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Annual Report.2020

Executive letter



Phil Caskey
President & CEO



Don Breece
Chairman

A year in review

There's an old saying in the electric utility industry that we "keep the lights on." While we do much more than that now, keeping your power, gas, and internet flowing is the foundation of our cooperative, and we could not be prouder or more grateful that your services never skipped a beat during the immense challenges 2020 presented.

Some employees pivoted to working at home in March 2020 to help prevent the spread of the coronavirus, while our on-site employees immediately adjusted to new safety protocols. We had to adjust how we received members in our office lobbies, and we experienced difficulties with U.S. Postal Service delays like everyone else, but we worked hard to find solutions, reach out to our members, and accommodate them as best as we could. In fact, we found some solutions that worked better than the "old ways," and we'll keep those around even after the COVID-19 pandemic has ended.

Electric and gas services continued as reliably as ever, while we continued expanding our fiber internet network, adding 451 members and expanding into Cardington, Ashley, and Radnor. We added propane gas members, too, for the largest total membership on record, and the natural gas business benefited from new commercial loads.

We concluded our aggressive vegetation management efforts and are benefitting from

significantly lower costs and higher reliability. We also completed an upgrade at our Yankee substation, replaced poles identified as needing attention during our annual inspection program, and continued to automate more of our system so that when outages occur, we can restore power as safely and efficiently as possible.

Most importantly, we accomplished all of this work with zero lost-time accidents. At Consolidated, we start with safety and we end with safety. We celebrate great results, but we focus on the future and behaving safely, around the clock, every day. And in the era of COVID-19, that includes precautions to protect our employees' and members' health as well as their safety.

We thank our members for their patience and understanding while we worked through the challenges of COVID-19. One advantage of being a local cooperative is that we live, work, and go to school alongside our members, and we're part of your communities. We lean on one another and get through hard times together.

Now, we're looking ahead to better times. Our dedication to hard work and service to you is one thing that will never change, no matter what's going on in the world. So we'll take with us into the future the good things that came out of 2020 — including the knowledge that together, we can take what's good and make it great. We'll see you next year.

Improving the quality of life for 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.



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.

Board of Trustees

District 1 Kent Kramer Treasurer	District 6 Michael Struck Secretary
District 2 Don McCracken	District 7 Mike Schuster Vice-Chairman
District 3 Tim Bachelder	District 8 Mike Huston
District 4 Don Breece Chairman	District 9 Mary Fuller Asst. Secretary
District 5 Larry Roof	



Value

With a proud history of more than 80 years of service, Consolidated's vision is to shape the future in our communities and 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.

