



2015

the call to serve

ANNUAL REPORT

OUR MISSION

RELIABILITY

MEMBER SERVICE



A Touchstone Energy® Cooperative 



Donna

As a Work Order Specialist, Donna processes all of the crew construction and maintenance jobs. She also handles the billing and collection of all damages to our system. In 2015, She recovered \$192,919 in her work to pursue reimbursement for damages others caused to our facilities.



our mission

Mission Statement: Provide our member owners exceptional service and dependable electric power at competitive rates.

In 2015, KEC's leadership embarked on a strategic planning process. The end result included a new mission statement. As a not-for-profit electric cooperative, we are guided by our mission and the Seven Cooperative Principles. KEC's Board of Directors and employees are all called to serve our members. Our mission and members are considered in every decision we make.

Our core values and principles:

- Member Focused
- Safety
- Integrity
- Transparency
- Financial Discipline
- Collaboration
- Employee Care



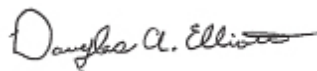
executive message

The Call to Serve. In reflecting on 2015, it's easy to focus on the two epic storms that hit the Inland Northwest at the end of the year. The November and December storms affected all regional utilities similarly and the damage to KEC's system from the storms was staggering—amounting to approximately \$5.69 million. Each storm also caused outages for about 70 percent of our members. KEC employees worked tirelessly day and night, and through holidays, to restore power to our members. As employees and board members of an electric cooperative, we are here to serve you, our members. That's what we do, every day.

These storms and their damage were great, but there is good news. The affected counties were declared disasters by the federal government. This allowed affected communities to request financial assistance from FEMA and, as a not-for-profit cooperative, that assistance was available to us as well. For our members that means approximately 75 percent of the costs related to these two storms is eligible to be reimbursed by FEMA. KEC worked very closely with FEMA and local government to get these declarations made.

In addition to strong storm performance at the end of the year, we had a great number of other accomplishments throughout the year. We concluded the year financially strong with operating revenues of \$39,366,896 and met our equity management goals. We also retired \$651,184 in capital credits originally allocated to members in 1987. KEC continued to offer the Discounted Early Capital Credit program, which offered qualifying members the choice to receive the current value of their 2014 capital credits early. More than 6,000 members participated in the program and they received a combined \$264,040.

You will see throughout this report that each and every one of us at KEC has a role in serving you. Thank you for your membership in our Cooperative. We look forward to another year of fulfilling our mission to provide our member-owners exceptional service and dependable electric power at competitive rates.



Douglas A. Elliott
General Manager




William R. Swick
Board Chair

4,326,838 

kWh ENERGY SAVINGS

\$915,224 

CAPITAL CREDITS RETURNED TO MEMBERS

\$692,150 

ENERGY EFFICIENCY REBATES PAID TO MEMBERS

98,180 

VISITS TO OUR ONLINE OUTAGE MAP

53,460 

CALLS INTO THE KEC OFFICE

23,510 

MEMBERS

2,469 

NUMBER OF FACEBOOK "LIKES"

76 

EMPLOYEES

1 

COOPERATIVE SERVING YOU

kec by the numbers

We invested \$8.78 million in our electrical system in 2015 and completed several important capital construction projects in our work plan. The goal of the work plan is to rebuild and/or upgrade lines to improve service, reliability and safety. Notable projects are listed below.

- Upgraded the Athol Substation, which doubled its capacity.
- Designed and rebuilt nearly three miles of overhead line along Ramsey Road between Brunner and U.S. Highway 54 that interconnects the Scarcello and Athol substations.
- Designed and rebuilt four miles of distribution line from the Dower Substation to Mica Creek.
- Designed and began construction on three miles of a high capacity tie line between the Hayden and Pleasantview Substations.
- Designed and rebuilt more than one mile of distribution line along Good Hope Road.

general manager & **board of directors**

The KEC Board of Directors determines policy and direction of the Cooperative. The seven-member board is elected by the KEC membership and spends approximately 60 days a year on Cooperative-related activities. Thank you to the Board for their dedication and service.



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1 **DOUG ELLIOTT**, General Manager

2 **ROGER TINKEY**, Secretary
District At-Large

3 **TERRY LALIBERTE**, Vice Chair
District At-Large

4 **RON BOCKSTRUCK**
District One

5 **DAVE BOBBITT**, Audit Committee Chair
District Four

6 **BILL SWICK**, Chair
District Five

7 **TODD HOFFMAN**
District Three

8 **JIM ROBBINS**
District Two



5

6

7

8

Tim



In his role as an AMI/SCADA Specialist, Tim serves our members by ensuring our billing and outage management systems work together seamlessly.

