

Defying the
NORM



pauling putnam
ELECTRIC COOPERATIVE, INC

Your Touchstone Energy® Cooperative 

2022 ANNUAL REPORT

2022 ANNUAL REPORT TO THE MEMBERS

Defying the NORM

This year's annual report theme, Defying the Norm, is a perfect summary of this past year. From substantially expanding the impact of our community outreach efforts to successfully navigating volatile power supply and material markets, your cooperative defied the norm in many different ways.

As the world exited the COVID-19 pandemic and started to rebound, your cooperative and its members came out in record numbers to enjoy a day at the Fort Wayne Children's Zoo for our member appreciation day. More than 2,000 members, children, and guests joined us on a stormy morning. The zoo staff stated it was the largest picnic they had ever hosted.

Continuing our trend from last year, we sponsored many family outings during June's National Family Month. We gave local families event tickets and gift cards so they could make their own family memories.

Your cooperative and its employees supported the communities we serve by volunteering for multiple community events and parades across our service territory. Every year, our employees do an annual service project to assist a local organization. This past year, they chose Clothes for Joes, a local non-profit organization that provides clothing and essentials for veterans in need. Not only did our employees assist Clothes for Joes in opening a new location in Fort Wayne, but they also conducted a clothes drive at the office. It was so successful, we will be continuing this as an annual event on Veterans Day.

"Because of our proactive activities, we were once again recognized as a leader in our industry with two national Spotlight on Excellence awards this past year."

Paulding Putnam Electric is committed to helping the youth of our community. We sponsor several events and opportunities for students of all ages. These include our scholarship program, Youth Tour, Farm Safety Days, and Camp Kilowatt. We launched the Bright Futures program to keep track of these efforts and keep our students informed

of all these opportunities. This program puts all the information at our students' fingertips. Students and parents can follow the Bright Futures campaign on our social media pages and our web page, PPEC.coop/BrightFutures.

These are just a few programs and ways your cooperative is 'defying the norm.' Because of our proactive activities, we were once again recognized as a leader in our industry with two national Spotlight on Excellence awards this past year. We were presented a silver award for Best Event (Member Appreciation Dinosaur Movie Night at the Van-Del Drive-In) and Best Video (our Employees in Action video).

During this past year, a significant new program, the Revolving Loan Fund, started. Paulding Putnam Electric understands communities and small businesses sometimes need assistance getting projects over the last few hurdles. The Revolving Loan Fund is designed just for that purpose. This fund is not designed to be the primary funding source, but the last small piece to get projects completed. The first project to receive funding was expanding the industrial park in the Village of Ottoville, Ohio. With the assistance of the USDA Rural Development Fund, Paulding Putnam provided the Village of Ottoville with a \$360,000 zero-interest loan to expand the infrastructure at the industrial park. This allows for a new business to locate in the industrial park immediately. As the Village of Ottoville repays the loan, these funds will be available to assist other communities and businesses with similar needs. The Revolving Loan Fund is an example of your cooperative's Commitment to Community.

Financially, your cooperative continues to perform well. We faced many challenges to meeting our financial goals in 2022, but again, we defied the norm and exceeded budgeted margins for the year. Due to cost control and a larger-than-expected allocation from Buckeye Power, total margins for the year were 12% above budget.

Cost control is vital to our future. However, the most considerable expense — wholesale purchased power — is essentially out of our control. Although we have a very cost-competitive power supply from Buckeye Power, that cost has increased in recent years. The cost increases appear in two primary areas: fuel to generate electricity and transmission cost to move the power from generating plants to our local substations. Significant



**GEORGE CARTER, PRESIDENT & CEO
AND STEVEN McMICHAEL, CHAIRMAN OF THE BOARD**

“In 2022, Paulding Putnam rebuilt 12 miles of old electric lines, rebuilt and upgraded two substations, and continued to install new meters throughout our system.”

increases in coal and natural gas pricing caused fuel costs to be much higher. Transmission costs have also increased sharply in recent years. We have all seen the large transmission lines under construction and being rebuilt throughout our service territory. Many of the transmission lines were constructed in the 1960s and 1970s and are due for rebuilding. However, this rebuilding is costly. Those rebuilding costs are shared by all utilities that use the facilities.