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

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

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



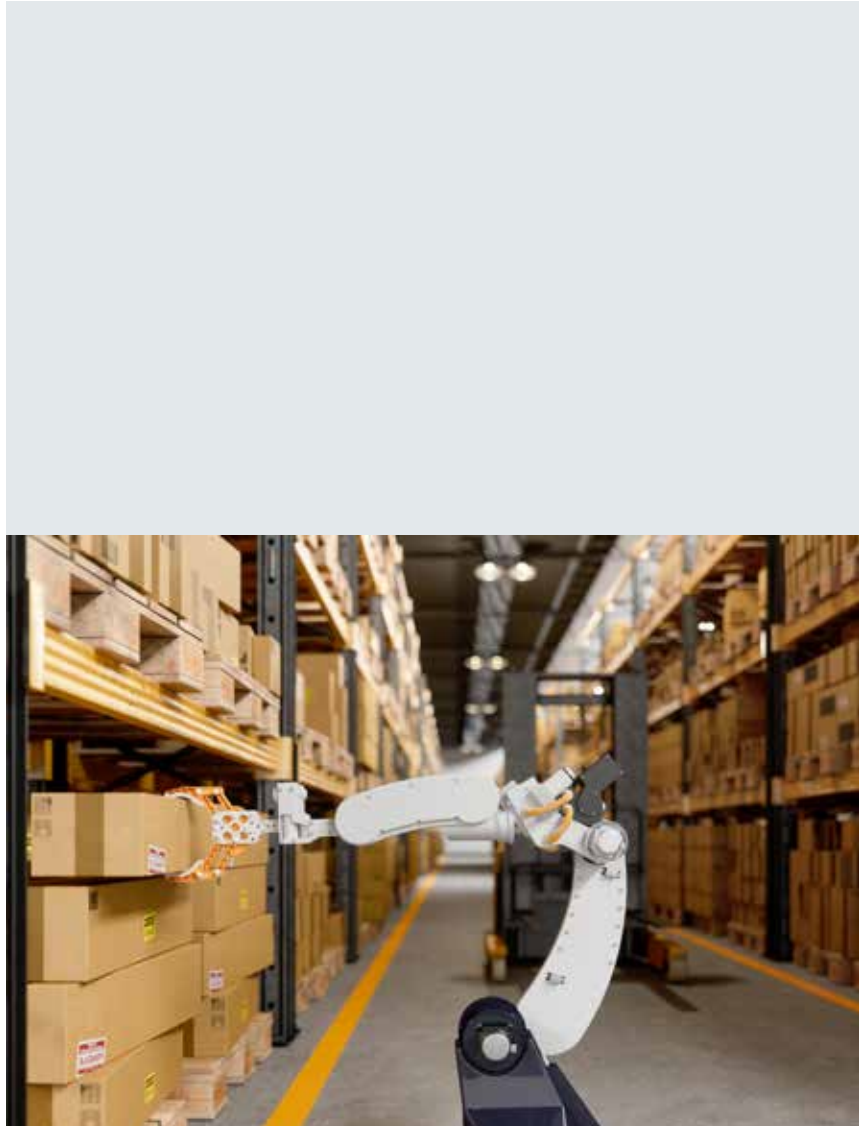
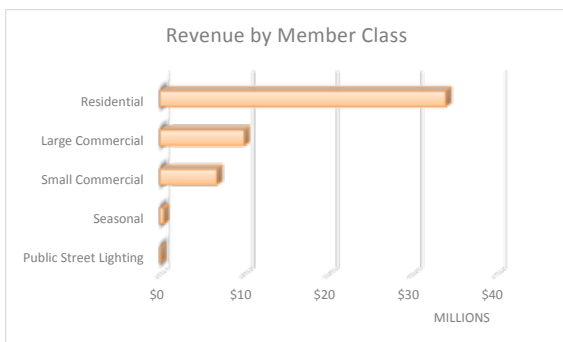
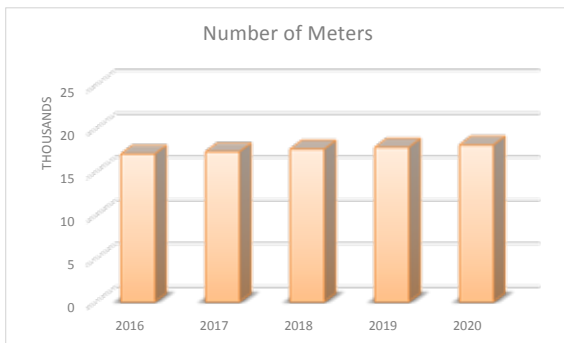
Gas

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 in 2020, with several large commercial accounts added and a 2% increase in residential accounts.



Financial report 2020

Combined Income Statement for Consolidated Cooperative

	2020
Operating Revenues	
Sales	\$58,786,271
Operating Expenses	
Cost of sales	30,763,002
Operating expenses	14,736,187
Depreciation and amortization	6,366,391
Taxes and interest	6,705,705
Total Operating Expenses	58,571,285
Operating Margins (Loss) before Capital Credits	214,986
Buckeye capital credits	1,422,197
Other capital credits	484,293
Net Operating Margins	2,121,476
Other income (expenses)	118,932
Net Margins	\$2,240,408

