



2021

Annual Report



Butler Rural Electric
Cooperative, Inc.

Your Touchstone Energy® Partner 

BUTLER RURAL ELECTRIC COOPERATIVE

Our member-owned, not-for-profit electric cooperative provides electricity to over 11,800 homes and businesses in Butler, Hamilton, Preble, and Montgomery counties. Our service territory is divided into nine districts, which are below.

DISTRICT 1

Israel and Oxford townships

DISTRICT 2

Milford Township

DISTRICT 3

Somers Township

DISTRICT 4

German and Gratis townships

DISTRICT 5

Madison and Wayne townships

DISTRICT 6

Reily Township

DISTRICT 7

Hanover and St. Clair townships

DISTRICT 8

Harrison and Morgan townships

DISTRICT 9

Colerain, Crosby, Fairfield, and Ross townships



11,548
MEMBERS

1,102
MILES OF ELECTRIC LINE

47
EMPLOYEES

Our mission

To be a dynamic, progressive organization guided by cooperative principles and to provide energy and other value-added services to members. The cooperative will participate in its community, providing leadership and support to improve the quality of life for all of its citizens.

A MESSAGE FROM THE GENERAL MANAGER

The cooperative provided safe, reliable, and affordable power for members in 2021. We also provided jobs, sponsored community events, and paid over \$3 million in taxes, which directly benefits schools and services in your community.

In 2021, we surveyed members on their satisfaction. Butler Rural Electric Cooperative received an American Customer Satisfaction Index score, or ACSI score, of 90 out of a maximum of 100, which is the highest score we have ever received. This was one of the highest scores in the nation among utilities measured by the ACSI and is 18 points higher than average investor-owned utility scores and 19 points higher than average municipal utility scores.

Your high expectations, combined with feedback and suggestions from all members, help us provide exceptional service. We welcome your thoughts and opinions about the cooperative – sharing them helps us serve you better.

Thanks to Phase 1 of our partnership with Cincinnati Bell, 2,100 more members have access to high speed fiber internet. These members did not have access to fast, reliable internet before the partnership.

In September, Butler Rural Electric Cooperative and Cincinnati Bell met with Butler County Commissioners to ask them to consider using \$3.9 million of the county's American Rescue Plan Act funds to bring fiber to 2,700 homes in Butler County. 1,800 of these homes are served by Butler Rural Electric Cooperative. If funded, the request would launch Phase 2 of the fiber project between Cincinnati Bell and the co-op. While Butler Rural Electric Cooperative will not fund Phase 2, the

cooperative supports the project and is committed to finding a solution for members who still do not have access to fiber internet.

We hosted a Go Electric!

Expo in October, where visitors test drove electric vehicles like the new Volkswagen ID.4, experienced electric lawn mowers from Mean Green Mowers, learned about geothermal systems, and enjoyed food from Cheese N Chong food truck. Electricity is becoming cleaner every day and can save you money on your energy costs over time. We look forward to helping members advance the electrification and efficiency of their homes to lower costs, help the environment, and improve the quality of life in our community.

Unlike investor-owned utilities that maximize profits to pay shareholders, your not-for-profit cooperative provides electricity at cost. You receive capital credits because you're an owner of Butler Rural Electric Cooperative. Capital credits represent this ownership and are one of the most unique and rewarding benefits of being a co-op member. We gave over \$2.1 million in capital credits to current and past members this year. Thank you for your investment in Butler Rural Electric Cooperative. Your support allows the co-op to continue to provide safe, reliable, and affordable electric service.

We understand the cooperative would not exist without your support. We look forward to serving you in 2022. Thank you for your membership and continued trust in Butler Rural Electric Cooperative.



Tom Wolfenbarger
GENERAL MANAGER

NO RATE INCREASE IN 2021!

The board of trustees was happy to announce there was no rate increase in 2021. We are committed to providing reliable electricity at a reasonable cost while ensuring a well-maintained and financially stable organization exists to serve your needs in the future. Butler Rural Electric Cooperative hasn't had a residential distribution rate increase since 2017. While we have little control over rising transmission costs, we work hard to hold down the distribution portion of your electric bill.

The co-op invested over \$3.2 million in our electric system last year to increase electric reliability and maintain existing facilities. One of the biggest projects included a new \$410,000 transformer for our Tolbert Substation, which serves members in Wayne and Milford townships. The substation's transformer was replaced after it failed in May 2020.

