



East Central Energy
RELIABLE ENERGY & FIBER INTERNET

BEYOND THE BLUEPRINTS



2023 ANNUAL REPORT

EXIST. STEEL GUARD





Message from Board Chair Joe Morley and President/CEO Justin Jahnz

UNVEILING A BLUEPRINT FOR SUCCESS

East Central Energy was hard at work in 2023, sketching out a plan for progress. With blueprints in hand, we ventured into unknown arenas, bringing forth a future-focused strategy of overall improvement, strong community relationships, and a host of groundbreaking projects.

To meet the growing needs of our members, numerous developments changed the landscape of our co-op, symbolizing not just the physical expansion of ECE's reach but also our unwavering commitment to providing reliable and safe service.

During a truly groundbreaking year, ECE demonstrated an unyielding dedication to enhancing the lives of our communities. From welcoming new members in North Branch and researching strategies to bring fiber internet to our rural landscape, each endeavor was a testament to the vision of those who came before us.

As your co-op continues to build on its successes, we look forward to a future of progress and increased connectivity. From everyone at ECE, thank you for allowing us to serve you!

*Joe Morley, Board Chair
Justin Jahnz, President/CEO*

ECE BOARD OF DIRECTORS

DISTRICT 1



GREG KVASNICKA



SHELLY NAULT

DISTRICT 2



MIKE GAINOR



LONNIE JOHNSON

DISTRICT 3



WAYNE ELLER



RICK OLSON

DISTRICT 4



JOE MORLEY



THOMAS SCHOENECKER

DISTRICT 5



LINDA LAITALA



JERRY TVEDT

DISTRICT 6



JIM JESOK



RON VOLKER

STRETCHING THE FIBER CANVAS



By not adhering to traditional ways of thinking, and armed with a team of innovative thinkers, we treated the year's projects like carefully crafted blueprints, laying the foundation for dynamic opportunities.

The year saw our cooperative make bold strides in our fiber venture, redefining what it means to be a modern electric provider. The website for ECE Fiber was officially launched at 9 a.m. February 1. In the first 48 hours, we saw over 2,000 address searches and received more than 1,000 pre-registrations! Our members were incredibly excited, spreading the news to neighbors, friends, and family.



- The first shipments of materials started arriving mid-February and were followed in early March by the fiber cables and other construction materials.
- By the end of April, most of the materials needed for year one construction were delivered: roughly 4 million feet of fiber (about twice the length of New York State) and two of our three leased warehouses were full!
- We were proud to partner with many local contractors when we built a new 25,000 sq. ft. combination warehouse and office space, located in the Braham Industrial Park.
- Construction began in the Dalbo area in May, and our first internet member was hooked up to fiber on December 14.



Between awarded grants and community support, we secured roughly \$21 million in 2023 to fund the necessary total of \$350 million. We will continue working to secure additional funding to supplement the project as we move forward. We remain dedicated to shaping a future where life-changing fiber is accessible to our members.



SKETCHING A SUSTAINABLE TOMORROW

Like architects sketching technical drawings, we're drafting a future with a balanced mix of renewable energy sources and eco-friendly practices. We're more than just power lines on paper; we're committed to building a more resilient, energy-efficient future.

We were honored to receive two nationwide environmental awards: the Trailblazer Award for being the first in the energy sector to enroll in the Monarch Candidate Conservation Agreement with Assurances, and the High-Flyer Award for most adopted acres above our target—over 4,000 habitat acres were 1,200% above target.

Later in the year, invasive weeds surrounded the plot of our pollinator habitat at Braham Headquarters, threatening to replace the pollinator-friendly native species. We decided to convert even more of the surrounding area back to native plants.

How else did we support sustainability in 2023?

- 3,555 hazard trees were identified for removal and 1,359 miles of powerline corridor received vegetation management treatment measures to promote reliability and control vegetation.
- President/CEO Justin Jahnz testified about ECE's efforts to protect the monarch butterfly at a hearing of the House Natural Resources Subcommittee on Water, Wildlife and Fisheries.
- Because Ospreys like to nest on power poles, threatening power reliability and endangering the birds, we had nine schools build Osprey platforms. This initiative will provide a safe habitat for these remarkable birds for years to come.
- For the first time, our engineering team independently completed a five-year plan for Spill Prevention, Control and Countermeasure of all substations and storage yards where oil is present, to protect the environment against accidental oil spills.
- The co-op hosted our second Pollineighbor Party at the 100 Acre Homestead in Princeton. Families immersed themselves in hands-on activities like crafting wildflower seed balls and monarch masks, live music, a farm-to-table food truck, wagon rides, a pollinator scavenger hunt, and the company of roaming chickens and goats.



