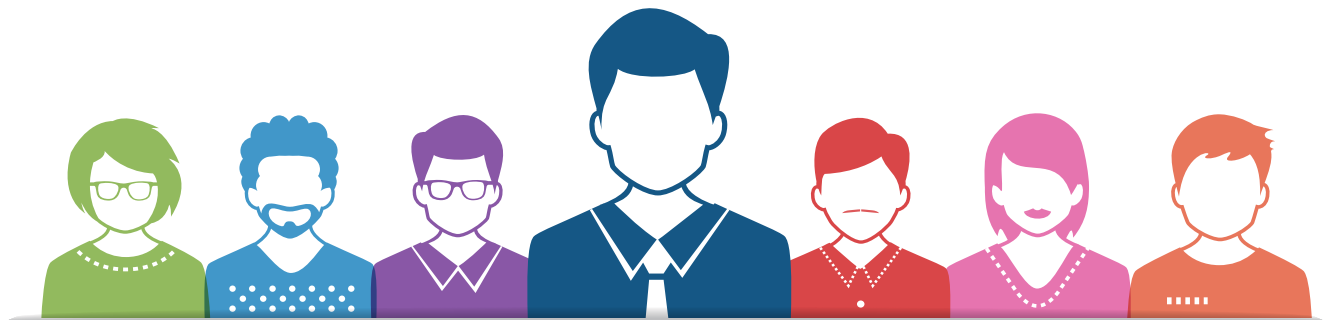


2017

ANNUAL REPORT



EXECUTIVE LETTER

2017 ANNUAL REVIEW

The year 2017 was a watershed moment for Consolidated Electric. At no point in the cooperative's history, other than when it was initially formed more than 80 years ago to bring electricity to homes and farms in our rural and agricultural communities, has our organization's work at every level and in every area come together to advance our heartfelt mission of improving our members' quality of life with the products and services we provide.

An Overview of the Numbers

During the past fiscal year, Consolidated's electric and commercial fiber-optic businesses and its subsidiaries of Bright Energy and Consolidated Gas continued to offer services safely and at reasonable costs to members and customers.

Consolidated continued to experience growth on many levels. We installed 375 new electric meters, compared to 358 in 2016 and as few as 120 in 2012. At the same time, we added 101 new natural-gas customers and 53 new propane accounts. Our middle-mile fiber-optic business grew as well, adding almost 20% to revenue compared to 2016.

The mild weather we experienced for most of the year, however, had a large negative impact on revenue and margins for all but our fiber-optic line of business. Wholesale power costs were higher than anticipated, and we invested slightly more than planned for vegetation management. This increased spending on vegetation control, however, reduces our future costs, while simultaneously reducing the risks of electric outages.

Consolidated Electric paid \$26.8 million in 2017 for wholesale electric power. This cost of power represents 56 percent of the total cost of providing electric service to members; it continues to be our largest single expense.

Despite the weather-induced reduction in margins for our gas

businesses, total revenue in 2017 from Consolidated Gas and Bright Energy was 11 percent above 2016 revenue thanks to net growth in the customer base for both services. We plan to continue expanding our gas operations as we find appropriate opportunities.

Operations revenue for all four lines of business in 2017 was \$49.2 million with operating cash flow of \$3.9 million.

In summation, we are pleased to report that your cooperative ended 2017 comparatively strong despite the second straight year of mild weather and below-expected sales volumes.

The Future Looks Bright

One of the ways that Consolidated continues to contain costs for delivering electric power is through our investments in fiber-optic telecommunications and advanced control systems for our electric distribution system. These technologies help to keep our wholesale power costs down while improving our ability to restore outages quickly and safely. By selling the extra capacity of our fiber-optic telecommunications facilities to organizations such as schools, hospitals, cell towers, and other businesses that need fast, reliable access to the internet, we not only reduce our costs, but we encourage and facilitate the growth and prosperity of our members and our communities.

