



# 2019 ANNUAL REPORT





The background of the document features a dark blue-grey gradient. On the left, a large, dark grey gear is partially visible, with the word "RESEARCH" in white capital letters positioned behind it. To the right, another gear is visible, with the letters "ST" in red. In the lower right foreground, a hand in a white lab coat sleeve is shown, with fingers slightly curled as if holding or pointing towards the table of contents.

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**STRATEGY**

**GROWTH**

## Value Statement

*With a proud history of more than 80 years of service to our rural communities, Consolidated's vision is to shape the future in our communities; to be a top-tier performing leader that spurs the future growth and economic vitality of our region. We value providing affordable, reliable services and practicing environmental, social, and financial stewardship for our members.*



IMPROVING THE  
QUALITY OF LIFE  
OF OUR  
MEMBERS

Consolidated's purpose has been to improve the quality of life of our members and communities by providing high-value energy and telecommunication services in environmentally responsible ways. Our mission is to make life better for you – our members, our friends, and neighbors, and the people who live in our communities. This is the reason Consolidated exists. Always has been, always will be.

# EXECUTIVE LETTER

Dear Members,

Last year was one that involved a significant change of course for Consolidated's community of members. Our trustees and management acted swiftly when it became apparent that funding for our residential broadband initiative was impacted by a government shutdown and rapidly-increasing labor and materials costs. It was with heavy hearts we knew that it was in the best interest of our membership to pause additional construction and connection activities. That's Pause. Not stop.

Fortunately, cooperatives have a unique advantage when it comes to dealing with change of all kinds. Cooperatives the world over are governed by what is recognized internationally and across many industries as The Seven Cooperative Principles, and we believe those principles create an exceptional business model.

## Concern for community

While we abide by all seven principles, one, concern for community, genuinely serves as Consolidated's ballast and compass. Everything we do, every decision we make, is put through the lens of how it will help our 17,648 members and their communities across the eight counties our electric service territory touches. Frankly, we have a selfish interest. We are parts of those communities. Our employees live, shop, worship, and play in those communities. And, of course, our owners are the people in those communities.

Consolidated's care and concern manifests in ways common to just about every electric cooperative across the country, including keeping your power on and getting it back on quickly if it does go out, keeping your homes warm in the winter and cool in the summer, and enabling the myriad other conveniences that all depend

upon electric power, all while helping your monthly bills stay affordable. We also remain committed, though, to our long history of the less-common goal of finding the best ways to bring other quality-of-life products and services to all our members, including dependable and affordable satellite-TV, dial-up internet, propane, natural gas, and now, broadband internet (remember... Pause. Not stop).

## There is More

We know these are all things you deserve and expect from your cooperative, but there are also other ways in which Consolidated shows concern for the community.

We offer college scholarships, as well as a chance for high school juniors and seniors to apply for an annual, all-expenses paid trip to Washington, D.C. to learn about government and meet other like-minded young people from around the country.

Through Consolidated Cooperative's Foundation, The People Fund, assistance in the form of grants is available to those individuals and non-profit organizations in our communities who have nowhere else to turn.

The co-op's economic development team works in partnership with community leaders to make our region a better place in which to work and live. For many years, Consolidated has helped to attract new businesses and assist existing businesses with expansion efforts, and last year we saw notable achievements again.

And let's remember the upcoming Annual Meeting of Members. This year's meeting is May 16 at our Delaware location, and it's a chance for you to meet your trustees, visit with employees, learn what's happening at the co-op – and spend time with your neighbors visiting over pancakes.



**Phil Caskey**  
President & CEO



**Larry Roof**  
Chairman

While many of these activities and efforts may seem unrelated to our primary line of business, they all help to make our communities attractive to farms, businesses, and people.

Without thriving communities, our membership rolls stagnate or decline, and the cost of power then accelerates for those who remain. It is this concern that has been a major driver in our efforts to solve the challenge of bringing broadband internet out to where other providers continue to say, "It's too costly."

