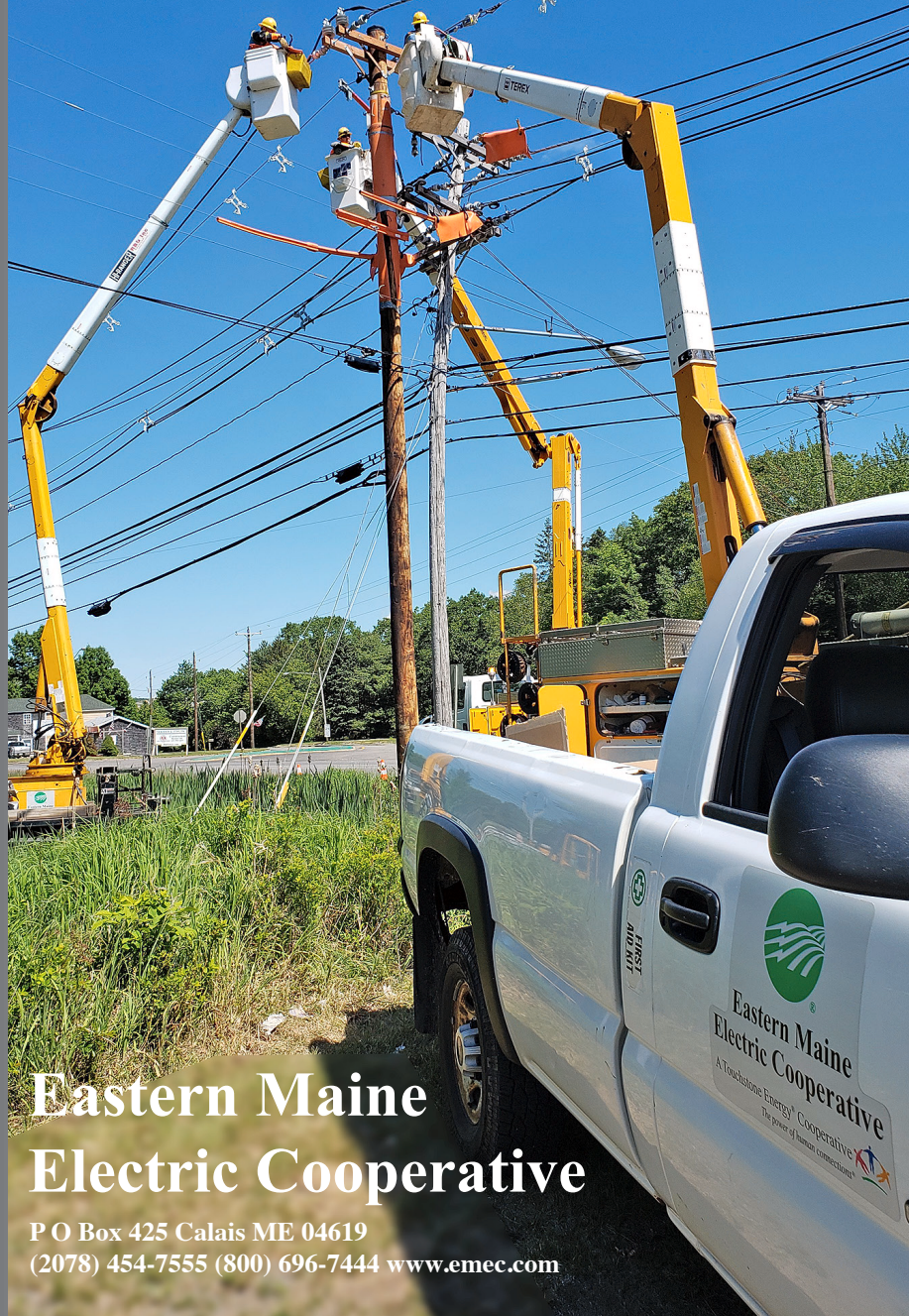


2019 Annual Report



**Eastern Maine
Electric Cooperative**

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EASTERN MAINE ELECTRIC COOPERATIVE, INC.

Eastern Maine Electric Co-op is a nonprofit utility built by and belonging to the communities it serves in Aroostook, Penobscot, and Washington Counties, on Maine's Eastern Border with Canada. The primary goal of a rural electric cooperative is to deliver reliable, safe electricity at the lowest cost consistent with sound management.



BOARD OF DIRECTORS

R. SCOTT SKINNER - PRESIDENT

Ralph E. Staples, Vice President

Wallace H. Lindahl, Secretary

Earl C. Hill, Jr., Treasurer

Marshall W. Lucas

Dana R. Hatton

Lawrence E. Clark

John L. Gallant, Jr.

