



**Claverack Rural
Electric Cooperative, Inc.**

"Powered by Excellence"



2019
ANNUAL
REPORT

About Claverack

Claverack Rural Electric Cooperative delivers electricity to 15,809 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.

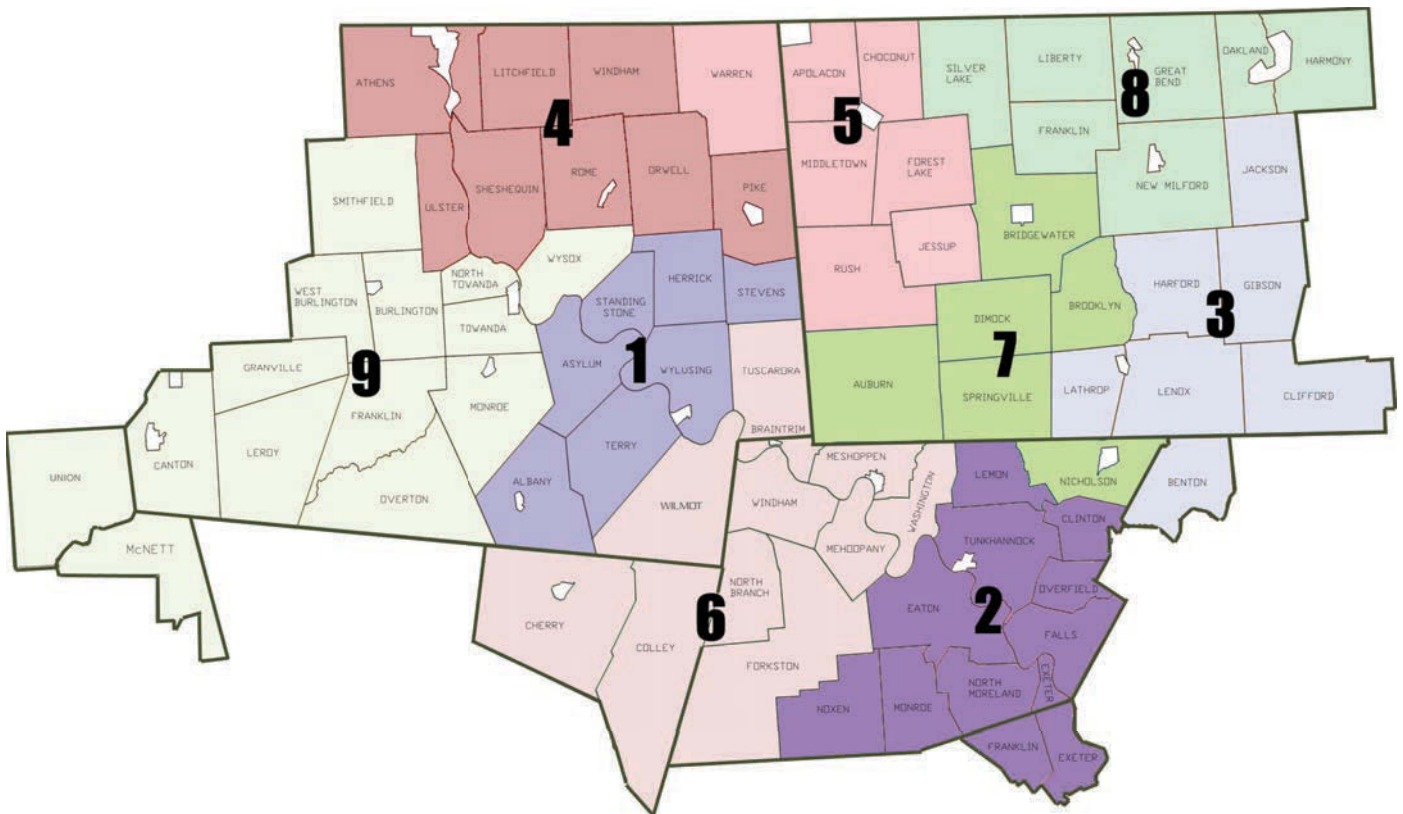
The co-op averages less than six members per mile of line and experiences a slow growth rate of less than 1% a year. Claverack provides service to 18,786 active accounts and maintains 2,819 miles of energized electric lines.