We hope that it's obvious how much Consolidated cares for our communities, but it's always more meaningful when someone else says it. In the words of Shelley Planey, former executive director of the Morrow County Chamber of Commerce, "If there's something that I need that I feel would benefit the community, I know that I can always trust Consolidated to be my partner in moving that initiative forward," she said during a recent interview for a video about the cooperative. "They're always in our corner," Shelley added. "They live here. They work here. They're interested in growing and developing our community. And they're just dependable."

Service to community and improving members' quality of life is indeed what Consolidated is all about. Thank you for entrusting us with this privilege.

Yours faithfully,  
Phil Caskey and Larry Roof



# OUR SERVICES

Under the umbrella of Consolidated Cooperative, our electric, internet, natural gas, and propane services are called Consolidated Electric, Consolidated Fiber, and Consolidated Gas.



## ELECTRIC

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Consolidated provides safe, reliable, and affordable quality-of-life electricity services to our members — who live in rural areas where investor-owned utilities can't or won't serve.



## FIBER

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Consolidated is excited to offer broadband fiber internet service, to select areas, that is affordable, reliable, and ultra-fast. With Consolidated Fiber, you'll enjoy speeds 100 times faster than the national average.



## GAS

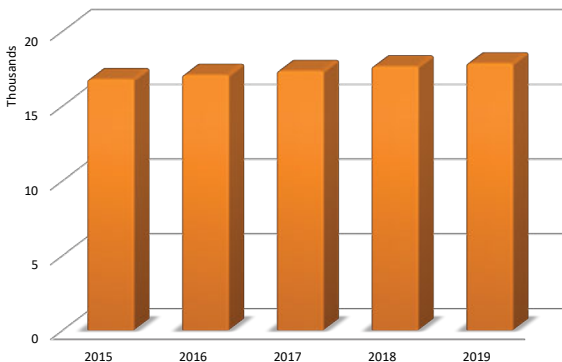
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Consolidated Gas is a not-for-profit subsidiary of Consolidated Cooperative. We are a full-service energy provider, committed to meeting the needs of our growing and diversified community.

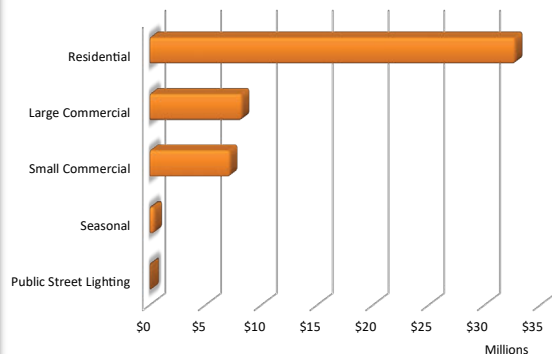
# We Continue to Grow

Consolidated Electric continued to experience positive growth throughout 2019; two large commercial accounts were added and residential accounts increased by 2% over prior year.

**Number of Meters**



**Revenue by Member Class**



# KEY FINANCIALS AND COMPARATIVES

## Financial Comparatives\*

(Thousands of dollars unless otherwise stated)

	2015	2016	2017	2018	2019
Revenue	\$42,160	\$42,830	\$42,956	\$45,928	\$49,454
Net Margin	\$2,016	\$1,078	\$79	\$2,306	\$4,472
Patronage Capital Retired	\$1,024	\$1,091	\$1,114	\$683	\$675
Total Assets	\$104,645	\$108,391	\$112,638	\$124,983	\$129,267
Total Margins and Equity	\$37,424	\$37,600	\$36,564	\$38,321	\$42,254
Long-Term Debt	\$49,815	\$52,789	\$57,495	\$58,047	\$61,675
Equity Level (percent of assets)	36%	35%	32%	31%	33%

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

## Operating Comparatives

	2015	2016	2017	2018	2019
Total Number of Electric Meters	16,788	17,086	17,347	17,648	17,856
Total Electric Purchases (MWh)	370,769	378,814	370,635	395,176	394,725
Cost of kWh Purchases (Thousands of Dollars)	\$25,946	\$25,910	\$26,785	\$28,653	\$27,294
Number of Electric Employees	60	62	66	81	79
Average Number of Meters per Employee	280	276	263	218	226
Total Miles of Line Energized	1,870	1,878	1,888	1,890	1,895
Total Electric Sales (MWh)	353,799	357,383	350,799	376,747	375,640
Average Electric Meters per Mile	8.98	9.10	9.19	9.34	9.42

# Board of Trustees

Consolidated Cooperative 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.



