

effectively
sustainable
controlled
Community
voluntary
training people
development
accountable
voting
members
policies
open cooperation
serve democratically



A Touchstone Energy
Cooperative



ANNUAL REPORT 2021



CHELCO Board of Trustees

ABOUT CHELCO

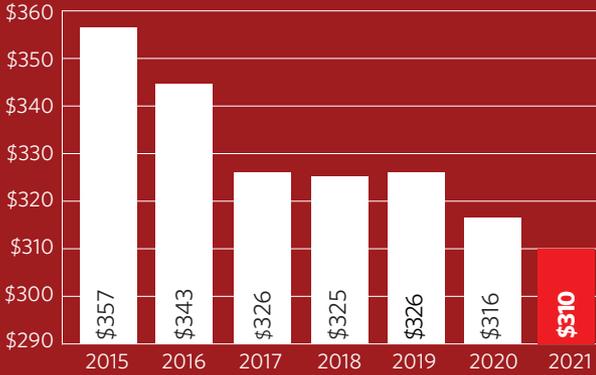
Since 1940, Choctawhatchee Electric Cooperative, Inc. (CHELCO) has served our communities by providing safe, reliable and affordable electricity. Although we've grown significantly over the years, our values have always remained the same. We're committed to improving the quality of life for our members and making a positive impact in the lives of those around us. CHELCO is a not-for-profit electric cooperative serving more than 60,000 accounts in Okaloosa, Walton, Holmes and Santa Rosa counties, and we are proud to serve these communities!



OUR VALUES

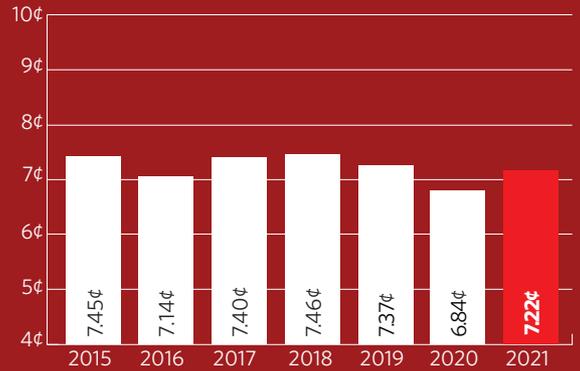
- Safety First
- Commitment to Community
- Honesty & Integrity
- Excellence in Service
- Leadership with Accountability
- Continuous Improvement
- Outstanding Teamwork

CONTROLLABLE EXPENSES PER METER



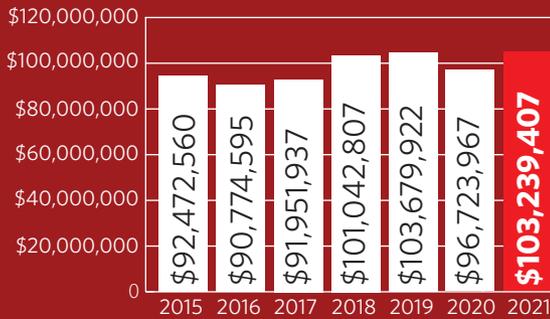
Controllable expenses exclude wholesale power cost, depreciation, interest, taxes and costs related to the operations and maintenance of infrastructure on Eglin Air Force Base.

WHOLESALE POWER COST PER kWh

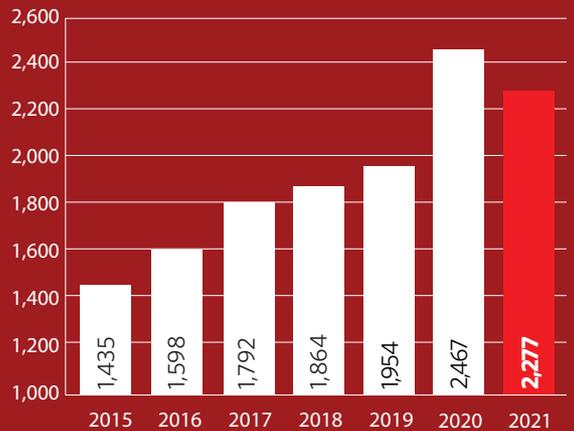


The price CHELCO pays to buy power from PowerSouth.

