

COTTON

ELECTRIC CO-OP

2022 ANNUAL REPORT



Evan Hays | Journeyman Lineman
Justin Hill | Apprentice Lineman

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.



Scott Dennis | Journeyman Lineman



MANAGEMENT

Jennifer Meason | *Chief Executive Officer*
Bryce Hooper | *Chief Operating Officer*
Mike Ottinger | *Vice President*
Shane Bowers | *Vice President*

INDEPENDENT AUDITORS

Briscoe, Burke & Grigsby, LLP | *Tulsa, OK*

LEGAL COUNSEL

Carl Buckholts | *Ellis & Buckholts*

ACCOUNTING STATISTICS

Cotton Electric Accounting Staff

OFFICES

226 N. Broadway | *Walters, OK*
580-875-3351

1101 W. Oak | *Duncan, OK*
580-255-5065



COTTON

ELECTRIC CO-OP



Jennifer Meason, CEO and Shan Files, Board president

GETTING INVOLVED WITH YOUR CO-OP

A message from Board president Shan Files and CEO Jennifer Meason

One of our favorite events is coming up on September 26, when Cotton Electric Cooperative will host our Annual Meeting and Member Appreciation Night for you, the members we proudly serve. We always look forward to this event because it's a great opportunity for the Board and employees to talk with our members and hear your thoughts.

We hope you'll join us for the annual meeting, which will take place at the Stephens County Fairgrounds in Duncan. We thank you in advance for getting involved because your participation makes a difference.

During the annual meeting, we'll share a few brief business updates including an overview of the financial statements included in this Annual Report, projects and investments at the Cooperative, and plans for the future. But we're going to have a lot of fun and fellowship too. We'll have activities for the kids, a barbecue meal catered by Adventures in Catering, gifts and prizes.

Spending time with you and hearing your take on our community's energy future is important to us. In fact, it's essential because everything we do is shaped by the members of our community. As I'm sure you know, the energy industry is in the midst of massive change. Consumer needs and changing technology impact nearly every aspect of how we manage and deliver energy to local homes, schools and businesses.

As we navigate major changes in the coming years, we need to hear from you and your neighbors as we strive to meet the long-term needs of all Cotton Electric Cooperative members.

You have a say

You may be wondering if your opinion really makes a difference, and it absolutely does. Gaining guidance and perspective from our members and board helps set priorities for the co-op and guide future decisions. Your board of trustees is comprised of nine members who live and

work right here in our local service territory. At the annual meeting, we will discuss issues impacting your electric cooperative and appreciate your feedback as we make plans for the future.

Investing in our community

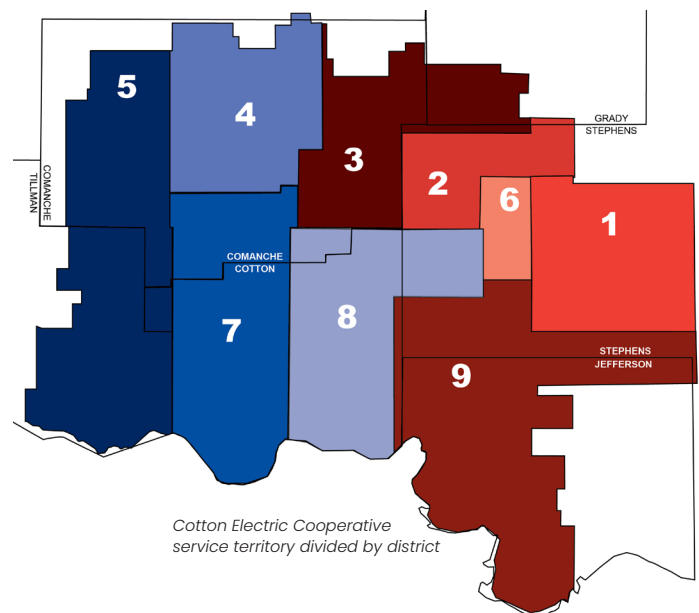
This local input means those closest to the community know its needs and priorities and help direct where co-ops dollars are spent. Every year, we invest funds to make updates to our local system, which helps maintain reliability and grid resilience. Think of it this way: every time you pay your electric bill, you're actually investing in your community. By making these investments in our local system, we can ensure you have reliable power for everyday life.

Most people likely don't equate active involvement with their electric company with helping their community. But Cotton Electric is not an ordinary utility company. We're a co-op, and our business model is meant to serve the members and the communities in which it operates.

