members supplied with affordable, reliable power as safely as possible, and closed by thanking the membership for their attention.

Other Business

President Edmondson called for any new or old business, and there was none. He thanked the membership for attending and adjourned the meeting.

Following the meeting, a drawing for scholarships and other prizes was held.

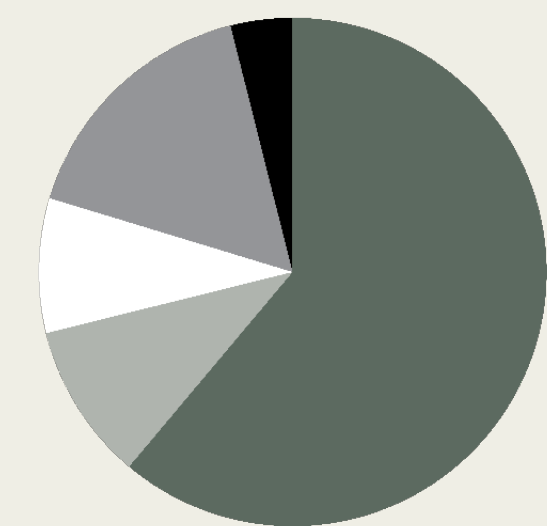
Operating Statement

For the years ended Dec. 31, 2024 & 2023

	2024	2023
Statement of Operations		
Operating Revenues	\$158,326,623	\$145,262,314
Operating Expenses		
Cost of Purchased Power	97,463,446	88,796,338
Operations & Maintenance	15,795,411	14,534,855
Collections, Admin & General Expense	13,495,152	12,430,463
Depreciation	14,754,540	14,089,646
Taxes	1,839,415	1,636,831
Interest	8,984,805	8,064,801
Total Operating Expenses	152,332,769	139,552,934
Operating Margin	5,993,854	5,709,380
Other Income or Deductions		
Interest Income	925,453	810,652
Misc. Income (Expense)	697,417	430,654
G&T & Other Capital Credits	2,510,870	2,743,963
Total Non-Operating Margins	4,133,740	3,985,269
Net Margins	\$10,127,594	\$9,694,649

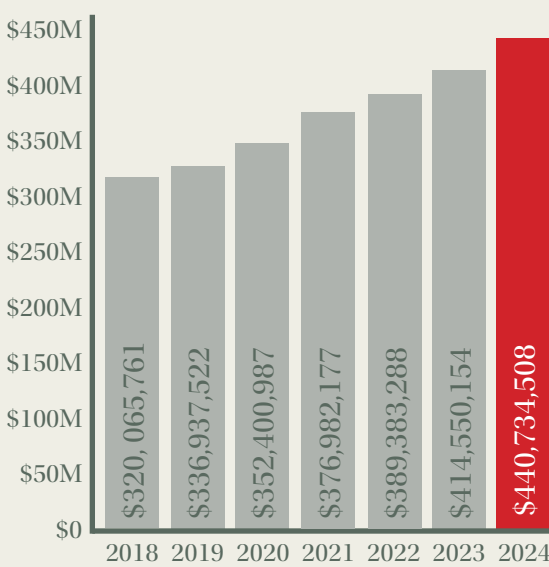
AMOUNTS DISCLOSED ON BOTH THE OPERATING STATEMENT AND BALANCE SHEET INCLUDE FINANCIAL ACTIVITY FOR THE ASSETS OWNED AND MAINTAINED ON EGLIN AIR FORCE BASE.

Where Does Your Dollar Go?



- Power Cost (61.6%)
- Distribution Expense (10.0%)
- Operational Expense (8.5%)
- Depreciation, Interest, Taxes (16.2%)
- Operating Margin (3.8%)

Total Utility Plant



Utility Plant includes all CHELCO-owned distribution infrastructure, including poles, wire, transformers and other essential equipment. It also includes the cooperative's owned land, buildings, vehicles and other infrastructure necessary for operation.

Balance Sheet

Dec. 31, 2024 & 2023

	2024	2023
<u>Utility Plant</u>		
Plant in Service	\$435,080,460	\$407,207,656
Construction Work in Progress	5,654,048	7,342,498
	440,734,508	414,550,154
Accumulated Provision for Depreciation	(134,935,317)	(118,941,377)
Net Utility Plant	305,799,191	295,608,777
<u>Long-Term Assets</u>		
Patronage Capital of Associated Cooperatives	52,982,202	50,849,027
Other Long-Term Assets	557,974	485,647
Total Long-Term Assets	53,540,176	51,334,647
<u>Current Assets</u>		
Net Accounts Receivable	18,082,886	13,494,476
Cash & Cash Equivalents	8,286,963	13,018,349
Marketable Securities	7,883,603	0
Materials & Supplies	25,301,110	23,299,014
Other Current Assets	59,713	112,615
Total Current Assets	59,614,275	49,924,454
Deferred Debits	3,622,907	4,059,825
TOTAL ASSETS	422,576,549	400,927,730
<u>Equities</u>		
Memberships	276,865	265,260
Patronage Capital	137,879,730	128,768,045
Total Equities	138,156,595	129,033,305
Long-Term Debt	209,718,046	196,514,216
<u>Current Liabilities</u>		
Current Portion of Long-Term Debt	8,653,078	8,272,787
Line of Credit	9,778,258	12,993,368
Accounts Payable	9,500,645	7,870,617
Consumer Deposits	4,738,608	4,237,360
Other Current Liabilities	2,221,749	1,966,833
Total Current Liabilities	34,892,338	35,340,965
Deferred Credits	39,809,570	40,039,244
TOTAL EQUITIES & LIABILITIES	\$422,576,549	\$400,927,730

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 OF 2024, CHELCO'S AUDITORS RENDERED AN OPINION WITHOUT QUALIFICATION, WHICH MEANS THE FINANCIAL REPORTS THEY EXAMINED PRESENTED FAIRLY, IN ALL MATERIAL ASPECTS, 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 Seven Cooperative Principles

Voluntary and Open Membership

Democratic Member Control

Members' Economic Participation

Autonomy and Independence

Education, Training and Information

Cooperation Among Cooperatives

Concern for Community

2024 ACSI Scores American Customer Satisfaction Index



The 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 the satisfaction of our members.

Choctawhatchee Electric Cooperative

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(850) 892-2111
CHELCO.com

