

Changing Landscape. Same Mission.



Claverack Rural Electric Cooperative
2020 Annual Report



Board of Directors



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



Dr. Robert R. Faux
Vice Chairman
Tunkhannock, Pa.
Zone 2



Angela S. Joines
Director
Jackson, Pa.
Zone 3



Gary L. Hennip
Director
Rome, Pa.
Zone 4



Robert W. Fearnley
Director
Montrose, Pa.
Zone 5



Timothy T. Tewksbury
Director
Meshoppen, Pa.
Zone 6



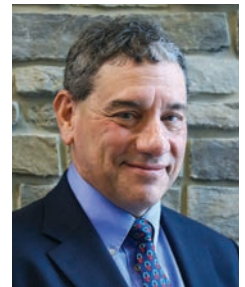
ON BOARD. *Claverack Rural Electric Cooperative President & CEO Bobbi Kilmer congratulates members elected to the board of directors following the co-op's 83rd annual meeting on Sept. 23. Pictured are, from left, Kilmer and re-elected directors Angela S. Joines of Jackson, Danise C. Fairchild of Wyalusing and Dr. Robert R. Faux of Tunkhannock, representing Zones 3, 1 and 2, respectively. Because of COVID-19 restrictions in place at the time, the traditional in-person annual meeting was unable to be held. Instead, the meeting took place in the Claverack board room with only directors, co-op staff and the cooperative attorney in attendance.*



Charles R. Bullock
Chairman
Meshoppen, Pa.
Zone 7

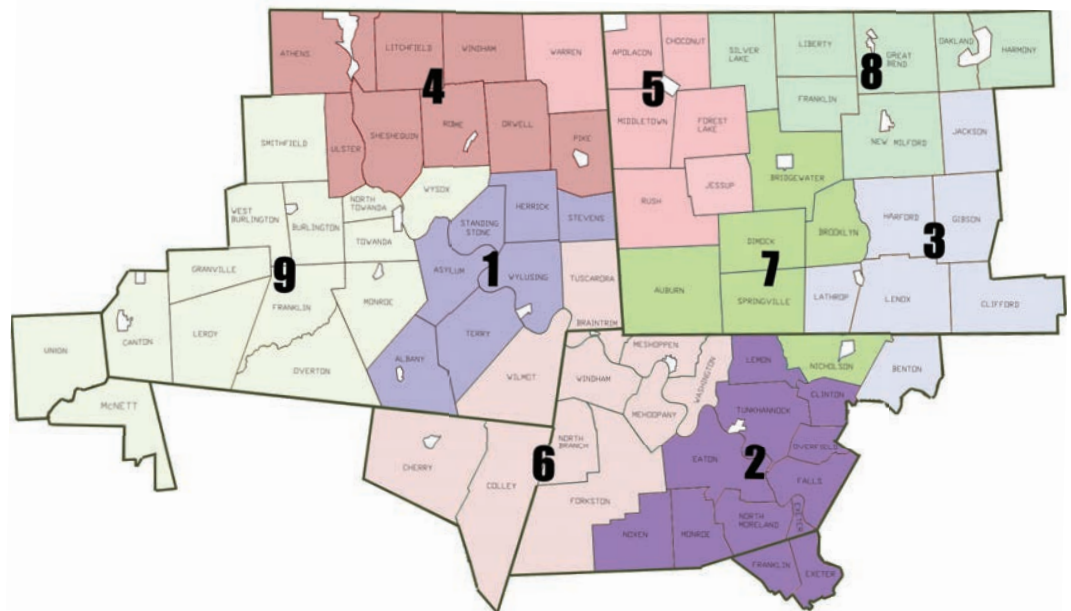


Charles R. McNamara
Vice Secretary/Treasurer
Friendsville, Pa.
Zone 8



Anthony J. Ventello
Director
Towanda, Pa.
Zone 9

Claverack Service Territory and Zones



About Claverack

Claverack Rural Electric Cooperative delivers electricity to 15,871 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 less than 1% a year. Claverack provides service to 18,884 active accounts and maintains 2,822 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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BUILDING BROADBAND. *Steve Allabaugh, who replaced Bobbi Kilmer as Claverack president & CEO on Jan. 1, 2021, addresses a question from an employee during a gathering to explain the cooperative’s decision to proceed with a high-speed broadband internet project. In November 2020, Claverack was awarded federal funding that will enable the cooperative to bring fiber internet service to parts of its service region over the next six years.*

