



2021 ANNUAL REPORT



COTTON
ELECTRIC CO-OP

A Touchstone Energy® Cooperative 

MANAGEMENT

Jennifer Meason
Chief Executive Officer

Bryce Hooper
Chief Operating Officer

Shane Bowers
Vice President

Mike Ottinger
Vice President

ACCOUNTING STATISTICS

Cotton Electric
Accounting Staff

INDEPENDENT AUDITORS

Briscoe, Burke &
Grigsby, LLP
Tulsa, OK

LEGAL COUNSEL

J.W. Doolin
Lawton, OK

HEADQUARTERS

226 N. Broadway
Walters, OK 73572
580-875-3351

DUNCAN OFFICE

1101 W. Oak
Duncan, OK 73533
580-255-5065

A MESSAGE FROM

Board president Shan Files

CEO Jennifer Meason

Committed to our mission

2021 had its share of challenges but we're proud to report that your cooperative continued to make progress. Our founding members started this journey 83 years ago and over the past eight decades, we've seen many changes and advancements. Your cooperative utility plant is now valued at over \$114 million and provides service to 23,045 meters along 5,220 miles of line.

The Board of Trustees and employees of Cotton Electric take that responsibility very seriously. We've focused on projects to improve your service quality, reliability and expedite restoration efforts when severe weather hits our area.

In February of 2021, our area was brutally impacted by Winter Storm Uri. Several rounds of freezing drizzle were followed by back-to-back snowstorms dumping a total of 12 to 15 inches of snow throughout our service territory. The temperature extremes also occurred throughout the 14-state area served by the Southwest Power Pool (SPP), taxing the electric grid. The SPP issued Energy Emergency Alerts, asking everyone to conserve, and was forced to implement rolling blackouts. This was the first time in 80 years that the SPP was forced to issue rolling blackout orders.

A total of 4,525 Cotton Electric meters were affected by the rolling blackouts. That number would have been much higher if not for



Shan Files



Jennifer Meason

Cotton Electric members who answered the call to conserve energy. Weather-related outages would also have been greater if not for the cooperative's vegetation management and preventative maintenance programs.

Cotton Electric's vegetation management and preventative maintenance programs are key items in our strategic plan. As part of the Cooperative's maintenance program, district line crews patrol and inspect services on an ongoing basis, making repairs as needed. Annually, the cooperative also uses contractors to help inspect our system and replace worn poles in a proactive manner. This process identifies weaknesses before they become an issue and lead to an outage. In 2021, 7,844 poles were inspected and 891 were replaced. This proactive approach improves safety and increases system reliability and resiliency during severe weather events.

Our vegetation management program is a three-pronged approach of clear cutting, trimming in front of residences at least 10 feet below the neutral, and following up with an herbicide application to prevent regrowth. Throughout the year, our employees evaluate the system for tree issues and determine the most economical and effective methods of treatment. After this year's evaluation, crews

clear cut and trimmed 562 miles of line and applied herbicide applications more than 1,110 miles. Through this program, we've seen improvement in the ability of the system to weather storms with minimal damage in addition to improving power quality.

Another project assisting in improving power quality and information was the meter changeout. Employees worked diligently throughout the cooperative to complete the project by the end of 2021. The new system provides more detailed usage information that helps us assist members with billing questions and allows our crews to restore power in a more efficient manner. We appreciated everyone's cooperation as we changed 22,915 meters over a three-year period.

Providing safe, reliable and affordable power for our members is our mission, but we know our purpose goes beyond

the meter. The Cotton Electric Charitable Foundation continued to make a positive impact in our communities through \$75,761 in grants awarded in 2021, bringing total grants since 2004 to \$1,369,071.33.

After a one-year hiatus due to the pandemic, six district meetings were held for the purpose of electing trustees and all incumbents were held over for another term. Cooperative staff optimistically planned for a traditional in-person Annual Meeting format but quickly adapted due to COVID-19 concerns. A total of 409 members participated in the drive-thru registration at the Stephens County Fairgrounds and a live stream business meeting was conducted.

Your feedback is vital to the cooperative and a member survey was conducted at the end of the year. Postcards and emails were sent to randomly

selected members, inviting them to participate. We were honored to have you rate us with an ACSI (American Customer Satisfaction Index) score of 90 and a CAPS (Cooperative Attitude and Performance Score) of 93. Both favorable ratings are considerably higher than other co-ops, investor-owned utilities, and municipal utilities. There is always room for improvement and we're utilizing your feedback to develop new programs and services to meet your needs.