Combined Balance Sheet for Consolidated Cooperative

	2020
Assets	
Plant, Property, and Equipment	
Distribution plant, machinery, and equipment	\$141,316,639
Construction in progress	3,244,240
	144,560,879
Less: accumulated provision for depreciation and amortization	(43,058,643)
Net Plant, Property, and Equipment	101,502,236
Other Assets and Investments	
Investments	23,191,971
Other long-term assets	908,234
Total Other Assets and Investments	24,100,205
Current Assets	
Cash and cash equivalents	4,094,332
Accounts receivable, net of allowance for doubtful accounts	4,788,179
Materials and supplies	2,825,570
Prepaid expenses and other current assets	508,046
Total Current Assets	12,216,127
Total Assets	\$137,818,568
Equities and Liabilities	
Equities	
Members' equity	\$41,696,396
Other equities	2,346,338
Total Equities	44,042,734
Long-Term Debt	62,960,889
Current Liabilities	
Current maturities of long-term debt	4,250,052
Short-term notes payable	13,558,056
Accounts payable - purchased power	4,056,863
Consumer deposits	3,142,726
Accrued expenses and other liabilities	5,807,248
Total Current Liabilities	30,814,945
Total Equities and Liabilities	\$137,818,568

We watch what we spend

Key financials and comparatives

Consolidated Electric paid \$28.8 million for the electricity it delivered to members in 2020, which is about 58% of the total cost of providing service.



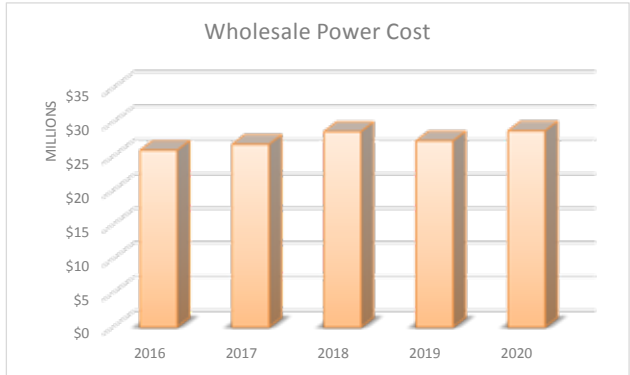
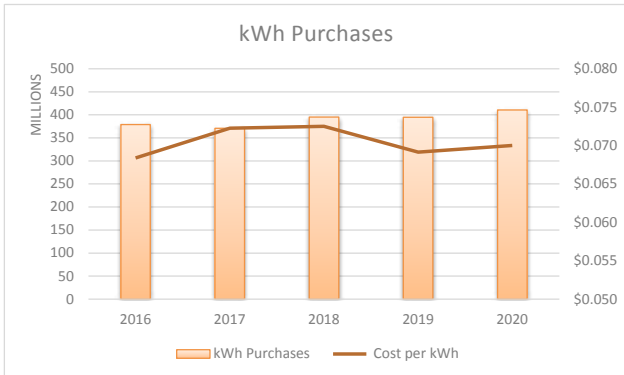
Financial Comparatives

(Thousands of dollars unless otherwise stated)