ON THE COVER

Photos, clockwise from top left:

1. *Joshua Baublitz, right-of-way program manager for Claverack, pilots a drone used to inspect the cooperative’s rights of way.*
2. *A Tesla Model 3 electric vehicle (EV) was added to the Claverack fleet in 2020 to evaluate the performance of EVs and educate members interested in learning more about them.*
3. *Lynn Jennings, Claverack member services representative, dons a mask while working in the front office area of the cooperative during the COVID-19 pandemic.*
4. *Claverack lineman Troy Ely descends in a bucket against a colorful fall backdrop during a line relocation project near Hop Bottom in October 2020.*

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.

Executive Report

Changing Landscape.
Same Mission.



Charles R. Bullock
Board Chairman



Steven Allabaugh
President & CEO

Through all the challenges for which 2020 will long be remembered, Claverack adapted to this changing landscape by staying true to its mission to provide safe, reliable energy and other valuable services for those we serve.

Our commitment to core areas of our business — safety, reliability, financial stability and service — enabled us to adapt to monumental changes that impacted your cooperative in 2020 and enter the new year stronger than ever and ready to provide an even brighter future for our members and the communities we serve.

In early 2020, Claverack had begun preparing for a transition in leadership after Bobbi Kilmer, the cooperative's president and chief executive officer since 2006, announced her intention to retire at the end of December. Her final year would prove to be most challenging thanks to a global pandemic that struck the United States in March, disrupting normal work and home life across the country for the remainder of 2020.

During Bobbi's 15 years as the cooperative's top executive, she provided exceptional leadership to the organization, guiding a team of dedicated employees who put co-op members first, and building upon Claverack's legacy of reliable service, stable rates, a commitment to community and service excellence, and financial stability. That the co-op's legacy remains intact following the most difficult year in recent memory serves as a testament to Bobbi's leadership and highlights the resilience and dedication of the cooperative's workforce.

As an essential business, we adapted to new workplace rules and government regulations intended to protect the public and our employees from the spread of the novel coronavirus known as COVID-19. Masking up, social distancing, enhanced cleaning and adjusting to ever-changing safety protocols became the norm. We temporarily closed our office to public traffic, staggered work hours and worked remotely for a short time, and adapted to Zoom meetings over the course of the year.

Despite this foreign work environment, we were able to roll with the changes, all the while maintaining focus on our core business — keeping the power flowing to your homes and businesses, responding to outages, and maintaining our commitment to our members and their communities.

The pandemic forced us to think about new opportunities for improving our operations and, with so many people across the region working and attending school remotely, highlighted the critical need for quality high-speed internet service in many parts of our rural region.

Thanks to a forward-thinking board and management team and encouragement from our membership, Claverack has taken steps to meet the challenge of the digital divide head on. The cooperative will be forming a separate affiliate to bring high-speed internet to areas of our service territory after winning federal support for a proposed broadband project in the fall of 2020. The buildout of our fiber-optic network is expected to get underway in early 2022 and continue for the next several years. We hope to begin providing broadband service to customers later next year.

This project will provide areas within our rural region of Pennsylvania with first-class internet service, which we expect will spur economic development, create opportunities in areas such as telemedicine and distance learning, and open doors for future business ventures. Equally important, the broadband project will contribute to our continuing effort to improve the technology of our electric system, moving us closer to building a truly "smart grid."

While our entrance into the high-speed internet business marks a significant change for the cooperative, the project hearkens back to Claverack's origins as an electric cooperative in the 1930s. We are excited to move forward with a project that has such transformational possibilities for our members and our region.