Although 2021 brought new challenges, we've weathered the storms that came our way. No matter what uncertainties the future brings, we're committed to continuing our mission of safely delivering reliable and affordable power, providing excellent member service, and improving the quality of life in the communities we serve.

**Our mission
is to safely
deliver reliable
and affordable
power, provide
excellent
member
service, and
improve the
quality of
life in the
communities
we serve.**



BOARD OF TRUSTEES

Cotton Electric Cooperative's Board of Trustees has a fiduciary responsibility for the governance of the cooperative and its subsidiary, serving to oversee and shape policy and keep the co-op and its subsidiary on a steadfast, focused course.

Your trustees are a dedicated, experienced group of professionals who share in an abiding loyalty for, and commitment to, the members throughout our eight-county service area. They act on behalf of you, our members, carrying out their principal responsibility to evaluate and create policies to ensure your cooperative provides safe, affordable and reliable service; all while adhering to our core value: to strengthen the communities we serve.

District 1



Shan Files
President

District 2



Ken Layn

District 3



Nichole Scott

District 4



Brian DeMarcus
Vice President

District 5



Clifford Dunham

District 6



Todd Clark

District 7



Steve Robinson
Secretary/Treasurer

District 8

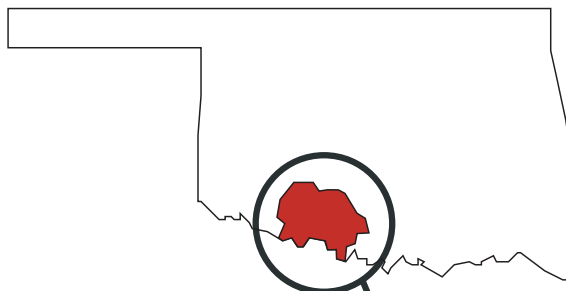


Tony High
Asst. Sec./Treas.

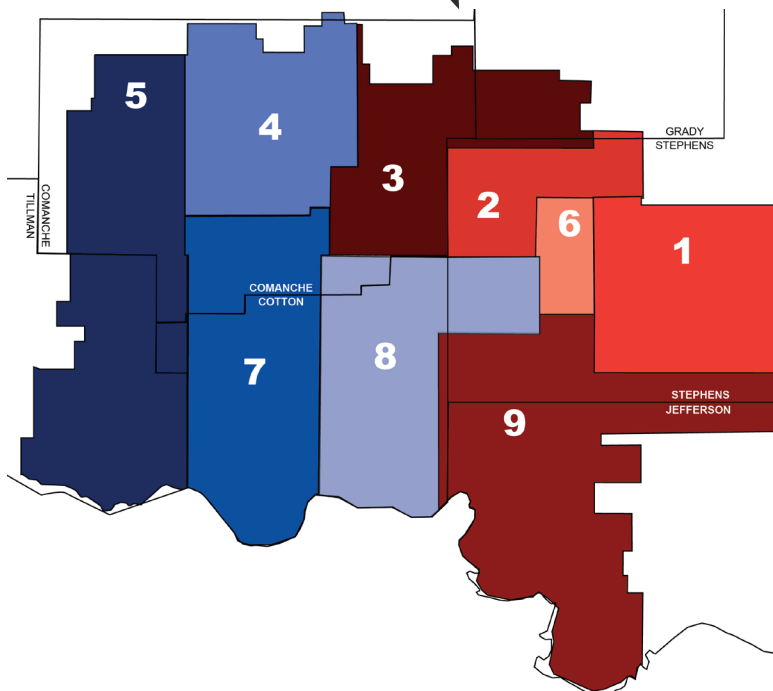
District 9



Ronnie Bohot



SERVICE AREA
3,720 square miles



Cotton Electric Cooperative provides electric service to more than 23,000 meters in eight counties of southwest Oklahoma. Cotton Electric was organized in 1938 to provide electric services to rural areas at a time when other utilities did not consider it economically feasible. Over the course of more than 80 years, the cooperative has steadily grown while continuing to meet the changing needs of its members.