ELECTRIC REVENUE

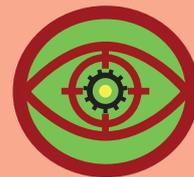


NEW MEMBER ACCOUNTS



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



Reese Harrison
District 3



Brady Bearden
Vice President
District 4



Ronald Jones
District 5



Gerald Edmondson
President
District 6



Bert Prutzman
*Assistant Secretary/
Treasurer*
District 7

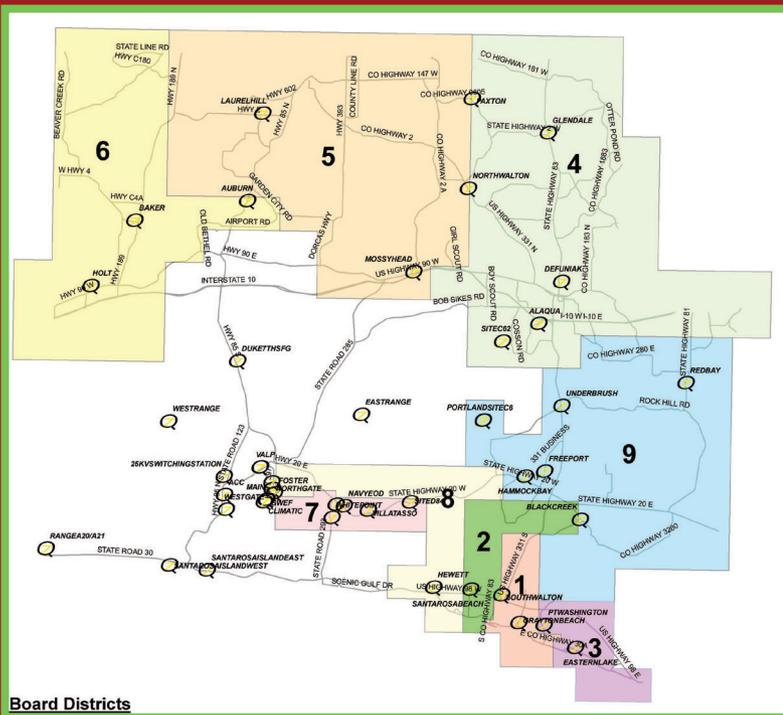


Gayle Hughes
Secretary/Treasurer
District 8



Dwayne Davis
District 9

DISTRICT MAP



MESSAGE FROM THE BOARD PRESIDENT

As a not-for-profit electric cooperative, CHELCO exists to serve its members. I value the cooperative model, because it means working together toward a common goal. The board understands how decisions we make affect you, the rates you pay and the quality of service and reliability.

Democratic member control is one of the seven cooperative principles. This separates cooperatives, like CHELCO, from investor owned utilities and municipalities. Each member has a vote, and members are elected to represent their district on the Board of Trustees that governs CHELCO.

Gerald Edmondson

MESSAGE FROM THE CEO

The past few years at CHELCO have provided many challenges and opportunities. We spent countless hours analyzing and strategizing how to get the cooperative safely to the other side of the pandemic. I am grateful that in the face of ever-changing guidelines and regulations, the employees at CHELCO have maintained the excellent service our members have come to expect. In fact, CHELCO earned a score of 89 out of 100 in the American Customer Satisfaction Index (ACSI) member satisfaction metric, showing that our dedication to our members has not gone unnoticed. CHELCO's ACSI score is consistently higher than the national average for cooperatives (73), and large brands such as Apple (76) and Nike (81). After making major adjustments to our 2020 work plan for obvious reasons, we embraced 2021 and welcomed the turning of the calendar.