Changing technology continues to enable us to work more efficiently and communicate more effectively across our electric system and with our members. In 2020, we began

the deployment of a new advanced metering infrastructure (AMI) system, which we expect to have fully deployed by the end of 2022. Among other benefits, the new AMI system will allow members to view their electric consumption on an hourly basis and provide the cooperative with enhanced outage-detection capabilities.

New technology in the form of drones is also now being used on the Claverack system in our effort to enhance reliability. In 2020, we began a pilot project in which we utilize drones to perform aerial inspections of our power lines and facilities. We also began using drones to efficiently examine our rights of way for vegetation management purposes in 2020.

Another technology-related change that took place this past year was the adoption of a work management system that allows our linemen to view electric system maps and data, as well as work orders, from tablets carried in their work vehicles. While it's a big change from the paper work orders and processes that our lineworkers are accustomed to, the transition to digital data gives our crews immediate access to real-time information and enables them to work more efficiently.

And efficiency has become more important than ever, with a pandemic of a different nature impacting the health of our local forests. The emerald ash borer, an invasive insect, has been decimating the ash tree population across the state in recent years. Parts of our service territory have begun experiencing a higher-than-acceptable level of power outages as a result of the increase in the number of dead ash trees, often from outside co-op rights of way, falling onto our lines.

We began taking steps to combat the ash problem in 2017, but as the ash die-off has spread across our region, we realized the need to do more. So in 2020, we budgeted an additional \$1 million for right-of-way clearing that will be used over the next two years specifically for the removal of ash danger trees growing along our rights of way. In addition to significantly stepping up our efforts to eliminate ash danger trees, we will continue with our traditional vegetation management program, which entails clearing about 390 miles of right of way annually. As with COVID-19, we look forward to the day this ash tree pandemic disappears and our right-of-way efforts revert to business as usual.

The same can be said for the business of the cooperative. Due to restrictions on public gatherings, the cooperative was forced to conduct its annual meeting virtually in 2020. Out of an abundance of caution, the board and management team determined in early 2021 that this year's annual meeting would again be held virtually. Members will be able to access the annual meeting online through Zoom, and details about the meeting and how to participate can be found on the back cover of this report.

While being unable to visit with members in-person at

the annual meeting last year was a big change for a people-oriented business such as ours, we have continued to look out for our members and assist those experiencing hardships just as we always have, but in a bigger way. With COVID-19's devastating effect on employment in 2020, we doubled the funding for our HOPE program, which provides assistance to members experiencing financial hardships that have caused them to fall behind on their electric bills. We also made extensive efforts to communicate with struggling members and refer them to other areas of assistance.

Your cooperative truly experienced a changing landscape in 2020 due to the pandemic, the adoption of new technologies and a transition in leadership. But there were some things that did not change. We continued to provide the exceptional level of service to our members that they have come to expect, even if it wasn't always face to face. We responded to outages and service requests without missing a beat. We performed routine maintenance activities like pole inspections, equipment replacement and right-of-way clearing, just like we always do. We returned capital credits to our members. And we ended the year financially sound.

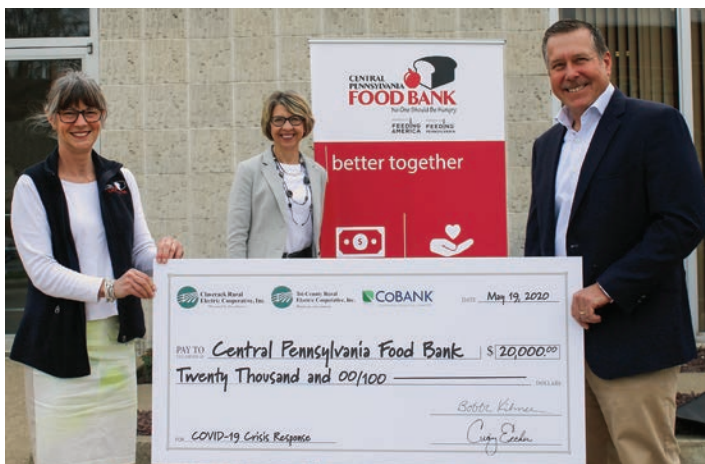
As we prepare for the changes and challenges of the new year, one with a new CEO at the helm and a new internet service company in the planning stages, you can rest assured that we will always remain that same electric cooperative you've always known — with the same values, same mission and same dedication to putting members first. That you can count on!