OVER
100
EMPLOYEES

participated in

NEARLY
75
EVENTS

reaching

MORE THAN
15,000
MEMBERS!

MORE THAN JUST WIRES AND POLES

In the grand design of our cooperative's mission, community empowerment takes center stage because we recognize the importance of building strong relationships within every community we serve. In 2023 we worked hard to engage in initiatives that bridged the gap between our employees and our members.

YOUR COOPERATIVE...



Offered free safety presentations



Cleaned up a campground for veterans



Launched the ECE Power Talks podcast

YOUR COOPERATIVE...



Participated in numerous local parades



Handed out free popcorn at football games



Sent three students on a week-long trip to our nation's capital



Celebrated Arbor Day with Pine City Elementary



Provided \$20,000 in school supplies to teachers



Hosted four teens for our third year of COOPx, ECE's cooperative experience



Cleaned up roadsides for Adopt a Highway

All these interactions created a network even stronger than our electrical grid. By focusing on relationships, we're not just building connections—we're creating a sense of belonging.

DRAWING OUTSIDE THE LINES

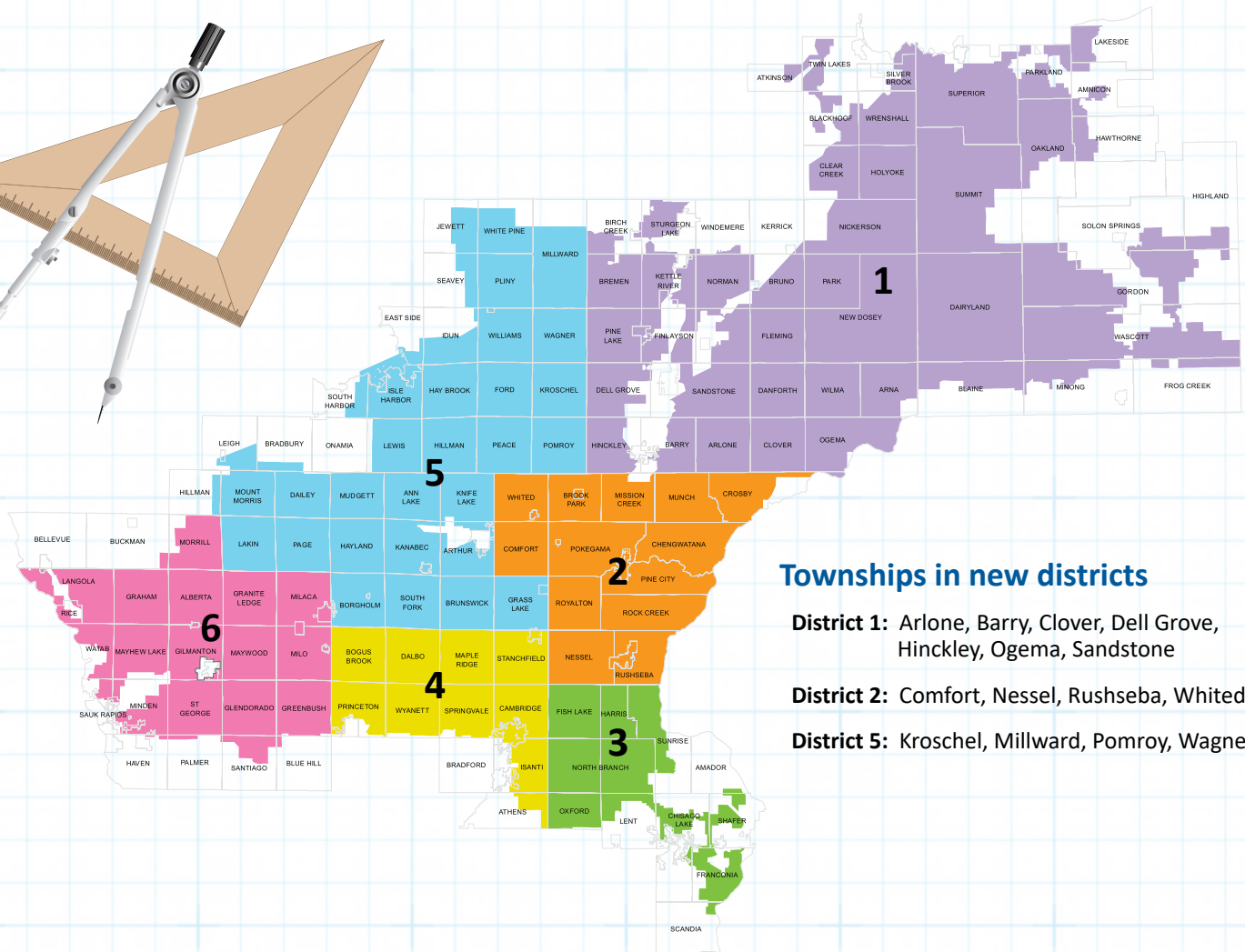
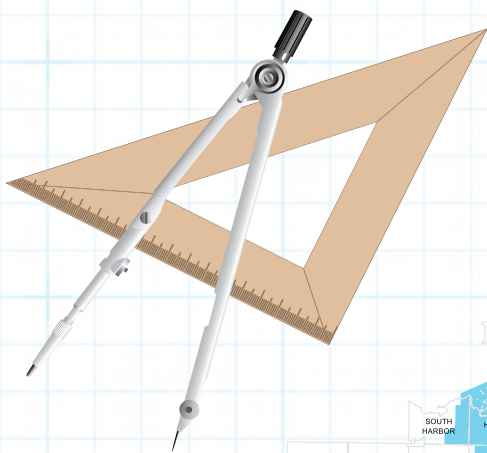