The members of Cotton Electric own the cooperative's electric system and have an active voice in business matters. Combined with the many services offered, a dispatcher is always on duty to assist with any unexpected problems occurring after normal working hours.

Our headquarters is located at 226 North Broadway in Walters and a branch office at 1101 West Oak in Duncan.

"Our mission is to...

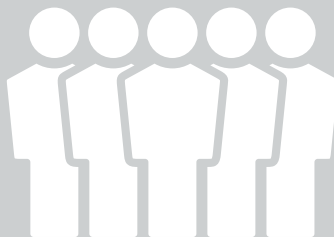
provide

excellent member service..."



188,612

Hours worked by Cotton Electric employees
87 full time - 2 part time - 1 temporary



16,128

Members at year-end

68.37%

of Cotton Electric accounts
are registered to use SmartHub



427.14

megawatts produced at
solar site in 2021

251.63

kilowatts Peak generation
on March 31

TOTAL AVERAGE COST

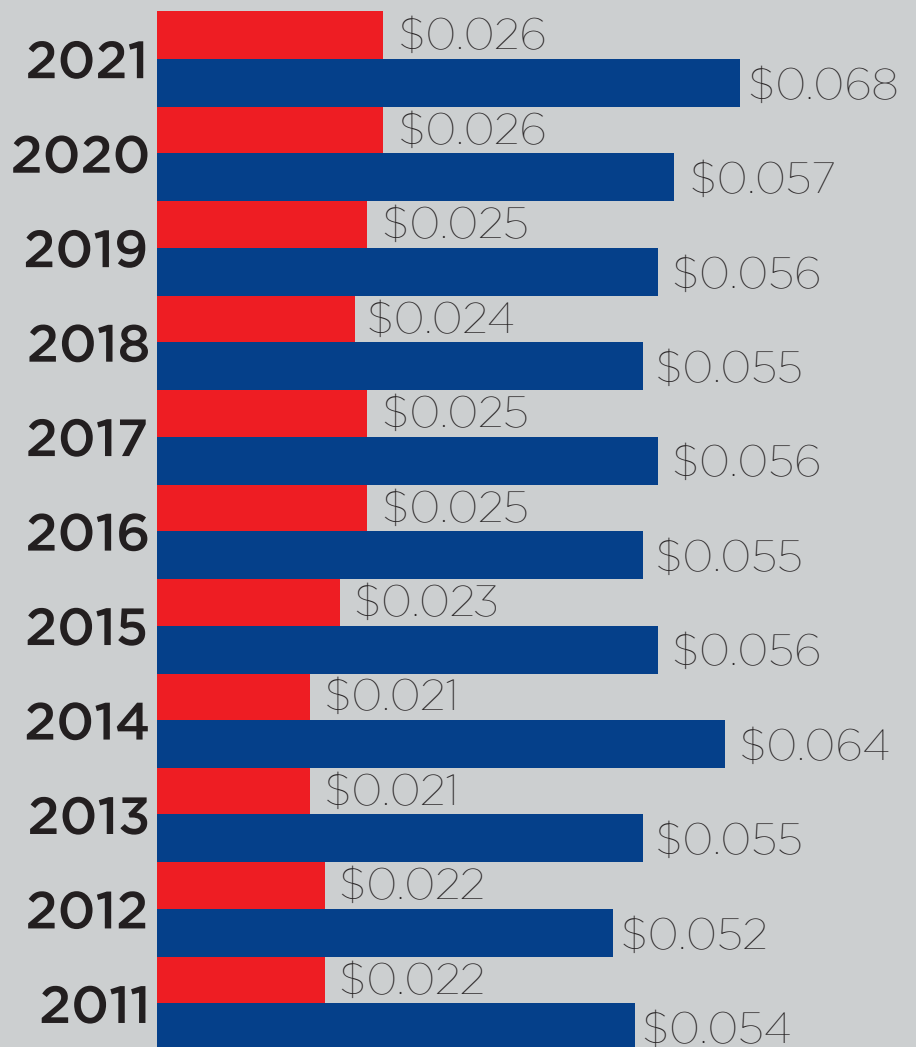
PER KWH PURCHASED



COST OF
DISTRIBUTING POWER



COST OF
GENERATING POWER



201,718 kW
PEAK DEMAND

FEBRUARY 28, 2021

740,135,165

KILOWATT-HOURS SOLD

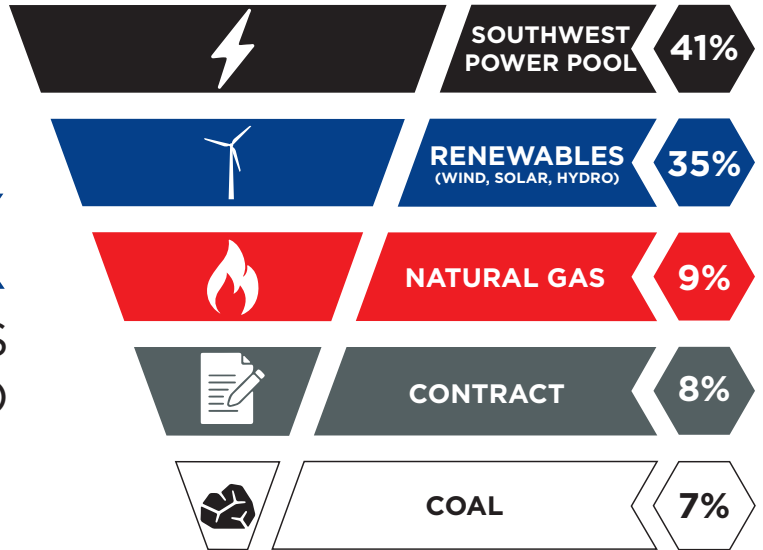
\$52,169,580

COST OF POWER

**WESTERN FARMERS
ELECTRIC COOPERATIVE**

FUELMIX

OUR POWER PROVIDER'S
GENERATION PORTFOLIO
INCLUDES A VARIETY
OF SOURCES



\$1,146

AVERAGE MONTHLY EXPENSES PER MILE

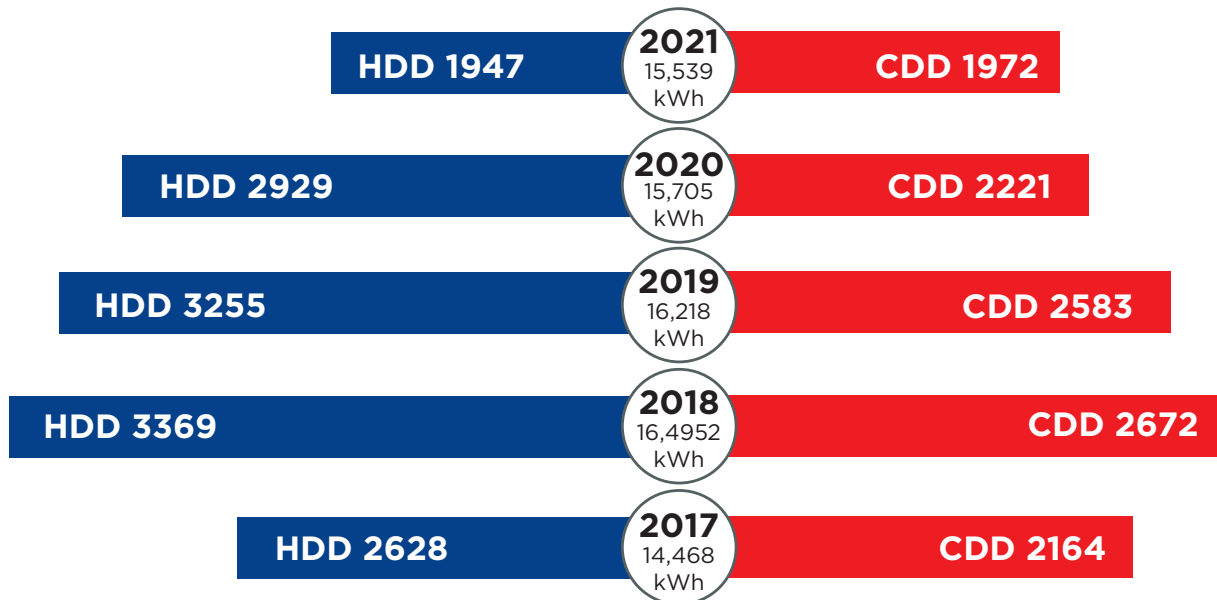
AVERAGE MONTHLY RESIDENTIAL OR FARM BILL