Our core mission is to safely deliver reliable and affordable power. But as a co-op, we're also motivated by service to our community, rather than profits. We work to improve the quality of life in the communities we serve through our youth programs, Operation Round Up, and by volunteering.

We invite you to exercise the benefits of your co-op membership and join us for the annual meeting on September 26. We look forward to seeing you!

COTTON ELECTRIC SERVICE TERRITORY



Cotton Electric Cooperative provides electric service to more than 23,000 members in eight counties, covering 3,720 square miles 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 our branch office at 1101 West Oak in Duncan.



Pictured left to right (back row) Tony High, District 8; Ken Layn, District 2; Dell Farris, District 9; Brian DeMarcus, District 4; Todd Clark, District 6; (front row) Shan Files, District 1; Nichole Scott, District 3; Steve Robinson, District 7; and Clifford Dunham, District 5

COTTON ELECTRIC 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.

COST OF POWER

\$65,550,204

KILOWATT-HOURS SOLD

856,620,026

PEAK DEMAND (kW)
DECEMBER 2022

200,664

MEMBERS AT YEAR-END

16,336

HOURS WORKED BY COTTON
ELECTRIC EMPLOYEES
85 FULL TIME | 5 PART TIME | 1 TEMPORARY |
4 SUMMER HIRES | 5 MILITARY VETERANS

