



2018

Annual Report



**Claverack Rural
Electric Cooperative, Inc.**

"Powered by Excellence"

About Claverack

Claverack Rural Electric Cooperative delivers electricity to 15,815 members in eight northeastern and north-central Pennsylvania counties — Bradford, Wyoming, Susquehanna, Lackawanna, Luzerne, Sullivan, Tioga, and Lycoming.

Incorporated in 1936, Claverack is headquartered in Wysox and maintains district offices in Montrose and Tunkhannock.

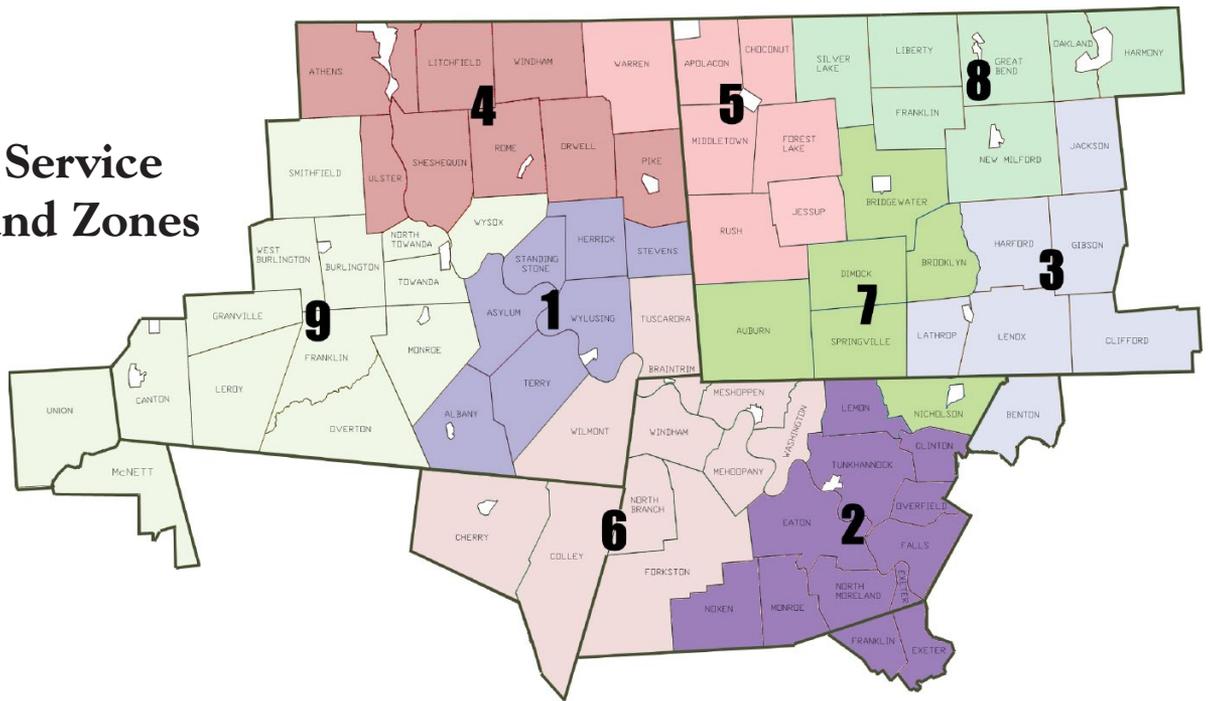
The co-op averages less than six members per mile of line and experiences a slow growth rate of about 1 percent a year. Claverack provides service to 18,757 active accounts and maintains 2,809 miles of energized electric lines.

Claverack is a non-profit energy provider owned by the people it serves and governed by a nine-member board of directors.

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Claverack Service Territory and Zones



Mission Statement

Claverack Rural Electric Cooperative, Inc., is a member-oriented, non-profit electric utility dedicated to providing safe and reliable energy and other valuable services for those we serve.

Cover Image

Tom Freeman of Mansfield captured this gorgeous sunrise behind the Claverack headquarters building in Wysox while traveling along Route 6 in January.

EXECUTIVE REPORT

At Claverack, we work hard to live up to our mission of providing safe and reliable electric service to our consumer-members and their communities. In 2018, we continued that focus through our system improvements and maintenance, our attention to safety, and our contributions to community organizations throughout the region.