Power to co-op members was not affected while the new transformer was built, which took over a year. Because of investments in technology like supervisory control and data acquisition, or SCADA, employees changed the substation

members received power from so they did not have long disruptions in power during this time.

Investing in the cooperative's infrastructure also saved the expense of renting a transformer while the substation was offline. The cost of renting this type of equipment for long periods of time would have been astronomical, so previous investments resulted in considerable savings.

Thanks to long-term planning, the co-op is a leader in technology. Overloaded substations have a higher probability of reliability issues. Because Butler Rural Electric Cooperative owns 16 substations, you receive reliable power even when the demand for electricity increases.

Rate stability is a perk of co-op membership and one thing customers of investor-owned utilities don't see. We're working to replace aging facilities, increase efficiency, and improve our service reliability — all without increasing rates. That's the not-for-profit cooperative difference.



THE COOPERATIVE DIFFERENCE

We're led by our members. Our leaders and employees live in the community and many are co-op members.

We belong to the community we serve.

Even though we're locally-owned and operated, we work with other electric co-ops to develop new technologies, invest in equipment and infrastructure, and assist with major outages. This allows us to address complex challenges while remaining true to our local roots.

We were built by the community, belong to the community, and continue to be led by the community — that's the cooperative difference.



EXCELLENT SATISFACTION

Our member satisfaction score is 90 out of 100. That means satisfaction with the co-op is higher than well-known businesses like Apple and Coca-Cola.

RELIABLE ELECTRIC SERVICE

In 2021, the average outage time per member was 108 minutes. That's significantly lower than outage times experienced by customers of investor-owned utilities and municipals.



AVERAGE OUTAGE TIME
PER MEMBER:

108 MINUTES*

*excludes major outages

WE LOVE OUR COMMUNITY



YOUTH PROGRAMS

We invest \$18,500 in education each year through college scholarships for members' children. Butler Rural Electric Cooperative also awards \$3,000 in scholarships to students in Miami University's Institute for the Environment and Sustainability. In 2021, this amount was split between three students who each received \$1,000 scholarships.

OUR MEMBERS DO, TOO!

Members and employees donate to local non-profit organizations through Butler Rural Community Connection to benefit fire departments, emergency management services, and schools in the counties we serve. Members have donated over \$1.2 million to these organizations to improve our community.



We offer free live electric line safety demonstrations to schools and first responders so they can stay safe around electric hazards.



The co-op sponsors a Preble County Fair exhibitor picnic, participates in 4-H livestock sales at the Preble and Butler county fairs, and sponsors various awards at both fairs.



Employees taught local 8th grade students about lineworker careers during Experience Careers Day at the Preble County Fairgrounds in September.

WHO *powers* YOU OHIO



Butler Rural Electric Cooperative member Joe Conrad from Morgan Township in Butler County was one of six winners of the 2021 Who Powers You Ohio contest, which recognized people making a difference in their communities.

Joe began his own business, Mean Green Mowers, 10 years ago. The company manufactures electric lawn mowers in Ross and distributes them around the world. Joe created a company that is a leader in the electric lawn mower industry. His company offers mowers that produce zero emissions, highlighting his commitment to implementing new technologies for a cleaner, safer, and more sustainable future.

Joe donated his \$1,000 award toward the 2022 Dr. Gene Willeke Institute for the Environment and Sustainability Scholarship, which is awarded to Miami University graduate students each year.



Preble Shawnee Elementary School received books from Dolly Parton's Imagination Library® thanks to Butler Rural Electric Cooperative and Touchstone Energy® Cooperatives.



Three local food pantries received food from our Holiday Harvest Food Drive to give to those in need during the holidays.



We couldn't celebrate the holidays with the residents and staff at Woodland Country Manor in-person in 2021, so co-op employees delivered gifts to help spread Christmas cheer.

Welcoming ELECTED OFFICIALS

Employees and board members welcomed many elected officials this year. Congressman Warren Davidson (R-Ohio) visited in August followed by a visit from state representatives Cindy Abrams (R-Harrison) and Thomas Hall (R-Middletown) and senators George Lang (R-West Chester Township) and Bill Blessing (R-Colerain Township) in September.

During the visit, elected officials learned about the co-op and shared updates from Congress and the statehouse. These visits help elected officials understand what Butler Rural Electric Cooperative does for members and the community so they can support legislation to allow electric co-ops to continue to provide members with reliable and affordable electricity.



85th Anniversary



Butler Rural Electric Cooperative celebrated its 85th anniversary in 2021 and shared family heirloom recipes, favorite local businesses, and \$85 bill credits with members throughout the year.