\$156



AVERAGE FARM/RESIDENTIAL kWh CONSUMED

Annual fluctuations can often be attributed to
Heating Degree Days and **Cooling Degree Days**



FIVE-YEAR OPERATING STATISTICS

As of December 31, 2021

	2017	2018	2019	2020	2021
Total Revenue	\$61,626,473	\$65,188,507	\$66,103,443	\$65,320,632	\$72,967,532
Cost of Purchased Power	41,290,211	43,532,744	44,134,706	43,294,753	52,169,580
Taxes	1,204,620	1,258,102	1,288,812	1,256,495	1,409,951
Operating Expense per Mile	11,602	12,116	12,252	12,086	13,762
Operating Income per Mile	11,923	12,616	12,713	12,541	13,976
Average Farm/Residential Annual Bill	1,656	1,783	1,800	1,773	1,862
Average Number of Meters Billed	22,105	22,214	22,356	22,580	22,915
Miles of Line Energized	5,169	5,167	5,200	5,209	5,221
Density per Mile	4.28	4.30	4.30	4.34	4.39
New Services Connected	268	278	345	418	478
Services Retired	141	116	136	162	149

OPERATING EXPENSES 2021



99.96%

AVERAGE SYSTEM RELIABILITY

1,283

OUTAGES

7,166

OUTAGE PHONE CALLS RECEIVED

442

OUTAGES CAUSED BY WEATHER



312



3



110



209



OUTAGES CAUSED BY ANIMALS/OTHER



23,045

METERS

5,274

METERS
UPGRADED

4.30

METERS SERVED
PER MILE OF LINE

5,220

MILES OF LINE

7,844

POLES INSPECTED

1,787

POLES INSTALLED



BALANCE SHEETS

	Consolidated 2021	As of December 31, 2021 2020
ASSETS		
Utility Plant		
Electric Plant in Service	156,924,544	152,657,329
Construction Work in Progress	(316,375)	700,584
Total Utility Plant, at cost	156,608,169	153,357,913
Less Accumulated Depreciation	(41,968,869)	(41,516,984)
Net Utility Plant	114,639,300	111,840,929
Non-utility plant		
Non-utility Plant	531,671	573,664
Less Accumulated Depreciation	(299,802)	(303,682)
Total Non-utility Plant	231,869	269,982
Other Property and Investments		
Investment in Associated Organizations	34,260,873	33,269,264
Long-term Recoverable Storm URI Costs	7,613,177	-
Total Other Investments	41,874,050	33,269,264
Current Assets		
Cash & Cash Equivalents	6,015,722	6,422,677
Accounts Receivable less doubtful accounts	1,916,375	1,426,573
Unbilled Revenue	6,299,357	5,871,244
Short-term Recoverable Storm URI Costs	1,804,304	-
Materials and Supplies	3,063,220	2,374,672
Other Current and Accrued Assets	111,219	141,182
Total Current Assets	19,210,197	16,236,348
Deferred Debits	339,443	701,048
TOTAL ASSETS	176,294,859	162,317,571
LIABILITIES AND MEMBERS' EQUITY	2021	2020
Equities and Margins		
Memberships	113,585	112,860
Patronage Capital	74,169,185	71,723,605
Accumulated other comprehensive income	(844,300)	(1,091,243)
Other Equities	13,296,860	11,491,547
Total Equities and Margins	86,735,330	82,236,769
Long-term Debt		
Long-term Debt less Current Maturities	59,670,200	59,709,735
Other Non-current Liabilities	8,529,718	8,711,324
Long-term Accounts Payable to Associated Org.	7,613,177	-
Total Long-term Liabilities	75,813,095	68,421,059
Current Liabilities		
Current Maturities of Long-term Debt	2,039,534	3,042,856
Accounts Payable to Associated Organization	1,804,304	-
Account Payable	5,079,456	5,306,357
Consumer Deposits	2,450,053	1,617,452
Other Current and Accrued Liabilities	1,761,108	1,024,299
Total Current Liabilities	13,134,455	10,990,964
Deferred Credits & Income Taxes	611,979	668,779
TOTAL LIABILITIES AND EQUITY	176,294,859	162,317,571