We accomplished quite a bit in the past year, highlighted by our ability to adapt to changing circumstances to serve our fast-growing membership. In fact, we hit a new milestone in our membership when we eclipsed the 60,000-meter mark for the first time. This growth has promoted economic opportunity for our area and rate stability for our members, as we are able to spread costs across more accounts and continually improve efficiency.

Safety is always our top priority. On Oct. 19, CHELCO set a new record for consecutive days without a lost-time injury at 805 days, and we ended 2021 on an 878-day streak. To me, one of the best ways to measure the effectiveness of our safety program is the no lost-time injury streak. Additionally, our employees participate in various safety training courses and refreshers throughout the year, helping create and maintain good safety habits.

Concern for Community is one of our seven cooperative principles. Our Operation Round Up program entered its third full year in 2021, and we awarded nearly \$60,000 in grants to local nonprofit organizations in our communities. This would not be possible

without our members who round their monthly bill to the next whole dollar amount, and I appreciate those who have supported this program. Investing in the education of students is also key to a healthy community. We take pride in helping local teachers provide a positive learning environment through teacher grants in Okaloosa and Walton counties. These \$6,000 grants are matched by each county's education foundation, totaling \$12,000, and are used to upgrade classroom technology, purchase essential supplies and make teaching more engaging for students.

"In May, we did what few companies can say they did in 2021... we lowered our distribution rates by \$1.2 million per year, or approximately \$20 per member. This was the second distribution rate decrease since 2015! We have not raised distribution rates since 2013."

Our financial update is some of the best news of the year. Despite worldwide hikes in inflation, we have maintained our affordable rates, even as we constructed our new headquarters building. In May, we did what few companies can say they did in 2021... we lowered our distribution rates by \$1.2 million per year, or approximately \$20 per member. This was the second distribution rate decrease since 2015! We have not raised distribution rates since 2013. On top of that, our load management program helped us avoid just over \$1 million in wholesale power costs. Add our capital credit retirement of \$2.8 million in December, and that adds up to \$5 million in our members' pockets. That doesn't just happen; it takes the whole team working diligently on members' behalf to control costs.

In closing, I'd like to thank everyone - our members, employees and the Board of Trustees - for another great year at CHELCO. As we are now full swing into 2022, I know we will have more challenges to face, but I have no doubt I will have more successes to share with you in coming reports.



STEVE RHODES
Chief Executive Officer

2021 HIGHLIGHTS

POWERED BY YOU

As 2020 came to an end, we all hoped the pandemic would be in the rear-view mirror. Unfortunately, 2021 was a full year of more COVID-19 challenges. However, CHELCO's employees, members and board continued to adapt and succeed despite pandemic obstacles.

CHELCO's mission is to safely provide quality services and products at a competitive value while adhering to the seven cooperative principles. CHELCO will always work toward that goal, and the entire operation will focus on making sure that mission is met.

CHELCO's vision is something more. "To continuously promote the quality of life for our members, employees and communities within the scope of our core business." It is our goal at CHELCO to make a difference in the community and help make people's lives better. It's one thing

to make sure your lights stay on, but with members' help, CHELCO is able to reach out and positively impact the surrounding communities. From each of us at CHELCO, thank you. We are proud to serve you and proud to be **Powered by You!**

2021 PROGRESS REPORT

At CHELCO, 2021 was an outstanding year highlighted by growth, efficiency, investment in reliability and community support, all while keeping rates affordable and saving members money.

GROWTH, MAINTENANCE AND UPGRADES

2021 was a tremendous year for growth. Hundreds of people move to Florida daily, and many of them are coming to the panhandle.

Each year, CHELCO measures growth via net services and meter points. Simply put, net growth numbers add new members joining CHELCO and subtract existing members who move off CHELCO lines. Dating back to 2004, CHELCO has had net positive growth every year, including the peak growth year of 2020 (net 2,467 meters). CHELCO grew by 2,277 meters in 2021, nearly keeping the pace that 2020 produced.