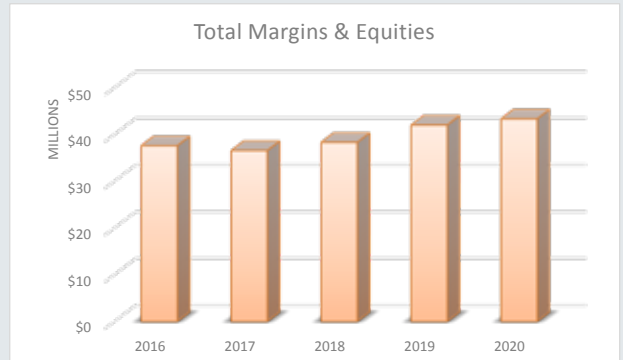
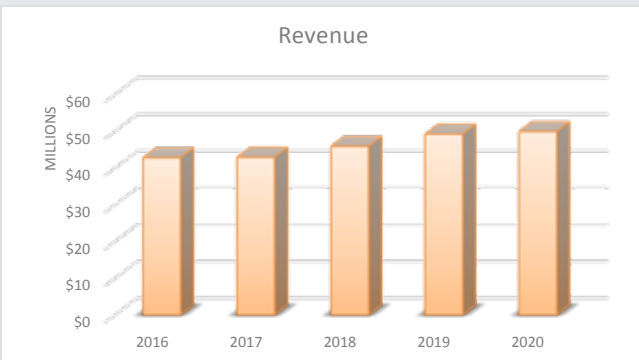
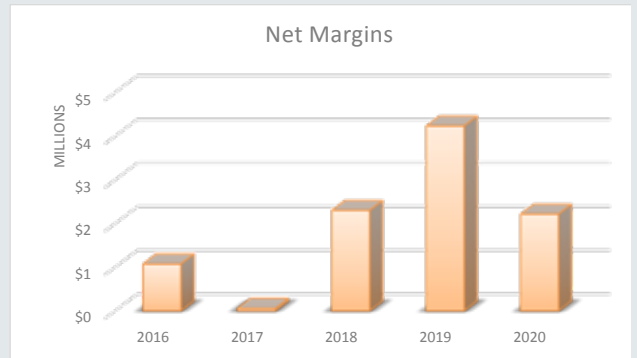
	2016	2017	2018	2019	2020
Revenue	\$42,830	\$42,956	\$45,928	\$49,248	\$49,955
Net Margin	\$1,078	\$79	\$2,306	\$4,692	\$2,219
Patronage Capital Retired	\$1,091	\$1,114	\$683	\$675	\$1,108
Total Assets	\$98,632	\$102,027	\$105,503	\$107,572	\$107,943
Total Margins and Equity	\$37,600	\$36,546	\$38,321	\$42,020	\$43,345
Long-Term Debt	\$47,941	\$48,249	\$50,207	\$51,390	\$48,864
Equity Level (percent of assets)	38%	36%	36%	39%	40%

Operating Comparatives

	2016	2017	2018	2019	2020
Total Number of Electric Meters	17,086	17,347	17,648	17,856	18,128
Total Electric Purchases (MWh)	378,814	370,635	395,176	394,725	410,655
Cost of kWh Purchases (Thousands of Dollars)	\$25,910	\$26,785	\$28,653	\$27,294	\$28,757
Number of Electric Employees	62	66	81	79	66
Average Number of Meters per Employee	276	263	218	226	275
Total Miles of Line Energized	1,878	1,888	1,890	1,895	1,925
Total Electric Sales (MWh)	357,383	350,799	376,747	375,640	396,526
Average Electric Meters per Mile	9.10	9.19	9.34	9.42	9.42