From finalizing the acquisition of the municipal electric distribution system of North Branch Water & Light (NBW&L), to redrawing our district map, then conducting a cost-of-basic service study, it was a pivotal year of strategic changes.

On February 3, ECE officially acquired North Branch's municipal electric distribution system. Approximately 2,000 homes and businesses within the city were transferred. Our employees did a magnificent job integrating business functions and making the most of our acquisition of NBW&L. We look forward to a long future of supporting our new members through scholarships, community events, and numerous partnership opportunities.

Due to the North Branch acquisition, it became necessary to redraw our director district map so each district remained substantially equal in population. This process, called redistricting, ensured each board seat would continue to represent about the same number of members. Geographic information systems and data analytics enabled us to adjust our district boundaries. After changes took effect on November 1, we still had six director districts with a more equal distribution of members.

We always strive to keep the co-op financially strong on behalf of all our members, while upholding our commitment to safely provide reliable electricity. In 2023, the cost of goods and services continued to rise, and the utility industry was not immune. Our staff and board of directors reviewed the results of an independent cost-of-service study, which helped verify what it was costing to serve residential and commercial member classes. Because energy rates are carefully structured to collect what we need to meet our financial obligations and to dependably serve our diverse 14-county service area, the board found it necessary to implement a rate adjustment beginning in January 2024.

