



MESSAGE FROM THE GENERAL MANAGER

What's new at GUERNSEY-MUSKINGUM ELECTRIC COOPERATIVE for 2020 at the annual meeting and beyond?

Our world is different today. We will persevere, support, and care for each other and will see this event as a memory. Our task is to make the memory as safe and positive as possible. Safety of members, employees, and the community is our highest priority. As I write, we plan to reschedule the 83rd annual meeting. We do not know when, where, or the format at this time. For details of how your cooperative continues to operate and the unfolding of the 83rd annual meeting, stay tuned, read your *Ohio Cooperative Living* magazine, watch the mailbox, plus check out our website and Facebook page. We have included in this month's magazine information to keep members informed of the cooperative status in place of an April annual meeting.

It was a trying year for many here at your electric cooperative with the passing of our last CEO, Jerry Kackley. Jerry spent many years here at the cooperative and did a wonderful job of making sure we were in great financial shape while also investing in the utility plant to keep the lights on for you, our members. Jerry passed in September of 2019 after a two-year battle with cancer.

I am now finishing my rookie season as your CEO here at Guernsey-Muskingum. I have been evaluating what our wants and needs are here at the co-op and in doing so, have realized that this is a small organization with a big task to keep our electric service up and functioning to serve our membership at an affordable price. I have tasked our staff to put together focus groups to look at four areas within our business to see how we can better

serve you, the member. I hope to unveil recommendations at the annual meeting. The groups are studying 1) AMI or automatic meter reading, 2) improved bill and payment options, 3) how to communicate during power outages, and 4) operations follow-up. We may ask some of you to assist us as we start to finalize our efforts to improve how we do business with you, our members. If asked, please consider volunteering to assist in this process.

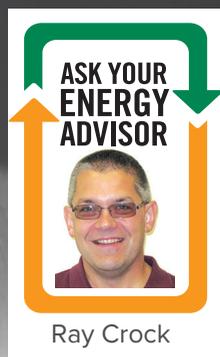
We have been asked by members of Congress and folks at the Statehouse to see what our role might be in providing broadband service to you, our members. Many of you have also asked us to pursue this as well. This is a very expensive proposition, based on those cooperatives that have already looked at deploying broadband into the rural areas. I am hoping we can explore the need and the cost for Guernsey-Muskingum to see what our role could be in finding a solution to the lack of high-speed internet in much of southeast Ohio. This reminds me of how we came to be over 80 years ago, when investor-owned electric companies would not bring electric service to the hills and valleys of rural America. Maybe this could work in a similar fashion, but for now we are striving to be a safe, reliable, and affordable electric distribution cooperative with an open mind to what the future might hold for all of us here at Guernsey-Muskingum. Have a great 2020 and, as always, call us with questions on all your energy needs.



Brian Hill
GENERAL MANAGER/CEO

Due to the recent outbreak of the coronavirus, Guernsey-Muskingum Electric Cooperative Inc. is taking steps to add a higher level of safety for our members, employees, and the public:

- Encouraging online payments through our website, www.gmenergy.com
 - All fees for online payments will be credited on the April bills
- No walk-in traffic to the office
- No drive-up window service offered
- Encouraging phone calls and emails for all services offered
- Energy audits are postponed indefinitely



Ray Crock

Four considerations before replacing windows

If your home's windows are very old and you can feel a chill near them, you might consider replacing them with new vinyl windows. It's a costly project, though. To help you decide if replacement is the right move, you'll want to consider a few factors.

Increased comfort

The chill you feel near your windows when it's cold out is likely due to radiant heat loss. When you're near a cold surface such as a window, you can feel chilled even if the temperature inside your home is over 70 degrees. Your body is much warmer than the surface of the window, and heat radiates from warm to cold. The inside surface of an inefficient, single-pane window will be much colder on a winter night than that of a double- or triple-pane window.

Window coverings are one approach to increasing the comfort level of your home. Curtains and blinds are very effective at reducing radiant heat loss in the winter and can even block some unwanted heat gain in the summer.

Appearance

If your windows are older, new wood- or vinyl-framed windows can act as an exterior facelift. But keep in mind, if you own an older home with classic wooden windows, vinyl replacements might look out of place. It's possible to buy new windows that match the style of some older wooden windows, or you could decide to apply a little elbow grease to get them back into shape. Wooden windows, even if they were built before 1960, can last the life of the home.