Maintenance of our electric line rights of way continues to be our most important activity when it comes to improving reliability. This function has become more important and more costly as we deal with the effects of the emerald ash borer. In 2018, we cleared approximately 350 miles of line. We also added a utility forester, Josh Baublitz, to the ranks of our employees in 2018. Josh has brought considerable energy, expertise and experience to the cooperative and our right-of-way maintenance program.

Improvements to our electric distribution system are another important part of providing our consumer-members with reliable service. Last year, we completed the rebuild of our Monroeton Substation in Bradford County. This marked our sixth major substation project in recent years. Additionally, we upgraded 6 miles of overhead line in the Franklin Forks Substation area from single phase to three phase. We also completed a three-phase tie line project interconnecting our Steinbach and Hop Bottom substations. This project bolsters reliability by providing two additional sources of power to our commercial and residential members in the area of the South Gibson exit of Interstate 81.

2018 proved to be a challenging year for reliability. During the spring months, we saw heavy rain and high winds throughout our service region. In June, a confirmed tornado affected members in the Franklindale area of Bradford County. In August, we experienced flooding and considerable system damage in the Franklin Forks and Wyalusing areas. The wet, windy weather persisted throughout the year, affecting not only reliability but, in some cases, the ability of our crews to work in some areas.

We are proud to report that in 2018 we experienced no lost time injuries among our employees. Our employees are a talented and dedicated group, and

they often encounter potentially hazardous conditions in their line of work. We take safety very seriously. All of our employees participate in required safety training, and in 2018 we partnered with our insurance company, Federated Rural Electric Insurance Exchange, to conduct a number of unannounced field inspections. We have an excellent safety program at the cooperative and both the board of directors and management prioritize safety above all things.

We are pleased to report we have continued our commitment to giving back to our communities. Our employees provide safety education programs in local schools, and we also support safety training for our first responders. Our use of unclaimed property allowed us to make donations to over 60 community organizations in 2018. We also use these monies to fund member assistance programs and educational programs.

Helping our members is a big part of what we do. We know that saving money is important — for you, as a consumer-member and for the co-op as a whole — so last year we participated in an LED lightbulb give-away program in conjunction with our power supplier, Allegheny Electric Cooperative, Inc. We also started an appliance rebate program. This program, in addition to our heat pump rebate program, helps members who are interested in updating electric appliances with more efficient units. Our Member Services Department coordinates these and other programs aimed at helping members save money and encouraging energy conservation.

We have a lot in store for 2019 as we continue our focus on reliability, safety and service, and you can hear about what we have planned at this year's Annual Meeting. We're looking forward to seeing you there.



James Luce
Board Chairman

A handwritten signature in black ink, appearing to read "James Luce".



Bobbi Kilmer
President & CEO

A handwritten signature in black ink, appearing to read "Bobbi Kilmer".

2018 YEAR IN PHOTOS



PINK POWER. Claverack employees wore pink to work Oct. 19 in a show of support for Breast Cancer Awareness Month. Employees donning pink for the day included, from left, (front row) Nicole Newton, Shelley Young, Lynn Jennings, Brian Zeidner, Annette Bender, (back) Betsy Scranta, Fred Allis, Kylie Slater, Stacey Ammerman, Chris Cowles, Debbie Allyn and Bobbi Kilmer.



HIGH WIRE WORK. Apprentice lineman Troy Ely works on a system improvement project in the Montrose area in February.



CONCERN FOR COMMUNITY. Claverack's director of operations, Doug Nichols, left, and our new utility forester, Josh Baublitz, ring the bell for the less fortunate at Tops Market in Wysox in December. Nearly two dozen co-op employees and family members volunteered to serve as bell ringers for the Salvation Army's annual Red Kettle Campaign.



HISTORIC PROJECT. Claverack REC employees volunteered their time and talents to help renovate and refurbish The Blacksmith Shop at the French Azilum Historic Site in May as part of the United Way Day of Caring initiative. Participating employees included, from left, Jim Altemus, Neal Snyder, Larry Beebe, Nate Stoddard and Steve Allabaugh.