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.

Executive Report

2019 brought with it several noteworthy changes at Claverack. We welcomed three new faces in the cooperative boardroom, gave our district offices a new look and connected a very large new load to our electric system.

Even as we adapt to changes that will eventually become the new normal, we always remain committed to those areas that are fundamental to our success — safety, stability and financial stewardship.

Over the course of the year, we added three new members to our board of directors.

In February, Robert Fearnley of Montrose joined the board after winning a special election to fill a vacancy from Zone 5. In July, the board welcomed Tony Ventello of Towanda, whose election to the Zone 9 seat was finalized at the Annual Meeting. Tony replaced longtime board member Steve Sliwinski, who opted not to run for re-election. In October, Tim Tewksbury of Meshoppen was officially appointed to the board to fill the vacancy in Zone 6 created by the untimely death of longtime board member James Luce.

We are pleased to welcome these gentlemen, and the fresh perspectives they bring, to the board.

We also welcomed a fresh new look to our Montrose and Tunkhannock district offices in 2019. Members driving past those facilities may have noticed we've been working to spruce up the appearance of those properties in recent years. Exterior painting, landscaping, drainage work and parking lot maintenance have been completed at both district sites, and we are now turning our attention to the interiors of those buildings. We have made property maintenance a priority in recent years, and our staff does a wonderful job at all of our locations.

In November 2019, we interconnected the largest load in the history of the Claverack system. We worked in collaboration with Penelec and our statewide generation supplier, Allegheny Electric Cooperative, to interconnect the Williams MacNew natural gas compression station in Brooklyn Township, Susquehanna County.

The station, which compresses natural gas using four 4,000-horsepower electric motors, is expected to carry an electric load in excess of 15 megawatts (MW). To put that in perspective, the largest load on the co-op system prior to this interconnection was another Williams compression station with a load of less than 1 MW. In an era of flat electricity sales, the addition of this new load comes as welcome news



Charles Bullock
Board Chairman

Charles R. Bullock



Bobbi Kilmer
President & CEO

Bobbi Kilmer

for the cooperative and its members.

The cooperative's 2019 strategic goals primarily focused on safety, reliability and stewardship. We are pleased to report we fulfilled our objectives in all areas.

In 2019, we completed the Rural Electric Safety Achievement Program sponsored by our national association, NRECA. Through a commitment to training, compliance and sound jobsite practices, we have been successful in our efforts to continue building a culture of safety here at Claverack. We're proud of the commitment our board and employees have made to working safely.

Reliability remains the main focus of many of our activities. We have significantly ramped up our right-of-way maintenance program in recent years to combat problems created by the ash tree die-off taking place across our territory. While we continue to face challenges with dead ash trees along our rights of way, the addition of a utility forester in 2018 and an increased budget for right-of-way clearing has been key to helping us stay on top of the problem.

Our employees were also involved in a number of system improvement projects and maintenance activities in 2019 designed to reduce outages and blinks. Of course, our reliability is impacted by the weather, and it seems that the year brought with it more than our fair share of weather events involving wind, ice, and snow.

Finally, we finished 2019 with strong financial results. This allowed us to issue a retirement of capital credits of over \$1.4 million to current and former members of the cooperative. Our financial strength gives us the flexibility to evaluate further projects to improve both our facilities and electric system and puts us in position to handle whatever challenges come before us in the year ahead.

2019 Year in PHOTOS



GIVING BACK. Claverack Chairman Charles Bullock presents United Fire Company Vice President Lucas Schwarztrauber with a check for \$5,000 that will be used toward construction of an addition to the company's fire station in Montrose. Claverack committed \$2,500 from its Community Services Fund for the contribution and secured a \$2,500 matching grant through CoBank's Sharing Success program to double the donation. On hand for the presentation were, from left, Claverack President & CEO Bobbi Kilmer, Bullock, Schwarztrauber and United Fire Captain Mike Rosin.



