

2012 Annual Report



Eastern Maine Electric Cooperative, Inc.

P O Box 425 Calais ME 04619

www.emec.com

Serving Eastern and Northern Maine For Over 70 Years

EASTERN MAINE ELECTRIC COOPERATIVE, INC.

Eastern Maine Electric Co-op is a nonprofit consumer-owned electric utility serving parts of Aroostook, Penobscot, and Washington Counties on Maine's Eastern Border with Canada. The primary goal of a rural electric cooperative is to provide quality electric service at the lowest cost consistent with sound management.

DIRECTORS

R. Scott Skinner - President	Zone 11
Ralph E. Staples, Vice President	Zone 9
Wallace H. Lindahl, Secretary	Zone 8
Earl C. Hill, Jr., Treasurer	Zone 4
Ralph S. Ray	Zone 1
Robert S. Olsson	Zone 2
Lawrence E. Clark	Zone 3
John W. Larkin	Zone 5
Vernon M. Wentworth	Zone 6
James W. Bala	Zone 7
Virgil L. Farrar	Zone 10

CHIEF EXECUTIVE OFFICER

Scott M. Hallowell

ATTORNEY

Daniel L. Lacasse

AUDITOR

Berry, Dunn, McNeil & Parker, CPAs



Eastern Maine 
Electric Cooperative

A Touchstone Energy® Cooperative 
The power of human connections®

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Eastern Maine Electric Cooperative, Inc.

2012 REPORT

TO THE MEMBERS

OPERATIONAL DEVELOPMENTS

Throughout the year, the Cooperative continued work on long-term system improvement projects, including the addition of circuit sectionalizing devices to minimize the impact of remote outages on main feeder lines.

Work continued on the construction of an upgraded Woodland delivery grid. In 2012, the power lines on some of the streets between the river and Main Street were rebuilt. In the next phase, new line construction will continue on other roads, including Hillside, Palm, Summit, and Broadway Streets.

In Southern Aroostook County, line crews continued reconductoring the south circuit from the Ludlow Substation and converting the line from single-phase to three-phase.

The Cooperative has also continued its innovative collaboration with wood harvesters, a program which improves the power line right of way and lowers tree-clearing costs, while also providing operational advantages for the wood harvesters.

December Heavy, Wet Snow

December 2012 was a rough weather month for the Cooperative's members and line crews. Heavy wet, snow resulted in some lengthy outages for approximately 4,000 homes and businesses. To help battle the storm, the Co-op brought in enough contract work crews to more than double its fulltime line workforce.

On Tuesday, December 18th, heavy snowfall began over a condensed region of the state:





primarily from Topsfield northward into Southern Aroostook and Northern Penobscot Counties. Trees soon began to buckle under the weight of the snow, bending and falling into contact with the power lines, causing outages. Tuesday night and all day Wednesday December 19th, the linemen battled rotating outages across the entire northern half of the Cooperative's service area. Smaller outages cropped up from Grand Lake Stream to Perry. The wet, clinging snow also caused outages on the Co-op's 69 kilovolt (kV) transmission line between Calais and Topsfield.

While the snow ended on December 20th, heavy damage had already been done. Complicating repairs were a series of transmission-line outages on the Maine Public Service transmission line feeding Eastern Maine Electric's Ludlow and Patten substations.

On December 22nd, line crews restored power to the last Co-op members affected by the initial storm, but another scattering of small outages required repairs during the rest of the weekend.

FINANCIAL DEVELOPMENTS

Like everyone else, the Co-op continued to face increasing costs. As a consumer-owned, locally-managed rural electric cooperative, EMEC is especially attuned to such pressures and their impacts.

The Co-op remains on a lean operational budget, but system improvements and right-of-way clearing have continued. This has continued to result in improved service quality.

One example of the lean operating budget has to do with the number of people employed. In 2012, there were only 34 employees. This is much lower than the median number of employees (46 employees) for

co-ops across the country of similar size to Eastern Maine Electric. Eastern Maine Electric is able to operate with 12 fewer employees because it has hired and retained dedicated and highly-skilled employees. As some of these employees retire, and as others get closer to retirement, the Co-op will need to hire new employees with the same level of ability and commitment.

Financial Ratios

Due to the capital-intensive nature of the electric industry, electric utilities borrow most of the money necessary for construction and system improvements. This industry practice has the benefit of spreading construction costs over the useful life of the related assets. It also helps provide rate stability.

When reviewing the Cooperative's financial position, EMEC's lenders pay the most attention to three ratios: the Operating Debt Service Coverage (ODSC) Ratio, the Times Interest Earned Ratio (TIER), and the Operating TIER (OTIER). The ODSC measures the relationship between the operation-related cash flow available for debt service payments and the payments themselves. TIER measures the relationship between the margin and the interest expense on long-term debt. The OTIER measures the relationship between the operating margin and the interest expense on long-term debt.

The Co-op's lenders require different levels for each of these ratios; the minimum ratios are 1.35 for ODSC, 1.25 for TIER, and 1.10 for OTIER. Each year, the Co-op is required to have met these minimum ratios on an average two-out-of-three-years basis. In 2012, ODSC was 1.62; TIER was 1.34; and OTIER was 1.13. The Cooperative met these minimum ratios in 2011 as well.

Lower Standard Offer Supply Rate

Through a competitive bid process, New Brunswick Power was awarded the Standard Offer supply contract for the Co-op's delivery territory from April 1, 2013 to February 28, 2015. The new rate of 6.662 cents per kWh represents a 14.7% decrease compared to the previous Standard Offer supply rate. It is a 7.0 % decrease in the combined residential rates, which include both the third-party Standard Offer supply costs and the Co-op's delivery costs.

