



EMEC 2023 Annual Report



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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

<i>R. SCOTT SKINNER - PRESIDENT</i>	<i>Zone 11</i>
<i>Earl C. Hill, Jr. - Vice President</i>	<i>Zone 4</i>
<i>John W. Larkin - Secretary</i>	<i>Zone 7</i>
<i>Lawrence E. Clark - Treasurer</i>	<i>Zone 3</i>
<i>David W. Johnson</i>	<i>Zone 1</i>
<i>Dana R. Hatton</i>	<i>Zone 2</i>
<i>John L. Gallant, Jr.</i>	<i>Zone 5</i>
<i>John C. Leighton</i>	<i>Zone 6</i>
<i>Timothy R. Peters</i>	<i>Zone 8</i>
<i>Vacant as of print date</i>	<i>Zone 9</i>



2023 ANNUAL REPORT TO THE MEMBERSHIP

OPERATIONAL DEVELOPMENTS



December 2023 High Winds

Winter 2023-2024 was an unusually rough season. In particular, the storm that began on December 18, 2023 was the most damaging storm in Eastern Maine Electric’s history. Seventy poles were broken by the high southerly winds, some of which exceeded hurricane force. Over the next six days, EMEC line crews were joined by 22 contract and

mutual aid crews, together forming the largest repair fleet ever deployed by the Cooperative. The storm was declared a Major Disaster on January 30, 2024.

Under that declaration, EMEC has applied to the Federal Emergency Management Agency (FEMA) for disaster relief. The Cooperative qualifies for storm-related assistance as a private nonprofit utility providing critical services. EMEC’s total repair cost from the storm was approximately \$1.3 million. The Co-op anticipates reimbursement of 90% of the approved costs incurred in Washington and Penobscot Counties. Aroostook County’s storm damage did not reach the cost threshold to qualify for FEMA assistance. Even with the assistance, the unreimbursed cost to the Cooperative will be approximately \$200,000 for that storm.

The Cooperative’s preparation for storms is never-ending. A major component of those preparations is aggressive power-line right of way maintenance. Trees and branches are a major source of line damage for electric utilities, and this is especially true in Maine, which is by far the country’s most tree-shaded state.¹ In addition to right-of-way clearing performed in 2023 by Co-op employees, EMEC spent over \$550,000 with contractors to cut, clear, and spray in the power line rights of way.



James L. Dean III Operations Center

In October, 2023, named its operations center in honor of former CEO James L. Dean, III, who retired in 2007.

Heat Pump Rebate

Eastern Maine Electric’s exclusive, \$250 heat pump rebate expired in December 2023, after 300 rebates were claimed by EMEC members. The rebates were in addition to and contingent upon the receipt of an Efficiency Maine heat pump rebate.



LED Street Lights

Eastern Maine Electric’s line crews continued the long-term project of replacing the service territory’s mercury vapor and high-pressure sodium street lights with LED street lights. As of June, 2024, over 75% of the street lights systemwide had been replaced. This does not include security lights, which are being replaced as the units fail.

Electric Co-op Youth Tour

For a second year, the Co-op continued Maine’s participation in the Electric Co-op Youth Tour. Each June, hundreds of students from electric cooperatives across the country visit Washington, D.C. There, they tour monuments and museums, learn more about how government works, and meet other student leaders like themselves. Students from five area high schools were interviewed before Maine’s two representatives to the Youth Tour were selected. The 2024 Maine delegates were Sarah London of Southern Aroostook Community School and Dana Peasley of Calais High School.

INDUSTRY DEVELOPMENTS

Residential Standard Offer Supply Prices² (in cents/kWh)				
Utility	2021	2022	2023	2024
EMEC	5.90 ¢	5.90 ¢	5.90 ¢	5.90 ¢
CMP	6.45 ¢	11.82¢	16.63 ¢	10.64 ¢
Versant (MPD)	6.03 ¢	11.09 ¢	14.88 ¢	11.29 ¢
Versant (BHD)	6.20 ¢	11.68¢	15.44 ¢	10.26 ¢

Standard Offer Supply Prices

The Cooperative’s members continue to enjoy a much lower Standard Offer³ electricity supply price than most of Maine’s other electric consumers. The Standard Offer Supply chart compares Standard Offer residential prices for EMEC and the state’s larger utilities from 2021 to 2024.