188,208

COTTON ELECTRIC
ACCOUNTS REGISTERED
TO USE SMARTHUB

70.8%

MEGAWATTS PRODUCED AT
SOLAR SITE IN 2022

462.814

KILOWATTS PEAK
GENERATION ON APRIL 8

252

WESTERN FARMERS ELECTRIC
COOPERATIVE

FUEL MIX

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

42%

SOUTHWEST
POWER POOL
INCLUDES A BLEND
OF RESOURCES

30%

RENEWABLES
WIND, SOLAR, HYDRO

17%

CONTRACT
INCLUDES A BLEND
OF RESOURCES

6%

COAL

5%

NATURAL GAS



Bryan Goode | Apprentice Field Meter Technician

AVERAGE
SYSTEM
RELIABILITY

99.97%

OUTAGES

1,458

OUTAGE PHONE
CALLS RECEIVED

8,141

OUTAGES CAUSED
BY WEATHER

502

OUTAGES CAUSED
BY ANIMALS/OTHER

295

METERS

23,278

METERS UPGRADED

3,846

METERS SERVED
PER MILE OF LINE

4.43

MILE OF LINE

5,251

POLES INSPECTED

6,938

POLES INSTALLED

1,511

AVERAGE MONTHLY
EXPENSE PER MILE

\$1,369

AVERAGE MONTHLY
RESIDENTIAL/FARM BILL

\$183



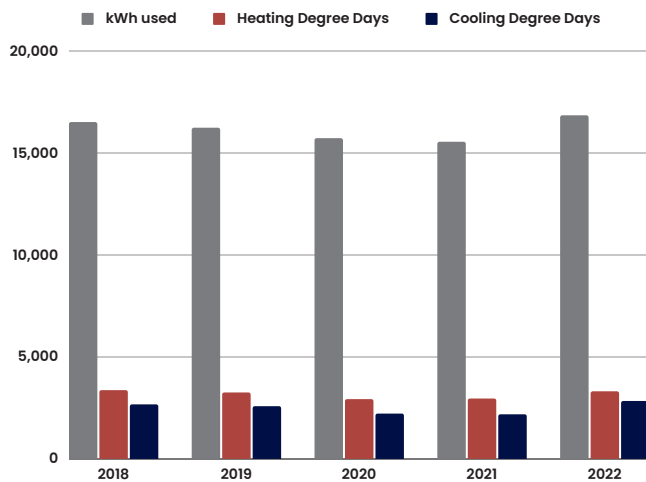
Justin King | Warehouse Manager

FIVE-YEAR OPERATING STATISTICS

Sourced from Form 7 as of December 31, 2022

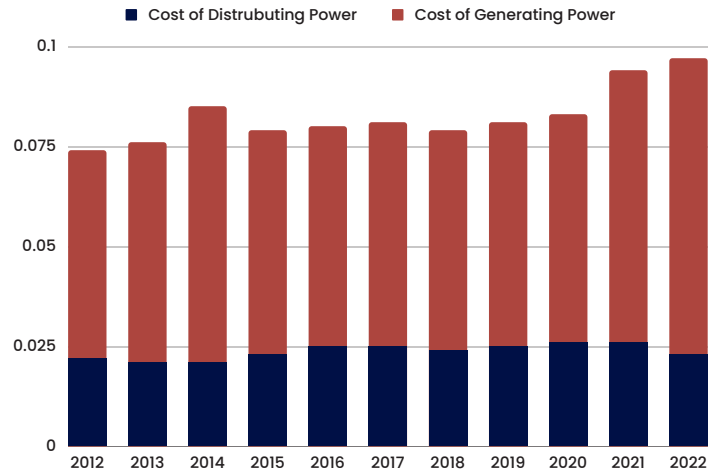
	2018	2019	2020	2021	2022
Total Revenue	\$65,188,507	\$66,103,443	\$65,320,632	\$72,967,532	\$90,236,776
Cost of Purchased Power	43,532,744	44,134,706	43,294,753	52,169,580	65,550,204
Taxes	1,258,102	1,288,812	1,256,495	1,409,951	1,747,517
Operating Expense per Mile	12,116	12,252	12,086	13,762	16,418
Operating Income per Mile	12,616	12,713	12,541	13,976	17,184
Average Farm/Residential Annual Bill	1,783	1,800	1,773	1,862	2,188
Average Number of Meters Billed	22,214	22,356	22,580	22,915	23,278
Miles of Line Energized	5,167	5,200	5,209	5,221	5,251
Density per Mile	4.30	4.30	4.34	4.39	4.43
New Services Connected	278	345	418	478	562
Services Retired	116	136	162	149	141

AVERAGE FARM/RESIDENTIAL kWh CONSUMED



TOTAL AVERAGE COST

PER KWH PURCHASED



OPERATING EXPENSES 2022



76.03%
Cost of Wholesale Power

8.68%
Operations/Maintenance

5.71%
Depreciation

2.56%
Interest

2.36%
Administrative & General

2.03%
Taxes

1.79%
Member Billing & Collection

0.84%
Member Service, Information, Sales

CONSOLIDATED BALANCE SHEET

	Consolidated 2022	As of December 31, 2022 2021
ASSETS		
Utility Plant		
Electric Plant in Service	159,544,025	156,924,544
Construction Work in Progress	1,482,229	(316,375)
Total Utility Plant, at cost	161,026,254	156,608,169
Less Accumulated Depreciation	(42,646,066)	(41,968,869)
Net Utility Plant	118,380,188	114,639,300
Non-utility plant		
Non-utility Plant	561,871	531,671
Less Accumulated Depreciation	(360,387)	(299,802)
Total Non-utility Plant	201,484	231,869
Other Property and Investments		
Investment in Associated Organizations	35,125,559	34,260,873
Long-term Recoverable Storm URI Costs	5,774,139	7,613,177
Total Other Investments	40,899,698	41,874,050
Current Assets		
Cash & Cash Equivalents	7,598,797	6,015,722
Accounts Receivable less doubtful accounts	1,420,592	1,916,375
Unbilled Revenue	7,264,984	6,299,357
Short-term Recoverable Storm URI Costs	1,843,058	1,804,304
Materials and Supplies	3,459,534	3,063,220
Other Current and Accrued Assets	277,517	111,219
Total Current Assets	21,864,482	19,210,197
Deferred Debits	-	339,443
TOTAL ASSETS	181,345,852	176,294,859
LIABILITIES AND MEMBERS' EQUITY	2022	2021
Equities and Margins		
Memberships	113,345	113,585
Patronage Capital	78,463,389	74,169,185
Accumulated other comprehensive income	884,783	(844,300)
Other Equities	14,031,571	13,296,860
Total Equities and Margins	93,493,088	86,735,330
Long-term Debt		
Long-term Debt less Current Maturities	59,590,200	59,670,200
Other Non-current Liabilities	6,743,927	8,529,718
Long-term Accounts Payable to Associated Org.	5,774,138	7,613,177
Total Long-term Liabilities	72,108,265	75,813,095
Current Liabilities		
Current Maturities of Long-term Debt	2,080,000	2,039,534
Accounts Payable to Associated Organization	1,843,058	1,804,304
Account Payable	6,632,031	5,079,456
Consumer Deposits	2,714,048	2,450,053
Other Current and Accrued Liabilities	1,379,544	1,761,108
Total Current Liabilities	14,648,681	13,134,455
Deferred Credits & Income Taxes	1,095,818	611,979
TOTAL LIABILITIES AND EQUITY	181,345,852	176,294,859