ON BOARD. Claverack welcomed three directors, from left, Robert Fearnley of Montrose, Tony Ventello of Towanda and Tim Tewksbury of Meshoppen, to the board in 2019. The trio brings a diversity of ideas and experience to the cooperative's boardroom. Fearnley, representing Zone 5, is a retired dairy farmer and watershed specialist with the Susquehanna County Conservation District. Ventello, Zone 9, has served as the executive director of the Progress Authority of Bradford and Susquehanna counties for 26 years. Zone 6 director Tim Tewksbury is the senior vice president/chief information officer for PS Bank.



SERVICE MILESTONES. Claverack President & CEO Bobbi Kilmer congratulates co-op employees for reaching years-of-service milestones during the cooperative's annual Awards Breakfast held March 8 at the co-op's headquarters in Wysox. Those recognized were, from left: Nate Stoddard, 10 years; Annette Bender, 20 years; Allen Scott, 20 years; Fred Allis, 30 years; Rich Herman, 15 years; Bobbi Kilmer; Jim Altemus, 25 years; and Debbie Allyn, 30 years.



CONGRESSMAN VISITS. Congressman Fred Keller, second from right, visited the Claverack REC headquarters in Wysox in August. During the visit, the co-op's management team discussed the many issues facing the co-op's rural region, including broadband access, economic development, and workforce issues.



CO-OP CONVERSATIONS. Claverack President & CEO Bobbi Kilmer discusses the co-op's plans for 2020 during an employee meeting at company headquarters in Wysox in December.



OFF-ROAD EQUIPPED. Claverack's Tunkhannock line crew uses the co-op's new UTV track digger derrick to replace a pole in the Springville area that had been washed out by flooding. The track machine, which is shared by all three Claverack districts, was put into service in February 2019. The track machine enables crews to access off-road locations with a digger and bucket.



ARBOR DAY DUTIES. Claverack employees, from left, Joshua Baublitz, Shane Dodge and Brian Zeidner, plant a tree outside the cooperative's Tunkhannock District office April 26 to commemorate Arbor Day. They were assisted in the tree-planting work by members of the Tunkhannock line crew.



SYSTEM IMPROVEMENTS. Apprentice linemen David Gardner, left, and Kyle Urban team up to restructure the equipment on a pole as part of a line relocation project near Lawton in Bradford County.



CERTIFIED. Claverack Director of Operations Doug Nichols, left, congratulates Leonard Fowler for completing the Lineworkers Certification Program through Northwest Lineman College. Fowler, a journeyman lineman, works with the co-op's Wysox District line crew.

2019 Annual Meeting Minutes

Claverack Rural Electric Cooperative, Inc.
82nd Annual Meeting of Members
Elk Lake High School, Springville, Pa.
July 9, 2019

MEETING MINUTES

The 82nd Annual Meeting of Members of Claverack Rural Electric Cooperative, Inc., was held at the Elk Lake High School, Springville, Pa., on Tuesday, July 9, 2019. Registration began at 4 p.m. and continued until 6:15 p.m.

CHAIRMAN CHARLES BULLOCK called the meeting to order at 6:30 p.m. and welcomed the members to the 82nd Annual Meeting of Claverack Rural Electric Cooperative. Chairman Bullock reviewed the emergency exit instructions.

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

CHAIRMAN BULLOCK thanked all who were involved in planning and organizing the meeting.

Two door prizes were then drawn.

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

GUEST SPEAKER VAN WAGNER provided attendees with a lesson on bituminous and anthracite coal that was mined in our region.

CHAIRMAN BULLOCK recognized special guests including elected officials Pennsylvania State Rep. Jonathan Fritz and Pennsylvania State Rep. Tina Pickett.

CHAIRMAN BULLOCK introduced the board of directors, CEO Bobbi Kilmer, and Attorney Robert Chappell.



Lou Santamour, left, a Claverack member from West Nicholson who has been coming to the co-op annual meeting every year for 42 years, shares a laugh with Director of Member Services Brian Zeidner.