Members' favorite family recipes were shared in *Ohio Cooperative Living* magazine and on Butler Rural Electric Cooperative's social media pages April through December. Find recipes like potato chip cookies and calico bean casserole at butlerrural.coop > About Us > Communications > Ohio Cooperative Living.

Co-op members nominated their favorite local businesses for the first Best In Our Region Contest. Here are their favorites:

- ATTRACTION** Hueston Wood State Park, College Corner
- EVENT OR FESTIVAL** The Preble County Pork Festival, Eaton
- BOUTIQUE** The Apple Tree, Oxford
- BAKERY** Ross Bakery, Hamilton and Ross
- COFFEE SHOP** True West, Hamilton
- BREWERY** Municipal Brew Works, Hamilton
- RESTAURANT** Phan Shin, Oxford
- ICE CREAM** Flubs, Hamilton, Ross, and Fairfield
- PIZZA** Reily Pizza, Reily
- FOOD TRUCK** Cheese N Chong, Hamilton
- WINERY** Hanover Winery, Hamilton



Your BOARD OF TRUSTEES

We're led by our members. Members serve on our board of trustees and choose who's on the board by voting for candidates each spring.

Board members meet each month with our attorney, general manager, and management staff and work together to make important decisions like setting policies and rates. They represent all members, not only the members in the township or district they live in.

Board members want to hear from you. Feel free to give them feedback or ask them questions about the cooperative.

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Celebrating 2021 BOARD MEMBER SERVICE AWARDS

Tom Humbach, Attorney 40 years | **Butch Foster** 5 years



Thomas McQuiston, President
DISTRICT 3



Robert Hoelle, Vice President
DISTRICT 5



David Evans, Secretary + Treasurer
DISTRICT 1



James Meador
DISTRICT 2



Jay Hasbrook
DISTRICT 4



Ronald Kolb
DISTRICT 6



Michael Tilton
DISTRICT 7



Robert Spaeth
DISTRICT 8



William "Butch" Foster Jr.
DISTRICT 9

Welcoming NEW EMPLOYEES

Butler Rural Electric Cooperative welcomed three new employees in 2021.

Andy Denny, our member services representative, assists members, accepts payments, and processes service requests. Andy grew up in Ross and her family has lived in the cooperative's service territory for over 23 years. Andy loves to travel and studied abroad in Japan, Italy, France, and Australia.

The cooperative welcomed Rick Zhang as our electric planning engineer. In this role, Rick will maintain the cooperative's electric system to ensure members receive reliable electric service and will develop our construction work plan, evaluate requests for new services, and monitor our system for reliability and future growth. He and his wife, Sally, have three children and three dogs. In his free time, Rick enjoys spending time with his family and bass fishing.

Joshua Smock became the co-op's GIS and engineering technician in July. Joshua will use mapping data to ensure meter readings are retrieved consistently and for pole inventory and inspections. Joshua enjoys playing video games, programming, reading, and hiking with friends.



Andy Denny
MEMBER SERVICES REPRESENTATIVE



Rick Zhang
ELECTRICAL PLANNING ENGINEER



Joshua Smock
GIS AND ENGINEERING TECHNICIAN

THOMAS HUMBACH RETIRES

Thomas Humbach announced his retirement during the cooperative's 2021 annual meeting in April. He became our attorney in 1983 and advised the cooperative on obtaining easements, purchasing property, zoning, employment, and state and federal regulations. Tom is only the second attorney in our 85-year history. To celebrate Tom for years to come, the cooperative will award the \$2,500 Thomas Humbach Scholarship during our Children of Members Scholarship competition each year.

Lee Geiger, a partner at Cincinnati's Graydon Law Firm, is our new attorney. Lee focuses on labor and employment, education, and health law. He oversees Graydon's Butler and Warren county offices. Lee lives in Liberty Township with his wife, Karen, and their three kids. He enjoys spending time with family and friends and cheering for the Cincinnati Reds. We look forward to working with Lee and welcome him to the cooperative.

As independent contractors for the board of trustees, our attorneys are not employees of the co-op.