Paulding Putnam Electric is committed to continuing to improve service reliability. This past year, members averaged 48 minutes of outage time (not including major storm events). Our total member outage time was just over 100 minutes (our annual goal is 100 minutes). These are both slight increases from the prior year. Although these outage times are longer than we would like, they are still nearly one-half that of our peers. This commitment highlights the importance of rebuilding and replacing old wires, poles, and other equipment needed to bring electricity to your home. In 2022, Paulding Putnam rebuilt 12 miles of old electric lines, rebuilt and upgraded two substations, and continued to install new meters throughout our system.

The new electronic meters will provide greater functionality and give the membership more information on

electrical use. Members can sign up for a SmartHub account to receive meter usage and billing information. These meters also provide service information, like outages and voltage levels. This allows us to respond quickly to outages and verify problems before a truck rolls. Members can access enhanced energy monitoring data, including usage history reports, outage notifications, convenient time-saving payment methods, and more. Members have options for custom alerts, including updates for peak alerts, upcoming events, youth opportunities, and more. We gained nearly 900 new enrollments for the SmartHub application during the year. Providing greater and more useful information while saving operational costs are win-win goals for your cooperative.

“Your cooperative continues to defy the norm daily as we work hard to provide reliable service to your home or business.”

In addition to the SmartHub application, your cooperative has worked hard to expand our member service notifications. Using multiple social media platforms, we work to provide information where it's most convenient for each member. This includes increasing our information in the monthly magazines, growing our Facebook followers, and using LinkedIn, YouTube, and other social media sites to get information to the membership

more quickly. Currently, more than 50% of members follow the cooperative on one or more social media sites. Paulding Putnam has the second-largest membership on social media sites in Ohio, with only South Central Electric Cooperative (Ohio) having more.

Your cooperative continues to defy the norm daily as we work hard to provide reliable service to your home or business. We take great pride in our employees and their efforts in serving the membership. Our board and employees face challenges requiring foresight, planning, and goal setting while being prepared to face the next storm or pandemic.

George Carter

George Carter, President & CEO

Steven McMichael

Steven McMichael, Chairman of the Board



2022 TREASURER'S REPORT

Your cooperative continued to perform well in 2022. Although we saw kilowatt-hour purchases and sales decline due mostly to moderate weather, we still achieved financial goals. Total margins exceeded \$4.5 million and were above budget by \$475,000, or nearly 12%. This was achieved through lower operating and fixed expenses and a larger-than-planned capital credits allocation from Buckeye Power. Management and employees did an outstanding job managing expenses during the year.

The most significant expense, wholesale power purchased from Buckeye Power, increased again in 2022. The average cost of purchased power was nearly 8 cents per kilowatt hour. Purchased power increased by more than \$1.5 million, or 5.5%, from the previous year. This increase was more than 2% above the 2022 projected budget levels.

The increased power cost forced an increase in the Wholesale Power Cost Adjustment (WPCA) on all member bills. Due to this increase, total revenues from electric sales exceeded budget, even though kilowatt-hour sales were less than budgeted. Total revenues increased by just over \$2 million; this was entirely due to the increased WPCA billings.

A major factor in the increase in wholesale power cost was transmission rates. Electricity is generated at our

plants, mainly at the Cardinal Plant. That power is then transmitted to our co-op over the transmission grid. In recent years, transmission prices have increased significantly. Traditionally, transmission costs were roughly 10% of the Buckeye Power bill; today, that amount is more than 20%.

The cooperative continues to grow, rebuild, and replace old lines and electric facilities. Crews rebuilt more than 12 miles of old lines, replaced hundreds of old, worn-out poles, and many new homes were connected. The cooperative has seen a home-building boom in and around the New Haven, Indiana, territory. We have also been very busy installing the latest smart meters on our system, to provide all members with better information on energy use.

Costs for the entire electric distribution system infrastructure, including poles, wires, transformers, and other equipment needed to supply your homes and businesses — increased in cost by more than \$5.6 million in 2022. Material shortages and increased costs forced our employees to work hard to keep supplies in stock to meet our members' needs. The uncertainty of supplies caused us to increase material inventory, as we could, to new highs. This planning saved the cooperative thousands of dollars because the material was pre-ordered prior to increased prices. Co-op employees were instrumental in keeping costs down while ensuring material was available.