Resale value

Windows are a major point of interest for most prospective homebuyers, which is why we often hear that window replacement is good for resale value. But a 2019 study by the National Association of Realtors found that on average across the U.S., installing new vinyl windows costs about \$22,000 per home but only increased resale value by \$16,500. Only 4% of realtors said the new windows helped close the sale, so if resale value is your main objective, the costs could likely outweigh the return on investment.

Energy savings

Homeowners often believe that the best way to reduce energy use is to replace their windows, but this is rarely true. Companies that sell new windows sometimes advertise greater energy savings than the new windows can actually deliver. The amount of energy you save really depends on the efficiency of your existing windows compared to the efficiency of the replacement windows. An energy auditor can estimate potential savings, but most audits show that there are much more cost-effective efficiency investments than replacing windows.

On average, according to ENERGY STAR, replacing single-pane windows in a 2,000-square-foot home with ENERGY STAR-certified windows will produce an average savings of \$125 to \$340 a year, depending on where you live. At this rate, it would take a decade or more to pay off your initial investment.

Replacing old windows can provide a number of benefits, but it's a costly endeavor. By considering these factors and how long you plan to live in the home, you'll be able to make the right decision.

IT PAYS TO BUY QUALITY!

TWO WAYS TO SAVE:

Rebates for water heaters purchased at Guernsey-Muskingum

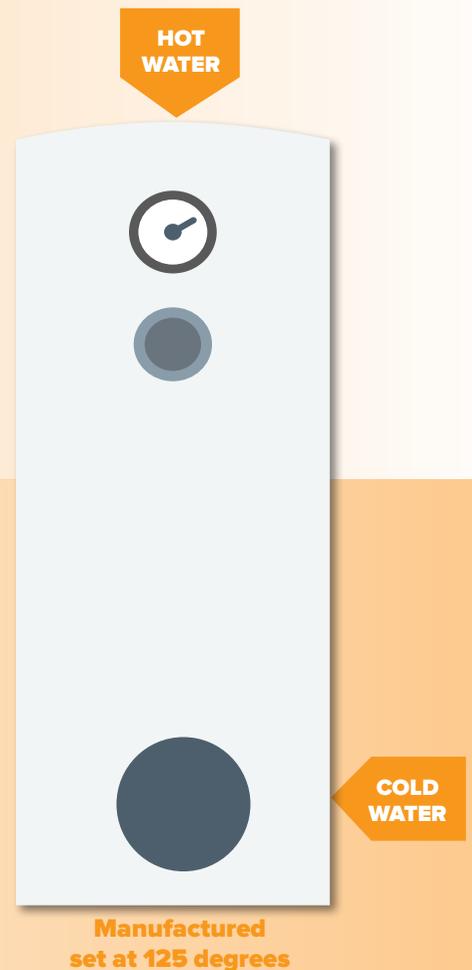
Prices include:

FREE delivery

FREE maintenance (except cleaning),
including parts & labor

FREE pressure relief valve

FREE radio-controlled switch



1

Vaughn 50-gallon: 11-year warranty
3-inch foam insulation, 4-inch hand-hole cleanout
Dimensions: 28-inch diameter x 52-inch height
Weight: 230 lbs.

\$650 wholesale cost
\$250 member rebate
\$400 net member cost, plus tax

Marathon 85-gallon: Lifetime (same owner) manufacturer warranty
2.5-inch foam insulation
Dimensions: 29-inch diameter x 71-inch height
Weight: 135 lbs.