SECRETARY/TREASURER STEVEN SLIWINSKI read the Notice of Meeting and Proof of Mailing. Secretary Sliwinski announced that the 2018 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 2018 annual meeting minutes as presented; motion carried.

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

CHAIRMAN BULLOCK recognized Claverack participants



Claverack member Jeff Armstrong, left, of Milk Can Corners chats with co-op management in the display area prior to the start of the 2019 annual meeting.

in the 2019 NRECA Youth Tour: Mary Stretch, Logan Newton, Emily Moyer, Kemuel Laudermilch, Dawcin Jones and Katrina Roof. Emily Moyer reported on the Youth Tour and shared her experiences while visiting Washington, D.C.

CHAIRMAN BULLOCK presented the Chairman of the Board Report. Chairman Bullock reported that the board is made up of a diverse group of people with experience in a variety of professional and community activities. He reported that the cooperative continues to be in an excellent overall position. The board works closely with management to implement policies that reflect the best interest of the cooperative. Board members regularly participate in education and training; it is important to keep abreast of current developments in the utility industry. Over the years, new priorities such as renewable energy, cybersecurity and the local impacts of natural gas development emerge. The board remains committed to the fundamental issues, such as competitive rates, reliability, and service to the members. Due to the positive financial results in 2018, \$1.7 million in capital credits was refunded to current and former members of the cooperative. Chairman Bullock noted that since 2011, Claverack has returned over \$11 million in capital credits.

CHAIRMAN BULLOCK introduced Bobbi Kilmer, President & CEO.

CEO BOBBI KILMER presented the President & CEO's report. CEO Kilmer stated that 2018 was a strong year financially, which allowed Claverack to continue investing in our electric system. Both ongoing maintenance activities as well as rebuilding parts of the system were completed. Another 2018 achievement was an outstanding safety record: Employees worked with no lost-time accidents. CEO Kilmer then reported on several of the initiatives for 2019: working safely, maintaining strong financials, improving reliability and service to Claverack members, attracting and retaining talented employees, cybersecurity, new technologies for efficiency, and evaluating the potential role in improving the availability of broadband to the area. Claverack goes to great lengths to secure its network and members' information. Due to our commitment to keep member

Claverack's right-of-way program manager, Joshua Baublitz, left, explains his approach to vegetation management to members Bob Chiarella and Matt Fischer, right, both of Hallstead, during the co-op annual meeting at Elk Lake High School.



data safe, as well as regulations related to credit card payments, members who pay with a credit card must do so through the online SmartHub program, or, if paying by telephone, the member is transferred to a secure payment center. Claverack employees can no longer process credit card payments directly. CEO Kilmer stressed to use extreme caution when providing your personal information to anyone. CEO Kilmer then discussed another significant priority in improving reliability – Claverack's right-of-way program, which includes both cutting and spraying. CEO Kilmer then introduced Joshua Baublitz, Claverack's utility forester and the manager of the right-of-way program.

JOSHUA BAUBLITZ, Claverack's right-of-way program manager, reported on Claverack's efforts to provide reliable electric service by focusing on the vegetation management program. Mr. Baublitz reviewed Claverack's system, including miles of line, substations, circuits and meters. He reported that in less than one year, nearly 2,500 hazardous trees have been removed from Claverack circuits. Right-of-way clearing is by far one of Claverack's largest expenses. Mr. Baublitz then provided information regarding the spotted lanternfly. He reported that although it hasn't reached Claverack's territory yet, he believes it will be present within 5 to 10 years. The species is being monitored to help plan for its arrival, and he encouraged everyone to be aware and to report sightings.

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 7, 8 and 9. 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 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 7 — Charles R. Bullock, 1,141 votes, and Zone 8 — Charles R. McNamara, 1,152 votes. Attorney Chappell then reported that there were two candidates for Zone 9. Anthony J. Ventello received 606 votes, and Frank J. Bertrand received 552 votes; therefore Anthony J. Ventello was elected to a three-year term for Zone 9.