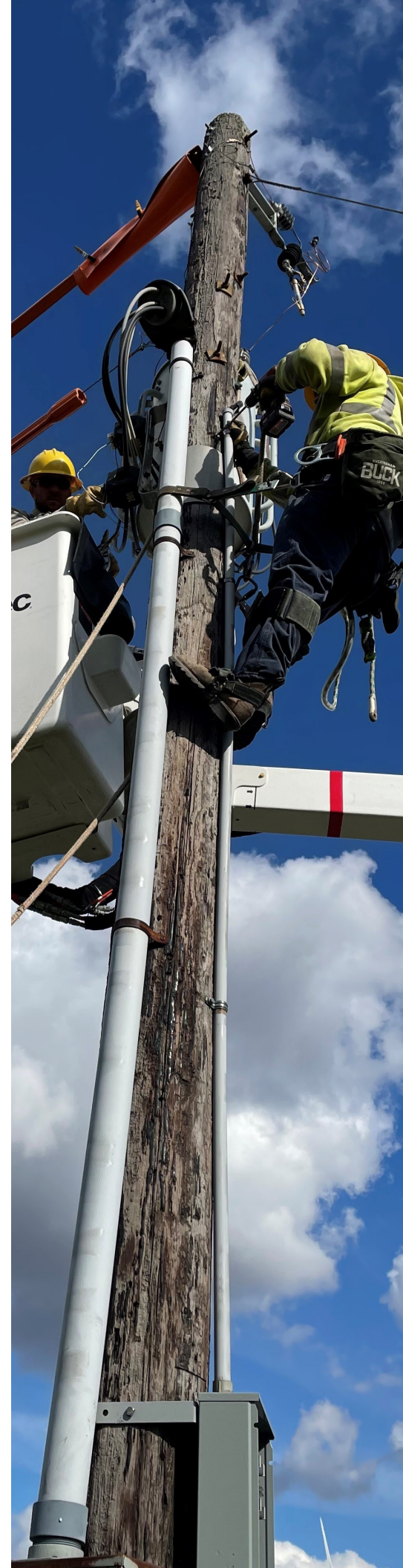
I am incredibly pleased to report on the financial strength of the cooperative. Your cooperative remains financially strong and able to meet the future needs of cooperative members. The accounting firm of Bashore, Reineck, Stoller, and Waterman, CPA's (BRSW) has audited the financial records of the cooperative as of December 31, 2022, and has issued a "clean," or unqualified, opinion of the financial statements. The audited financial statements may be reviewed at the office during regular business hours.

Dr. Ronald Black

Dr. Ronald Black, Secretary-Treasurer



DR. RONALD BLACK, SECRETARY-TREASURER



STATEMENT OF OPERATIONS

UNAUDITED

For the year ending Dec. 31, 2022

Revenue:	
Sales of Electricity	\$ 46,133,939
Interest Income	\$ 96,039
Other Income	\$ (37,117)
Capital Credits	\$ 1,655,297
Total Revenue	\$ 47,848,158
Expenses:	
Cost of Purchased Electric	\$ 30,318,047
Cost of Maintenance on Lines, Poles, Rights-of-Ways, etc.	\$ 3,024,255
Cost of Billing and Consumer Records ..	\$ 578,730
Cost of Member Services	\$ 644,254
Cost of Administration and Office Operations	\$ 2,316,794
Depreciation Expense	\$ 3,644,622
Business Taxes	\$ 1,274,482
Interest on Long-Term Debt	\$ 1,426,916
Interest on Current Debt	\$ 96,905
Total Expenses	\$ 43,325,005
Net Patronage Capital or Margins	\$ 4,523,153

Please note these financials are pre-audit, due to printing time constraints. A complete copy of the audit report as presented by the firm of Bashore Reineck Stoller & Waterman, Inc., certified public accountants of Paulding, Ohio, is available for examination at the cooperative's office during normal business hours.