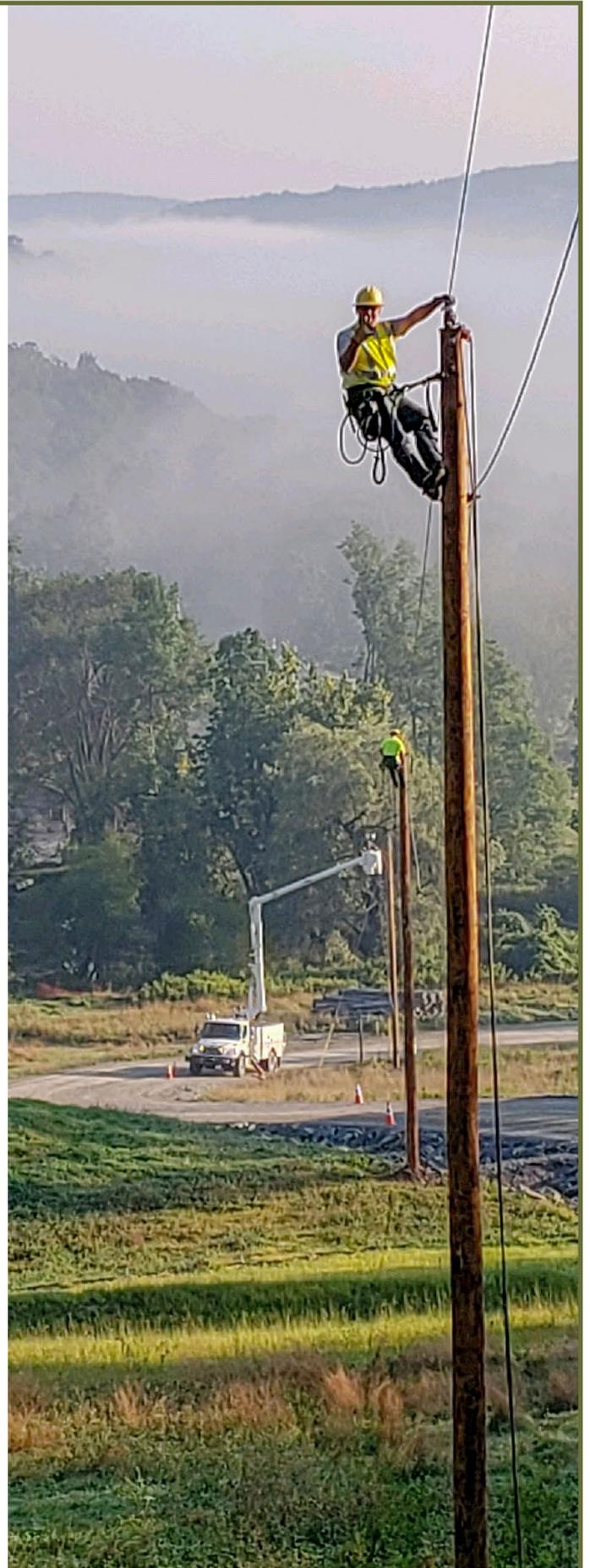
CO-OP CAREERS. Claverack employees Steve Allabaugh and Karen Evangelisti talk to Northeast Bradford Elementary School students about careers in the electric utility industry during the school's annual Career Fair in May.



GIVING BACK. Claverack board Chairman Jim Luce and President & CEO Bobbi Kilmer presented a \$5,000 check to officials with the Endless Mountains Health System that will be used toward the purchase of laparoscopy equipment for the Montrose medical facility's surgery department. Claverack donated \$2,500 toward the equipment purchase with money from its unclaimed properties fund, and secured a \$2,500 matching grant from CoBank, one of the cooperative's lenders.



STORM DAMAGE. A Claverack line crew works to extract a broken pole top and cross arm that snapped off during an August storm in the Franklin Forks area. 2018 will be remembered as one of the wettest years on record in our region. The constant precipitation, often accompanied by high winds, caused flooding and tree-related outage problems throughout the year.



TEAMWORK. The Tunkhannock line crew builds a new section of line in the Lenox area on a warm summer morning in 2018.

2018

81st ANNUAL MEETING OF MEMBERS

Claverack Rural Electric Cooperative, Inc.
Elk Lake High School, Springville, Pa.
July 17, 2018

MEETING MINUTES

The 81st Annual Meeting of Members of Claverack Rural Electric Cooperative, Inc., was held at the Elk Lake High School, Springville, Pa., on Tuesday, July 17, 2018. Registration began at 4 p.m. and continued until 6:15 p.m.