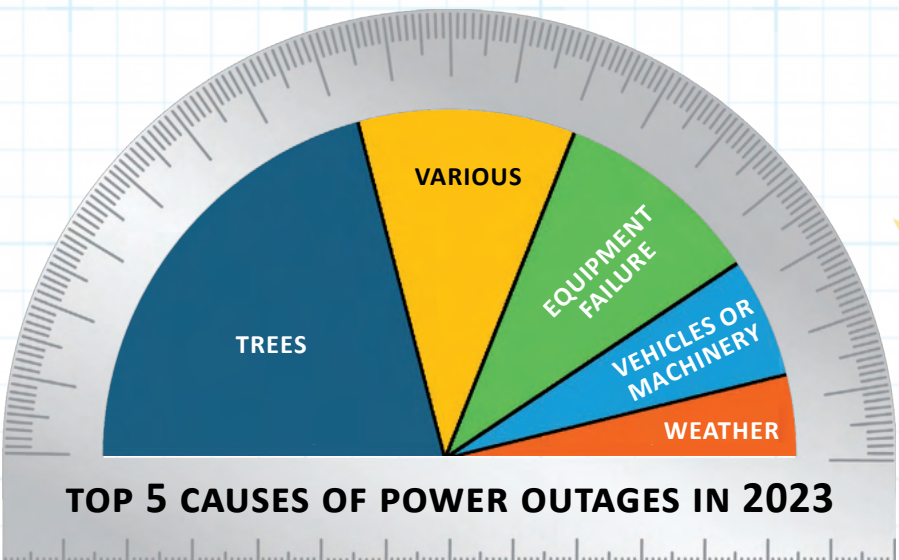


Townships in new districts

- District 1:** Arlone, Barry, Clover, Dell Grove, Hinckley, Ogema, Sandstone
- District 2:** Comfort, Nessel, Rushseba, Whited
- District 5:** Kroschel, Millward, Pomroy, Wagner

JUST THE FACTS

- **\$95,000** offered in scholarships for students.
- ECE employees delivered **Meals on Wheels** to Braham area residents during the months of May, July, and November.
- Over **\$69,000** in grants were awarded by Operation Round Up®.
- In October, the **Allies in Action award** was presented to East Central Energy for demonstrating excellence in **support** of the Lakes & Pines Community Action Council mission.
- Residential rebates totaled over **\$500,000** in 2023, and ECE ended the year with over 25,000 controllable loads.
- For the year, nearly **\$123,000** was paid in commercial rebates, resulting in estimated kWh savings of 2,578,957 and an estimated demand reduction of 618.034 kW.
- Over **\$2.2 million** returned to members in capital credits.
- In 2023 we added **two new features** to ECE's website: interactive electric vehicle and rooftop solar toolkits. The platforms were **designed specifically** for our service area and even include our kWh and buy-back rates.



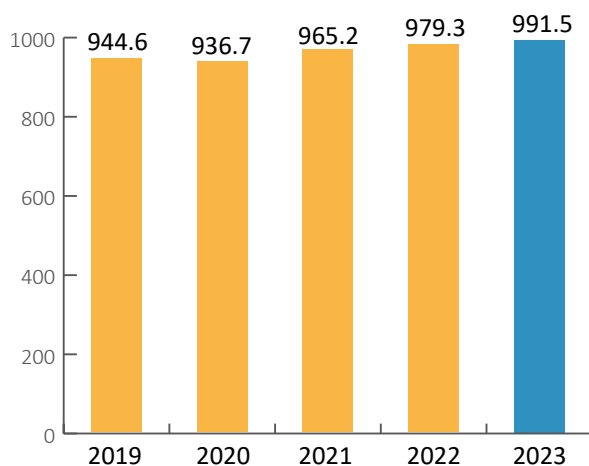
2023 FINANCIAL SUMMARY

Brady, Martz and Associates, P.C., an independent certified public accounting firm, audited our financial statements for the year ending December 31, 2023. The auditor issued their unqualified opinion, dated February 17, 2024, on the financial statements. Copies of the audited financial statements are on file at the cooperative's office for inspection.