CONSOLIDATED STATEMENT OF REVENUE, PATRONAGE CAPITAL & COMPREHENSIVE INCOME

REVENUE	2021	2020
Operating Revenues	75,858,598	67,457,421
Operating Expenses		
Cost of Power	52,169,580	43,294,753
Distribution Expense - Operations	3,103,844	3,148,014
Distribution Expense - Maintenance	4,024,475	4,211,359
Consumer Accounts	1,483,342	1,472,105
Customer Service and Information	140,815	146,263
Sales Expense	533,917	616,113
Administrative and General	2,758,482	2,665,919
Depreciation	4,839,660	4,651,378
Taxes	1,409,951	1,256,495
Interest	2,209,208	2,260,853
Cost of Goods Sold	1,644,985	1,135,531
Other Interest and Deductions	29,560	42,145
Total Operating Expenses	74,347,819	64,900,928
Net Operating Margins	1,510,779	2,556,493
Other Income		
Interest Income	98,036	117,585
Other Income (Expense)	1,373,942	18,626
Total Other Income	1,471,978	136,211
W.F.E.C. and Other Capital Credits	1,369,374	1,339,778
Net Margins Before Income Taxes	4,352,131	4,032,482
Provision for Income Taxes	(100,672)	(51,165)
PATRONAGE CAPITAL		
Patronage Capital Beginning of Year	71,723,605	68,040,884
Transfer to Other Equities	(1,763,484)	(266,676)
Retirement of Capital Credits	(42,395)	(31,920)
Patronage Capital End of Year	74,169,185	71,723,605
COMPREHENSIVE INCOME		
Net Margins for the Year	4,251,459	3,981,317
Other Comprehensive Income		
Amortize loss (gain) on APBO	81,843	146,208
Current Gain on APBO	165,100	(326,866)
Comprehensive Income	4,498,402	4,454,391

Safety remains a top priority



Established in 1984, Cotton Electric Services, Inc. (CESI) specializes in high voltage testing, repairing and selling personal protective equipment to electric providers nationwide. It is an independent, for-profit subsidiary of Cotton Electric Cooperative.

Safety is the first priority and the primary reason the CESI test lab exists. Seven full-time and three part-time employees use state-of-the-art cleaning and dielectric testing procedures to ensure personal protective equipment is up to national standards.

CESI tests items used every day by line workers, such as gloves, blankets, sleeves, line hose, hot sticks, and other protective equipment. The staff cleans and then scrutinizes each item for visual signs of wear and tear before subjecting them to electrical testing.

The testing facility has exceeded the strictest standards established by the Association of North American Independent Laboratories for Protective Equipment Testing (NAIL for PET) and maintains its NAIL for PET accreditation for protective equipment testing by an in-house audit from an independent inspector every 3 years.

If items do not pass the tests and must be discarded, CESI serves as a supplier/distributor for replacements. An on-site warehouse holds an extensive inventory of products in an effort to provide customers with materials they need at an affordable cost.

2021 STATISTICS

67,065

Gloves tested

15,125

Sleeves tested

3,959

Line hose tested

2,920

Blankets tested

2,453

Orders filled

\$2,425,314

Product sales

35,000

Miles driven

32

New customers

11

Employees

7 full time

4 part time



CESI Statements of Financial Position

For the Years Ended Dec. 31, 2021 and 2020

BALANCE SHEET

	2021	2020
ASSETS		
Current Assets:		
Cash/Cash Equivalents	\$680,248	\$477,212
Accounts Receivable	188,083	215,155
Accounts Receivable-Parent	-	19,483
Prepayments	46,866	48,632
Inventory	1,329,423	1,157,619
Total Current Assets	2,244,619	1,918,101
Fixed Assets:		
Property and Equipment	531,671	573,664
Less: Accumulated Depreciation	(299,802)	(303,682)
Net Fixed Assets	231,869	269,982
TOTAL ASSETS	\$2,476,488	\$2,188,083

	2021	2020
LIABILITIES and MEMBERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$67,260	\$165,806
Accounts Payable-Parent	117,028	90,871
Other Accrued Liabilities	2,852	2,437
Notes Payable (PPP)	-	60,955
Income Tax Accrual	62,921	1,428
Total Current Liabilities	250,061	321,497
Long-Term Liabilities:		
Deferred Income Taxes	43,729	41,678
Total Long-Term Liabilities	43,729	41,678
Members' Equity		
Memberships	225,000	225,000
Retained Earnings	1,957,698	1,599,908
Total Members' Equity	2,182,698	1,824,809
TOTAL LIABILITIES and MEMBERS' EQUITY	\$2,476,488	\$2,188,083