CHAIRMAN JAMES LUCE called the meeting to order at 6:34 p.m. and welcomed the members to the 81st Annual Meeting of Claverack Rural Electric Cooperative.

BRIAN ZEIDNER, Claverack's director of member services, gave the invocation.

CHAIRMAN LUCE reviewed the emergency exit instructions and thanked all who were involved in planning and organizing the meeting.

Two door prizes were then drawn.

CHAIRMAN LUCE introduced Guest Speaker Van Wagner, a singer, song writer, and musical historian.

GUEST SPEAKER VAN WAGNER provided attendees with an early 1800s Pennsylvania history lesson. The amazing story told of the loggers having many challenges and numerous obstacles transporting the mighty white pine trees from the Pennsylvania mountains to market in Maryland.

CHAIRMAN LUCE recognized special guests including elected officials Pennsylvania state Reps. Jonathan Fritz and Tina Pickett, and Pennsylvania state Sen. Lisa Baker.

CHAIRMAN LUCE introduced the board of directors, CEO Bobbi Kilmer, and attorney Robert Chappell.

SECRETARY/TREASURER STEVEN SLIWINSKI read the Notice of Meeting and Proof of Mailing. Secretary Sliwinski announced that the 2017 annual meeting minutes were included in the annual report, which was published in the *July Penn Lines* and mailed to each member. ***A motion was made and seconded to approve the 2017 annual meeting minutes as presented; motion carried.***

SECRETARY/TREASURER SLIWINSKI gave the Secretary/Treasurer's Report.

CHAIRMAN LUCE recognized Claverack participants in the 2018 NRECA Youth Tour: Riley Brown, Collin Cowles, Karissa Cowles, Carissa Hiduk, Madison Sickler, and Isaac Walker. Riley Brown reported on the Youth Tour and shared his experiences while visiting Washington, D.C.

CHAIRMAN LUCE presented the Chairman of the Board Report. Chairman Luce reported that the board is made up of a diverse group of people with experience in a

wide variety of professional and community activities. The board works closely with management to implement policies that reflect the best interest of the membership. He also reported that the cooperative is in an excellent overall position and the board spends time reviewing the financial condition of the cooperative. The board encourages education and training; this assists in keeping abreast of current utility industry developments. Throughout the years there have been many new priority issues, but many remain the same which focus on rates, reliability and service to the members. Due to the positive financial results in 2018, \$1.7 million in capital credits were refunded to the members. Since 2011, Claverack has returned over \$9 million in capital credits.

CHAIRMAN LUCE introduced Bobbi Kilmer, president and CEO.

CEO BOBBI KILMER presented the President & CEO's report. The report focused on Claverack's commitment to the members and what is necessary to fulfill the commitment of providing affordable, reliable electric service. There are four key areas to focus on: the financial performance, safety, reliability, and member satisfaction. CEO Kilmer echoed comments made by Chairman Luce regarding the cooperative's excellent financial condition. In recent years, capital credits have been returned



Montrose-area resident James Butler receives a meal ticket from co-op employee Rebecca Allen while making his way through the registration area during the 2018 Annual Meeting, which was held at Elk Lake High School.

and rates have been stable, and Claverack's rates are very competitive with neighboring utilities. CEO Kilmer reported that management and the board are committed to providing a safe work environment. All employees are required to participate in safety training, and crews are regularly observed for safe work practices. In 2017, there were no OSHA reportable accidents. Also, the Member Services Department provides safety presentations to schools, first responders, etc. and works with members if there is an unsafe situation. CEO Kilmer stressed the importance of the right-of-way management program in order to improve reliability. Millions of dollars are spent each year on cutting and spraying. Recently, the diseased ash trees have been a priority. A new position was created – utility forester – who will manage the right-of-way program. Along with the right-of-way management, pole inspections and animal guards are other avenues used to assist with blinks and outages. And last, CEO Kilmer expressed the commitment to quality service and member satisfaction. A recent survey conducted showed that service to the community and conserving energy were important to the membership. Unclaimed capital credits allow us to fund the Member Assistance Program and also make donations to community organizations. Claverack also has a heat pump rebate program and recently began an appliance rebate program offering rebates for Energy Star appliances to members. CEO Kilmer reported that all members will soon be receiving a 4-pack of 60-watt LED lightbulbs. This is a joint initiative with Allegheny Electric Cooperative, Inc. LED lightbulbs are approximately 80 percent more efficient than traditional incandescent bulbs. This will not only be a savings to members, but also assist in Claverack's overall energy requirements.