\$1,150 wholesale cost
\$ 250 member rebate
\$ 900 net member cost, plus tax

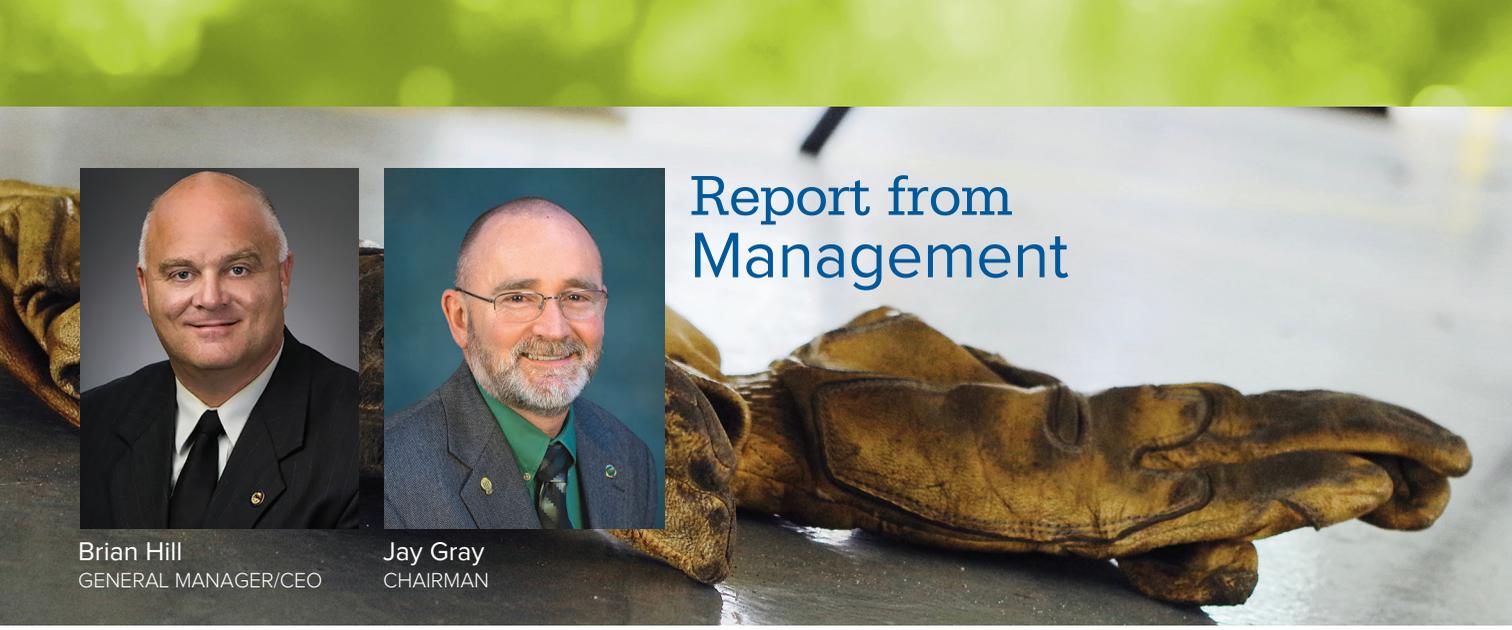
Installation may be available for an approximate charge of \$120.

2

Cash back* – For electric water heaters purchased elsewhere, with installation of a radio-controlled switch (hybrid water heaters eligible):

- | | |
|-------------------------------|-------------------------------|
| \$100 cash back for: | \$50 cash back for |
| • 50 gallon | • 40 gallon |
| • 7-year warranty (or longer) | • 7-year warranty (or longer) |
| • 91% or higher Energy Factor | • 91% or higher Energy Factor |

**To qualify for cash-back incentives and discounts, members must allow the free installation of a radio-controlled switch. Prices and rebates subject to change. Call Guernsey-Muskingum for more details at 800-521-9879.*



Report from Management



Brian Hill
GENERAL MANAGER/CEO



Jay Gray
CHAIRMAN

2019 was a solid year for Guernsey-Muskingum Electric Cooperative (GMEC) as operating margins exceeded budget with a \$1,938,277 operating margin, which is slightly behind 2018. The year started off rather meager in terms of sales, and throughout the first half of the year, we fell below budget. Then we had a hot July and August to help us rebound and a warm fall extended air conditioning load later into the year. The fall went from very warm to very cold for a short period of time, which proved to help in kilowatt-hour sales. When 2019 came to an end, total margins were \$754,000 better than budget.

2019 showed some growth in new services — 179 versus one of our lowest in 2018 at 145 new services. These are important, as new services offer the opportunity to spread cost over more members and more kilowatt-hours, which helps to keep rates stable for all members. Many of our newest and largest commercial members in the last few years can be attributed to the development of the Utica Shale in our part of the state, and this continues to benefit all of our members.