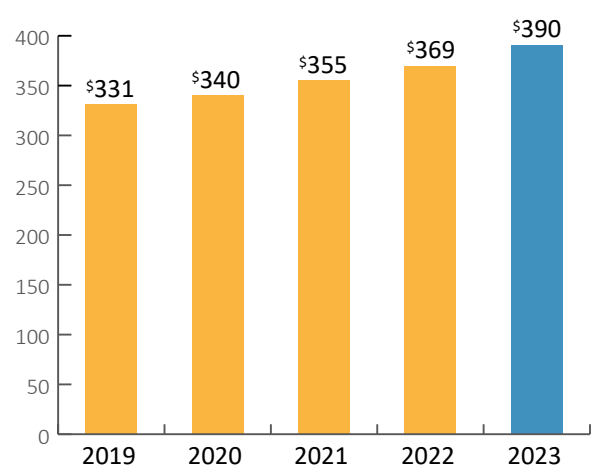
COMPARATIVE OPERATING STATISTICS

	2023	2022	% Change
Number of Members Served	67,069	64,243	4.40%
Miles of Line Energized	8,536	8,511	0.29%
Average Selling Price per kWh Sold	\$0.1372	\$0.1352	1.48%
Average Power Cost per kWh Sold	\$0.0836	\$0.0818	2.20%
Average Operating Cost per kWh Sold	\$0.1336	\$0.1294	3.25%
Members per Mile of Line	7.86	7.55	4.11%
Total kWh Sold	991,491,750	979,274,556	1.25%
Average Residential kWh Used per Month	927	967	-4.14%
Margins Returned to Members	\$3,204,738	\$3,278,199	-2.24%
GRE Plant Investment per Member	\$4,982	\$3,949	26.16%
ECE Plant Investment per Member	\$5,817	\$5,739	1.36%
Total Plant Investment per Member	\$10,799	\$9,688	11.47%

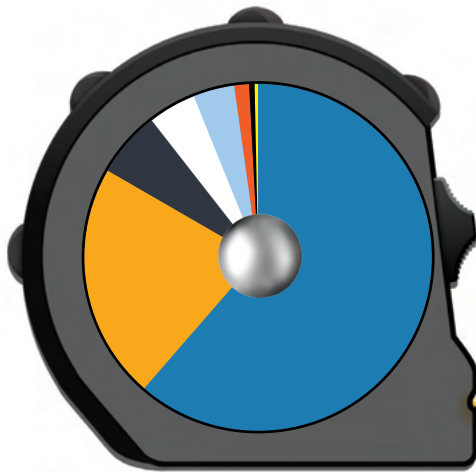
KWH SOLD (in millions)



TOTAL UTILITY PLANT (in millions)

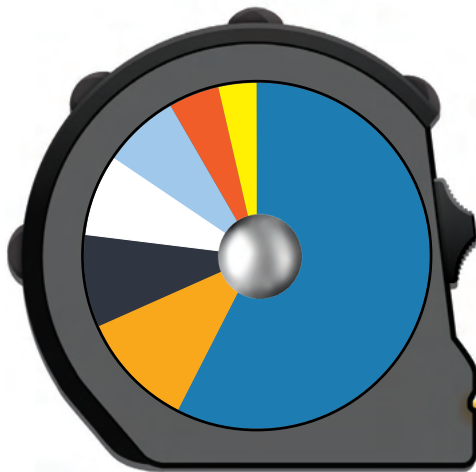


2023 SOURCES OF REVENUE



Residential	61.50%
Commercial & Industrial (1,000 KVA or less)	22.01%
Commercial & Industrial (Over 1,000 KVA)	6.00%
Residential (Seasonal)	4.58%
Capital Credits	3.83%
Other Revenue	1.27%
Irrigation	0.50%
Public Street and Highway Lighting	0.31%

2023 USES OF REVENUE



Purchased Power	57.80%
Distribution	10.82%
Depreciation	8.49%
Margins	7.58%
Administrative Services	7.12%
Interest & Taxes	4.73%
Customer Accounts & Service	3.46%

2023 TOTAL REVENUE

Sales of electric energy to members	\$136,023,173
Miscellaneous electric revenue and penalties	\$1,039,956
Non-operating and other net income	\$783,500
Capital credit allocations	\$5,491,231
TOTAL REVENUE	\$143,337,860

EAST CENTRAL ENERGY
CONSOLIDATED BALANCE SHEETS
 FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

ASSETS (what we own)	2023	2022
Cost of our system	\$390,163,396	\$368,666,539
Construction work in progress	37,208,915	5,574,150
We estimate our system has depreciated	(142,575,500)	(130,951,075)
This gives our system a book value of	\$284,796,811	\$243,289,614
We have other property and investments:		
Loans to members, net of amounts due in the next year	\$1,127,519	\$1,073,928
Great River Energy capital credits	64,686,906	63,359,406
Non-utility property	16,003,192	2,396,771
National Rural Utilities Cooperative Finance Corporation Investments required to obtain long-term financing	2,763,456	2,778,675
Other investments in associated companies	3,494,817	3,213,666
Other	1,162,187	1,126,806
Total other property and investments	\$89,238,077	\$73,949,252
We have these current assets:		
Cash and cash equivalents	\$13,568,809	\$15,988,170
Payments due us in the next year on loans to members	405,000	437,900
Members owe us for electrical energy	16,909,661	19,284,620
Payments due us in the next year from FEMA	295,761	250,048
Material and supplies for line construction and maintenance	15,744,460	4,616,666
Prepayments	681,210	619,675
Interest receivable on investments	25,529	25,529
Total current assets	\$47,630,430	\$41,222,608
We have deferred debits	\$19,435	0
We have assets of discontinued operations <i>(Diversified Enterprises, LLC)</i>	0	\$24,900
TOTAL ASSETS WE OWN	\$421,684,753	\$358,486,374