BALANCE SHEET

UNAUDITED

For the year ending Dec. 31, 2022

Assets

Plant Property and Investments:	
Total Plant	\$ 116,024,026
Construction work in progress	\$ 1,102,576
Accumulated Depreciation	\$ (26,488,683)
Net Plant	\$ 90,637,919
Investments:	
Invest. in Assoc. Org. - Patronage Capital ..	\$ 18,808,678
Associated Organization	\$ 3,075,198
Total Plant and Investments	\$ 112,521,795
Current Assets and Debits:	
Cash	\$ 1,293,721
Temporary Investments/Special Deposits ..	\$ 2,906,203
Receivables	\$ 2,916,023
Merchandise Inventory	\$ 1,006,239
Other Current Assets	\$ 185,031
Total Current Assets and Debits	\$ 8,307,217
Deferred Debits	\$ 1,417
Total Assets and Debits	\$ 120,830,429

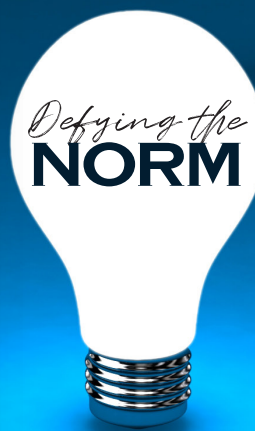
Liabilities and Equity

Current Liabilities and Credits:	
Accounts Payable	\$ 3,786,027
Short-term Notes Payable	\$ 4,055,000
Consumer Deposits	\$ 172,125
Other and Accrued	\$ 2,071,450
Total Current Liabilities and Credits	\$ 10,084,602
Noncurrent Liabilities and Credits:	
Long-term Debt	\$ 35,788,707
Deferred Liabilities and Credits	\$ 468,473
Total Liabilities and Credits	\$ 46,341,782
Equity:	
Operating Margins Prior/Other	\$ 6,449,776
Memberships	\$ 63,293
Patronage Capital	\$ 67,975,578
Total Equity	\$ 74,488,647
Total Liability and Equity	\$ 120,830,429



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ELECTRIC COOPERATIVE, INC

Your Touchstone Energy® Cooperative



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PAULDING PUTNAM ELECTRIC COOPERATIVE, INC.

ANNUAL MEETING MINUTES | MARCH 19, 2022

The Annual Meeting was held at Paulding Putnam Electric Cooperative, Inc. headquarters building, Paulding, Ohio. Dr. John Saxton, Board Chairman, called the meeting to order at 10:00 a.m. The meeting was held as a virtual/video conference. The meeting was being broadcast on the internet via Facebook Live and YouTube. Chairman Saxton began the meeting by reciting the Pledge of Allegiance.

Chairman Saxton noted the meeting notice had been mailed to all members in the February issues of Cooperative Living (Ohio) and Indiana Connections (Indiana) and this notice contained the meeting agenda. He stated he was dispensing with the reading of the notice as it had been certified as mailed to all members. He stated the agenda would be approved as mailed.

Chairman Saxton noted the minutes to the meeting held on March 20, 2021 had been mailed to all members in the recent issue of Cooperative Living and Indiana Connections magazines. He dispensed with the reading of the minutes as they were certified as mailed to all members and the minutes would stand approved as mailed.

Mr. Black gave the Treasurer's Report. He stated his written report appeared in the Cooperatives Annual Report and members could obtain a copy at the office or review the audit report upon request. He further stated the audited financial report was completed by the local firm of Bashore, Reineck, Stoller & Waterman. The CPA firm had issued an unqualified or clean audit opinion.

Chairman Saxton discussed the many functions of the board. He stressed the importance of safety with cooperative employees and congratulated them on receiving the highest score ever during their latest RESAP inspection. He thanked the membership and also thanked the employees for their continued commitment to safety. Chairman Saxton informed the audience of the upcoming Member Appreciation event to be held on July 23, 2022 and to look for additional details regarding the event in the near future.