INCOME STATEMENT

	2021	2020
Revenues:		
Revenues from Sales	\$2,931,716	\$2,203,843
Cost of Goods Sold	1,644,986	1,135,531
Gross Profit	1,286,730	1,068,312
Expenses:		
Operating Expenses	894,121	879,190
Other Income:		
Interest Income	4,858	5,883
Gain/Loss on Sale of Equipment	-	3,400
PPP Loan Forgiveness	60,995	-
Total Other Income	65,853	9,283
Income Before Taxes	458,462	198,405
Provision for Income Taxes	100,672	50,949
Net Income	\$357,790	\$147,456
Retained Earnings, beg of year	1,559,908	1,452,452
Retained Earnings, end of year	\$1,957,698	\$1,599,908

Cotton Electric Services Inc.
Proudly keeping line workers safe since 1984.

“Our mission is to...

improve

**the quality of life in the
communities we serve.”**

Cotton Electric members are a generous group. Most of them participate in Operation Round Up, which rounds their power bills up to the nearest dollar each month. The funds collected by Operation Round Up are administered by the Cotton Electric Charitable Foundation (CECF).

Since the program began in April 2004, CECF has issued a total of 580 grants in an effort to improve the quality of life throughout the Cotton Electric service area. The organization hit a milestone in 2017, surpassing \$1 million in grants awarded to area organizations and individuals in need. Recipients are located within the Cotton Electric service territory.

CECF awarded 27 grants totaling \$69,384.30 during the 2021-22 fiscal year. The foundation's fiscal year begins July 1 and ends June 30. To date, grants awarded have totaled more than \$1.4 million.

The grants have had broad effects on communities

throughout the service area. Nine grants were issued to eight school systems and another four grants went to organizations serving the youth in the Cotton Electric service area. Another two went to equipping fire departments and four towards public safety.

“Public safety is an important issue for our members,” said Shan Files, president of the Cotton Electric Cooperative's board of trustees and CECF board member.

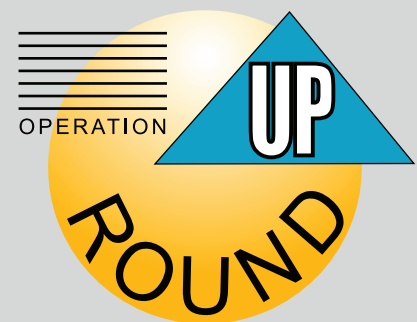
“Through Operation Round Up, more than \$84,000 has been contributed to police, sheriff and emergency services in our service area since 2004. These additional funds have helped them purchase new equipment that can provide immediate life-saving efforts”

CECF grants totaling \$34,389 were issued for the benefit of schools and youth programs in 2021-2022. Three school systems

received grants that will benefit students with STEM supplies and two area non-profits were able to purchase children's books with CECF grants. Youth programs can better serve children in need because of support from CECF.

“The goal of CECF is to improve the lives of our members and we feel these contributions have made a difference in improving the quality of life in southwest Oklahoma,” said Jennifer Meason, Cotton Electric Cooperative's CEO and CECF board member.

The foundation's board of directors meets on a quarterly basis to review applications.



CECF Board of Directors



Cindy Zelbst
President



Danny Marlett
Vice President



Carter Waid
Secretary/Treasurer



Shan Files
Board Member



Jennifer Meason
Board Member

CECF Statements of Financial Position

For the Years Ended
June 30, 2022 and 2021

BALANCE SHEET

ASSETS	2022	2021
Current Assets		
Checking/Savings	\$52,413	\$38,960
Accounts Receivable		
Contributions Receivable	5,924	6,105
Total Accounts Receivable	5,924	6,105
Total Current Assets	58,337	45,065
TOTAL ASSETS	\$58,337	\$45,065
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable	\$-	\$-
Total Current Liabilities	-	-
Total Liabilities	-	-
Equity		
Perm. Restricted Net Assets	5,000	5,000
Unrestricted Net Assets	39,149	44,080
Net Income	14,189	(4,015)
Total Equity	58,337	45,065
TOTAL LIABILITIES & EQUITY	\$58,337	\$45,065