EAST CENTRAL ENERGY
CONSOLIDATED BALANCE SHEETS (continued)
 FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

LIABILITIES (what we owe)	2023	2022
Long-term debt		
We owe Rural Utilities Service (RUS)	\$1,381,000	\$1,381,000
We owe Federal Financing Bank (FFB)	130,010,659	134,699,706
We owe National Rural Utilities Cooperative Finance Corporation (CFC)	5,583,466	6,079,819
We owe CoBank	79,795,111	36,979,986
We owe others	99,060	112,432
Payments on long-term debt due in the next year	(9,275,626)	(13,528,957)
Total long-term debt	\$207,593,670	\$165,723,986
We owe current liabilities for power, materials, services, taxes, payments on long-term debt due in the next year	\$44,569,635	\$33,804,580
We have deferred credits (<i>revenue, construction advances, unclaimed property, etc.</i>)	\$19,082,050	\$16,562,646
TOTAL LIABILITIES WE OWE	\$271,245,355	\$216,091,212
NET WORTH (members' equity in the cooperative)		
Your accumulated patronage capital	\$131,294,094	\$123,669,972
Other equities	19,145,304	18,725,190
MEMBERS' EQUITY IN THE COOPERATIVE	\$150,439,398	\$142,395,162
COMMITMENTS	\$421,684,753	\$358,486,374

2023 STATS		
Employees		175
Number of members		67,069
Miles of line		8,536
Members per mile		7.86
kWhs sold		991,491,750
Member equity		35.68%
Total GRE and ECE plant investment per member		\$10,799

EAST CENTRAL ENERGY
**CONSOLIDATED STATEMENT OF
OPERATIONS AND PATRONAGE CAPITAL**
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
REVENUES:		
Sales of electric energy to members	\$136,023,173	\$132,401,699
Miscellaneous electric revenue and penalties	1,039,956	955,507
Subsidiary net income <i>(ECE Net, LLC and Local Access Network, LLC)</i>	0	18,868
Non-operating and other net income	783,500	574,370
TOTAL OPERATING AND NON-OPERATING REVENUE	\$137,846,629	\$133,950,444
EXPENSES:		
Wholesale power <i>(majority paid to Great River Energy)</i>	\$82,843,323	\$80,146,380
Other operating expenses <i>(distribution, administrative services, customer accounts and service)</i>	30,393,573	28,604,281
Depreciation of utility plant	12,165,065	11,340,406
Taxes	522,025	829,366
Interest	6,548,851	5,816,876
TOTAL EXPENSES	\$132,472,837	\$126,737,309
Patronage capital income before capital credits from associated cooperatives <i>(total revenue less total expenses)</i>	\$5,373,792	\$7,213,135
Patronage capital from Great River Energy and other associated cooperatives	\$5,491,231	\$2,244,329
NET PATRONAGE CAPITAL (income)	\$10,865,023	\$9,457,464
ACCUMULATED PATRONAGE CAPITAL - beginning of year	\$123,669,972	\$117,793,846
Unallocated margins	(36,163)	(303,139)
Retirement of patronage capital	(3,204,738)	(3,278,199)
Net patronage capital (income)	10,865,023	9,457,464
ACCUMULATED PATRONAGE CAPITAL - end of year	\$131,294,094	\$123,669,972



The blueprint for ECE's future is a living document, evolving every year and guided by our shared vision of constant improvement.



How will we raise the bar and keep the torch of progress burning in 2024? Stay tuned!





ECE is an equal opportunity provider and employer.

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eastcentralenergy.com