Eastern Maine Electric’s Standard Offer Supply price remained at 5.9 cents, the same price it has been since fall of 2020. In 2020, when fuel prices were substantially lower, the Co-op entered into a long-term Standard-Offer supply contract with New Brunswick Power (NB Power), which expires at the end of October, 2025. EMEC continues to monitor the energy markets, seeking the best price possible for its members after the existing contract expires.

FINANCIAL DEVELOPMENTS

Eastern Maine Electric’s operational costs are recovered through the electric delivery charges on the Co-op’s bills. While operational costs are impacted far less than supply prices by changes in fuel costs, operational costs have still been impacted by the overall rate of inflation. Material costs like poles and transformers, for instance, have risen substantially under the inflation of the past five years.

Inflation will also have an impact on the size of planned expenditures for upgrades and maintenance on EMEC’s transmission and substation infrastructure in the years ahead. Past annual reports have mentioned the need for significant investment in the Co-op’s 69 kV transmission line. EMEC will also need to replace its substation transformers in Ludlow and Patten to accommodate an upcoming change in voltage on the Versant transmission lines serving those two substations.

As a result of inflation and these necessary investments, the Co-op plans a modest increase in delivery rates before the end of 2024. While storm costs have been heavy in the past two years, storm costs will not be a factor in the decision about a rate change, in part because of anticipated reimbursement from FEMA for a significant percentage of those costs.

EMEC had a net negative margin (loss) for 2024. The Cooperative's 2023 financial ratios were: TIER⁴ of 1.23; OTIER⁵ of 0.80; and MDSC⁶ of 2.68.

In October 2023, Eastern Maine Electric issued \$150,000 in general retirements of capital credits to present and past Co-op members. The process of retiring capital credits is very similar to that of issuing a dividend at a for-profit company. An electric cooperative converts a small portion of its equity to an asset (cash) and distributes that to the members based on each member's contribution to revenue in the relevant allocation years.



Late Night Labor
From left to right: Neil Noble, Brent Delnicki, Wesley Barlow, and Scott Geel. This picture and the front cover picture are from an overnight planned outage in July 2023. Work was done in the middle of the night to minimize the impact on Co-op members.

Endnotes

- 1 According to USDA Forest Service, 89% of maine's geography is tree-shaded, 6% higher than New Hampshire, the second-most-tree-shaded state. USDA Forest Service. FIA Annual Report 2016: p. 71. https://www.fs.usda.gov/sites/default/files/fs_media/fs_document/publication-15817-usda-forest-service-fia-annual-report-508.pdf.
- 2 For 2023 and 2024, the Standard Offer prices for CMP and Versant changed in July. The Standard Offer Supply pricing shown reflects prices as of July for each year shown.
- 3 "Standard Offer" is a default supply of electricity with guaranteed availability. Delivery utilities like EMEC issue the bill for both the delivery and electricity charges, but the amount collected for electricity supply charges is forwarded to the supply provider. Without Standard Offer as a guaranteed supply, some consumers might not be able to get electricity supply at all.
- 4 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.
- 5 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.
- 6 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 2023 AND 2022

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Utility Plant:		
Electric Plant in Service - at Cost	\$75,713,604	\$73,966,012
Construction Work in Progress	1,337,476	440,530
Total Utility Plant	77,051,080	74,406,542
Less: Accumulated Provisions for Depreciation	41,721,050	39,475,525
Net Utility Plant:	35,330,030	34,931,017
Other Assets:		
Other	3,460,612	2,920,918
Investments in Associated Organizations	1,039,055	1,033,666
Total Other Assets:	4,499,667	3,954,584
Current Assets:		
Cash and Cash Investments	6,639,507	7,090,998
Accounts Receivable - Net	2,734,169	1,471,984
Materials and Supplies	1,362,870	1,462,031
Other Current Assets	422,786	352,985
Prepayments	6,686	6,399
Total Current Assets:	11,166,018	10,384,397
Deferred Debits:	2,944,900	3,235,945
Total Assets:	\$53,940,615	\$52,505,943
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<u>LIABILITIES & EQUITY</u>		
Equities:		
Memberships	\$50,960	\$50,820
Patronage Capital	14,828,359	14,750,628
Total Margins & Equities:	14,879,319	14,801,448
Long Term Debt, excluding current maturities:		
Rural Utilities Service (RUS)	1,289,879	1,352,715
Cooperative Finance Corp. (CFC)	4,019,363	4,450,486
Federal Financing Bank (FFB)	17,234,407	17,849,470
Total Long Term Debt:	22,543,649	23,652,671
Current Liabilities:		
Current Maturities of Long-term Debt	1,109,000	949,000
Line of Credit	2,251,250	925,000
Accounts Payable	2,002,620	1,269,510
Consumer deposits	192,133	183,678
Accrued Interest	185,691	181,868
Accrued Expenses and Other Current Liabilities	409,162	408,517
Total Current Liabilities:	6,149,856	3,917,573
Deferred Credits:	10,367,791	10,134,251
Total Liabilities & Equities:	\$53,940,615	\$52,505,943
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EASTERN MAINE ELECTRIC COOPERATIVE, INC.