The cooperative's revenues must support our maintenance and operations activities. In addition, the operating margins must be substantial enough to provide capital for the plant improvements that are needed throughout our service territory. This enables us to continue to supply the safe and reliable service that our members deserve. The margins that we had in 2019 will ultimately be returned to the members over future years, but in 2019, we used these funds to improve your electric facilities while minimizing the amount of

money we needed to borrow. Again in 2019, we spent just over \$4.1 million on total plant construction and improvements, including new services, power line rebuilds, pole replacements, and substation upgrades.

Our right-of-way program continues to be a priority, and we spent about \$2.1 million to clear trees and brush in 2019. A special thank you to members who let us cut outside of our normal right-of-way when danger trees existed, to help assure that they and their neighbors have power! Most of our right-of-way work is bid out and performed on a unit basis rather than by the hour. This allows GMEC to control some cost with limited surprises, outside of storms, and none of us can control the weather. The good news is that even with this huge cost impact, our residential rates have been largely unchanged for several years now.

GMEC is a not-for-profit utility owned by those it serves — you, the members. The margins of the cooperative, which is any money remaining after expenses, is returned to you as capital credits. In 2019, your board of directors continued the policy of refunding capital credits to members or the estates of deceased members. 2019 was another record year, with over \$1 million of patronage returned to our members, and most members receiving these as a credit (reduction) on their December electric bill. Since our inception, GMEC has returned nearly \$18 million to members and former members! This is a real example of your ownership in your cooperative. 2019 provided the cooperative with many challenges and opportunities, and 2020 will be no different.

BALANCE SHEETS

December 31, 2019 and 2018

(see independent auditors' report)

	2019	2018
ASSETS (NOTES 1 AND 2)		
ELECTRIC PLANT: (Note 3)		
In service – at cost	\$ 85,744,950.58	\$ 82,815,671.45
Construction work in progress	337,939.39	912,545.70
Subtotal	<u>\$ 86,082,889.97</u>	<u>\$ 83,728,217.15</u>
Less accumulated provision for depreciation and amortization	<u>(20,520,063.15)</u>	<u>(19,500,215.89)</u>
Net electric plant	<u>\$ 65,562,826.82</u>	<u>\$ 64,228,001.26</u>
OTHER ASSETS AND INVESTMENTS:		
Investments in associated organizations (Note 4)	\$ 17,212,848.96	\$ 16,844,505.73
Other investments – nonutility property	55,133.91	58,239.21
Total other assets and investments	<u>\$ 17,267,982.87</u>	<u>\$ 16,902,744.94</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,216,901.81	\$ 4,022,971.71
Cash – construction funds	–	–
Accounts receivable (less accumulated provision for uncollectible accounts of \$235,188.62 in 2019 and \$91,448.98 in 2018)	3,864,003.78	4,065,057.23
Unbilled revenue (Note 13)	1,370,741.75	–
Other current assets	34,675.42	35,055.07
Materials and supplies	672,201.54	535,431.12
Prepayments	38,562.35	42,631.95
Total current assets	<u>\$ 11,197,086.65</u>	<u>\$ 8,701,147.08</u>
DEFERRED CHARGES (Note 5)	<u>\$ 813,110.62</u>	<u>\$ 975,412.98</u>
TOTAL ASSETS	<u>\$ 94,841,006.96</u>	<u>\$ 90,807,306.26</u>

(The accompanying notes are an integral part of this statement)

EQUITIES AND LIABILITIES (NOTE 1)		
EQUITIES:		
Patronage capital (Note 6)	\$45,972,577.05	\$42,559,953.08
Other equities (Note 7)	418,895.06	418,895.06
Total equities	<u>\$46,391,472.11</u>	<u>\$42,978,848.14</u>
LONG-TERM DEBT:		
RUS mortgage notes less current maturities (Note 8)	\$29,819,819.14	\$ 29,146,751.81
CFC mortgage notes less current maturities (Note 8)	11,551,510.31	12,363,226.24
Total long-term debt	<u>\$41,371,329.45</u>	<u>\$41,509,978.05</u>
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 1,760,149.00	\$ 1,786,326.00
Note payable – short-term	–	–
Accounts payable – purchased power	1,702,716.93	1,692,174.87
Accounts payable – other	1,375,766.89	656,841.50
Consumer deposits	516,764.16	483,206.21
Accrued taxes	1,170,175.25	1,157,676.58
Other current liabilities	357,537.01	334,735.98
Total current liabilities	<u>\$ 6,883,109.24</u>	<u>\$ 6,110,961.14</u>
CONTINGENT LIABILITIES (Note 10)	–	–
DEFERRED CREDITS (Note 11)	<u>\$ 195,096.16</u>	<u>\$ 207,518.93</u>
TOTAL EQUITIES AND LIABILITIES	<u>\$94,841,006.96</u>	<u>\$90,807,306.26</u>