Now it's your turn to light up. You, our members, asked Consolidated for internet service that's reliable, affordable, and blazing fast. We heard you, dear members, and in fourth quarter of 2017, after extensive research and planning by your dedicated employees, the board of trustees voted to move forward with extending our fiber-optic systems to your homes and businesses.

Just as in the 1930s when others would not or could not bring the convenience of electric power to



Phil Caskey
President



Larry Roof
Chairman

our rural and agricultural areas at reasonable costs, today's established telecommunications companies are not bringing broadband services universally to our members and communities at reasonable costs.

Consolidated is leveling the playing field by launching a multi-year initiative to roll out fiber internet to the home.

Many Moving Parts, One Umbrella

In addition to the co-op's fiber-to-the-home internet service, in 2017 Consolidated's board began evaluating the possibility of changing the cooperative's name to better reflect the diverse offerings of the organization. Discussions took place in 2017, and the board acted in early 2018 to operate the co-op's electric, gas, and fiber businesses under one brand umbrella. Moving forward, we're all simply Consolidated Cooperative, with a new corporate identity in the form of new logo and colors to reflect the change.

The Best News

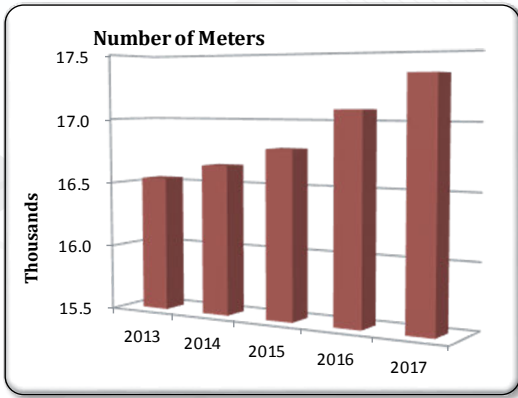
As we have recounted, 2017 was indeed a watershed year. It was an honor and our privilege to make great strides on behalf of you – our members.

A key finding in 2017 was learning that you are happy with the job we're doing. Here are a few results from the 2017 Member Attitude Survey, conducted on Consolidated's behalf by the National Rural Electric Cooperative Association:

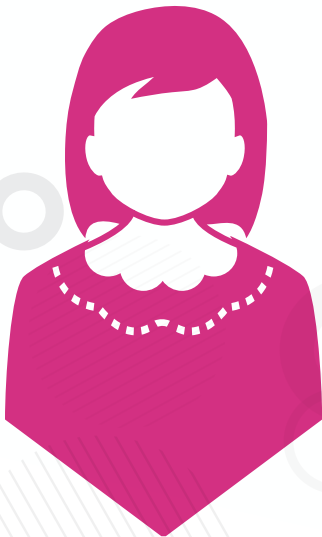
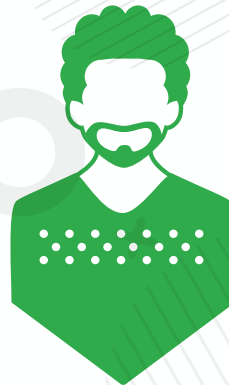
- Overall satisfaction on a 10-point scale was 8.58
- 63 percent of you gave Consolidated ratings of "9" or "10"
- You gave our employees high ratings for being friendly and courteous, and highly trained and professional.

Thank you for the great report card, and for entrusting Consolidated to serve you and your family. We look forward to seeing you at the annual meeting on May 19.