A motion was made and seconded to accept all meeting reports as presented; motion carried.

ATTORNEY ROBERT CHAPPELL stated that the next order of business was the election of directors for Zones 4, 5, and 6. He reviewed those sections of the bylaws pertaining to the qualifications to serve on the board of directors. He introduced the members of the Credentials & Elections Committee and advised the membership that the purpose of the committee is to oversee the director election process, including reviewing candidate petitions, validating candidate eligibility, counting the ballots, and handling of objections or protests related to the election.

ATTORNEY CHAPPELL reported that one petition was received for each zone, all of which were approved by the Credentials & Elections Committee. Sometime following the mailing of the ballots, a question arose regarding the residency requirement of the candidate for Zone 5. Upon inquiry, there was uncertainty whether the candidate met the requirements of the one-year prior residency,

therefore to avoid any potential conflict or dispute, the candidate chose to withdraw his petition. Therefore, a special election for Zone 5 will be held with petitions due by Nov. 2, 2018. The following incumbents ran unopposed and were elected for a three-year term: Zone 4 — Gary L. Hennip, 878 votes; and Zone 6 — James E. Luce, 885 votes. ***A motion was made and seconded to destroy the ballots after the passing of three business days, given that no protests are received during that interval; motion carried.***

CHAIRMAN LUCE called for questions/comments. There were none.

CHAIRMAN LUCE awarded the final door prize drawings. ***A motion was made and seconded to adjourn the meeting at 7:47 p.m.; motion carried.***



Claverack's director of engineering, Steve Allabaugh, shares a laugh with co-op members David and Gerri Pinker of Hop Bottom while looking at a map of the Pinker property using the cooperative's mapping system software.



Co-op consumer-members line up for their barbecued chicken dinners during the 2018 Annual Meeting. Staff with the Elk Lake School District and the Susquehanna County Career & Technology Center served approximately 900 dinners during the course of the evening.

BALANCE SHEETS

2018

2017

ASSETS

Electric Plant:

In service - at cost	\$113,666,296	\$109,061,855
Construction work in progress	1,823,105	1,518,085
	<u>115,489,401</u>	<u>110,579,940</u>
Less accumulated provisions for depreciation	52,032,373	50,189,856
Total electric plant	63,457,028	60,390,084

Other assets and investments:

Investments in and advances to associated organizations	8,691,349	8,484,849
Investments and advances to affiliate	12,333,084	11,485,190
Total other assets and investments	21,024,433	19,970,039

Current assets:

Cash	2,825,141	1,929,338
Temporary investments	40,059	46,212
Accounts receivable (less accumulated provision for uncollectible accounts of \$132,337 and \$145,000 for 2018 and 2017, respectively)	3,993,650	4,860,933
Materials and supplies (at average cost)	749,313	814,808
Other current and accrued assets	691,378	887,093
Total current assets	8,299,541	8,538,384

Deferred charges

	1,362,042	1,513,380
	\$94,143,044	\$90,411,887

EQUITIES AND LIABILITIES

Equities:

Memberships	\$136,705	\$141,105
Patronage capital	43,748,192	43,032,486
Other equities	9,104,886	8,105,794
Accumulated other comprehensive gain (loss)	499,936	(1,892)
Total equities	53,489,719	51,277,493

Long-term debt:

CFC notes, less current maturities	30,346,555	28,427,358
Capital lease obligation, less current maturity	22,667	29,965
Total long-term debt	30,369,222	28,457,323

Other non-current liabilities:

Other postretirement benefits, less current portion	3,067,826	3,635,878
Deferred compensation, less current portion	651,700	675,900
Total other non-current liabilities	3,719,526	4,311,778

Current liabilities:

Current maturities of CFC notes	2,073,085	1,900,487
Current maturity of capital lease obligation	7,298	44,495
Accounts payable:		
Purchased power	1,429,525	1,505,526
Other	1,295,512	1,245,961
Consumer deposits and energy prepayments	470,190	519,095
Other current and accrued liabilities	968,150	959,564
Total current liabilities	6,243,760	6,175,128
Total liabilities	40,332,508	38,944,229

