



2021

Annual Report

Eastern Maine Electric Cooperative

P O Box 425 Calais ME 04619
(800) 696-7444 WWW.EMEC.COM (207) 454-7555

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>Ralph E. Staples, Vice President</i>	<i>Zone 9</i>
<i>Earl C. Hill, Jr., Secretary</i>	<i>Zone 4</i>
<i>John W. Larkin, Treasurer</i>	<i>Zone 7</i>
<i>Special Election scheduled for August 30, 2022</i>	<i>Zone 1</i>
<i>Dana R. Hatton</i>	<i>Zone 2</i>
<i>Lawrence E. Clark</i>	<i>Zone 3</i>
<i>John L. Gallant, Jr.</i>	<i>Zone 5</i>
<i>Vernon M. Wentworth</i>	<i>Zone 6</i>
<i>Timothy R. Peters</i>	<i>Zone 8</i>
<i>Special Election scheduled for summer, 2022</i>	<i>Zone 10</i>

CHIEF EXECUTIVE OFFICER
ATTORNEY
AUDITOR

Scott M. Hallowell
James R. Wholly
BerryDunn



2021 ANNUAL REPORT TO THE MEMBERSHIP

EMEC \$250 HEAT PUMP REBATE

Eastern Maine Electric Co-op began offering a limited-time \$250 heat pump rebate, on top of the rebates offered by the State of Maine. The rebate is available to Co-op members from all rate classes for installed heat pumps within the Cooperative’s delivery territory that meet the Efficiency Maine Trust requirements for the State’s rebate program. The rebate is available until either December 23, 2023 or when 300 rebates have been awarded, whichever comes first.

OPERATIONAL DEVELOPMENTS

Eastern Maine Electric Co-op continued a rigorous program of right-of-way management in 2021. In addition to right-of-way clearing performed by Co-op employees, the Co-op spent over \$500,000 with contractors to cut, clear, and spray in the power line rights of way. Tree-related damage is a major cause of power outages for any utility, and it plays an even larger role in Maine. The state is the most tree-shaded state in the U.S.; 89.46% of the state’s area is forested¹.

The Cooperative completed the system-wide upgrade of its power-line-carrier (PLC) metering system in November 2021. While Eastern Maine Electric has used power-line carrier metering for over 25 years, the upgraded system, known collectively as “TWACS”™ (Two-Way Automated Communication System), makes more effective use of the medium. With the upgraded system, more information can be sent in 60 seconds than used to be possible with a 27-hour sustained signal needed by the prior system. This greater efficiency provides the Co-op’s dispatchers with much faster outage information. The upgraded system also provides most members with data on hourly energy use. This added information can be very helpful for members managing their electric use.



EMEC linemen replacing a high-voltage insulator during a planned outage at the Woodland Substation.

INDUSTRY DEVELOPMENTS

Standard Offer Supply Prices

The Standard Offer² electricity supply price for Eastern Maine Electric’s members remains at 5.9 cents/kWh; it did not increase in January 2022. As a consumer-owned utility, the Cooperative procures the Standard Offer supply on behalf of its members. In 2020, when fuel prices were substantially lower, the Co-op entered into a long-term Standard-Offer contract³ through October 2025 with New Brunswick Power (NB Power).

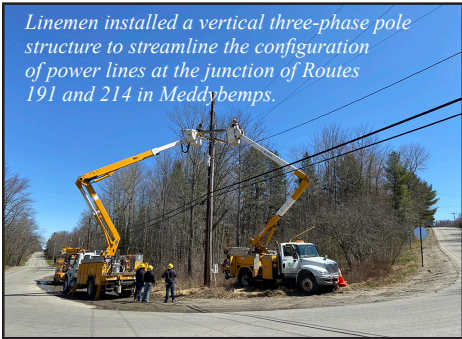
The unchanged supply price for EMEC members would not be noteworthy, had Standard Offer prices not risen significantly for consumers of Maine’s two investor-owned utilities. The Standard Offer supply price per kiloWatt-hour (in cents/kWh) paid by Central Maine Power’s (CMP’s) residential consumers rose from 6.45 cents/kwh to 11.81 cents/kWh, an 83% increase over the 2021 supply pricing.

The price paid by residents in Versant’s Bangor-Hydro district rose from 6.19 cents/kWh to 11.68 cents/kWh, an 88% increase. The residential Standard Offer price in Versant’s Maine Public Service district rose from 6.03 cents/kWh to 11.09 cents/kWh, an increase of 84%. These increases, which affect over 90% of the state’s electric consumers, reflect the impact of rising natural gas prices on the electricity supply market.

Standard Offer Prices by Utility

(in cents/kWh)

Utility	2021	2022	Increase
EMEC	5.90 ¢	5.90 ¢	0 %
CMP	6.45¢	11.81 ¢	83 %
Versant (BHD)	6.19 ¢	11.68 ¢	88 %
Versant (MPD)	6.03 ¢	11.09 ¢	84 %



Linemen installed a vertical three-phase pole structure to streamline the configuration of power lines at the junction of Routes 191 and 214 in Meddybemps.