Charles R. Bullock 

2020 Year in PHOTOS



PANDEMIC PLANNING. Claverack President & CEO Bobbi Kilmer, right, and Pete Yastishock, director of safety & compliance, address employee concerns and share information about COVID-19 during the co-op’s annual employee awards breakfast Friday, March 13. Later that day, Gov. Tom Wolf announced that schools statewide would be shutting down for at least two weeks in an effort to slow the spread of the coronavirus. Less than a week later, Wolf ordered a statewide closure of all “non-life sustaining businesses operations and services,” which took effect March 21, 2020.



COVID-19 RESPONSE. Mindee Lyon, left, development manager for the Central Pennsylvania Food Bank’s Healthy Food Hub in Williamsport, accepts a \$20,000 check from Bobbi Kilmer, president & CEO of Claverack Rural Electric Cooperative, and Craig Eccher, president & CEO of Tri-County Rural Electric Cooperative. The donation was used to fill COVID-19 crisis response boxes with food products that the food bank distributed to area food pantries. The donation included \$5,000 from each electric cooperative, along with \$10,000 in matching funds from CoBank’s Sharing Success program. CoBank is a cooperative bank that offers financial services to cooperatives, including Claverack, across rural America.



DIGITAL TRANSFORMATION. Claverack District Operations Supervisor Bucky Camburn, left, holds a computer tablet containing a map of the cooperative distribution system, while Tunkhannock Crew Chief John McKernan displays the paper maps linemen traditionally used to navigate the system. The co-op has transitioned to the use of GPS-based digital maps, which enable crews to navigate to member locations more efficiently.



ADVANCED METERING. *Claverack electronic technician Larry Beebe prepares networking equipment for installation as part of the co-op's advanced metering infrastructure (AMI) project that began in October 2020. The cooperative plans to replace all of the existing meters on its system over the next two years as part of the AMI project. The new wireless metering system will offer real-time meter-reading and outage-reporting capabilities.*



TEST DRIVE. *Claverack Member Services Representative Lynn Jennings and Director of Member Services Brian Zeidner pose with the Tesla Model 3 electric vehicle the cooperative purchased in 2020. The all-wheel drive sedan was added to the co-op fleet in order to familiarize employees with the operations of an electric vehicle so they can talk knowledgeably about battery-powered cars with members who may be considering purchasing them. The Tesla has a battery range of about 300 miles.*



POLE PREP. *Claverack lineman Jeremiah Lund readies a pole for new electric line during a line relocation project near Hop Bottom on Oct. 21, 2020. Linemen from all three co-op districts took part in the day-long project to relocate about 15 spans of line to improve access for crews as well as reliability for members.*