Deferred credits

	320,817	190,165
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Commitments

	\$94,143,044	\$90,411,887
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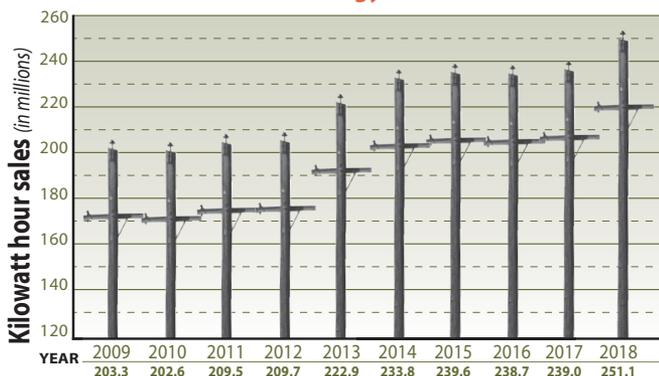
STATEMENTS OF REVENUE

and other Comprehensive Income

	2018	2017
OPERATING REVENUES	\$31,324,226	\$30,273,340
Operating expenses:		
Cost of power	15,057,561	14,422,064
Distribution - operations	911,541	883,334
Distribution - maintenance	5,011,588	4,150,556
Consumer accounts	544,843	578,317
Sales	405,967	378,729
Administrative and general	2,664,949	2,606,034
Depreciation	3,552,955	3,312,802
Taxes and other deductions	22,744	33,659
Total operating expenses	28,172,148	26,365,495
Operating margins before fixed charges	3,152,078	3,907,845
Fixed charges:		
Interest on long-term debt	1,227,407	1,137,904
Operating margins after fixed charges	1,924,671	2,769,941
G&T and other capital credits	502,408	729,345
Net operating margins	2,427,079	3,499,286
Non-operating margins		
Interest income	41,997	43,181
Other non-operating income	33,263	24,672
Equity in earnings of affiliate	957,191	1,151,923
Total non-operating margins	1,032,451	1,219,776
Net Margins	\$3,459,530	\$4,719,062
Other comprehensive income		
Unrealized losses from available-for-sale securities	(5,890)	(3,119)
Unfunded post-retirement benefit plans:		
Net actuarial gain	583,618	1,375,876
Reclassification of amounts recognized in net margins		
Amortization of actuarial (gain) loss	(31,200)	20,200
Amortization of prior service cost (credit)	(44,700)	21,300
Total other comprehensive income	501,828	1,414,257
Total comprehensive income	\$3,961,358	\$6,133,319

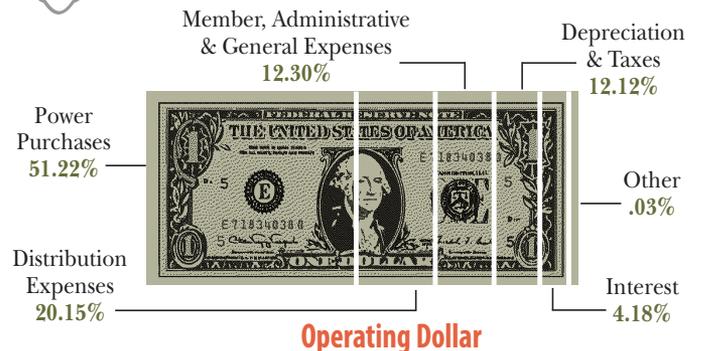
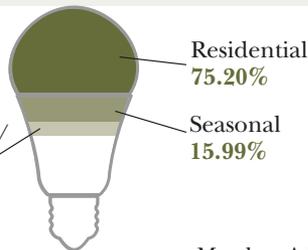
2018 STATISTICAL HIGHLIGHTS