Cybersecurity was also a significant part of CHELCO's 2021 work plan, and the CHELCO team is up to the task of adapting to new and emerging technology while protecting the grid and members' sensitive data. Employee education is a crucial aspect of maintaining a high level of cyber awareness



Thank you sign from Childcare Network



79

Number of degrees our 170 employees hold



47

Percentage of CHELCO's feeders that are automated



Employees donated over \$22,000 to our communities

**CHELCO Executive Team**

and security, and CHELCO employees trained throughout the year to better understand how and why cybersecurity is essential to cooperatives. CHELCO is also implementing the use of multi-factor authentication to further protect devices.

Overall, CHELCO has a multi-tiered approach to cybersecurity to protect individual workstations and connections to the outside world. Additionally, CHELCO has sophisticated advanced monitoring tools in place to prevent potential cyberattacks. CHELCO frequently upgrades its internal infrastructure to ensure that all cybersecurity needs are met and exceeded.

On the grid, CHELCO made significant upgrades to the Auburn and Point Washington substations to increase capacity for these two rapidly-growing areas. In the Baker and Holt area,

CHELCO upgraded equipment to improve voltage, increase reliability and strengthen the ability to back-feed the system to isolate issues and restore power sooner during outages. CHELCO also continued to deploy Advanced Metering Infrastructure (AMI), replacing old meters with new ones that allow CHELCO to make more efficient use of employees and equipment.

Upgrades to CHELCO's feeder automation system in 2021 were geared toward reducing both the frequency and duration of outages. Automated feeders allow CHELCO to more quickly locate faults and isolate outages. At the end of 2021, 47 percent of CHELCO's feeders are automated, a 7 percent increase from 2020.

All of these essential investments were made without increasing cost for members, a feat

Ranked
TOP 25 %

Nationally in
member satisfaction,
reliability and cost
control



19

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



64,941

Service locations
including Eglin AFB

2021 HIGHLIGHTS



Lineman upgrading infrastructure

that can be attributed to CHELCO's ongoing companywide effort to reduce or stabilize controllable expenses.

EGLIN UP CONTRACT

In 2021, CHELCO entered the fifth year of a 50-year utilities privatization (UP) contract to serve Eglin Air Force Base. As part of the contract, CHELCO continued to maintain all Eglin AFB substations and electrical distribution infrastructure on base. The UP contract helps keep rates affordable for all members by making more efficient use of employees, equipment and facilities.

BUILDING UPDATES

In 2021, CHELCO made significant progress on its construction of the new campus on U.S. Hwy. 331 North. Plans to relocate to one central campus in DeFuniak Springs have been in the works for a couple years now, and this phase of construction is nearly complete after breaking ground in October 2020. The new campus will allow employees to work more closely with one another, adding convenience and efficiency to better serve CHELCO's fast-growing membership.

The Baldwin Avenue campus, which was previously in service for more than 75 years, was sold to the City of DeFuniak Springs, and CHELCO now has a new location opened with no rate increase for members.



\$1 Million

Avoided wholesale power costs through demand-side management measures



\$59,145

Operation Round Up grants awarded



6

\$1,000 scholarships awarded

COMMUNITY SUPPORT

Once again, COVID-19 was the main antagonist in CHELCO's efforts to host and participate in community events. However, CHELCO was able to build on the adjustments made in 2020, learning to serve the community even amid the pandemic.

CHELCO employees stepped up in 2021, donating nearly \$1,100 in periodic Jeans Friday fundraisers, in addition to nearly \$20,000 in automatic paycheck deductions to the United Way of the Emerald Coast.

In honor of Breast Cancer Awareness Month, all CHELCO crews and field personnel wore pink hard hats during October. 2021 was the second year CHELCO participated in "Pink it Out" month to support those who have fought breast cancer.

Also in October, CHELCO hosted its annual Halloween Happenings fundraiser, in which employees dressed up in costumes and submit soup, chili and desserts to be judged by CHELCO employees. This event raised over \$700 for the Matrix Community Outreach Center's Community Christmas program, which helps buy Christmas gifts for children in need in the local community.