Mr. Carter gave the President's report. He stated the future of the cooperative is changing. He used the Annual Meeting as an example. The business meeting portion of the Annual Meeting would be handled digitally going forward. The Member Appreciation Day held for all members would be for building personal relationships amongst members and employees. This event will be rotated throughout the service territory focusing on 4 main locations. He addressed the dramatic impact of material price increases and the effects it has on members. The cooperative continues to see member growth, low outage numbers and fuel and transmission costs continuing to rise. Mr. Terry Minic, Mr. Jordan Mohler and Mr. Garrett Gerdeman were recognized for their completion of the COLT program. Mrs. Mary Arend was recognized for her 25 years of service to the cooperative and Mr. Jay Dangler was recognized for his 6 years of service as a trustee to the Board of Trustees. Mr. Carter thanked the employees for their dedicated efforts to serve the membership.

Mr. Black was called upon to present the trustee election results. Three (3) Districts (2, 4 and 5) were up for election: Trustees William Dowler (District 2) and Steven McMichael (District 5) was re-elected by affirmation. District 4 held a contested election. William "Bill" Beckman was elected to serve this District.

Ronald Black stated there were no changes to the Code of Regulations for this year. Mr. Black reported over 30% of District 4 members had voted.

Chairman Saxton took a moment to thank outgoing trustee Mr. Jay Dangler, who chose not to seek re-election. Chairman Saxton thanked Mr. Dangler for his six (6) years of dedicated service and presented Mr. Dangler with a plaque honoring his service.

He welcomed Mr. William Beckman as the new trustee for District 4.

There being no further business to come before the meeting, Chairman Saxton declared the meeting adjourned.

New Faces at the Co-ops



Adam Siefker
Apprentice Lineman



Nicole Gross
Accountant I



Stacy Morrison
HR & Admin. Manager



Brad North
Warehouse Storekeeper
(part-time)



Madelyn Lamb
Marketing Specialist
(part-time)

Defying the NORM



While many companies maintain the status quo, we were rewarded for our ingenuity and won two national Spotlight on Excellence Awards: Silver for Best Event (Member Appreciation Dinosaur Movie Night at the Van-Del Drive-In) and Best Video (employees in action).



In a post-COVID world afraid of in-person fellowship, we held our largest-ever event with 2K+ members and guests attending Member Appreciation Day at the Fort Wayne Children's Zoo July 23 (zoo states it was their largest-ever picnic event).



Communities are struggling, especially for economic growth, so we gave the Village of Ottoville a \$360,000 USDA loan for industrial park expansion. This created a Revolving Loan Fund to help other community organizations in the future. We also volunteered in community parades, safety demos, and fair livestock auctions.



We don't just donate money; we give our time to uplift our communities. PPEC held an inaugural Veterans Day Clothes for Joes donation drive to help area vets, as well as donating time to update their Fort Wayne, Indiana, storefront.



Our member service representatives answer over 300 calls a week from our members. Real people from the communities we serve are what make the cooperative experience different.

Despite rising costs and inflation, PPEC member electric bills remained stable and provided excellent value for the cost. Average time without power for each member (excluding major events) was 47 minutes; power was available to members 99.98% of the time in 2022.



Everyone wants to save money and stay in the know, so through marketing efforts, PPEC gained nearly 900 new SmartHub account users in 2022. This gives members access to energy monitoring data, outage notifications, convenient time-saving payment methods, and more. Options for custom alerts are also available.



While many employees are leaving companies for new opportunities, PPEC strived for internal engagement and satisfaction, offering competitive salary and benefits, numerous employee perks, and two new recognition programs: the Ripple Effect Awards and the Rockstar Award.



The next generation needs resources for success; PPEC launched "Bright Futures," a collection of youth programs and opportunities for both Ohio and Indiana students and educators, including scholarships, Camp Kilowatt, Youth Tour, and more.

2023 ANNUAL MEETING BROADCAST AGENDA

Saturday, March 18, at 10 a.m. via Facebook and YouTube

1. Call to order.....*Board Chairman Steven McMichael*
2. Approve minutes from last year.....*Board Chairman Steven McMichael*
3. Treasurer's report..... *Board Secretary-Treasurer Dr. Ron Black*
4. Chairman's report.....*Board Chairman Steven McMichael*
5. President's report.....*CEO George Carter*
6. Trustee election results.....*CEO George Carter*
7. New/old business
8. Adjourn