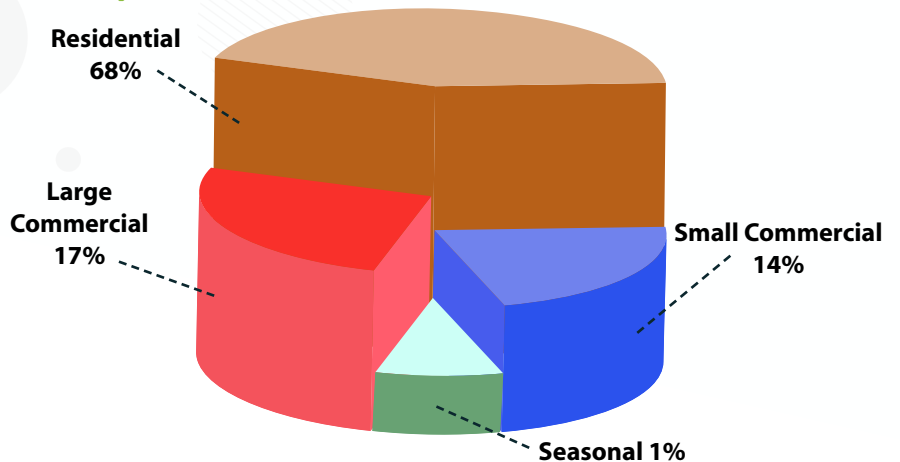
WE CONTINUE TO GROW



Consolidated Electric continued to experience positive growth throughout 2017.



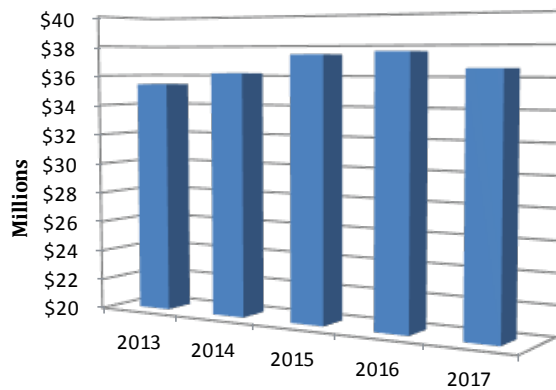
Revenue by Member Class (2017)



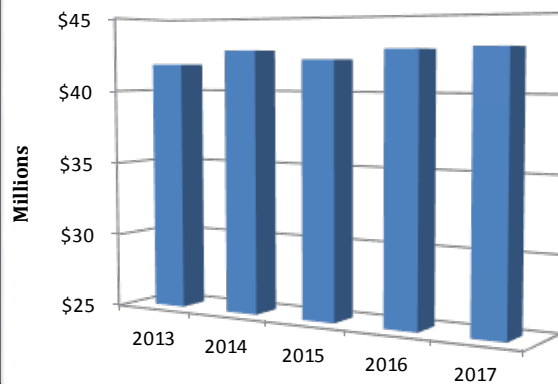
GLANCE AT 2017

The cooperative recognized net margins of \$0.1 million in 2017, which were below budget and the prior year. The lower margins were due to lower revenue due to mild weather, an increase in wholesale power costs, and an increase in tree trimming spending (which has significantly reduced outages caused by falling trees). The balance of total margins and equities dropped slightly in 2017 because capital credit retirements to members exceeded net margins.