We strive to provide reliable service to our members and to do that we invest greatly in our system. In addition to upgrading existing lines and constructing new ones, KEC invested in maintaining those already in service with the following programs:

- Pole Testing: This program tested the integrity of 2,451 poles in 2015. This resulted in the identification of 70 poles in need of priority replacement.
- Vegetation Management: We cleared trees and vegetation along 264 miles of overhead power lines in 2015.

reliability

Our employees are also committed to more than just reliability. Sometimes, they are called to be first responders. During the November 2015 windstorm, one of KEC's crews (see photo at right) was working to restore power when they came upon an accident. Their quick thinking and actions saved a life that night. Thank you to (from left) Dan Hannon, Preston Jerome, Brandyn Ross, Bob Jacobson, Ryan Rollins and Eric Tinghino for your heroic acts.







Vickie

Our members can take comfort in knowing someone is always there. Take Vickie, KEC's After Hours Coordinator, for example. With linemen on-call 24 hours a day, she's available day and night to run our outage management system and dispatch crews.



member service

We're here to serve our members 24 hours a day, seven days a week.

Providing our members with exceptional service is our mission and we're always looking for ways to better serve our members. For example, SmartHub provides members convenient account access online or via mobile device. Members can manage payments, notify us about account or service issues and check their electric use down to the hour, all at the touch of a button.

We also offer a variety of tools and resources to

help members use energy wisely. This includes providing members the free Snapshot Home Energy Assessment. We conducted 350 assessments in 2015 and to date nearly 1,000 members have benefited from this program.

KEC offers members rebates on a variety of appliances and products to help them save energy. In 2015, \$692,150 in rebates were paid out to our members.

Together, these energy conservation programs helped our members achieve more than 4,000,000 kilowatt-hours in energy savings in 2015.



management discussion & analysis

The discussion and analysis which follows is intended to provide our members an overview of Kootenai Electric Cooperative's financial activities for the year ended December 31, 2015. This information should be read in conjunction with the Cooperative's audited financial statements and integral footnote disclosures. The financial presentation included in this report is summary information only, derived from the Cooperative's audited financial statements. The Cooperative's audited financial statements and footnote disclosures, including the auditor's opinion, are available for review at the Cooperative's offices. For the years ended December 31, 2014 and 2015, the annual audit was conducted by Moss Adams, LLP.

Kootenai Electric Cooperative is a member-owned electric utility incorporated in 1938 to serve selected rural areas of North Idaho and

Eastern Washington. The Cooperative operates on a not-for-profit basis under the United States Internal Revenue Code and is governed by an independent seven-member elected board of directors.

During 2015, operating revenue increased by \$237 thousand over the prior year for a total of \$39.4 million. The increase in revenue, 2015 over 2014, was driven by the growth in our member count and weather throughout the year. A disproportionate share of our annual revenue is represented by sales during the winter months. Changes in weather patterns greatly affect those results.

Our cost of power increased slightly in 2015 to a total of \$17.5 million. Over 96% of our power cost was the result of the energy we purchased from BPA, with the balance representing the

cost of operating our Fighting Creek Landfill Gas generating plant and contractual purchases from Northwest Energy Supply Cooperative.

The cost of providing electric service to our members, which includes the Cooperative's operating expenses, depreciation and interest costs, increased by less than 1% over the prior year. This is mostly because the Cooperative's Board of Directors determined that the large cost associated with restoring service following the November 2015 windstorm and December 2015 snowstorm would be removed from expenses and placed in a regulatory asset. This regulatory asset will be amortized to expenses over a ten year period, thereby reducing the immediate impact on service rates. Any funds received from the federal government through the FEMA funding process, in which we are participating, will be used to reduce the amount of the regulatory asset.

During 2015, the Cooperative's margins decreased less than 1% over the prior year producing a total of \$4.7 million. As a cooperative operating on a not-for-profit tax basis, it is important to understand that these are not profits but rather member patronage. In the normal course of time, the Co-op's margins will be allocated to each member's individual capital credit account. The allocation of 2015 margins, once completed, along with the accumulated unpaid capital credits for all prior years, represents a member's investment in Kootenai Electric Cooperative.

