



# 2011 Annual Report

Eastern Maine Electric Cooperative, Inc.

P O Box 425 Calais ME 04619

[www.emec.com](http://www.emec.com)

*Serving Eastern and Northern Maine For 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**

<b>R. SCOTT SKINNER - PRESIDENT</b>	Zone 11
<b>Wallace H. Lindahl, Secretary</b>	Zone 8
<b>Ralph E. Staples, Treasurer</b>	Zone 9
Ralph S. Ray	Zone 1
Robert S. Olsson	Zone 2
Lawrence E. Clark	Zone 3
Earl C. Hill, Jr.	Zone 4
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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# 2011 REPORT TO THE MEMBERS



## OPERATIONAL DEVELOPMENTS

Eastern Maine Electric Co-op added a permanent bucket truck in the Island Falls/Patten area in 2011, replacing a unit that had been loaned to the Cooperative for a year by a manufacturer who wanted to demonstrate its cold weather performance. Although the Co-op has always had lineworkers in the Patten area, the addition of a Patten-area bucket truck has cut response times during power outages, while also improving efficiency for scheduled work. Prior to this, a bucket truck would have to travel from Houlton.

In Linneus, crews continue work on a project that will eventually provide three-phase service to the Horseback Road and Route 1 in Cary. Three-phase service will balance the load on the circuit and provide improved voltage stability for the area. This work is part of a long-range plan that will enable the Co-op to shift load between the Ludlow and Topsfield substations.

In Baileyville, crews extended 7.2 kiloVolt (kV) service to Mill Street, and began serving the street from the “Woodland B” substation. This is part of an ongoing project to re-engineer the Woodland power grid, a process that will convert it from 2.4 kV to the higher voltage. The next street designated for conversion is High Street, from 2nd Avenue to Woodland High School.

In Calais, reclosers were added by the Higgins Farm Road as additional system protection for the Milltown circuit. If issues arise west of the Higgins Farm Road, the power interruption would affect fewer co-op members. The circuit would remain energized from the international bridge back to the Calais substation.

## **Jasper Wyman & Son**

On the Route 9 circuit from Crawford to Wesley, the Cooperative upgraded 7.3 miles of single phase line to three phase line. This allows the Co-op to provide three phase service to the Jasper Wyman & Son facility in Wesley. Aside from benefiting that facility, the improvement will allow the cooperative more flexibility for balancing load on that circuit.

### **“Three Ring Binder”**



The Cooperative transferred power lines to replacement utility poles along an approximately 105-mile stretch of Route 1. From Hodgdon south to Robbinston, new and taller poles were set, making room for additional attachments of fiber optic cables associated with the “Three Ring Binder (TRB)” project. TRB is a Maine project intended to improve statewide broadband internet access by constructing a 1,100-mile high-capacity fiber optic backbone line. Maine Fiber Company, Inc., a dark-fiber leasing company formed to oversee the project, was responsible for the cost of the work.

When possible, the pole replacements were combined with other projects for efficiency, such as when four poles were relocated to allow the Maine Department of Transportation to widen the bridge between Indian Township and Princeton.

## **FINANCIAL DEVELOPMENTS**

### **Cost Pressures**

KiloWatt-hour deliveries were largely unchanged from 2010, extending a period of stagnant growth. Since 2007, deliveries have remained low, while operating costs have continued to climb. The Cooperative continues to operate on a lean budget, continually seeking out new efficiencies without compromising safety, reliability, and power quality.

For example, EMEC continues a longstanding human resources strategy of tight staffing with low turnover, relying on increasing automation and experienced employees to continually improve efficiency. Some positions remain unfilled, so that the Cooperative operates with just 33 employees, 14 fewer than the median for cooperatives with similar numbers of consumers.

Another cost-saving measure is the collaboration of EMEC tree trimming efforts with local wood harvesters. Extensive work was completed along Route 6 from Lambert Lake into Vanceboro over the winter. As has been discussed in previous annual reports, this arrangement provides benefit to both the wood harvesters and the Co-op.

## Financial Ratios

Due to the capital-intensive nature of the electric industry, electric utilities borrow money as a source to finance construction and system improvements. EMEC's lenders pay the most attention to three financial 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 differing levels for these ratios, but the minimums of these requirements 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 minimums for at least two of the previous three years. In 2011, ODSC was 1.65; TIER was 1.36; and OTIER was 1.17. The ratio requirements were also met in 2010 and 2009.



**EASTERN MAINE ELECTRIC COOPERATIVE, INC.**  
**BALANCE SHEET**  
**FOR THE YEARS 2011 AND 2010**

**ASSETS**

	<u>2011</u>	<u>2010</u>
<b>Utility Plant:</b>		
Electric plant in service - at cost	\$50,641,668	\$49,385,871
Construction work in progress	267,933	560,602
<b>Total Utility Plant</b>	<b>50,909,601</b>	<b>49,946,473</b>
Less: Accumulated provisions for depreciation	26,192,165	24,907,945
<b>Net Utility Plant</b>	<b>24,717,436</b>	<b>25,038,528</b>
<b>Other Assets:</b>		
Other	2,351	6,290
Prepayments, excluding current portion	1,235,788	1,169,117
Investments in associated organizations	860,448	838,363
<b>Total Other Assets</b>	<b>2,098,587</b>	<b>2,013,770</b>
<b>Current Assets:</b>		
Cash and cash investments	405,895	260,738
Accounts receivable - net	1,064,772	1,197,715
Materials and supplies	704,717	670,034
Other current assets	41,730	77,422
Prepayments	1,051,000	1,025,000
<b>Total Current Assets</b>	<b>3,268,114</b>	<b>3,230,909</b>
<b>Deferred Debits:</b>		
Regulatory assets	5,959,869	5,964,112
<b>Total Assets</b>	<b>\$36,044,006</b>	<b>\$36,247,319</b>