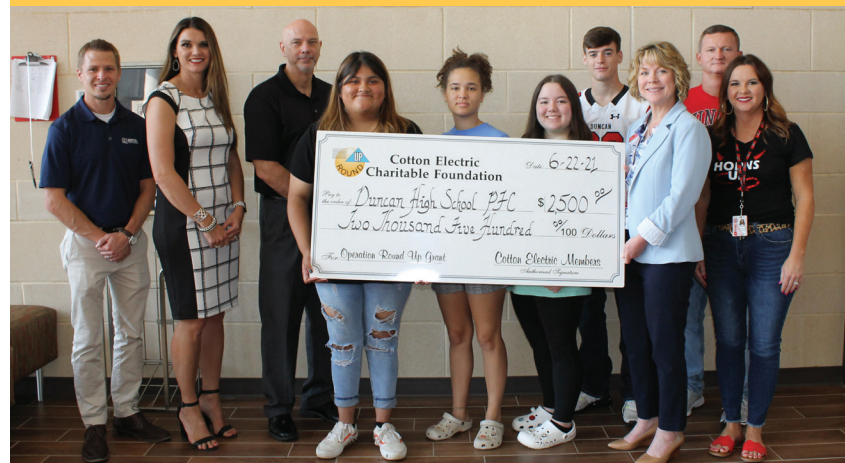
STATEMENT OF ACTIVITIES

REVENUE	2022	2021
Golf Tournament	\$26,490	\$21,503
Member Contributions	77,394	81,018
Total Revenues	\$103,884	\$102,522
EXPENSES		
Charitable Disbursements	\$69,384	\$85,946
Golf Tournament	15,035	15,365
Total Program Disbursements	\$84,419	\$101,312
Gross Profit/(Loss)	\$19,465	\$1,210
OTHER INCOME/EXPENSES		
Other Expenses	\$5,276	\$5,225
Total Other Income/Expenses	\$5,276	\$5,225
Net Income/(Loss)	\$14,189	\$(4,015)
Beginning Net Assets	-	49,080
End-of-Year Net Assets	\$14,189	\$45,065

2021-2022 CECF GRANT RECIPIENTS

Addington Baptist Church	\$5,000.00
Bray-Doyle Public Schools	\$3,000.00
Cache Ag Booster	\$2,500.00
Central High Band Program	\$3,000.00
Chattanooga Public Schools	\$4,000.00
Chattanooga, Town of	\$2,500.00
Chisholm Trail Heritage Center	\$375.00
Comanche FFA	\$5,715.00
Community Presbyterian	\$1,978.00
Cotton County Sheriff's Department	\$1,928.00
Devol VFD	\$4,000.00
Douglass Community Center	\$2,349.96
Douglass Eastside Sr. Citizens Center	\$1,791.80
Duncan Area Literacy Council	\$1,500.00
Duncan Community Residence Inc.	\$2,041.01
Duncan Police Department	\$3,497.50
Empire FFA	\$5,000.00
Empire Public Schools	\$1,200.00
Gabriel's House, Inc.	\$2,200.00
Geronimo VFD	\$3,161.04
Giddy Up 'N Go	\$1,247.99
One True Light, Inc.	\$2,200.00
Regional Food Bank of Oklahoma	\$2,500.00
Sterling Public Schools	\$2,500.00
United Way of Stephens County	\$750.00
Walters Public Schools	\$1,000.00
Waurika EMS District Association	\$3,000.00

Total distribution FY2021-22 **\$69,384.30**



Statements audited annually

The financial statements for Cotton Electric Charitable Foundation as of and for the years ended June 30, 2021 and 2020, have been audited by Briscoe, Burke & Grigsby, LLP, an independent accounting firm.

An unmodified opinion was issued for each fiscal year. Copies of the complete audited financial statements are on file at the cooperative's headquarters in Walters.

ANNUAL MEETING AND MEMBER APPRECIATION NIGHT

SEPT. 20, 2022

GREAT PLAINS COLISEUM, LAWTON

REGISTRATION BEGINS AT 5:30 P.M.

BUSINESS MEETING BEGINS AT 7 P.M.



DON'T FORGET TO BRING YOUR REGISTRATION CARD FOR ATTENDANCE AND PRIZE DRAWINGS