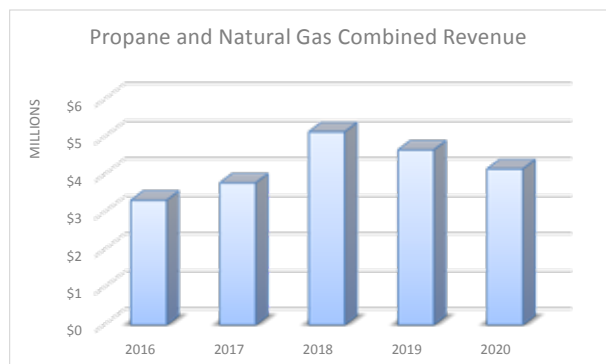
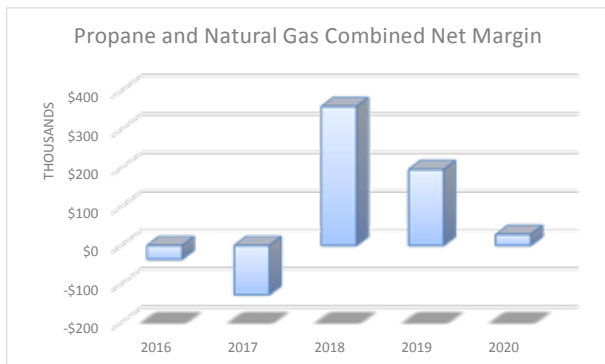
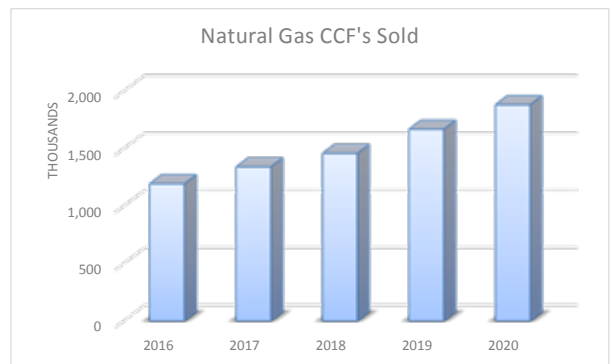
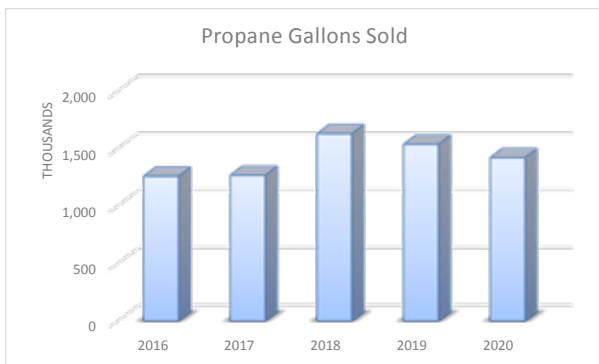
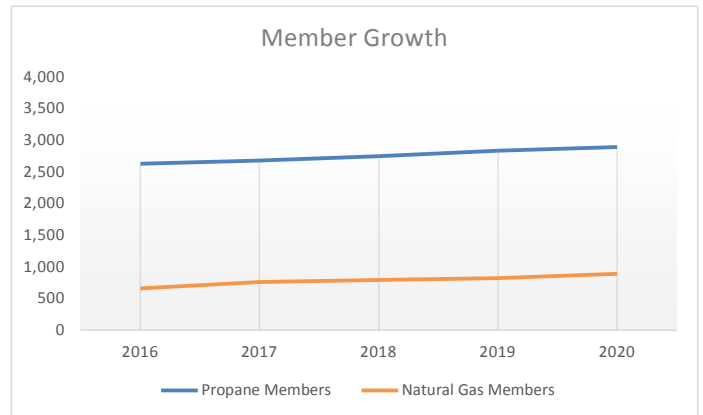
Consolidated's electric net margins of \$2.2 million in 2020 were driven by the financial strength of our cooperative power supplier, of which Consolidated is a member and owner. Net margins, or the difference between revenue and expenses, decreased from 2019 because of investment in system equipment and technology.



CONSOLIDATED GAS

Net margins from gas operations were \$29,000 in 2020. Both propane and natural gas services continue to add new members.

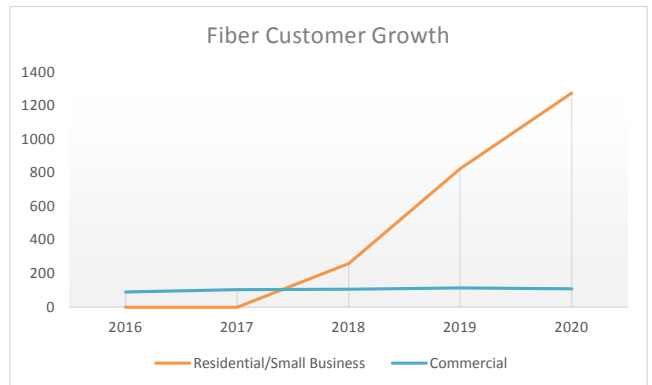
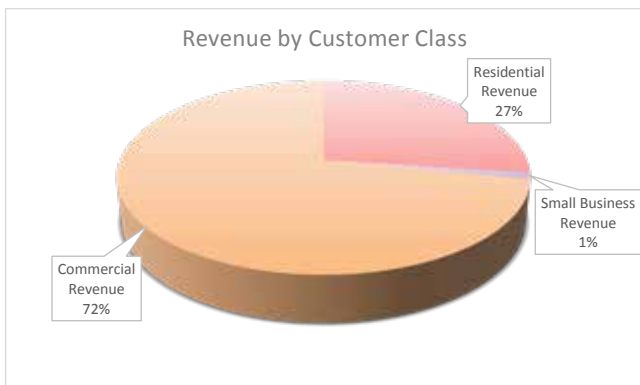
Temperatures have a direct effect on how much natural gas and propane members use. 2020's winter months were considered normal, resulting in higher sales than in the milder winters of 2016 and 2017.