Michael Edgmon | Apprentice Lineman

CONSOLIDATED STATEMENT OF REVENUE, PATRONAGE CAPITAL AND COMPREHENSIVE INCOME

	2022	2021
REVENUE		
Operating Revenues	93,168,082	75,858,598
Operating Expenses		
Cost of Power	65,550,204	52,169,580
Distribution Expense - Operations	3,522,885	3,103,844
Distribution Expense - Maintenance	3,960,066	4,024,475
Consumer Accounts	1,539,645	1,483,342
Customer Service and Information	165,737	140,815
Sales Expense	600,164	533,917
Administrative and General	2,912,222	2,758,482
Depreciation	4,983,879	4,839,660
Taxes	1,747,517	1,409,951
Interest	2,165,001	2,209,208
Cost of Goods Sold	1,542,413	1,644,985
Other Interest and Deductions	42,738	29,560
Total Operating Expenses	88,732,471	74,347,819
Net Operating Margins	4,435,611	1,510,779
Other Income		
Interest Income	134,485	98,036
Other Income (Expense)	31,073	1,373,942
Total Other Income	165,558	1,471,978
W.F.E.C. and Other Capital Credits	1,775,922	1,369,374
Net Margins Before Income Taxes	6,377,091	4,352,131
Provision for Income Taxes	(109,922)	(100,672)
PATRONAGE CAPITAL		
Patronage Capital Beginning of Year	74,169,185	71,723,605
Transfer to Other Equities	(471,150)	(1,763,484)
Retirement of Capital Credits	(1,501,815)	(42,395)
Patronage Capital End of Year	78,463,389	74,169,185
COMPREHENSIVE INCOME		
Net Margins for the Year	6,267,169	4,251,459
Other Comprehensive Income		
Amortize loss (gain) on APBO	11,972	81,843
Current Gain on APBO	1,769,043	165,100
Comprehensive Income	8,048,184	4,498,402



COTTON ELECTRIC SERVICES INC.

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. 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.

STATEMENTS OF FINANCIAL POSITION

For the Years Ended Dec. 31, 2022 and 2021

BALANCE SHEET

	2022	2021
ASSETS		
Current Assets:		
Cash/Cash Equivalents	\$926,794	\$680,247
Accounts Receivable	197,765	188,083
Prepayments	178,138	46,866
Inventory	1,265,925	1,329,423
Total Current Assets	2,568,622	2,244,619
Fixed Assets:		
Property and Equipment	561,871	531,671
Less: Accumulated Depreciation	(360,387)	(299,802)
Net Fixed Assets	201,484	231,869
TOTAL ASSETS	\$2,770,106	\$2,476,488

	2022	2021
LIABILITIES and MEMBERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$139,323	\$67,260
Accounts Payable-Parent	80,531	117,028
Other Accrued Liabilities	1,071	2,852
Income Tax Accrual	10,045	62,921
Total Current Liabilities	230,970	250,061
Long-Term Liabilities:		
Deferred Income Taxes	44,806	43,729
Total Long-Term Liabilities	44,806	43,729
Members' Equity		
Memberships	225,000	225,000
Retained Earnings	2,269,330	1,957,698
Total Members' Equity	2,494,330	2,182,698
TOTAL LIABILITIES and MEMBERS' EQUITY	\$2,770,106	\$2,476,488



INCOME STATEMENT

	2022	2021
Revenues:		
Revenues from Sales	\$3,017,323	\$2,931,715
Cost of Goods Sold	1,628,430	1,644,985
Gross Profit	1,388,893	1,286,730
Expenses:		
Operating Expenses	974,456	894,121
Other Income:		
Interest Income	7,117	4,858
PPP Loan Forgiveness	-	60,995
Total Other Income	7,117	65,853
Income Before Taxes	421,554	458,462
Provision for Income Taxes	109,922	100,672
Net Income	\$311,632	\$357,790
Retained Earnings, beg. of year	1,957,698	1,559,908
Retained Earnings, end of year	\$2,269,330	\$1,957,698

64,644 GLOVES TESTED

13,873 SLEEVES TESTED

3,248 LINE HOSE TESTED

2,472 BLANKETS TESTED

2,302 ORDERS FILLED

38,133 MILES DRIVEN

43 NEW CUSTOMERS

\$2,530,152 PRODUCT SALES

11 EMPLOYEES
7 FULL-TIME | 4 PART-TIME

COTTON ELECTRIC CHARITABLE FOUNDATION

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

Since the program began in 2004, CECF has issued 611 grants in an effort to improve the quality of life throughout the cooperative's service area. In 2017, the foundation awarded grants totaling more than \$1 million dollars. Another milestone was accomplished this year when grants awarded totaled more than \$1.5 million. Recipients are located within the Cotton Electric Cooperative service territory.