While CHELCO only hosted one event, the CHELCO Charity Golf Tournament, it was a huge success and raised more money than any other CHELCO event in recent memory. In total, the golf tournament in May raised around \$11,000, which was distributed to the American Heart Association, American Cancer Society and Emerald Coast Autism Center.

CHELCO's biggest contributions to the community came from members enrolled in Operation Round Up. Thousands of CHELCO members have opened up their hearts and joined our Operation Round Up program to donate a small amount of change each month to benefit organizations in our service territory.

Through the member-funded program, CHELCO awarded 21 grants to the community totaling nearly \$60,000. The funds were awarded to nonprofit organizations that truly make an impact on the local communities, including Fisher House of the Emerald Coast, Children In Crisis, Habitat for Humanity, Northwest Florida State College, Westonwood Ranch and many more.

At CHELCO, we are Powered by Community!



2021 Heart Walk booth



\$2.8 Million
Capital credits
returned to members



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



21
Operation Round Up
grants awarded

CHOCTAWHATCHEE ELECTRIC COOPERATIVE, INC.

OPERATING STATEMENT

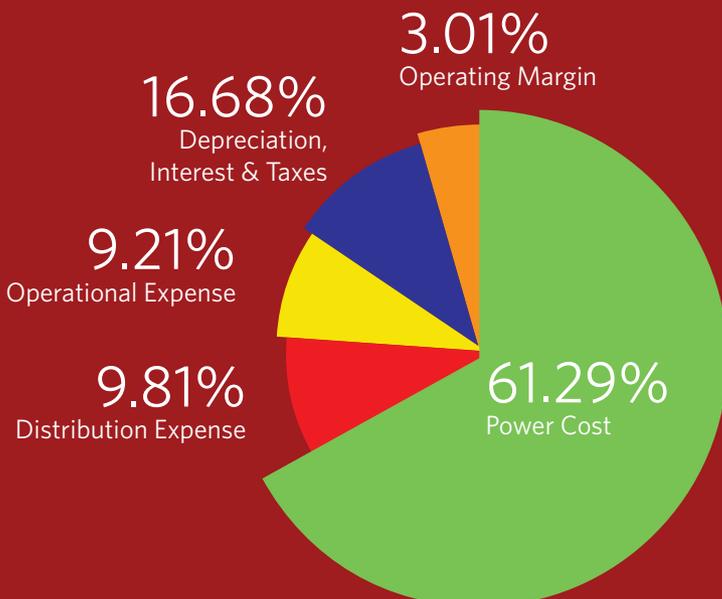
DECEMBER 31, 2021 AND 2020

	2021	2020
Statement of Operations		
Operating Revenues	118,320,975	110,525,318
Operating Expenses		
Purchase Power	72,516,573	67,046,064
Operations & Maintenance	11,605,523	12,211,202
Collections, Administrative & General Expense	10,902,175	9,501,871
Depreciation	12,050,552	11,612,651
Taxes	1,483,241	1,313,881
Interest	6,197,471	6,388,385
Total Operating Expenses	114,755,535	108,074,054
Operating Margin	3,565,440	2,451,264
Other Income or Deductions		
Interest Income	63,816	127,937
Misc Income (Exp)	3,891,007	3,188,830
G&T and Other Capital Credits	1,998,706	1,989,390
Total Non-Operating Margins	5,953,529	5,306,157
Net Margins	9,518,969	7,757,421