CONSOLIDATED FIBER

Consolidated’s commercial fiber business continued to serve schools, hospitals, and internet providers, while residential fiber access expanded significantly in 2020. Consolidated will continue to grow its residential fiber business in 2021 and beyond.

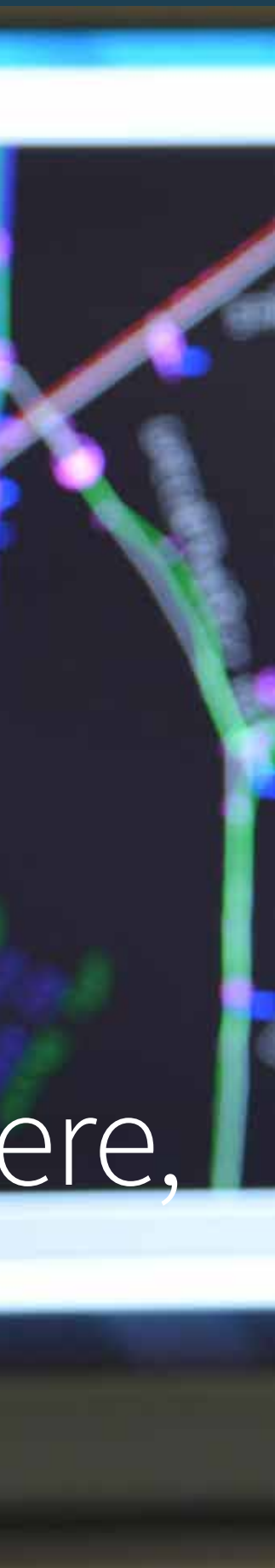




Always in your corner.

We live here, we work here,

we are invested in YOU.



01

Innovation

02

Integrity

03

Accountability

04

**Commitment to
Community**

Who we are. What we do.

Consolidated Cooperative proudly bears the Touchstone Energy brand, which identifies co-ops that provide superior service while maintaining a strong local presence. As a Touchstone Energy Cooperative, we're guided by the brand's four core values: integrity, accountability, innovation, and commitment to community.

Serving YOU

One of our guiding principles as a cooperative is commitment to community. We are proud to be part of the communities we serve, and we carry out that dedication in a variety of ways, including financial and volunteer support of charities and other organizations.

Consolidated employees typically spend one day each year volunteering at Flying Horse Farms in Mount Gilead, working together on cleaning and repair projects after the busy summer season at the medical specialty camp for children with serious illnesses and their families. COVID-19 prevented

our annual in-person volunteer work in 2020, but it didn't stop Consolidated from supporting this crucial community foundation.

Instead, Consolidated Cooperative was the lead sponsor of Flying Horse Farm's Light Up Camp, a drive-through light display at Christmastime. Because they couldn't host their medical specialty camp or any on-site programming last year because of the COVID-19 pandemic, the camp made it their mission to bring light to the lives of everyone, especially those who may be at higher risk of COVID-19 and who needed to avoid public places. As 2020 was a year of unprecedented change for everyone, Flying Horse Farms brought much-needed joy to our community during the holiday season.



Consolidated's employees regularly volunteer at Flying Horse Farms, a camp that hosts children with special medical needs at no cost to the families they serve.

Your cooperative,
your community,
your home.

6 days. 1,700 high-schoolers. 1 unforgettable experience.