Energy Sales



Membership Classes

Commercial/
Industrial
8.81%



STATEMENTS OF CASH FLOWS

	2018	2017
Cash flows from operating activities:		
Net margins	\$3,459,530	\$4,719,062
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation	3,552,955	3,312,802
Amortization of RS Plan prepayment	151,338	151,339
G&T and other capital credits (noncash)	(502,408)	(729,345)
Equity in income of affiliate (noncash)	(957,191)	(1,151,923)
Change in deferred compensation and other postretirement benefits	(90,424)	50,516
Change in provision for losses on accounts receivable	(12,663)	6,724
Change in operating assets and liabilities:		
Accounts receivable	879,946	(222,353)
Material and supplies	65,495	(141,225)
Current and accrued assets	195,715	(206,961)
Accounts payable	(26,450)	(148,298)
Consumer deposits and prepayments	(48,905)	3,959
Current and accrued liabilities	8,586	(37,936)
Deferred credits	130,652	29,299
Total adjustments	3,346,646	916,148
Net cash provided by operating activities	6,806,176	5,635,210
Cash flows from investing activities:		
Extension and replacement of plant	(6,582,283)	(5,400,538)
Change in invested funds	302,061	272,204
Net cash used in investing activities	(6,280,222)	(5,128,334)
Cash flows from financing activities:		
Proceeds from issuance of CFC notes	4,000,000	3,300,000
Reduction of long-term debt and capital lease obligation	(1,990,019)	(1,804,645)
Distribution from affiliate	109,000	134,500
Membership fees cancelled	(4,400)	(4,270)
Retirement of capital credits	(1,711,373)	(1,610,035)
Change in unclaimed capital credits	(147,982)	181,179
Gain on early retirement of capital credits	114,623	102,376
Net cash provided by (used in) financing activities	369,849	299,105
Net change in cash	895,803	805,981
Cash, at beginning of year	1,929,338	1,123,357
Cash, at end of year	\$2,824,141	\$1,929,338

Independent Auditor's Statement

The independent accounting firm Buffamante Whipple Buttafaro, P.C., Certified Public Accountants, with headquarters in Jamestown, N.Y., has audited the cooperative's financial statements for the fiscal year ending December 31, 2018.

Complete, audited financial statements are maintained and available for inspection at the headquarters office of Claverack Rural Electric Cooperative, 32750 Route 6, Wysox, Pa. 18854.

Board of Directors



Danise C. Fairchild | *Vice Secretary/Treasurer*
Wyalusing, Pa.
Zone 1



Dr. Robert R. Faux | *Director*
Tunkhannock, Pa.
Zone 2



Angela S. Joines | *Director*
Jackson, Pa.
Zone 3



Gary L. Hennip | *Director*
Rome, Pa.
Zone 4



Robert Fearnley | *Director*
Montrose, Pa.
Zone 5



James E. Luce | *Chairman*
Laceyville, Pa.
Zone 6



Charles R. Bullock | *Vice Chairman*
Meshoppen, Pa.
Zone 7



Charles R. McNamara | *Director*
Brackney, Pa.
Zone 8



Steven T. Sliwinski | *Secretary/Treasurer*
Troy, Pa.
Zone 9

IN MEMORIAM | James E. Luce

James E. Luce of Meshoppen, a Claverack Rural Electric Cooperative director and chairman of the board, passed away April 25, 2019, following a brief illness. He was 74.

Luce represented Zone 6 on the Claverack board since 2003 and was serving his second one-year term as chairman of the board at the time of his death. Luce was a Credentialed Cooperative Director and had completed Board Leadership Certification training from the National Rural Electric Cooperative Association.

He also served as vice president of the C&T Enterprises Board of Directors and secretary of the Wellsboro Electric Board of Directors. In addition, he had represented Claverack on the Pennsylvania Rural Electric Association Board of Directors since 2013.

He is survived by his daughter, Jaime Luce-Bartels, and her husband, Jim, of Meshoppen.



Claverack board Chairman James Luce addresses members during the 2018 Annual Meeting.

Claverack's 82nd ANNUAL MEETING

Elk Lake High School Auditorium
Springville, Pa.
Tuesday, July 9, 2019

- 4 p.m. to 6:15 p.m.** Barbecued chicken dinner, registration, exhibits
- 5 p.m. to 6:15 p.m.** Entertainment by musical historian Van Wagner
- 6:30 p.m.** Business Meeting Called to Order
Early Bird Prize Drawings
Introductions and Announcements
Approval of the 2018 Annual Meeting Minutes
- Officer Reports
- Director Election Results
- Featured Speaker: Van Wagner, musical historian
- Questions & Comments
- Door Prize Drawings
- 8 p.m.** Meeting adjourns



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"Powered by Excellence"

32750 Route 6
Wysox, Pennsylvania 18854
(570) 265-2167 • 1-800-326-9799
www.claverack.com

A Touchstone Energy® Cooperative