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 BULLOCK called for questions/comments, and CEO Kilmer and Mr. Baublitz responded to the members.

- A member asked if they needed to keep their original capital credits membership certificate and stated that they enjoy the *Penn Lines* magazine. CEO Kilmer replied that Claverack has the official information on file, so there is no need to keep the membership certificate.
- A member thanked Claverack for the quick responses during outages and shared appreciation for the call backs to make sure power has been restored.
- A member asked how quickly a hazard tree can be removed. Mr. Baublitz replied that it depends on each specific situation, but to please contact the office so this particular one can be assessed. CEO Kilmer reviewed the right-of-way maintenance schedule, and that there is a budget for hazardous trees.
- A member questioned how to make a payment over the phone. CEO Kilmer replied to contact the office phone number and they would be transferred to a secure payment center.
- A member asked where spotted lanternflies are currently located. Mr. Baublitz replied, stating in the Philadelphia area. He explained that they are being spread via vehicles. He advised Penn State University has a map available showing the areas they have entered.
- A member asked if we should be concerned about the hemlock woolly adelgid. Mr. Baublitz replied, stating that this insect was not as big of a concern as the spotted lanternfly.
- A member asked what the spotted lanternfly eggs look like. Mr. Baublitz replied that the eggs are "masses."
- A member thanked the employees for great customer service and for going above and beyond.
- A member asked what type of spray is used on the rights of ways. Mr. Baublitz advised an article will be in the August *Penn Lines* with an explanation of the sprays used. Mr. Baublitz stated that before spraying begins in an area, a notification is mailed, automated telephone calls are placed, and an attempt to personally notify each affected member is made.

CHAIRMAN BULLOCK awarded the final door prize drawings.

A motion was made and seconded to adjourn the meeting at 7:57 p.m.; motion carried.



Co-op members line up for their barbecued chicken dinners during the 2019 annual meeting. Staff with the Elk Lake School District and the Susquehanna County Career & Technology Center served approximately 830 dinners during the course of the evening.