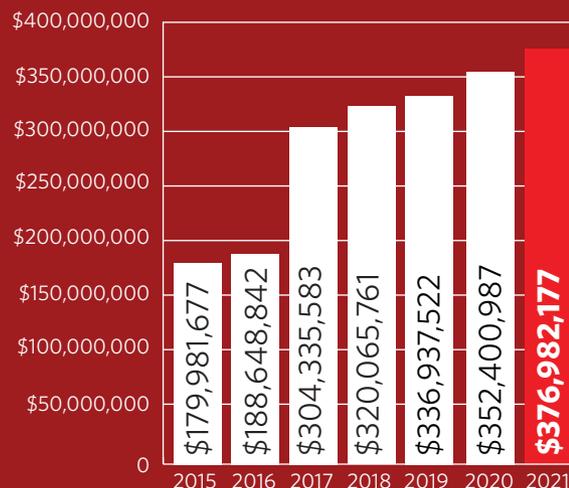
Amounts disclosed include on both the Balance Sheet and the Statement of Operations include financial activity for the assets owned and maintained on Eglin Air Force base.

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, 2021 AND 2020

	2021	2020
Utility Plant		
Distribution Plant in Service	352,468,545	340,565,751
Construction Work in Progress	24,513,632	11,835,236
	<u>376,982,177</u>	<u>352,400,987</u>
Accumulated Provision for Depreciation	(108,449,256)	(100,621,773)
Net Distribution Plant	<u>268,532,921</u>	<u>251,779,214</u>
Long-Term Assets		
Patronage Capital of Associated Cooperatives	46,673,307	44,964,232
Other Long-Term Assets	442,359	374,751
Total Long-Term Assets	<u>47,115,666</u>	<u>45,338,983</u>
Current Assets		
Net Accounts Receivable	10,747,324	12,975,383
Cash & Cash Equivalents	17,881,229	14,725,360
Materials & Supplies	11,313,554	9,391,493
Other Current Assets	276,513	212,825
Total Current Assets	<u>40,218,620</u>	<u>37,305,061</u>
Deferred Debits	5,024,668	45,592
TOTAL ASSETS	<u><u>360,891,875</u></u>	<u><u>334,468,850</u></u>
Equities		
Memberships	247,210	237,110
Patronage Capital	112,996,526	106,914,196
Total Equities	<u>113,243,736</u>	<u>107,151,306</u>
Long-Term Debt	167,747,322	163,674,767
Current Liabilities		
Current Portion of Long-Term Debt	8,918,105	7,582,990
Line of Credit	10,941,112	19,858,572
Accounts Payable	7,878,056	6,576,203
Consumer Deposits	3,895,893	3,826,872
Other Current Liabilities	2,964,962	3,369,246
Total Current Liabilities	<u>34,598,128</u>	<u>41,213,883</u>
Deferred Credits	45,302,689	22,428,894
TOTAL EQUITIES & LIABILITIES	<u><u>360,891,875</u></u>	<u><u>334,468,850</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 2021, 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

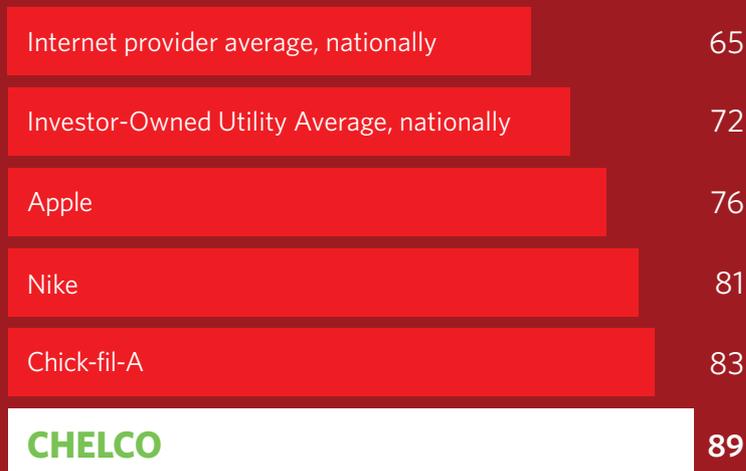
Principle 5:
Education, Training and Information

Principle 6:
Cooperation Among Cooperatives

Principle 7:
Concern for Community

2021 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

655 U.S. Hwy. 331 N., DeFuniak Springs, FL 32433

(850) 892-2111

CHELCO.com