EASTERN MAINE ELECTRIC COOPERATIVE, INC.
BALANCE SHEET
FOR THE YEARS 2012 AND 2011

ASSETS

	2012	2011
Utility Plant:		
Electric plant in service - at cost	\$52,263,236	\$50,641,668
Construction work in progress	441,043	267,933
Total Utility Plant	52,704,279	50,909,601
Less: Accumulated provisions for depreciation	27,407,347	26,192,165
Net Utility Plant	25,296,932	24,717,436
Other Assets:		
Other	351	2,351
Prepayments, excluding current portion	1,467,344	1,235,788
Investments in associated organizations	882,127	860,448
Total Other Assets	2,349,822	2,098,587
Current Assets:		
Cash and cash investments	204,514	405,895
Accounts receivable - net	1,154,199	1,064,772
Materials and supplies	701,415	704,717
Other current assets	24,871	41,730
Prepayments	936,000	1,051,000
Total Current Assets	3,020,999	3,268,114
Deferred Debits:		
Regulatory assets	5,883,426	5,959,869
Total Assets	\$36,551,179	\$36,044,006

LIABILITIES & EQUITY

Equities:		
Memberships	\$50,000	\$50,225
Patronage capital	12,514,545	12,199,021
Total Margins & Equities	12,564,545	12,249,246
Long Term Debt, excluding current maturities:		
Rural Utilities Service (RUS)	5,356,139	5,686,231
Cooperative Finance Corp. (CFC)	8,161,268	8,472,466
Federal Financing Bank (FFB)	5,402,521	5,523,349
Total Long Term Debt	18,919,928	19,682,046
Other non-current liabilities	626,800	518,700
Current Liabilities:		
Lines of credit	950,000	100,000
Current maturities of long-term debt	764,000	790,000
Accounts payable	919,690	801,375
Consumer deposits	74,467	73,864
Accrued interest	95,865	162,296
Accrued expenses and other current liabilities	364,903	403,405
Total Current Liabilities	3,168,925	2,330,940
Deferred Credits	1,270,981	1,263,074
Total Liabilities & Equities	\$36,551,179	\$36,044,006

EASTERN MAINE ELECTRIC COOPERATIVE, INC.
STATEMENT OF OPERATIONS
FOR THE YEARS 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues:		
Residential	\$4,581,156	\$4,504,643
Seasonal	496,949	490,463
Commercial	2,387,100	2,325,288
Street Lighting and Public Auth.	197,438	202,287
Industrial & Other	72,791	54,949
Other Electric	415,001	408,739
Total Operating Revenues	8,150,435	7,986,369
Operating Expenses:		
Purchased Power	196,934	200,252
Transmission	34,755	46,125
Distribution, operation	1,602,075	1,622,335
Distribution, maintenance	785,515	611,444
Consumer accounts	912,185	884,765
Customer service & informational exp.	152,385	176,022
Administrative & general	1,534,286	1,477,809
Depreciation	1,589,558	1,575,501
Amortization, regulatory asset	249,643	249,643
Interest - Long-term	941,142	966,138
Other interest and expenses	25,758	12,732
Total Oper. Exp. without Purchased Power	7,827,302	7,622,514
Total Operating Expenses	8,024,236	7,822,766
Operating Margins	126,199	163,603
Patronage dividends	42,036	39,975
Net Operating Margins	168,235	203,578
Nonoperating Margins:		
Interest income	145,978	139,584
Other	2,681	2,477
Net Nonoperating Margins	148,659	142,061
Net Margins	316,894	\$345,639
T.I.E.R.	1.34	1.36
Operating D.S.C.	1.62	1.65

AUDIT REPORT: The annual audit of records for the columns marked 2012 and 2011 were made by Berry Dunn, McNeil & Parker, CPA's, 100 Middle Street, Portland, ME 04104. 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	2012	2011	2010	2009	2008
Average Number of Active Accounts	12,620	12,631	12,617	12,575	12,597
Total Miles of Electric Lines	1,736	1,724	1,724	1,714	1,701
Amount Allocated for Bad Debts (% Retail Rev.)	\$74,680	\$72,018	\$28,679	\$166,605	\$75,489
Bad Debts Written Off (Actual for year)	\$104,931	\$90,361	\$148,044	\$103,432	\$87,781

REVENUE & EXPENSE STATISTICS	2012	2011	2010	2009	2008
Average Annual kWh/Member (Res.)*	6,487	6,341	6,335	6,329	6,341
Average Annual Revenue/kWh) (Res.)*	8,619	8,638	8,590	8,562	8,587
Avg. # of Consumers per Employee	371	383	371	370	371
Operations & Maint./Mile of Line	\$1,375	\$1,296	\$1,433	\$1,259	\$1,344
Average Number of Employees	34	33	34	34	34
kWh losses	9.93%	10.09%	9.08%	9.43%	9.54%

*Does not include seasonal sales.

REVENUE CLASS SUMMARY	KWH DELIVERED	PERCENTAGE OF TOTAL DEL.	% INCREASE (DECREASE) OVER 2011
Residential Sales	53,151,120	57.8%	1.9%
Seasonal Sales	2,593,234	2.8%	3.8%
Commercial Sales	33,966,473	37.0%	3.0%
Street Lighting & Public Auth.	2,233,769	2.4%	-3.4%
Total Retail Delivery	<u>91,944,596</u>	<u>100.0%</u>	<u>2.2%</u>