**Kent Kramer**  
*Treasurer*  
*District 1*



**Don McCracken**  
*Member*  
*District 2*



**Richard Miller**  
*Member*  
*District 3*



**Don Breece**  
*Vice-Chairman*  
*District 4*



**Larry Roof**  
*Chairman*  
*District 5*



**Michael Struck**  
*Secretary*  
*District 6*



**Mike Shuster**  
*Member*  
*District 7*



**Michael Huston**  
*Member*  
*District 8*



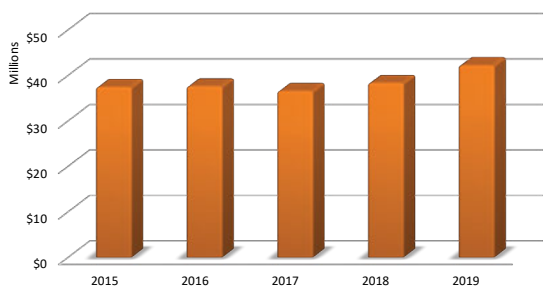
**Mary Fuller**  
*Asst. Secretary*  
*District 9*

# GLANCE AT 2019

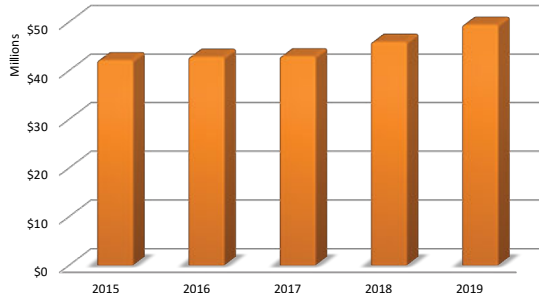
The cooperative recognized net margins from electric operations of \$4.45 million in 2019. The increase in margins over prior years was primarily due to the rate increase implemented at the beginning of the year while controlling expenses.



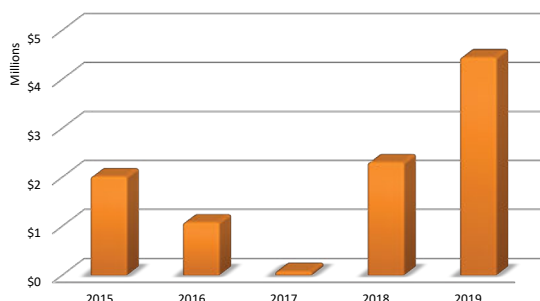
**Total Margins & Equities**



**Revenue**

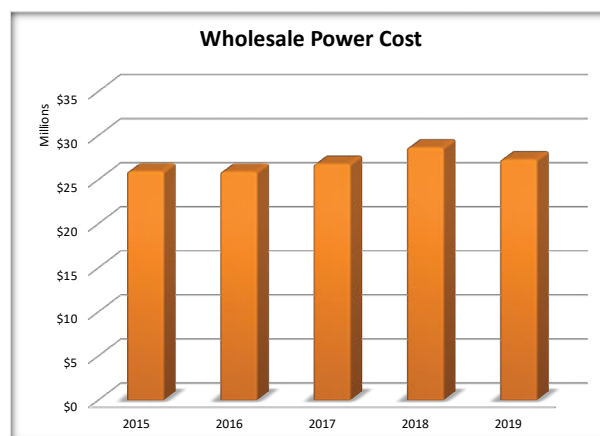
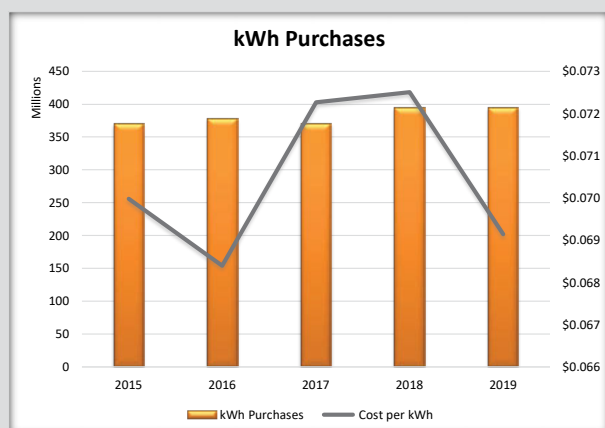