Vernon M. Wentworth

John W. Larkin

Virgil L. Farrar

Zone 11

Zone 9

Zone 8

Zone 4

Zone 1

Zone 2

Zone 3

Zone 5

Zone 6

Zone 7

Zone 10

CHIEF EXECUTIVE OFFICER

ATTORNEY

AUDITOR

Scott M. Hallowell

James R. Wholly

Berry, Dunn, McNeil & Parker, CPAs

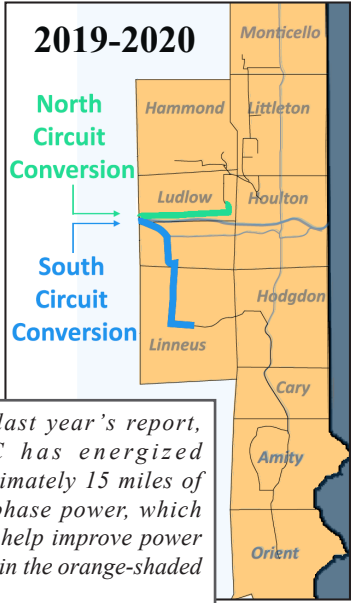


2019 ANNUAL REPORT TO THE MEMBERSHIP

OPERATIONAL DEVELOPMENTS

On July 25, 2019, Eastern Maine Electric's linemen energized ten miles of new three-phase line as part of a three-phase conversion of the Ludlow Substation's south circuit. This change will improve power quality in New Limerick, Linneus, Hodgdon, Cary, Amity and Orient.¹ Three-phase power now extends from the substation down the Drews Mill Road to the Oakfield Road, near Route 2A in Linneus. In future years, the three-phase conversion will continue along the Hodgdon Mills and Horseback Roads to Route 1 in Cary.

On September 2, 2020, linemen also energized approximately 5 miles of new three-phase line on the Ludlow Substation's north circuit, providing three-phase power down Ludlow Road and up part of the Moose Brook Road. Among its other advantages, the upgrade and extension of this circuit will eventually make it possible to feed all Monticello EMEC members from the Ludlow substation, phasing out the Monticello metering point, which presently connects with another electric distribution utility.



Line crews continue the system-wide upgrade of the Cooperative's power-line-carrier (PLC) metering system. The upgraded system, known collectively as "TWACS"TM (Two-Way Automated Communication System), will offer advantages for Co-op members as the deployment progresses. The new units transmit data more quickly over the power lines; meter readings that once took 27 hours to receive can now arrive in less than a minute.

Co-op members with these meters can use the Co-op's account management portal, SmartHub, to access more detailed information about their electric use. As the upgrade continues, the system is also starting to provide the Co-op's dispatchers and linemen with faster detection and diagnosis of power outages.

Co-op employees began the upgrade in March of 2017, and as of August 2020, more than three-quarters of the EMEC system had been upgraded. EMEC expects to complete the upgrade in 2021. In the meantime, the 23-year-old TurtleTM system



*Operations Manager Tom V. Farnham
1962-2019*

continues to function well, but no replacement units have been manufactured for several years.

The year 2019 ended on a sad note for EMEC. Operations Manager Tom V. Farnham, 57, passed away on November 25th, after a sudden and short illness. Tom began his work at EMEC in 1989 as a lineman, advancing during his time at the Cooperative culminating with his promotion to Operations Manager in April of 2011.

FINANCIAL DEVELOPMENTS

In 2019, Co-op achieved the financial ratio requirements of its lenders, performing as follows. The Cooperative's 2019 TIER² was 1.66; its OTIER³ was 1.19; and its MDSC⁴ was 2.10.

EMEC ended 2019 with a positive net margin of \$621,310. This margin was allocated and recorded as capital credits in the names of the Co-op members, based on each member's contribution to revenue in 2019. The margin was then reinvested in the Cooperative, thereby lowering EMEC's costs by providing that capital without borrowing from EMEC's lenders.

ELECTRIC COOPERATIVE YOUTH TOUR

In January 2020, Maine rejoined the Electric Cooperative Youth Tour, opening the application process for the first time in over 20 years. In association with the National Rural Electric Cooperative Association (NRECA) electric co-ops across the US sponsor exemplary high school sophomores and juniors for a prestigious visit each June to Washington D.C. Hundreds of these young people tour the capital, visit monuments, meet their legislators, and make new friends from a variety of backgrounds and regions. On March 13th, EMEC selected Emily Erskine of Woodland High School and Rowan Morris of Washington Academy from a group of outstanding applicants from across EMEC's service territory to represent Maine in June.

Even as the students received the good news, however, the global pandemic was making history. National organizers would soon cancel the 2020 Youth Tour. This disappointment does not change EMEC's pride in Maine's 2020 Youth Tour representatives, and EMEC will honor their accomplishments. Rowan Morris was rescheduled for the 2021 Youth Tour. Emily Erskine will receive a \$1000 scholarship in honor of her selection, since she will have graduated by June of 2021.