STATEMENT OF OPERATIONS

FOR THE YEARS 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues:		
Residential	\$9,724,740	\$9,357,799
Seasonal	1,125,400	1,171,038
Commercial	5,043,195	4,953,376
Street Lighting and Public Auth.	347,882	350,731
Industrial & Other	141,146	172,650
Other Electric	493,786	680,863
Total Operating Revenues:	16,876,149	16,686,457
Operating Expenses:		
Purchased Power	6,558,206	6,374,192
Transmission	265,935	229,303
Distribution, Operations	1,948,630	1,926,805
Distribution, Maintenance	1,489,824	1,399,499
Consumer Accounts	788,746	856,605
Customer Service & Informational Exp.	195,439	174,914
Administrative & General	2,450,057	2,364,247
Depreciation	2,319,700	2,227,101
Amortization, Regulatory Asset	249,643	249,643
Interest - Long-term, Net	720,298	737,346
Other Interest and Expenses	103,708	8,565
Total Oper. Exp. Without Purchased Power:	10,531,980	10,174,028
Total Operating Expenses:	17,098,186	16,548,220
Net Operating (Loss) Margin:	<u>(214,037)</u>	<u>138,237</u>
Nonoperating Margins:		
Interest Income	341,888	129,617
Patronage Dividends	55,263	43,559
Other	6,683	6,941
Net Nonoperating Margins:	403,834	180,117
Net Margin:	<u>\$189,797</u>	<u>318,354</u>
 OTIER	 0.80	 1.25
TIER	1.23	1.41
MDSC (Average 2 of 3 highest)	2.68	2.68

AUDIT REPORT: the annual audit of records for the columns marked 2023 and 2022 were made by BerryDunn, CPA's, 2211 Congress Street, Portland, ME 04101. Copies of the audit report are available for inspection at the Cooperative's offices in Calais, Maine.

FIVE YEAR COMPARISONS

GENERAL STATISTICS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Average Number of Active Accounts	13,072	12,995	12,864	12,722	12,637
Total Miles of Electric Lines	1,790	1,781	1,772	1,766	1,764
Amount Allocated for Bad Debts (% of retail revenue)	\$30,702	\$79,698	\$76,234	\$223,038	\$76,525
Bad Debts Written Off (actual for year)	\$63,532	\$63,563	\$94,409	\$62,047	\$138,492

REVENUE & EXPENSE STATISTICS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Average Annual kWh/Member (residential)	7,509	7,290	7,023	6,916	6,748
Average Annual Billing/kWh(Residential)*	16.109	16.089	15.942	16.564	16.559
Avg. # of Consumers Per Employee	373	371	368	335	372
Operations & Maint./Mile of Line	\$1,920	\$1,868	\$1,742	\$1,838	\$1,624
Average Number of Employees	35	35	35	38	36
kWh Losses	8.84%	9.27%	9.90%	9.30%	9.01%

*Includes standard offer electricity supply

REVENUE CLASS SUMMARY

	<u>KWH DELIVERED</u>	<u>% OF TOTAL DELIVERY</u>	<u>% CHANGE FROM 2022</u>
Residential sales	60,367,943	59.2%	3.8%
Seasonal sales	4,317,409	4.2%	-6.6%
Commercial sales	35,445,776	34.7%	0.8%
Street Lighting & Public Auth.	<u>1,900,172</u>	<u>1.9%</u>	<u>-7.2%</u>
Total Retail Delivery	<u>102,031,300</u>	<u>100.0%</u>	<u>2.0%</u>