BALANCE SHEETS

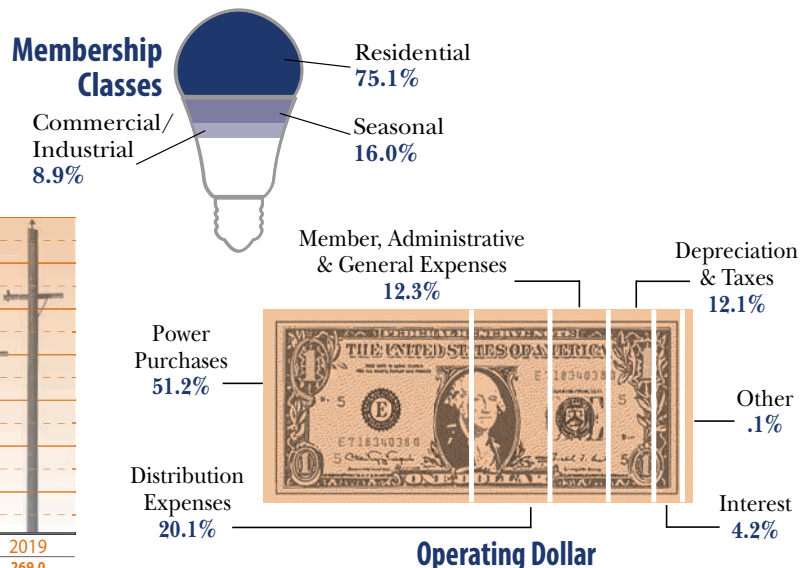
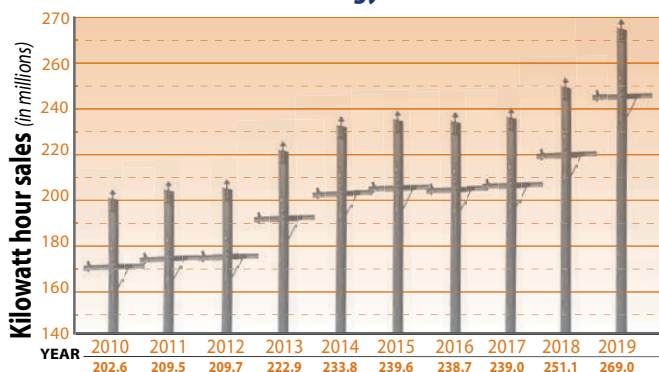
ASSETS	2019	2018
Electric Plant:		
In service - at cost	\$117,640,643	\$113,666,296
Construction work in progress	591,287	1,823,105
	<u>118,231,930</u>	<u>115,489,401</u>
Less accumulated provisions for depreciation	55,065,362	52,032,373
Total electric plant	<u>63,166,568</u>	<u>63,457,028</u>
Other assets and investments:		
Investments in and advances to associated organizations	8,757,087	8,691,349
Investments and advances to affiliate	13,535,321	12,333,084
Total other assets and investments	<u>22,292,408</u>	<u>21,024,433</u>
Current assets:		
Cash	1,111,219	2,825,141
Temporary investments	46,587	40,059
Accounts receivable (less accumulated provision for uncollectible accounts of \$111,245 and \$132,337 for 2019 and 2018, respectively)	4,992,007	3,993,650
Materials and supplies (at average cost)	773,059	749,313
Other current and accrued assets	697,820	691,378
Total current assets	<u>7,620,692</u>	<u>8,299,541</u>
Deferred charges	1,210,704	1,362,042
	<u>\$94,290,372</u>	<u>\$94,143,044</u>
EQUITIES AND LIABILITIES		
Equities:		
Memberships	\$132,390	\$136,705
Patronage capital	44,225,220	43,748,192
Other equities	9,804,850	8,189,163
Accumulated other comprehensive income	265,059	499,936
Total equities	<u>54,427,519</u>	<u>52,573,996</u>
Long-term debt:		
CFC notes, less current maturities	28,333,159	30,346,555
Capital lease obligation, less current maturity	15,132	22,667
Total long-term debt	<u>28,348,291</u>	<u>30,369,222</u>
Other non-current liabilities:		
Other postretirement benefits, less current portion	3,280,174	3,067,826
Deferred compensation, less current portion	663,336	651,700
Total other non-current liabilities	<u>3,943,510</u>	<u>3,719,526</u>
Current liabilities:		
Current maturities of CFC notes	2,008,927	2,073,085
Current maturity of capital lease obligation	7,535	7,298
Accounts payable:		
Purchased power	1,825,993	1,429,525
Other	973,615	1,295,512
Consumer deposits and energy prepayments	482,731	470,190
Other current and accrued liabilities	974,575	968,150
Total current liabilities	<u>6,273,376</u>	<u>6,243,760</u>
Total liabilities	<u>38,565,177</u>	<u>40,332,508</u>
Deferred credits	1,297,676	1,236,540
Commitments	<u>\$94,290,372</u>	<u>\$94,143,044</u>

STATEMENTS OF REVENUE and other Comprehensive Income

	2019	2018
OPERATING REVENUES	\$32,655,725	\$31,324,226
Operating expenses:		
Cost of power	15,423,205	15,057,561
Distribution - operations	915,212	911,541
Distribution - maintenance	5,452,504	5,011,588
Consumer accounts	519,826	544,843
Sales	431,013	405,967
Administrative and general	2,847,715	2,664,949
Depreciation	3,939,834	3,552,955
Taxes and other deductions	27,037	22,744
Total operating expenses	29,556,346	28,172,148
Operating margins before fixed charges	3,099,379	3,152,078
Fixed charges:		
Interest on long-term debt	1,306,319	1,227,407
Operating margins after fixed charges	1,793,060	1,924,671
G&T and other capital credits	375,432	502,408
Net operating margins	2,168,492	2,427,079
Non-operating margins		
Interest income	47,047	41,997
Other non-operating income	62,758	33,263
Equity in earnings of affiliate	1,393,737	957,191
Total non-operating margins	1,503,542	1,032,451
Net Margins	\$3,672,034	\$3,459,530
Other comprehensive income		
Unrealized losses from available-for-sale securities	5,582	(5,890)
Unfunded post-retirement benefit plans:		
Net actuarial gain (loss)	(202,491)	583,618
Reclassification of amounts recognized in net margins		
Amortization of actuarial (gain) loss	(6,768)	(44,700)
Amortization of prior service cost (credit)	(31,200)	(31,200)
Total other comprehensive income	(234,877)	501,828
Total comprehensive income	\$3,437,157	\$3,961,358