**LIABILITIES & EQUITY**

<b>Equities:</b>		
Memberships	\$50,225	\$ 50,405
Patronage capital	12,199,021	11,854,775
<b>Total Margins &amp; Equities</b>	<b>12,249,246</b>	<b>11,905,180</b>
<b>Long Term Debt, excluding current maturities:</b>		
Rural Utilities Service (RUS)	5,686,231	6,029,623
Cooperative Finance Corp. (CFC)	8,472,466	8,770,316
Federal Financing Bank (FFB)	5,523,349	5,666,686
<b>Total Long Term Debt</b>	<b>19,682,046</b>	<b>20,466,625</b>
<b>Other non-current liabilities</b>	<b>518,700</b>	<b>372,900</b>
<b>Current Liabilities:</b>		
Lines of credit	100,000	0
Current maturities of long-term debt	790,000	820,000
Accounts payable	801,375	861,768
Consumer deposits	73,864	60,469
Accrued interest	162,296	168,807
Accrued expenses and other current liabilities	403,405	385,159
<b>Total Current Liabilities</b>	<b>2,330,940</b>	<b>2,296,203</b>
<b>Deferred Credits</b>	<b>1,263,074</b>	<b>1,206,411</b>
<b>Total Liabilities &amp; Equities</b>	<b>\$36,044,006</b>	<b>\$36,247,319</b>

**EASTERN MAINE ELECTRIC COOPERATIVE, INC.**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEARS 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>Operating Revenues:</b>		
Residential	\$4,504,643	\$ 4,476,683
Seasonal	490,463	496,308
Commercial	2,325,288	2,333,877
Street Lighting and Public Auth.	202,287	201,690
Industrial & Other	54,949	35,761
Other Electric	408,739	415,510
<b>Total Operating Revenues</b>	<b><u>7,986,369</u></b>	<b><u>7,959,829</u></b>
<b>Operating Expenses:</b>		
<b>Purchased Power</b>	<b><u>200,252</u></b>	<b><u>174,043</u></b>
Transmission	46,125	74,890
Distribution, operation	1,622,335	1,686,136
Distribution, maintenance	611,444	783,754
Consumer accounts	884,765	799,165
Customer service & informational exp.	176,022	154,686
Administrative & general	1,477,809	1,378,699
Depreciation	1,575,501	1,493,333
Amortization, regulatory asset	249,643	249,643
Interest - Long-term	966,138	1,043,036
Other interest and expenses	12,732	296
<b>Total Oper. Exp. without Purchased Power</b>	<b><u>7,622,514</u></b>	<b><u>7,663,638</u></b>
<b>Total Operating Expenses</b>	<b><u>7,822,766</u></b>	<b><u>7,837,681</u></b>
<b>Operating Margins</b>	<b>163,603</b>	<b>122,148</b>
Patronage dividends	39,975	23,007
<b>Net Operating Margins</b>	<b><u>203,578</u></b>	<b><u>145,155</u></b>
<b>Nonoperating Margins:</b>		
Interest income	139,584	126,236
Other	2,477	0
<b>Net Nonoperating Margins</b>	<b>142,061</b>	<b>126,236</b>
<b>Net Margins</b>	<b><u>\$345,639</u></b>	<b><u>\$271,391</u></b>
T.I.E.R.	1.36	1.26
Operating D.S.C.	1.65	1.75

**AUDIT REPORT:** The annual audit of records for the columns marked 2011 and 2010 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	2011	2010	2009	2008	2007
Average Number of Active Accounts	12,631	12,617	12,575	12,597	12,538
Total Miles of Electric Lines	1,724	1,724	1,714	1,701	1,696
Amount Allocated for Bad Debts (% Retail Rev.)	\$72,018	\$28,679	\$166,605	\$75,489	\$61,682
Bad Debts Written Off (Actual for year)	\$90,361	\$148,044	\$103,432	\$87,781	\$68,382

REVENUE & EXPENSE STATISTICS	2011	2010	2009	2008	2007
Average Annual kWh/Member (Res.)*	6,341	6,335	6,329	6,341	6,500
Average Annual Rev. (cents/kWh) (Res.)*	8.638	8.590	8.562	8.587	7.796
Avg. # of Consumers per Employee	383	371	370	371	358
Operations & Maint./Mile of Line	\$1,296	\$1,433	\$1,259	\$1,344	\$1,210
Average Number of Employees	33	34	34	34	35
Consumer Accounts Exp. as % of Rev.	11.08%	10.04%	11.59%	10.13%	9.80%
A&G Expense as % of Rev.	18.50%	17.32%	17.28%	15.08%	18.85%
kWh losses	10.09%	9.08%	9.43%	9.54%	9.90%

\*Does not include seasonal sales.

REVENUE CLASS SUMMARY	KWH DELIVERED	PERCENTAGE OF TOTAL DEL.	% INCREASE (DECREASE) OVER 2010
Residential Sales	52,148,207	58.0%	0.1%
Seasonal Sales	2,497,836	2.8%	-4.3%
Commercial Sales	32,988,414	36.7%	-1.3%
Street Lighting & Public Auth.	<u>2,312,464</u>	<u>2.5%</u>	<u>-0.7%</u>
<b>Total Retail Delivery</b>	<b>89,946,921</b>	<b>100.0%</b>	<b>-0.6%</b>