PANDEMIC IMPACT

As states began to talk about closing non-essential businesses, EMEC took action to limit COVID-19's potential impact on the continuity of its service. In the week beginning March 15th, linemen began to travel separately and avoided congregating in one place. In the office, lobby surfaces were regularly sanitized, and employees

began to experiment with using digital technologies to work from home. On March 24th, Maine’s governor issued executive orders having employees of essential businesses work remotely to the maximum extent possible. The orders also limited the size of public gatherings.

After the executive orders were issued, linemen continued responding to outages and power quality concerns, but they were dispatched from their homes rather than from a central garage. Non-critical line work was curtailed for several weeks. The administrative office lobby was closed, and most office employees worked from home.

A pandemic is one of many emergency scenarios for which electric cooperatives had drafted response plans in recent years. Such planning had informed the configuration of EMEC’s data and voice communications, so that office employees working from home were able to take member calls and provide support remotely without significant interruptions. Weather events in March and April tested the readiness of the employees to respond to widespread outages. On April 10th and 11th, gusty winds and heavy wet snow lead to widespread power outages across Maine. The experience resulted in new efficiencies that may improve the flow of information to members during storms, even after the pandemic has become history.

The linemen responded effectively, as always, practicing social distancing when possible and taking additional precautions when it was necessary to work closer together. Front-line office employees also demonstrated resilience and persistence in their first experiences responding remotely to hundreds of calls from widespread outages.

For the first time in Eastern Maine Electric’s history, the Co-op cancelled its Annual Meeting. Planners were unable to find a path through the obstacles: the need for rigorous COVID-19 precautions, limitations on the size of public gatherings, a short scheduling window, and limited options for a meeting location.

EMEC did find a path through the same obstacles for its smaller zone meetings, at which the Co-op’s directors are elected to three-year terms. Four board positions were up for elections in 2020 and those elections had been scheduled for June. It was necessary to postpone them to July and August. They were then conducted as drive-through elections, with pandemic-related precautions taken in keeping with the Maine Center for Disease Control’s recommendations. The results of each election were announced to those present at the end of each voting day.

(Cover photo and photo inside front cover by EMEC lineman Brent Delnicki.)

ENDNOTES

1. Three-phase power balances the load from one circuit across three overhead power lines, helping improve power quality from the beginning to the end of the circuit, and not just to the three-phase sections closer to the substation.
2. TIER (Times Interest Earned Ratio) measures the relationship between the margin and the interest expense on long-term debt. EMEC’s lenders require the Co-op to meet a minimum average TIER of 1.25 on a two-out-of-three-year basis.
3. OTIER (Operating Times Interest Earned Ratio). measures the relationship between the operating margin and the interest expense on long-term debt. EMEC’s lenders require the Co-op to meet a minimum average OTIER of 1.10 on a two-out-of-three-year basis.
4. MDSC(Modified Debt Service Coverage) ratio measures the relationship between the operation-related cash flow and debt service payments. EMEC’s lenders require the Co-op to meet a minimum average MDSC of 1.35 on a two-out-of-three-year basis.

EASTERN MAINE ELECTRIC COOPERATIVE, INC.

BALANCE SHEET

FOR THE YEARS 2019 AND 2018

ASSETS

Utility Plant:

Electric plant in service - at cost

Construction work in progress

Total Utility Plant:

Less: Accumulated provisions for depreciation

Net Utility Plant:

Other Assets:

Other

Prepayments, excluding current portion

Investments in associated organizations

Total Other Assets:

Current Assets:

Cash and cash investments

Accounts receivable - net

Materials and supplies

Other current assets

Prepayments

Total Current Assets:

Deferred Debits:

Total Assets:

LIABILITIES & EQUITY

Equities:

Memberships

Patronage capital

Total Margins & Equities:

Long Term Debt, Excluding Current Maturities:

Rural Utilities Service (RUS)

Cooperative Finance Corp. (CFC)

Federal Financing Bank (FFB)

Total Long Term Debt:

Current Liabilities:

Current maturities of long-term debt

Accounts payable

Consumer deposits

Accrued interest

Accrued expenses and other current liabilities

Total Current Liabilities:

Deferred Credits:

Total Liabilities & Equities:

	2019	2018
Utility Plant:		
Electric plant in service - at cost	\$63,504,295	\$61,835,523
Construction work in progress	811,482	753,244
Total Utility Plant:	64,315,777	62,588,767
Less: Accumulated provisions for depreciation	36,387,850	35,566,758
Net Utility Plant:	27,927,927	27,022,009
Other Assets:		
Other	1,561,987	1,034,156
Prepayments, excluding current portion	3,984,974	4,126,315
Investments in associated organizations	1,035,733	1,022,568
Total Other Assets:	6,582,694	6,183,039
Current Assets:		
Cash and cash investments	4,984,712	6,377,501
Accounts receivable - net	1,520,185	952,227
Materials and supplies	693,028	697,004
Other current assets	170,037	150,786
Prepayments	1,120,000	1,120,000
Total Current Assets:	8,487,962	9,297,518
Deferred Debits:	4,263,052	4,607,030
Total Assets:	\$47,261,635	\$47,109,596
LIABILITIES & EQUITY		
Equities:		
Memberships	\$49,415	49,520
Patronage capital	14,291,430	13,560,991
Total Margins & Equities:	14,340,845	13,610,511
Long Term Debt, Excluding Current Maturities:		
Rural Utilities Service (RUS)	4,118,696	4,260,440
Cooperative Finance Corp. (CFC)	5,698,061	6,094,617
Federal Financing Bank (FFB)	11,832,382	12,195,027
Total Long Term Debt:	21,649,139	22,550,084
Current Liabilities:		
Current maturities of long-term debt	903,000	871,000
Accounts payable	817,824	756,170
Consumer deposits	137,789	84,863
Accrued interest	59,125	60,462
Accrued expenses and other current liabilities	232,289	267,618
Total Current Liabilities:	2,150,027	2,040,113
Deferred Credits:	9,121,624	8,908,888
Total Liabilities & Equities:	\$47,261,635	\$47,109,596

EASTERN MAINE ELECTRIC COOPERATIVE, INC.

STATEMENT OF OPERATIONS

FOR THE YEARS 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Residential	\$5,275,841	\$4,969,323
Seasonal	706,251	659,634
Commercial	2,694,020	2,647,920
Street Lighting and Public Auth.	222,450	209,521
Industrial & other	90,467	82,572
Other electric	630,033	658,620
Total Operating Revenues:	9,619,062	9,227,590
Operating Expenses:		
Purchased power	259,120	159,353
Transmission	55,754	135,329
Distribution, operation	1,836,774	1,832,948
Distribution, maintenance	1,027,195	1,048,155
Consumer accounts	919,694	905,034
Customer service & informational exp.	181,277	166,320
Administrative & general	1,983,859	1,737,812
Depreciation	2,023,594	1,956,338
Amortization, regulatory asset	249,643	249,643
Interest - long-term, net	918,516	917,263
Other interest and expenses	2,408	1,149
Total Oper. Exp. Without Purchased Power:	9,198,714	8,949,991
Total Operating Expenses:	9,457,834	9,109,344
Operating Margins:	161,228	118,246
Nonoperating Margins:		
Interest income	408,895	397,888
Patronage dividends	32,062	50,477
Other	19,125	26,126
Nonoperating Margins:	460,082	474,491
Net Margins:	\$621,310	\$592,737
 OTIER	 1.19	 1.15
TIER	1.66	1.63
MDSC (Average 2 of 3 highest)	2.10	2.01

AUDIT REPORT: The annual audit of records for the columns marked 2019 and 2018 were made by Berry Dunn, McNeil & Parker, CPA's, 100 Middle Street, Portland, ME 04101. Copies of the audit report are on file with the Maine Public Utilities Commission, Augusta, Maine; the Rural Utilities Service, Washington, D.C.; and are available for inspection at the Cooperative's offices in Calais, Maine.

FIVE YEAR COMPARISONS

GENERAL STATISTICS	2019	2018	2017	2016	2015
Average number of active accounts	12,637	12,648	12,644	12,611	12,563
Total miles of electric lines	1,764	1,758	1,758	1,751	1,748
Amount allocated for bad debts (% of retail rev.)	\$76,525	\$74,725	\$75,836	\$74,512	\$74,863
Bad debts written off (actual for year)	\$138,492	\$73,480	\$90,606	\$69,608	\$58,965

REVENUE & EXPENSE STATISTICS	2019	2018	2017	2016	2015
Average annual kWh/member (Res.)*	6,748	6,690	6,440	6,431	6,669
Average annual revenue/kWh (Res.)*	9.859	9.353	9.134	8.759	8.639
Avg. # of consumers per employee	372	372	372	371	370
Operations & maint./mile of line	\$1,624	\$1,639	\$1,453	\$1,412	\$1,446
Average number of employees	34	34	34	34	34
kWh losses	9.01%	9.91%	10.50%	10.68%	9.42%

* Does not include seasonal sales

	KWH DELIVERED	% OF TOTAL DELIVERY	% CHANGE FROM 2018
Residential sales	53,512,555	57.2%	0.7%
Seasonal sales	2,980,787	3.2%	-4.9%
Commercial sales	34,741,761	37.2%	-3.0%
Street Lighting & Public Auth.	2,272,127	2.4%	3.1%
Total Retail Delivery	<u>93,507,230</u>	<u>100.0%</u>	<u>-0.8%</u>