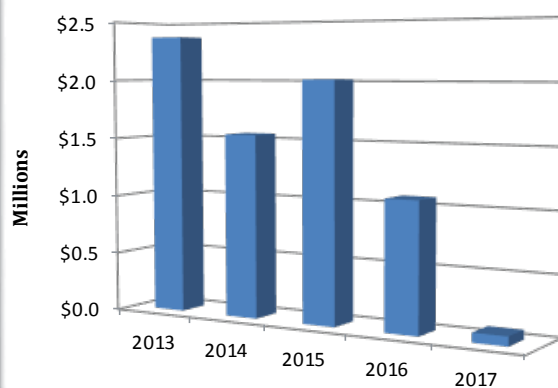
Total Margins and Equities



Revenue



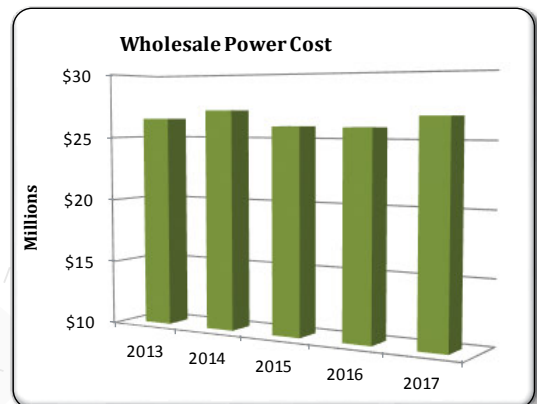
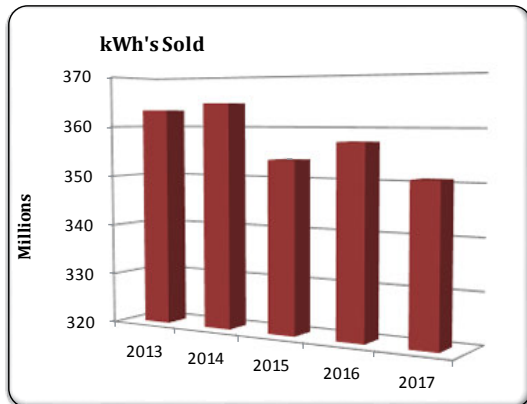
Net Margins



WE WATCH WHAT WE SPEND

Consolidated Electric paid wholesale power costs of \$26.8 million in 2017.

The cost of power amounts to 56% of the total cost of providing electric service to members.



KEY FINANCIALS AND OPERATING COMPARATIVES

The financial comparatives are for informational purposes only. Complete audited statements will be available upon request.

Financial Comparatives (Thousands of dollars unless otherwise stated)	2013	2014	2015	2016	2017
Revenue	\$41,814	\$42,755	\$42,160	\$42,830	\$42,956
Net Margin	\$2,370	\$1,549	\$2,016	\$1,078	\$79
Patronage Capital Retired	\$901	\$878	\$1,024	\$1,091	\$1,114
Total Assets	\$90,613	\$97,062	\$104,645	\$108,391	\$112,638
Total Margins and Equity	\$35,411	\$36,184	\$37,424	\$37,600	\$36,564
Long-Term Debt	\$45,099	\$47,869	\$49,815	\$52,789	\$57,495
Equity Level (percent of assets)	39%	37%	36%	35%	32%

Operating Comparatives	2013	2014	2015	2016	2017
Total Number of Electric Meters	16,534	16,649	16,788	17,086	17,347
Total Electric Purchases (MWh)	378,808	382,868	370,769	378,814	370,635
Cost of kWh Purchases (Thousands of Dollars)	\$26,492	\$27,163	\$25,946	\$25,910	\$26,785
Number of Electric Employees	54	59	60	62	66
Average Number of Meters per Employee	306	282	280	276	263
Total Miles of Line Energized	1,872	1,872	1,870	1,878	1,888
Total Electric Sales (MWh)	362,750	364,470	353,799	357,383	350,799
Average Electric Meters per Mile	8.83	8.89	8.98	9.10	9.19

OUR SERVICES

Consolidated offers electric, fiber, natural gas, and propane to our service areas. For additional information on these services please visit our website www.consolidated.coop

The Consolidated Electric Foundation is a nonprofit organization that administers the charitable donations of The People Fund. For more information, visit www.consolidated.coop.



BOARD DISTRICTS

Consolidated Electric is governed by a board of trustees that is nominated and elected by our members in accordance with the members' Code of Regulations. Our service area is divided into nine districts, which are based on equitable representation of the geographic areas served by Consolidated Electric.



Kent Kramer
District 1



Don McCracken
Vice Chairman
District 2



Richard Miller
Secretary
District 3



Donald Breece
District 4



Larry Roof
Chairman
District 5



Michael Struck
Assistant Secretary
District 6



Mike Schuster
District 7



Charles Lynn
Treasurer
District 8



Jim Burson
District 9

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2017

Independent Auditor's Report

Consolidated Electric's annual audit of the financial statements is in process. The 2017 independent auditor's report prepared by BHM CPA Group, Inc. will be published as soon as it is available.