Tom Humbach
ATTORNEY



Lee Geiger
ATTORNEY

Celebrating 2021 EMPLOYEE SERVICE AWARDS

35 YEARS
Greg Phillips

25 YEARS
Laura Fryer

20 YEARS
Stephanie Lancaster
Rodney Taylor

15 YEARS
Julie Abbott
Denis Armstead

10 YEARS
Mick Johnson
Curt Loewenstine

5 YEARS
Tricia Blevins
Emily Bourne
Seth Fricke

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Butler Rural Electric Cooperative, Inc.
Oxford, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Butler Rural Electric Cooperative, Inc., which comprise the balance sheets as of September 30, 2021 and 2020, and the related statements of revenue and expenses, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order

to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Butler Rural Electric Cooperative, Inc. as of September 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have issued our report dated November 17, 2021, on our consideration of Butler Rural Electric Cooperative, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Butler Rural Electric Cooperative, Inc.'s internal control over financial reporting and compliance.

BHM CPA Group, Inc.

Circleville, Ohio
November 17, 2021

BALANCE SHEET

September 30, 2021 and 2020

ASSETS

	2021	2020
Utility Plant		
Electric plant in service	\$92,148,040	\$89,635,088
Construction work in progress	<u>765,362</u>	<u>361,847</u>
	92,913,402	89,996,935
Less: Accumulated provision for depreciation and amortization	<u>(24,680,339)</u>	<u>(22,916,822)</u>
NET UTILITY PLANT	<u>68,233,063</u>	<u>67,080,113</u>
Investments and Other Assets		
Investments in associated organizations	15,190,420	15,152,815
Investments in non utility property, net of accumulated depreciation of \$1,027,760 (\$944,973 for 2020)	360,672	366,969
Mortgage and notes receivable	342,708	512,109
Deferred charges	<u>2,273,793</u>	<u>1,282,587</u>
TOTAL INVESTMENTS AND OTHER ASSETS	<u>18,167,593</u>	<u>17,314,480</u>
Current Assets		
Cash and cash equivalents	2,407,860	3,322,286
Accounts receivable, net of allowance for doubtful accounts of \$63,088 (\$67,556 in 2020)	2,751,424	2,610,431
Accounts receivable – other	151,764	99,739
Interest receivable	10,037	10,099
Materials and supplies	599,504	532,659
Other current and accrued assets	<u>527,522</u>	<u>1,794,008</u>
TOTAL CURRENT ASSETS	<u>6,448,111</u>	<u>8,369,222</u>
TOTAL ASSETS	<u>\$92,848,767</u>	<u>\$92,763,815</u>

BALANCE SHEET

September 30, 2021 and 2020

LIABILITIES AND EQUITIES

	2021	2020
Equities		
Patronage capital	\$42,488,468	\$41,813,683
Memberships	119,970	118,770
Other equities	<u>116,020</u>	<u>116,020</u>
TOTAL EQUITIES	<u>42,724,458</u>	<u>42,048,473</u>
Long-Term Liabilities		
Mortgage notes payable – CFC	983,832	1,164,601
Mortgage notes payable – FFB	30,164,446	30,021,002
Mortgage notes payable – CoBank	12,355,274	13,014,363
Accrued postretirement benefits	<u>349,333</u>	<u>395,783</u>
TOTAL LONG-TERM LIABILITIES	<u>43,852,885</u>	<u>44,595,749</u>
Current Liabilities		
Current maturities of long-term debt	1,820,098	1,584,080
Accounts payable – purchased power	1,438,787	1,309,922
Accounts payable – other	343,750	507,053
Provision for pensions and benefits	51,000	56,100
Consumer deposits	123,727	267,448
Accrued taxes	1,146,159	1,110,511
Other current liabilities	<u>1,347,903</u>	<u>1,284,479</u>
TOTAL CURRENT LIABILITIES	<u>6,271,424</u>	<u>6,119,593</u>
TOTAL LIABILITIES AND EQUITIES	<u>\$92,848,767</u>	<u>\$92,763,815</u>

STATEMENT OF REVENUE AND EXPENSES

September 30, 2021 and 2020

	2021	2020
OPERATING REVENUES	<u>\$35,163,466</u>	<u>\$33,512,808</u>
Operating Expenses		
Cost of power	17,822,399	16,375,488
Transmission expense	25,579	24,415
Distribution expense – operations	2,478,645	2,560,273
Distribution expense – maintenance	2,104,124	2,808,147
Consumer accounts	719,250	724,068
Consumer service and information expense	698,201	797,860
Administrative and general	3,125,395	3,176,046
Maintenance of general plant	378,630	436,646
Depreciation of utility plant	2,829,074	2,750,685
Taxes	<u>961,938</u>	<u>953,440</u>
TOTAL OPERATING EXPENSES	<u>31,143,235</u>	<u>30,607,068</u>
OPERATING MARGINS BEFORE FIXED CHARGES	4,020,231	2,905,740
Interest on long-term debt	<u>1,529,852</u>	<u>1,564,816</u>
OPERATING MARGINS AFTER FIXED CHARGES	2,490,379	1,340,924
Capital credits	<u>1,045,528</u>	<u>945,581</u>
OPERATING MARGINS	3,535,907	2,286,505
Non-Operating Margins (Expense)		
Interest income	37,780	97,452
Other income (expense)	<u>76,308</u>	<u>42,774</u>
TOTAL NON-OPERATING MARGINS	<u>114,088</u>	<u>140,226</u>
NET MARGINS FOR PERIOD	<u>\$3,649,995</u>	<u>\$2,426,731</u>