“Taking 16- and 17-year-olds to Washington, D.C., for a week is an investment in our children, our cooperative — they’re our future members! — and our communities. On the trip, they’ll see all the major sights, learn about co-ops and our government, and experience leadership opportunities.” — *Missy Kidwell, senior service specialist at Consolidated and the statewide Youth Tour deputy director*



Consolidated sends two students to Washington, D.C., each year on the Electric Cooperative Youth Tour.



Serving YOUTH

Consolidated Cooperative also supports local students every year, with college scholarships; the Washington, D.C., Youth Tour; Be E3 Smart energy education for middle-schoolers; and our Safety Whiz Kid contests.

In 2020, Consolidated awarded \$5,700 in scholarships to high school seniors whose parents are co-op members. Consolidated has given \$20,550 to local seniors in the last five years, and we also usually send two high school seniors to attend the national Electric Cooperative Youth Tour in Washington, D.C. On this annual weeklong leadership experience, high school sophomores and juniors visit the nation’s capital and its many famous and historic sites and learn about how the electric cooperative industry has been involved with federal policy-making since the 1930s. Unfortunately, the Youth Tour was suspended in 2020 because of COVID-19, but we anticipate returning to the trip in 2022, along with about 35 other Ohio high school students and more than 1,700 from across the U.S.

For Be E3 Smart, Consolidated sponsors a middle-school science teacher in our service area every year, in partnership with the Ohio Energy Project, which provides a unit’s worth of energy curriculum and take-home energy efficiency items for the students.

And our Safety Whiz Kid contest involves our youngest members. Participating local schools’ second-grade students draw electrical and gas safety ads, and the winners are featured annually in *Ohio Cooperative Living*. Last year, nine young winners helped spread our message of electrical safety to people of all ages.





The People Fund

For just pennies a month, Consolidated members help make a difference in the lives of their neighbors by donating to The People Fund, a charitable organization.

In 2020, Fredericktown United Methodist Church, Solid Rock Ministries, and Big Walnut Joint Fire District were among about 30 groups and individuals that Consolidated members helped with more than \$99,000 in grants.

Notably, the People Fund board — which is independent from Consolidated Cooperative's board of trustees — chose to make emergency grants of \$10,000 each to four area food banks when demand surged in April last year, as the COVID-19 pandemic shuttered businesses and thousands of people lost their jobs overnight. In November, the board also approved special donations of \$1,000 each to five local charities in support of their efforts to fight hunger in our communities.

The People Fund provides grants to help community members and organizations that can't find or do not qualify for help through other community and charitable agencies.

Since its inception in May 2002, The People Fund has granted more than \$1 million. It's truly neighbors helping neighbors: All the money raised comes from Consolidated members and stays right in their own communities.



Give a little.
Help a lot.



The Midway Market in Ostrander was able to double its size, thanks in part to a loan from Consolidated's self-sustaining loan fund.

Boosting the local economy

When our local businesses thrive, we all prosper. Consolidated Cooperative's economic development team is solely dedicated to helping businesses and other organizations in our service territory grow and succeed.

One of the most vital ways we support local businesses is through our revolving loan fund, which loaned \$100,000 toward the expansion of Midway Market in Ostrander last year. The market has been a community hub for 25 years, and with double the square footage, the addition will house a car wash, a pet wash, a kitchen — and additional employees.

Consolidated's revolving loan program is 100% self-funded. It originated from a U.S. Department of Agriculture loan and grant program intended to spur rural economic development, and now the loan fund pays for itself, allowing local businesses to expand without any extra cost to co-op members.

Since launching the loan program, Consolidated Cooperative has facilitated more than \$500,000 in loans to local businesses investing in their communities.

Consolidated also supports work in Morrow and Delaware counties that prepares local sites for industrial development or works to bring services to our communities. Our team also serves with the Mid-Ohio Regional Planning Commission, the Delaware Area Chamber of Commerce, and the National Rural Economic Developers Association.

And through our partnership with Ohio's Electric Cooperatives, our statewide services organization and wholesale power supplier, we facilitated a \$15,000 grant to Morrow County to fund the initial environmental study on future property development — one of the first steps to bringing home jobs and growth.



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