2019 STATISTICAL HIGHLIGHTS

Energy Sales



STATEMENTS OF CASH FLOWS

	2019	2018
Cash flows from operating activities:		
Net margins	\$3,672,034	\$3,459,530
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation	3,939,834	3,552,955
Amortization of RS Plan prepayment	151,338	151,338
G&T and other capital credits (noncash)	(375,432)	(502,408)
Equity in income of affiliate (noncash)	(1,393,737)	(957,191)
Change in deferred compensation and other post-retirement benefits	(10,893)	(90,424)
Change in provision for losses on accounts receivable	(21,092)	(12,663)
Change in operating assets and liabilities:		
Accounts receivable	(977,265)	879,946
Material and supplies	(23,746)	65,495
Current and accrued assets	(6,442)	195,715
Accounts payable	74,571	(26,450)
Consumer deposits and prepayments	12,541	(48,905)
Current and accrued liabilities	6,425	8,586
Deferred credits	61,136	(16,826)
Total adjustments	1,437,238	3,199,168
Net cash provided by operating activities	5,109,272	6,658,698
Cash flows from investing activities:		
Extension and replacement of plant	(3,649,373)	(6,582,283)
Change in invested funds	303,166	302,061
Net cash used in investing activities	(3,346,207)	(6,280,222)
Cash flows from financing activities:		
Proceeds from issuance of CFC notes	--	4,000,000
Reduction of long-term debt and capital lease obligation	(2,084,853)	(1,990,019)
Distribution from affiliate	191,500	109,000
Membership fees cancelled	(4,315)	(4,400)
Retirement of capital credits	(1,691,464)	(1,711,373)
Change in unclaimed capital credits	398	(504)
Gain on early retirement of capital credits	111,747	114,623
Net cash provided by (used in) financing activities	(3,476,987)	517,327
Net change in cash	(1,713,922)	895,803
Cash, at beginning of year	2,825,141	1,929,338
Cash, at end of year	\$1,111,219	\$2,825,141

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, 2019.

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
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



Charles R. Bullock
Chairman
Meshoppen, Pa.
Zone 7



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



Anthony J. Ventello
Director
Towanda, Pa.
Zone 9

2020 Annual Meeting Gathering Canceled

To protect the health and safety of our members and our employees, Claverack has made the difficult decision to cancel the gathering portion of our 83rd Annual Meeting due to the COVID-19 pandemic.

The annual meeting of the membership had been scheduled for Sept. 2 at the Wyoming County Fairgrounds, but, out of an abundance of caution, the co-op elected to cancel the gathering.

In lieu of conducting our traditional in-person annual meeting, Claverack will be holding a non-public annual meeting and election of directors Wednesday, Sept. 23, prior to the regularly scheduled board of directors meeting.

The annual business meeting will be closed to the public in order to achieve social distancing recommendations. The order of business will be limited to approval of routine annual reports, the 2019 annual meeting minutes, which are included in this annual report, and the announcement of director election results.

Three incumbent board members are running for re-election in an uncontested race this year. Members will receive director election ballots in the mail in early August, and elections will be conducted by mailed-in ballot only. Director election results will be announced through digital and print media following the Sept. 23 meeting.

We are disappointed that we will not be able to meet in person with our members this year, but the safety of our members, our employees and the community at large remains our top priority. We appreciate your understanding and patience during these challenging times and look forward to gathering again someday soon.



**Claverack Rural
Electric Cooperative, Inc.**

"Powered by Excellence"

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A Touchstone Energy® Cooperative 