In response, the State of Maine developed a plan to use Heat Energy Assistance Program (HEAP) funds to provide a one-time \$90-dollar bill credit to low-income consumers of CMP and Versant. The plan would have excluded low-income consumers of consumer-

owned utilities, but EMEC and the state's other consumer-owned utilities requested that their consumers also receive the one-time \$90-dollar credit, since their consumers were also experiencing hardships from rising heating oil and gasoline prices. The Public Advocate was helpful in facilitating this change, and EMEC's qualifying low-income members received the \$90 credits on their June electric bills.

Eastern Maine Electric hopes the energy markets will have settled out before the Co-op's Standard Offer supply contract with NB Power expires. If it looks like that will not be the case as it gets closer to the end of the contract, the Co-op will look to see if there are any options to try to lessen the price impact on its members.

INVESTMENTS / PLANNING FOR THE FUTURE

A key component of the Eastern Maine Electric distribution grid is its 69 kiloVolt (kV) transmission line. This line interconnects with New Brunswick Power (NB Power) in Calais, and it feeds power to the Cooperative's substations in Calais, Baileyville, Princeton, and Topsfield. Completed in the early 1970s, the 40-mile line would cost tens of millions of dollars to build today.

In 2016, the Co-op began a series of periodic investments in this line, working outward from the US-Canada border. While this transmission line has held up well over time, these investments will maintain and improve the line for the future. Work included shortening the spans between poles, replacing some poles, repairing woodpecker-damaged poles, and reconfiguring pole top assemblies. During the 2016 and 2020 transmission work projects, a total of nine structures were replaced, 37 pole tops were reconfigured, and 15 mid-span poles were added.

Another round of such improvements was completed during the winter and spring of 2021-2022. The work involved adding or replacing 31 transmission structures. This included rebuilding a section about a mile long between Route 191 and Route 1 in Baring. In this section, the original poles were replaced with ductile iron poles and new, larger wire was installed. Most of this work was done with the line energized. The new ductile iron poles should last a lot longer, since they are invulnerable to woodpeckers and bears.

Construction is nearing completion on Eastern Maine Electric's operations center on Diconzo Avenue in the Calais Industrial Park. The 80-by-212-foot pre-engineered metal building will replace five existing properties. It will soon house the Cooperative's southern-area operations department, including the trucks, equipment, garage, warehouse, materials, and dispatch center. Efficiencies in operations will be gained by consolidating the existing locations into one. The annual cost of the new facility will be similar to the cost of the existing facilities.

The administrative headquarters for the Co-op will remain at the office building in downtown Calais.



Completion is expected by the end of August, 2022

FINANCIAL DEVELOPMENTS

The Cooperative ended 2021 with a positive net margin of \$846,400. This margin will be allocated and recorded as capital credits in the names of the Co-op's members, based on each member's contribution to revenue in 2021. The margin is reinvested in the Cooperative, reducing the amount of capital borrowed from the Co-op's lenders, and thereby lowering borrowing costs.

The Cooperative's 2021 financial ratios were: TIER⁴ of 2.23; OTIER⁵ of 1.30; and MDSC⁶ of 2.19.

Contributing to the Cooperative's strong 2021 financial outcome was forgiveness by the Small Business Administration (SBA) of a \$600,000 Payroll Protection Program (PPP) loan. Under this stimulus program, funds were loaned to qualifying employers during the pandemic. The program allowed for full forgiveness of a loan, if a recipient maintained employment at pre-pandemic levels. After determining that the Cooperative would not be taking funds needed by other local businesses, Eastern Maine Electric applied for and received a \$600,000 loan. In March, 2021, the PPP loan was fully forgiven by the SBA.

In October 2021, Eastern Maine Electric issued \$300,000 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. Active Co-op members who received electric service prior to 2021 received their portion of the capital credit retirement as a credit on their October bills as a credit line item labeled "Capital Credit Retirement." Because former members of the Cooperative no longer have active electric accounts, the Co-op mailed checks to their last known addresses.

ENDNOTES

1. *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. *"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.*
3. *Under the 2020 Standard Offer arrangement, Eastern Maine Electric Co-op became the Standard Offer supply provider. Instead of NB Power selling electric supply directly to each member of the Cooperative, the Co-op is now purchasing and selling the power to the members. This administrative change offered a chance to help lower supply costs for Co-op members, who will notice no difference other than the lower supply rate. The Cooperative's bottom line will not be impacted, because power purchase is a pass-through cost.*
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 2021 AND 2020

ASSETS

Utility Plant:

Electric plant in service - at cost	\$ 67,507,642	\$64,831,416
Construction work in progress	2,153,867	1,026,612
Total Utility Plant:	69,661,509	65,858,028
Less: Accumulated provisions for depreciation	38,752,217	37,274,830
Net Utility Plant:	30,909,292	28,583,198