**Net Margins**



# WE WATCH WHAT WE SPEND

Consolidated Electric paid wholesale power costs of \$27.3 million in 2019. The cost of power amounts to 58% of the total cost of providing electric service to members.

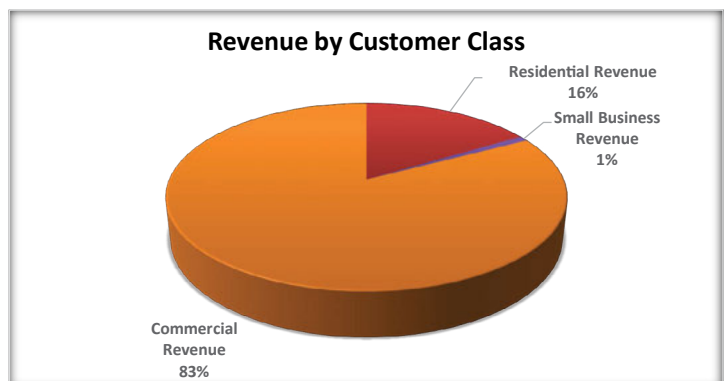
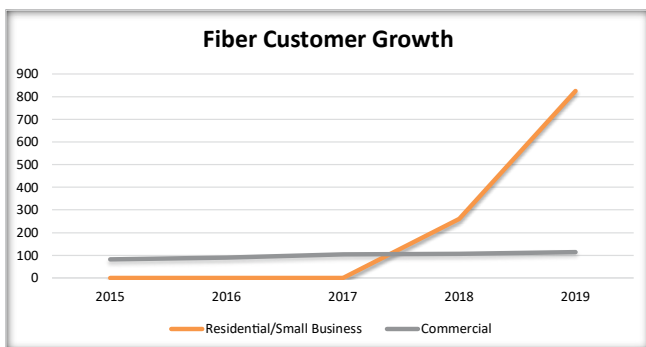


## Independent Auditor's Report

Consolidated Cooperative's annual audit of the financial statements is in process. The 2019 independent auditor's report prepared by BHM CPA Group, Inc. will be published as soon as it is available.

# CONSOLIDATED FIBER

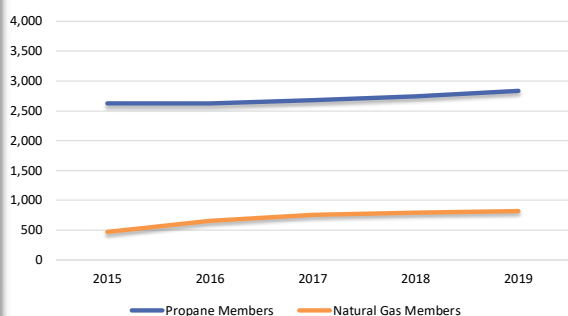
Consolidated continues to serve business customers including schools, hospitals, and internet providers. Consolidated Fiber is available in select residential areas and will continue to grow according to what is best for business in terms of economy and efficiency.



# CONSOLIDATED GAS

The cooperative recognized net margins from gas operations of \$207,000 in 2019. Both propane and natural gas services continue to experience positive member growth.