(The accompanying notes are an integral part of this statement)

STATEMENTS OF REVENUE AND PATRONAGE CAPITAL

For the years ended December 31, 2019 and 2018
(see independent auditors' report)

	2019	2018
OPERATING REVENUES	\$35,078,486.78	\$ 36,226,133.53
OPERATING EXPENSES:		
Cost of power	\$19,384,276.49	\$ 20,166,561.17
Transmission expense	10,120.26	6,498.48
Distribution – operation	2,151,804.18	2,158,309.85
Distribution – maintenance	3,175,753.20	3,792,053.67
Consumer accounts expense	1,159,289.84	1,004,562.57
Customer service and information expense	412,310.15	416,547.96
Administrative and general	2,039,152.16	1,867,631.74
Depreciation and amortization	2,179,450.88	2,122,012.16
Taxes	1,101,399.00	1,137,235.00
Interest on long-term debt	1,512,953.93	1,485,693.70
Other interest expense	13,186.36	12,244.76
Total operating expenses	<u>\$33,139,696.45</u>	<u>\$ 34,169,351.06</u>
Operating margins before capital credits	\$ 1,938,790.33	\$ 2,056,782.47
BUCKEYE CAPITAL CREDITS	933,602.41	1,631,518.99
OTHER CAPITAL CREDITS	<u>75,244.41</u>	<u>91,722.99</u>
Net operating margins	\$ 2,947,637.15	\$ 3,780,024.45
NONOPERATING MARGINS:		
Interest and dividend income	\$ 210,374.40	\$ 248,062.41
Miscellaneous nonoperating income (expense)	<u>(4,475.54)</u>	<u>4,045.41</u>
Total nonoperating margins	<u>\$ 205,898.86</u>	<u>\$ 252,107.82</u>
NET MARGINS FOR PERIOD	\$ 3,153,536.01	\$ 4,032,132.27
PATRONAGE CAPITAL – beginning of year	42,559,953.08	39,490,415.13
Retirement of capital credits	(1,116,986.40)	(972,351.33)
Capital credits reassignable	—	9,757.01
Unbilled revenue – cumulative effect January 1, 2019 – (Note 13)	<u>1,376,074.36</u>	<u>—</u>
PATRONAGE CAPITAL – end of year	<u>\$45,972,577.05</u>	<u>\$42,559,953.08</u>

(The accompanying notes are an integral part of this statement)

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018
(see independent auditors' report)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from consumers	\$ 35,284,872.84	\$ 36,181,882.30
Interest and dividend income	210,374.39	248,428.05
Capital credits	640,877.94	501,054.30
Cash provided by operating activities	<u>\$ 36,136,125.17</u>	<u>\$ 36,931,364.65</u>
Cash paid to suppliers and employees	\$ 27,284,856.00	\$ 29,161,054.79
Interest and taxes paid	2,889,958.69	2,920,590.01
Cash disbursed for operating activities	<u>30,174,814.69</u>	<u>32,081,644.80</u>
Net cash from operating activities	<u>\$ 5,961,310.48</u>	<u>\$ 4,849,719.85</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Construction and acquisition of plant	\$ (2,130,442.88)	\$ (2,536,868.75)
Proceeds from disposal of plant	(1,383,833.56)	(1,096,022.41)
Investment in associated organizations	(374.35)	4,024.45
Other nonoperating income (expense)	<u>(4,475.54)</u>	<u>(1,324.40)</u>
Net cash used by investing activities	<u>\$ (3,519,126.33)</u>	<u>\$ (3,630,191.11)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in consumer deposits	\$ 33,557.95	\$ 33,296.73
Payments on long-term debt	(164,825.60)	(1,453,704.36)
Payments on short-term debt	—	—
Patronage capital credits retired	(1,116,986.40)	(972,351.33)
Proceeds from long-term debt	—	—
Proceeds from short-term debt	—	—
Net cash from financing activities	<u>\$ (1,248,254.05)</u>	<u>\$ (2,392,758.96)</u>
NET INCREASE IN CASH	\$ 1,193,930.10	\$ (1,173,230.22)
CASH - BEGINNING OF YEAR	\$ 4,022,971.71	\$ 5,196,201.93
CASH - END OF YEAR	<u>\$ 5,216,901.81</u>	<u>\$ 4,022,971.71</u>