Terence D. Robinson CPA, MBA
Manager of Finance & Accounting/CFO



financial statements

statements of operations & comprehensive income

	2015	2014
OPERATING REVENUE	<u>\$39,366,896</u>	<u>\$39,129,499</u>
OPERATING EXPENSES:		
Cost of Power	17,455,518	17,401,280
Distribution Expense-Operations	1,543,171	1,595,609
Distribution Expense-Maintenance	2,292,239	2,372,725
Consumer Accounts Expense	1,254,548	1,311,005
Sales Expense	355,942	370,273
Administration & General Expense	3,530,242	3,520,270
Depreciation & Amortization Expense	4,637,662	4,410,657
Tax Expense	<u>752,908</u>	<u>762,399</u>
Total Operating Expenses	<u>31,822,230</u>	<u>31,744,218</u>
Operating Margins Before Interest Expense	7,544,666	7,385,281
Interest Expense	<u>3,365,720</u>	<u>3,348,288</u>
Net Operating Margins	<u>4,178,946</u>	<u>4,036,993</u>
NON-OPERATING MARGINS:		
Interest Income	28,122	219,993
Patronage Capital Credits From Other Cooperatives	402,309	116,501
Other Non-Operating Margins	<u>93,590</u>	<u>332,848</u>
Total Non-Operating Margins	<u>524,021</u>	<u>669,342</u>
Net Margins	<u>\$4,702,967</u>	<u>\$4,706,335</u>
COMPREHENSIVE INCOME:		
Net Margins	\$4,702,967	\$4,706,335
Other Comprehensive Loss	<u>(17,300)</u>	<u>(17,300)</u>
Total Comprehensive Income	<u>\$4,685,667</u>	<u>\$4,689,035</u>

 **424.0**
kWh SOLD (MILLIONS)

 **25,147**
METERS

 **\$39,366,896**
OPERATING REVENUE

 **\$16,830,300**
COST OF POWER

assets

	2015	2014
NONCURRENT ASSETS:		
Net Utility Plant	\$128,896,435	\$123,129,991
Investments	1,377,266	1,234,107
Notes Receivable	400,265	461,552
Regulatory Asset	<u>2,330,906</u>	<u>-</u>
Total Noncurrent Assets	<u>133,004,872</u>	<u>124,825,650</u>
CURRENT ASSETS:		
Cash & Cash Equivalents	1,382,586	526,505
Accounts Receivable, Net	5,341,936	4,976,200
Materials & Supplies Inventory	4,905,955	4,589,875
Other Current Assets	<u>301,968</u>	<u>317,203</u>
Total Current Assets	<u>11,932,445</u>	<u>10,409,783</u>
Deferred Charges	<u>7,353,295</u>	<u>7,864,470</u>
Total Assets	<u>\$152,290,612</u>	<u>\$143,099,903</u>

members' equity & liabilities

	2015	2014
MEMBERS' EQUITY:		
Patronage Capital	\$46,143,881	\$43,724,170
Other Equities	9,412,184	7,734,456
Accumulated Other Comprehensive Income	<u>110,700</u>	<u>128,000</u>
Total Members' Equity	<u>55,666,765</u>	<u>51,586,626</u>
NONCURRENT LIABILITIES:		
Capital Lease, Less Current Portion	173,366	194,677
Long-Term Debt, Due After One Year	82,108,007	78,971,939
Asset Retirement Obligation	156,200	142,000
Postretirement Benefit Obligation, Due After One Year	<u>2,445,300</u>	<u>2,620,300</u>
Total Noncurrent Liabilities	<u>84,882,873</u>	<u>81,928,916</u>
CURRENT LIABILITIES:		
Current portion of capital lease	21,311	20,330
Long-Term Debt, Due Within One Year	3,213,681	3,104,444
Postretirement Benefit Obligation, Due Within One Year	307,200	342,800
Accounts Payable	3,647,028	2,605,400
Interest Payable	283,840	288,226
Patronage Capital Payable	651,184	837,055
Consumer Deposits	687,604	607,043
Vacation Payable	581,179	554,251
Taxes Payable	842,986	748,390
Other Current Liabilities	<u>1,504,961</u>	<u>476,422</u>
Total Current Liabilities	<u>11,740,974</u>	<u>9,584,361</u>
Total Liabilities	<u>96,623,847</u>	<u>91,513,277</u>
Total Members' Equity & Liabilities	<u>\$152,290,612</u>	<u>\$143,099,903</u>



Peggy

As a Member Services Representative II, Peggy is helping provide our members a better service, at a lower cost.

Kootenai Electric Cooperative

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KEC.com