Balance Sheets

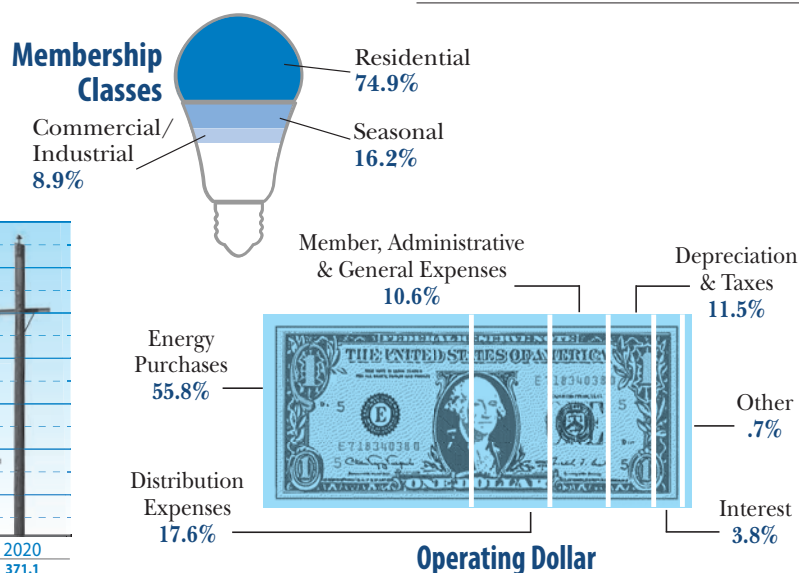
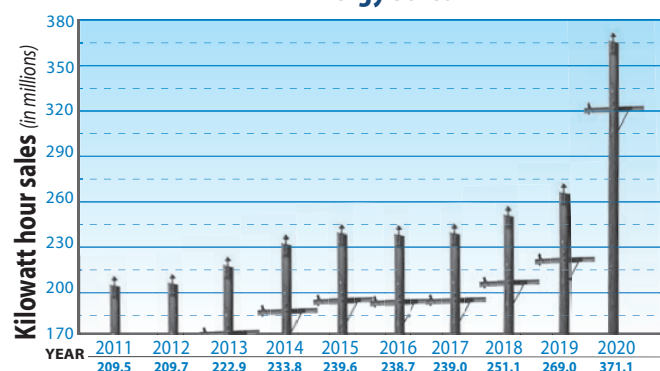
ASSETS	2020	2019
Electric Plant:		
In service - at cost	\$120,625,117	\$117,640,643
Construction work in progress	786,910	591,287
	121,412,027	118,231,930
Less accumulated provisions for depreciation	57,979,804	55,065,362
Total electric plant	63,432,223	63,166,568
Other assets and investments:		
Investments in and advances to associated organizations	10,252,862	8,757,087
Investments in and advances to affiliate	13,944,341	13,535,321
Total other assets and investments	24,197,203	22,292,408
Current assets:		
Cash	5,156,205	1,111,219
Temporary investments	42,912	46,587
Accounts receivable (less accumulated provision for uncollectible accounts of \$185,361 and \$111,245 for 2020 and 2019, respectively)	5,205,222	4,992,007
Materials and supplies (at average cost)	867,852	773,059
Other current and accrued assets	671,634	697,820
Total current assets	11,973,825	7,620,692
Deferred charges	1,093,741	1,210,704
	\$100,666,992	\$94,290,372
EQUITIES AND LIABILITIES		
Equities:		
Memberships	\$128,105	\$132,390
Patronage capital	46,342,887	44,225,220
Other equities	10,656,817	9,804,850
Accumulated other comprehensive income	288,223	265,059
Total equities	57,416,032	54,427,519
Long-term debt:		
CFC notes, less current maturities	30,187,505	28,333,159
Capital lease obligation, less current maturity	7,353	15,132
Total long-term debt	30,194,858	28,348,291
Other non-current liabilities:		
Other postretirement benefits, less current portion	3,089,757	3,280,174
Deferred compensation, less current portion	534,257	663,336
Total other non-current liabilities	3,624,014	3,943,510
Current liabilities:		
Current maturities of CFC notes	2,095,026	2,008,927
Current maturity of capital lease obligation	7,779	7,535
Accounts payable:		
Purchased power	1,676,656	1,825,993
Other	1,003,224	973,615
Consumer deposits and prepayments	1,204,960	482,731
Other current and accrued liabilities	1,015,419	974,575
Total current liabilities	7,003,064	6,273,376
Total liabilities	40,821,936	38,565,177
Deferred credits	2,429,024	1,297,676
Commitments	\$100,666,992	\$94,290,372