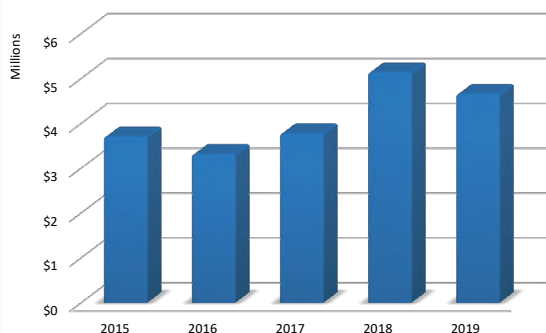
**Gas Member Growth**



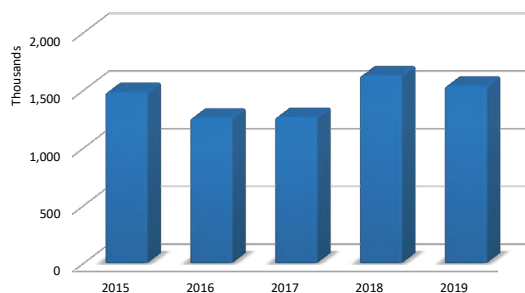
## GAS SALES

Weather has a big impact on the amount of propane and natural gas needed to heat homes and run businesses. 2019 was considered a “normal” year for winter weather, which increased sales over milder winters in previous years.

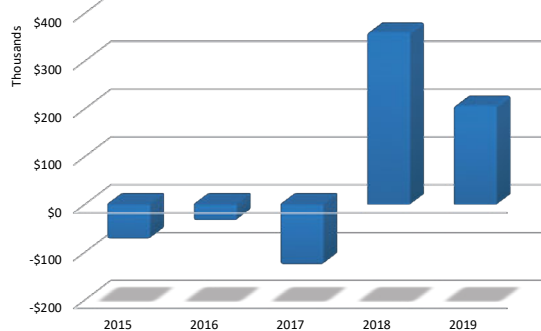
**Propane and Natural Gas Combined Revenue**



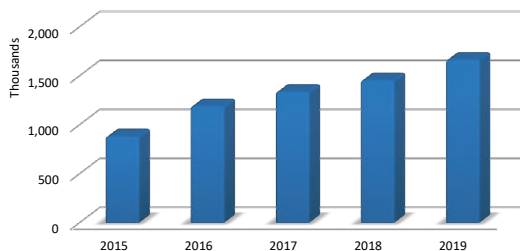
**Propane Gallons Sold**



**Propane and Natural Gas Combined Net Margin**



**Natural Gas CCF's Sold**





**YOUR  
COOPERATIVE.**

**YOUR  
COMMUNITY,  
YOUR HOME**

Consolidated Cooperative is not “just” in the utility business. Here’s what we mean by that: While we do a pretty good job of keeping your lights on (in fact, they were on almost 100% of the time last year!), the co-op’s mission is really to deliver quality-of-life services to our community of members. The core services are in the form of electric, propane and natural gas, and fiber internet, of course, but our care and concern extend to the far corners of our community in many other ways.



# The People Fund



"I'm not sure who receives the better gift," said Amber, administrator for The People Fund. "It's a toss-up between those who apply for and are awarded a grant, and the volunteer members of The People Fund Board who review and award the monies."

In other words, the entire community benefits from the joyful generosity of The People Fund. The People Fund is Consolidated Cooperative's charitable foundation, and it is beloved throughout the region. Since its incorporation in 2002, Consolidated and The People Fund have been able to grant more than \$1 million dollars to individuals and organizations. Last year, among the many grants they awarded, The People Fund's board earmarked funds for emergency home repairs and helped to modify a special van. "The look on the man's face when he was able to get into the van and drive himself was priceless," Amber shared. "Knowing that the Fund helped him achieve at least some power over his disability and improve his level of mobility is extremely gratifying."

Many of the cases, she said, are heartbreaking. "But the recipients are so appreciative, and we are so happy to have the means to help as many people and organizations as we possibly can. We really wish we could do even more."

The People Fund is primarily funded by Operation Round Up. The program "rounds up" your monthly electric bill to the next highest dollar, with the change going into the Fund.



# Scholarships

At Consolidated, we believe that a strong community starts with a strong education. We have several scholarship opportunities for members and children of members. There is also an opportunity to participate in the Annual Youth Tour, an all-expense paid trip to Washington, D.C. that gives exceptional high school students the opportunity to meet with their congressional leaders, make new friends from across the state and country, and see many famous landmarks.

Our youth are very grateful for these opportunities. Here are some comments from last year's scholarship recipients: "I'd like to thank you from the bottom of my heart for the extreme generosity exhibited. Although my education pushes me to better myself every day, the financial impediments associated with a higher education can be quite costly. This is why I cannot thank you enough... ."