(The accompanying notes are an integral part of this statement)

RECONCILIATION OF NET MARGINS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

NET MARGINS	\$ 3,153,536.01	\$ 4,032,132.27
ADJUSTMENTS TO RECONCILE NET MARGINS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation and amortization	\$ 2,179,450.88	\$ 2,122,012.16
Buckeye Power, Inc. and other capital credits (noncash)	(367,968.88)	(1,222,187.68)
Provision for uncollectible accounts receivable	143,739.64	(26,961.60)
(Increase) decrease in:		
Customer and other accounts receivable	57,313.81	(17,289.63)
Unbilled revenue	5,332.61	—
Current and accrued assets – other	(129,215.87)	64,054.37
Deferred charges	162,302.36	131,691.53
Increase (decrease) in:		
Accounts payable	729,467.45	(278,471.93)
Accrued taxes	12,498.67	(19,953.56)
Current and accrued liabilities – other	22,801.03	33,045.91
Deferred credits	(12,422.77)	25,936.41
Miscellaneous nonoperating (income) expense	4,475.54	(4,045.41)
Capital credits reassignable	—	9,757.01
Total adjustments	<u>\$ 2,807,774.47</u>	<u>\$ 817,587.58</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES

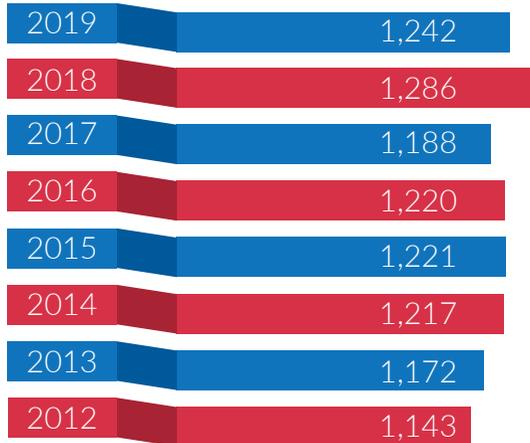
\$ 5,961,310.48 \$ 4,849,719.85

(The accompanying notes are an integral part of this statement)

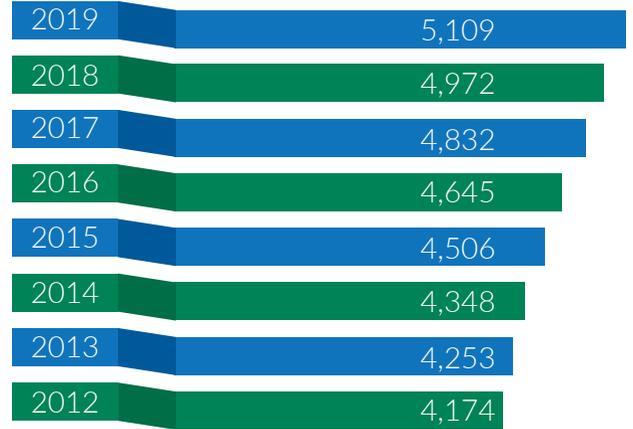
GUERNSEY-MUSKINGUM ELECTRIC COOPERATIVE

Trends

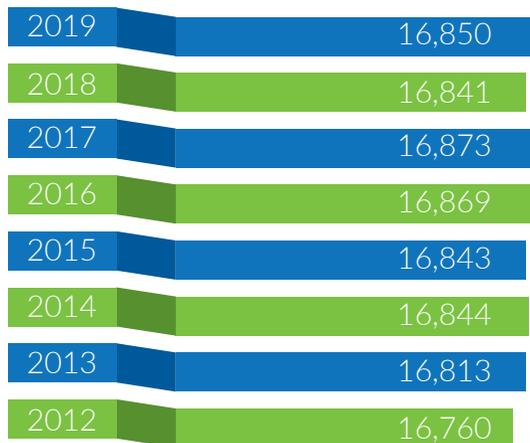
Average Monthly Use (kWh-all consumers)