Statements of Revenue and other Comprehensive Income

	2020	2019
OPERATING REVENUES	\$36,432,667	\$32,655,725
Operating expenses:		
Cost of power	19,211,447	15,423,205
Distribution - operations	867,130	915,212
Distribution - maintenance	5,178,299	5,452,504
Consumer accounts	527,059	519,826
Sales	456,882	431,013
Administrative and general	2,877,261	2,847,715
Depreciation	3,952,520	3,939,834
Taxes and other deductions	10,739	27,037
Total operating expenses	33,081,337	29,556,346
Operating margins before fixed charges	3,351,330	3,099,379
Fixed charges:		
Interest on long-term debt	1,329,076	1,306,319
Operating margins after fixed charges	2,022,254	1,793,060
G&T and other capital credits	1,826,950	375,432
Net operating margins	3,849,204	2,168,492
Non-operating margins		
Interest income	55,666	47,047
Other non-operating income	65,321	62,758
Equity in earnings of affiliate	613,520	1,393,737
Total non-operating margins	734,507	1,503,542
Net Margins	4,583,711	\$3,672,034
Other comprehensive income		
Unrealized gains (losses) from available-for-sale securities	(3,438)	5,582
Unfunded post-retirement benefit plans:		
Net actuarial gain (loss)	75,750	(202,491)
Reclassification of amounts recognized in net margins		
Amortization of actuarial (gain) loss	(17,903)	(6,768)
Amortization of prior service cost (credit)	(31,200)	(31,200)
Total other comprehensive income (loss)	23,164	(234,877)
Total comprehensive income	\$4,606,875	\$3,437,157

2020 STATISTICAL HIGHLIGHTS

Energy Sales



Statements of Cash Flows

	2020	2019
Cash flows from operating activities:		
Net margins	<u>\$4,583,711</u>	<u>\$3,672,034</u>
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation	3,952,520	3,939,834
Amortization of RS Plan prepayment	151,338	151,338
G&T and other capital credits (noncash)	(1,826,950)	(375,432)
Equity in earnings of affiliate (noncash)	(613,520)	(1,393,737)
Change in deferred compensation and other post-retirement benefits	(296,332)	(10,893)
Change in provision for losses on accounts receivable	74,116	(21,092)
Change in operating assets and liabilities:		
Accounts receivable	(287,331)	(977,265)
Material and supplies	(94,793)	(23,746)
Current and accrued assets	26,186	(6,442)
Deferred charges	(34,375)	--
Accounts payable	(119,728)	74,571
Consumer deposits and prepayments	722,229	12,541
Current and accrued liabilities	40,844	6,425
Deferred credits	1,131,348	61,136
Total adjustments	<u>2,825,552</u>	<u>1,437,238</u>
Net cash provided by operating activities	<u>7,409,263</u>	<u>5,109,272</u>
Cash flows from investing activities:		
Extension and replacement of plant	(4,218,175)	(3,649,373)
Change in invested funds	334,850	303,166
Net cash used in investing activities	<u>(3,883,325)</u>	<u>(3,346,207)</u>
Cash flows from financing activities:		
Proceeds from issuance of CFC notes	4,000,000	--
Reduction of long-term debt and capital lease obligation	(2,067,090)	(2,084,853)
Distribution from affiliate	204,500	191,500
Membership fees canceled	(4,285)	(4,315)
Retirement of capital credits	(1,731,537)	(1,691,464)
Change in unclaimed capital credits	(570)	398
Gain on early retirement of capital credits	118,030	111,747
Net cash provided by (used in) financing activities	<u>519,048</u>	<u>(3,476,987)</u>
Net change in cash	<u>4,044,986</u>	<u>(1,713,922)</u>
Cash, at beginning of year	<u>1,111,219</u>	<u>2,825,141</u>
Cash, at end of year	<u>\$5,156,205</u>	<u>\$1,111,219</u>

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, 2020.

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.

MEETING MINUTES

The 83rd Annual Meeting of Members of Claverack Rural Electric Cooperative, Inc., was held at the Claverack Headquarters Office, Wysox, Pa., on Wednesday, Sept. 23, 2020.

CHAIRMAN CHARLES BULLOCK called the annual meeting to order at 10 a.m. Due to COVID-19 restrictions, the annual meeting was held at the cooperative headquarters with the board of directors, senior management, and the cooperative attorney in attendance.

SECRETARY/TREASURER DANISE FAIRCHILD read the Notice of Meeting and Proof of Mailing. Secretary Fairchild announced that the 2019 annual meeting minutes were included in the annual report, both of which were published in the August *Penn Lines* and mailed to each member as is the customary practice. *A motion was made and seconded to approve the 2019 annual meeting minutes as presented; motion carried.*

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

CHAIRMAN BULLOCK presented the Chairman of the Board Report, stating that the cooperative had a successful year, although it was difficult dealing with the COVID-19 pandemic. Chairman Bullock thanked the management team for their efforts and thanked the board members who have participated in training throughout the year.