Other Assets:

Other	2,507,173	1,840,989
Investments in associated organizations	1,041,466	1,043,933
Total Other Assets:	3,548,639	2,884,922

Current Assets:

Cash and cash investments	8,560,103	6,676,935
Accounts receivable - net	1,519,105	1,344,240
Materials and supplies	1,085,310	731,912
Other current assets	276,009	194,243
Prepayments	6,330	6,143
Total Current Assets:	11,446,857	8,953,473

Deferred Debits:

3,577,530	3,920,292
------------------	------------------

Total Assets:

\$49,482,318	\$44,341,885
---------------------	---------------------

LIABILITIES & EQUITY

Equities:

Memberships	\$50,655	\$50,030
Patronage capital	14,641,096	14,006,241
Total Margins & Equities:	14,691,751	14,056,271

Long Term Debt, Excluding Current Maturities:

Rural Utilities Service (RUS)	1,412,921	1,470,397
Cooperative Finance Corp. (CFC)	4,865,125	5,278,699
Federal Financing Bank (FFB)	16,023,484	9,087,820
Total Long Term Debt:	22,301,530	15,836,916
Forgivable Debt	0	600,000

Current Liabilities:

Current maturities of long-term debt	673,000	665,000
Line of credit	0	2,500,000
Accounts payable	1,163,971	680,356
Consumer deposits	174,042	136,947
Accrued interest	42,581	47,754
Accrued expenses and other current liabilities	343,487	339,627

Total Current Liabilities:

2,397,081	4,369,684
------------------	------------------

Deferred Credits:

10,091,956	9,479,014
-------------------	------------------

Total Liabilities & Equities:

\$49,482,318	\$44,341,885
---------------------	---------------------

EASTERN MAINE ELECTRIC COOPERATIVE, INC.

STATEMENT OF OPERATIONS

FOR THE YEARS 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues:		
Residential	\$8,941,175	\$5,859,304
Seasonal	1,111,681	798,311
Commercial	4,890,736	2,909,053
Street Lighting and Public Auth.	356,430	231,720
Industrial & other	72,378	144,024
Other electric	360,499	590,128
Total Operating Revenues:	15,732,899	10,532,541
Operating Expenses:		
Purchased power	6,158,018	1,050,858
Transmission	176,798	116,841
Distribution, operation	1,979,893	1,826,202
Distribution, maintenance	1,105,616	1,418,962
Consumer accounts	844,532	967,312
Customer service & informational exp.	178,697	196,500
Administrative & general	2,144,308	2,080,447
Depreciation	2,062,880	2,038,542
Amortization, regulatory asset	249,643	249,643
Interest - long-term, net	661,707	759,392
Other interest and expenses	10,378	23,667
Total Oper. Exp. Without Purchased Power:	9,414,452	9,677,508
Total Operating Expenses:	15,572,470	10,728,366
Net Operating Margins:	160,429	(195,825)
Nonoperating Margins:		
Debt forgiveness	600,000	0
Interest income	33,065	212,963
Patronage dividends	46,727	26,692
Other	6,179	31,728
Net Nonoperating Margins:	685,971	271,383
Net Margins:	\$846,400	\$75,558
OTIER	1.30	0.82
TIER	2.23	1.10
MDSC (Average 2 of 3 highest)	2.19	2.04

AUDIT REPORT: the annual audit of records for the columns marked 2021 and 2020 were made by BerryDunn, 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	2021	2020	2019	2018	2017
Average number of active accounts	12,864	12,722	12,637	12,648	12,644
Total miles of electric lines	1,772	1,766	1,764	1,758	1,758
Amount allocated for bad debts (% of retail rev.)	\$76,234	\$223,038	\$76,525	\$74,725	\$75,836
Bad debts written off (actual for year)	\$94,409	\$62,047	\$138,492	\$73,480	\$90,606

REVENUE & EXPENSE STATISTICS	2021	2020	2019	2018	2017
Average annual kWh/member (residential)	7,023	6,916	6,748	6,690	6,440
Average annual revenue/kWh (residential)*	15.942	16.564	16.559	16.005	16.723
Avg. # of consumers per employee	368	335	372	372	372
Operations & maint./mile of line	\$1,742	\$1,838	\$1,624	\$1,639	\$1,453
Average number of employees	35	38	36	34	34
kWh losses	9.90%	9.30%	9.01%	9.91%	10.50%

* Includes standard offer electricity supply

	KWH DELIVERED	% OF TOTAL DELIVERY	% CHANGE FROM 2020
Residential sales	56,084,250	58.1%	2.0%
Seasonal sales	4,346,961	4.5%	21.5%
Commercial sales	33,805,677	35.1%	-0.4%
Street Lighting & Public Auth.	2,206,571	2.3%	4.4%
Total Retail Delivery	<u>96,443,459</u>	<u>100.0%</u>	<u>1.9%</u>