Plant Investment (dollars per consumer)



Consumers Served



kWh Sold Annually (in millions)



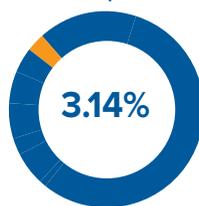
Cost of Purchased Power



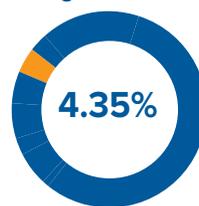
Line Operation & Maintenance



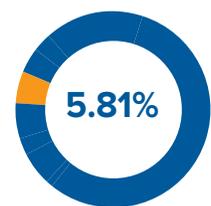
Tax Expense



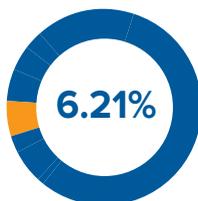
Interest on Long-Term Debt



Administrative General



Depreciation



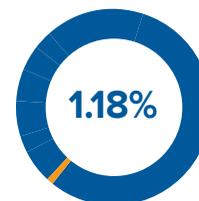
Consumers Accounting & Collecting



Operating Margin



Consumer Services Expenses





GUERNSEY-MUSKINGUM ELECTRIC COOPERATIVE CURRENTLY SPEAKING

Lineworker Appreciation Day • April 13, 2020



WHEN YOU FIND YOURSELF IN THE DARK,
WE'VE GOT YOUR BACK.

Is your name and account number here?

If it is, call the cooperative's office and receive a FREE home change-out to LED lightbulbs (limit six bulbs). Thanks for reading the local pages of *Ohio Cooperative Living* magazine.

- #50-0032-24-08.....Ashlee B McElwain
- #43-0465-14-01..... Judith K Ward #15-0196-02-02..... Lisa A Justice
- #40-0026-19-02..... Judy A Koonce #22-0081-33-05..... Carol S Lloyd
- #18-0319-09-04..... Judy A Strong



GUERNSEY-MUSKINGUM ELECTRIC COOPERATIVE, INC.

CONTACT

800-521-9879 | www.gmenergy.com

OFFICE

17 S. Liberty St.
New Concord, OH 43762

OFFICE HOURS

Monday–Friday, 7:30 a.m.–4:30 p.m.

This institution is an equal opportunity provider and employer.

ELECTRIC RATES

Farm and Home Service rate schedule R-1*
Service Availability Charge — \$22/mo.
First 500 kWh/month — 12.369¢/kWh
Over 500 kWh/month — 11.045¢/kWh

Seasonal Residential Service rate schedule S-1*
Service Availability Charge — \$360/yr.
First 800 kWh/yr. — 19.969¢/kWh
800 to 6,000 kWh/yr. — \$10.845¢/kWh
Over 6,000 kWh/yr. — 11.045¢/kWh
(Minimum annual charge — \$360/yr. for service between March 1, 2020, and Feb. 28, 2021)

Commercial Service rate schedule C-1*
Service Availability Charge — \$24/mo.
First 1,500 kWh/mo. — 12.769¢/kWh
Over 1,500 kWh/mo. — 11.045¢/kWh

*Rider T — Kilowatt-Hour Tax applies to all rate schedules and must be added to the rates shown.

First 2,000 kWh/mo. — 0.465¢/kWh
Next 13,000 kWh/mo. — 0.419¢/kWh
Over 15,000 kWh/mo. — 0.363¢/kWh

BOARD OF DIRECTORS

Jay Gray
Chairman

Shirley Stutz
Vice Chairman

Ed Bay
Secy.-Treasurer

John Enos
Duane Parks
Matt Carpenter

Maureen Riley
Directors

Brian Hill
General Manager/CEO
Joseph P. Boeckman
Counsel