CEO BOBBI KILMER presented the President & CEO's report. CEO Kilmer touched on accomplishments of 2019, including system improvement projects, safety initiatives, and the retirement of \$1.4 million in capital credits. CEO Kilmer then reported that the deployment of the first phase of a new metering system has begun, and that the board and management continue to explore options for a broadband service in the Claverack territory. As this was CEO Kilmer's final annual meeting prior to her retirement, she thanked the membership, board, staff, and other community members for their continued support throughout

her career. CEO Kilmer said she is quite confident in Claverack's future and offered the best of wishes.

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

CEO KILMER reported that members were encouraged to contact us via a telephone call or email with any questions or comments.

ATTORNEY ROBERT CHAPPELL reported on the election of directors for Zones 1, 2 and 3. He reviewed those sections of the bylaws pertaining to the qualifications to serve on the board of directors. He stated that the purpose of the Credentials & Elections committee is to oversee the director election process, including reviewing candidate petitions, validating candidate eligibility, counting ballots, and handling objections or protests related to the election.

ATTORNEY CHAPPELL reported the following incumbents ran unopposed and were elected for a three-year term: Zone 1 — Danise C. Fairchild, 1,356 votes; Zone 2 — Robert R. Faux, 1,378 votes; and Zone 3 — Angela S. Joines, 1,391 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.*

A motion was made and seconded to adjourn the meeting at 10:14 a.m.; motion carried.



CONGRESSIONAL VISIT. *Claverack's Youth Tour representatives were unable to experience the 2020 tour of Washington, D.C., due to the COVID-19 pandemic, so the co-op brought the students' representative in Washington to them. U.S. Rep. Fred Keller (R-12) joined the Youth Tour students at Claverack's Wysox office for a catered dinner and question-and-answer session in August. CEO Bobbi Kilmer also spoke to students at the gathering, offering advice for their futures. Pictured are, from left, Kilmer; Holly Geyer, Blue Ridge High School; Carina Beebe, Wyalusing Valley Jr.-Sr. High School; Justin Hiduk, home-school student from Wyalusing; Logan Carter, Wyalusing Valley Jr.-Sr. High School; Keller; Dan Williams, Northeast Bradford High School; Bridget Bendock, Montrose Area High School; and Lauryn Jones, Northeast Bradford High School.*

Claverack's 84th ANNUAL MEETING

Wednesday, Aug. 25, 2021

The 2021 Claverack Annual Meeting will be held Wednesday, Aug. 25, 2021, online via the Zoom application beginning at 9 a.m. All members are invited to participate in the online annual meeting.

Members must register in advance to stream the meeting live through Zoom. Please register by Aug. 20 by sending an email to registration@claverack.com and providing your name, telephone number and email address or by calling the office at 1-800-326-9799. Once registered, you will be sent login information to connect to the annual meeting.

Please note: Members will need to download the Zoom meeting application prior to the annual meeting at www.zoom.us/download.

Members are encouraged to submit questions or comments by Aug. 20 as there will not be a live question-and-answer portion of the meeting. Member questions will be addressed individually, during the annual meeting, on our website or in a future issue of *Penn Lines*. Members can submit questions by emailing questions@claverack.com or by calling 800-326-9799 and asking to speak with the executive assistant, Annette Koder.

ANNUAL MEETING AGENDA

9 a.m. via Zoom

- Meeting Called to Order
- Notice of Meeting and Proof of Mailing
- 2020 Annual Meeting Minutes
- Secretary/Treasurer's Report
- Board Chairman's Report
- President & CEO's Report
- Director Election Review
- Questions & Comments (see above for submittal instructions)
- Adjournment



**Claverack Rural
Electric Cooperative, Inc.**
"Powered by Excellence"

32750 Route 6 ▪ Wysox, Pennsylvania 18854
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