STATEMENT OF CHANGES IN MEMBERS' EQUITY

For the Years Ended September 30, 2021 and 2020

	PATRONAGE CAPITAL			<u>Memberships</u>	<u>Other Equities</u>
	<u>Assignable</u>	<u>Assigned</u>	<u>Total</u>		
Balance, October 1, 2019	\$1,847,401	\$40,353,135	\$42,200,536	\$117,880	\$116,020
Net margins for year	2,426,731	—	2,426,731	—	—
Assignment of prior year's patronage capital	(2,759,292)	2,759,292	—	—	—
Change in membership	—	—	—	890	—
Capital credits reassigned	117,341	—	117,341	—	—
Retirement of patronage capital	—	(2,930,925)	(2,930,925)	—	—
Balance, September 30, 2020	1,632,181	40,181,502	41,813,683	118,770	116,020
Net margins for year	3,649,995	—	3,649,995	—	—
Assignment of prior year's patronage capital	(2,895,123)	2,895,123	—	—	—
Change in membership	—	—	—	1,200	—
Capital credits reassigned	99,810	—	99,810	—	—
Retirement of patronage capital	—	(3,075,020)	(3,075,020)	—	—
Balance, September 30, 2021	<u>\$2,486,863</u>	<u>\$40,001,605</u>	<u>\$42,488,468</u>	<u>\$119,970</u>	<u>\$116,020</u>

STATEMENT OF CASH FLOWS

For the Years Ended September 30, 2021 and 2020

CASH FLOW FROM OPERATING ACTIVITIES

	2021	2020
Net margins	\$3,649,995	\$2,426,731
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation and amortization	3,288,341	3,177,258
Noncash capital credits	(1,045,528)	(945,581)
Gain on disposition of property	2,171	(19,545)
Changes in assets and liabilities:		
Accounts, notes and other receivables (net)	(23,555)	175,993
Materials and supplies	(66,845)	28,540
Other assets	1,266,486	(252,895)
Deferred charges	(1,085,675)	(1,078,721)
Accounts payable	(34,438)	(177,526)
Accrued taxes and other liabilities	99,072	(204,394)
Consumer deposits	(143,721)	(21,498)
Accrued postretirement benefits	<u>(51,550)</u>	<u>(19,692)</u>
Net cash provided by operating activities	<u>5,854,753</u>	<u>3,088,670</u>

CASH FLOW FROM INVESTING ACTIVITIES

	2021	2020
Extension and replacement of plant, net of salvage and removal costs	(4,328,333)	(4,470,077)
Proceeds from disposition of property	55,830	86,121
Investments in other cooperatives	(70,193)	(84,380)
Investment in nonutility property	—	(226,421)
Proceeds from redemption of capital credits	<u>1,007,923</u>	<u>944,195</u>
Net cash used by investing activities	<u>(3,334,773)</u>	<u>(3,750,562)</u>

STATEMENT OF CASH FLOWS

For the Years Ended September 30, 2021 and 2020

CASH FLOW FROM FINANCING ACTIVITIES

	2021	2020
Proceeds from long-term debt	1,345,212	3,982,000
Payments on long-term debt	(1,805,608)	(1,625,548)
Proceeds and reclassifications of patronage capital and memberships (net)	101,010	118,231
Patronage capital credits retired	<u>(3,075,020)</u>	<u>(2,930,925)</u>
Net cash provided by financing activities	<u>(3,434,406)</u>	<u>(456,242)</u>
Net decrease in cash and cash equivalents	(914,426)	(1,118,134)
Cash and cash equivalents at beginning of year	<u>3,322,286</u>	<u>4,440,420</u>
Cash and cash equivalents at end of year	<u>\$2,407,860</u>	<u>\$3,322,286</u>



Butler Rural Electric
Cooperative, Inc.

Your Touchstone Energy® Partner 