"In my family, quitting is not an option, which is why I strive every day to continue my education so I can be the first in my family to graduate with a college degree. Having the opportunity to receive this scholarship is bringing me a step closer to my end goal and it means the world to me. I can't thank you enough for all that you've done."



## Safety Whiz Kid

"The students are excited to see us come, and some even hug us good-bye when we have to leave." - Heidi, Senior Service Specialist



Youth Tour winners also expressed gratitude for the opportunity Consolidated awarded them: "I promise this is a once in a lifetime trip and you will enjoy it. My advice is to stay open minded, be kind, be positive, and have fun. To the future winners, enjoy this amazing experience!"

Three member service specialists from Consolidated Cooperative are standing at the front of a classroom comprised of second graders, and they are passing out stinky scratch and sniff cards infused with the scent of propane gas. Twenty-one little noses are wrinkled as they fixate on something that doesn't smell very nice. "Phew," "Yuck," and "Gross," are a few of the reactions, and one 7-year-old added an exclamation point to it all with a little gagging noise.

This is one of 37 classes on Consolidated's visitation schedule for the Safety Whiz Kids program. Co-op member service specialists Chasity, Heidi, and Shannon are on a mission to help 765 second-graders learn to stay safe around electricity, and propane and natural gas.

"The cards are always a big hit," said Chasity, who explained they're a great way to corral second-graders' attention while teaching them safety principles. (By the way, propane doesn't smell like rotten eggs all on its own. An additive is infused into the gas to warn of a potential leak.)

The mission of the Safety Whiz Kids program is straightforward: Help children stay safe around electricity and gas. In addition to the cards, the 30-minute safety program features a video, fun and interactive games, and the opportunity for the second-graders to create an "advertisement" around the topic of safety. The Whiz Kid team returns later in the school year to announce the winning ads and distribute awards.

# Economic Development

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In the words of Peter Drucker, noted business author, management consultant, and educator who was feted by BusinessWeek magazine as the man who invented management, “The ultimate resource in economic development is people. It is people, not capital or raw materials that develop an economy.” At Consolidated Cooperative, we couldn’t agree more. That’s why building relationships in all corners of our service territory is a priority for us. In fact, our economic development team also calls on their many contacts and associates at the state level to market our area’s businesses and prospective businesses beyond our service territory.

Whether it’s sitting down over a quick cup of coffee for a topline discussion about a business idea someone in our service territory has, or working together to create a full-fledged new business or business expansion plan, our economic development team’s goal is to advise businesses and prospective businesses on the resources required to successfully compete in today’s marketplace – from the local to the global level.

A local business owner recently put the power of community into words. “As our company started to scale up and we needed to build a new building, there were thousands of decisions to be made that we weren’t used to making.” He said that working with Consolidated, as opposed to a large electric utility, means that he is working with the people in his community. “When I have questions, they can answer them. The same



people who are helping me understand the things I need to know are the same people I’ll see at the grocery store, and the same people I’ll be having coffee with at the Chamber of Commerce.”

The power of community is something Consolidated knows about firsthand, and we are honored to serve as a trusted advisor to area businesses who are in our service territory.



## We Even Help You \$ave

Have you used your Co-op Connections Card lately? Have you used it at all? Ever? If not, you may want to familiarize yourself with this special benefit just for co-op members. The Co-op Connections Card offers you valuable discounts on prescriptions, products and services at local businesses, as well as on hotels, rental cars, restaurants, and more across the U.S. Best of all, it's FREE for members.

Last year, Consolidated's members used the card to submit 112 prescriptions to pharmacies – and 95 of those prescriptions were discounted through the Co-op Connections Card. Members who used the pharmacy benefit saved an average of 65% on their drug costs for a total savings in 2019 of \$4,306. One cardholder even saved \$4,000 on a pair of hearing aids.

If you're a Consolidated member and don't have a card, give us a call or visit either of Consolidated's locations.





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Mount Gilead, OH 43338

4993 State Route 521  
Delaware, OH 43015

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