CECF awarded 30 grants totaling \$82,587.53 during the 2022-23 fiscal year. The foundation's fiscal year begins July 1 and ends June 30. The grants have had broad effects on communities throughout the service area. Five grants were issued to five school systems and another seven grants went to organizations serving the youth in the Cotton Electric service area. Another seven went to equipping fire departments and one 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 \$88,000 have 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 \$15,002.34 were issued for the benefit of schools and youth programs in 2022-2023, and two area non-profits were able to purchase children's books. 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 CEO and CECF board member.

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

CECF BOARD OF TRUSTEES

Pictured left to right: Carter Waid, secretary/treasurer; Danny Marlett, vice president; Jennifer Meason, Cotton Electric CEO and director; Shan Files, Cotton Electric Board president and director; and Cindy Zelbst, president





2022-2023 CECF GRANT RECIPIENTS

AmVets Post 11	\$1,403.44
Beautiful Day Foundation	\$1,600.00
Break Bread Together	\$2,500.00
Chattanooga Fire and Rescue	\$3,865.00
Chisholm Trail Kiwanis Club	\$1,466.23
Chisholm Trail Kiwanis Club of Duncan	\$2,121.25
Comanche Fire Department	\$2,500.00
Duncan Area Literacy Council	\$1,500.00
Duncan Community Residence	\$5,000.00
Family Promises of Lawton, Inc.	\$750.00
Gabriel's House	\$380.97
Grandfield Senior Citizen Center	\$3,545.00
Grandfield Volunteer Fire Department	\$3,400.00
Horace Mann Elementary	\$500.00
Hulen Volunteer Fire Department	\$5,429.97
Indiahoma, City of	\$5,347.77
Indiahoma Fire Department	\$5,000.00
Indiahoma Public Schools	\$5,796.85
Jefferson County Free Fair	\$1,500.00
Marlow Elementary School	\$3,000.00
Safe Center, Inc.	\$2,160.56
Stephens County Honor Guard	\$2,500.00
Teen Court, Inc.	\$2,975.00
United Methodist Women, Duncan	\$2,500.00
Velma-Alma FFA	\$5,228.00
Velma Fire Department	\$5,000.00
Walters Volunteer Fire Department	\$2,500.00
Waurika EMS District	\$2,640.00
Wichita Mountains Prevention Network	\$1,000.00
Will Rogers Pre-K Center (Duncan)	\$477.49

Total distribution FY 2022-23 **\$82,587.53**

STATEMENTS OF FINANCIAL POSITION

For the Years Ended June 30, 2023 and 2022

BALANCE SHEET

ASSETS	2023	2022
Current Assets		
Checking/Savings	\$53,496	\$52,413
Accounts Receivable		
Contributions Receivable	5,960	5,924
Total Current Assets	59,455	58,337
TOTAL ASSETS	\$59,455	\$58,337
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable	\$-	\$-
Total Current Liabilities	-	-
Total Liabilities	-	-
Equity		
Perm. Restricted Net Assets	5,000	5,000
Unrestricted Net Assets	53,337	40,065
Net Income	1,118	13,272
Total Equity	59,455	58,337
TOTAL LIABILITIES & EQUITY	\$59,455	\$58,337

STATEMENT OF ACTIVITIES

REVENUE	2023	2022
Golf Tournament	\$29,607	\$26,490
Member Contributions	72,993	77,394
Total Revenues	\$102,600	\$103,884
EXPENSES		
Charitable Disbursements	\$82,588	\$69,384
Golf Tournament	14,109	15,3035
Total Program Disbursements	\$96,697	\$84,419
Gross Profit/(Loss)	\$5,939	\$19,465
OTHER INCOME/EXPENSES		
Other Expenses	\$4,821	\$5,276
Total Other Income/Expenses	\$4,821	\$5,276
Net Income/(Loss)	\$1,118	\$13,272
Beginning Net Assets	58,337	45,065
End-of-Year Net Assets	\$59,455	\$58,337

Statements audited annually

The financial statements for Cotton Electric Charitable Foundation as of and for the years ended June 30, 2023 and 2022, 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. 26, 2023

STEPHENS COUNTY FAIRGROUNDS,
DUNCAN, OK

REGISTRATION BEGINS AT 5:30 P.M.

BUSINESS MEETING BEGINS AT 7 P.M.



COTTON
ELECTRIC CO-OP

