

Your Co-op's 2018 Annual Report



John Brown
Chairman



Tom Sobeck
CEO

To Our Member-Owners:

2018 was a good year for your cooperative. PIE&G successfully balanced our costs and income in both our natural gas and electric operations. That puts us on solid footing to continue bringing our aging power grid into the 21st century.

No change in natural gas distribution rates was necessary because PIE&G's natural gas operating margins were sufficient. In part, that was due to the acquisition of Aurora Gas Company, which allowed us to spread our operating costs over increased sales volumes.

And while our electric operating margins required a modest 1.8% overall rate increase, our electric members continue to benefit from positive margins. The board of directors is committed to the cooperative business model and is returning nearly \$2.5 million in patronage capital retirements to the membership.

This year PIE&G will continue working to provide power that is reliable and affordable. We are:

- Planning the construction of a new service center and headquarters facility;
- Considering upgrading meters on homes and businesses with Automated Metering Infrastructure, to wirelessly connect them to PIE&G; and
- Exploring bringing broadband internet to members' homes.

Thank you for trusting us to serve your energy needs this year and beyond.

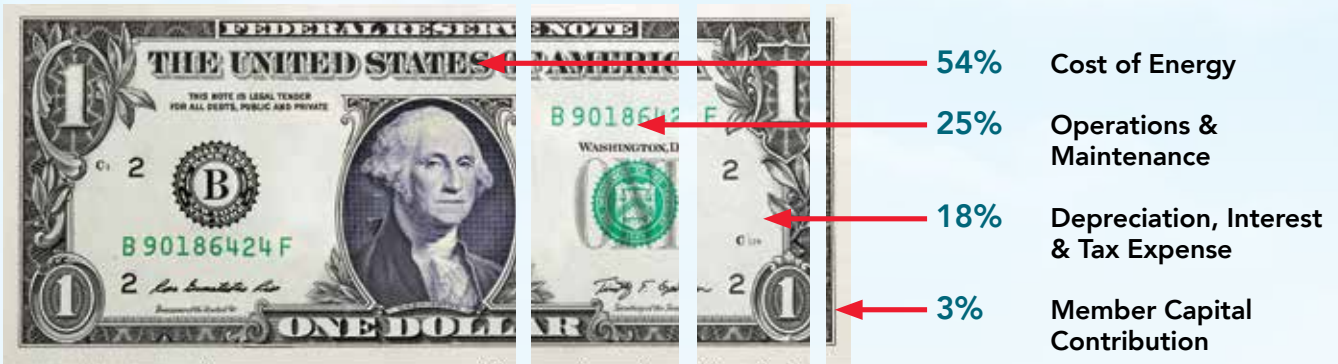
Respectfully,

John Brown
Chairman of the Board

Tom Sobeck
President & Chief Executive Officer



Where Your Energy Dollar Goes:



2018 Statistical Summary:

	ELECTRIC	NATURAL GAS
Active Meters	33,650	12,399
Energy Sold	247,825,873 kWh	9,531,438 CCF
New Services	245	3,086
Miles of Line	3,841 (overhead) 1,068 (underground)	568

Treasurer's Report



Presque Isle Electric & Gas Co-op's Statement of Operations and Balance Sheet for the years ending December 31, 2018 and 2017 are included in this Annual Report. As indicated by these financial reports, the cooperative has completed another successful year. Our electric and natural gas operations continue to provide competitive energy alternatives to our members.

Our independent auditor, Harris Group, has confirmed that the financial statements and records presented to them accurately reflect the financial position of the cooperative. The reports of the results of our operations are in conformity with generally accepted accounting principles.

It has been my distinguished pleasure to serve as treasurer for the past year.

Charles Arbour, Treasurer

Statement of Operations

	2017	2018
OPERATING REVENUES	\$42,909,614	\$46,046,735
OPERATING EXPENSES		
Cost of Purchased Power	24,003,855	25,020,082
Operations & Maintenance Expense	10,006,233	11,607,372
Depreciation	3,748,845	4,311,187
Interest	2,464,041	2,717,104
Taxes	<u>1,138,899</u>	<u>1,169,592</u>
Total Operating Expenses	<u>41,361,873</u>	<u>44,825,337</u>
Member Capital Contribution	1,547,741	1,221,399
NON-OPERATING MARGINS		
Capital Credits—G&T and Other	1,612,186	1,759,758
Non-Operating Margins—Other	<u>(14,374)</u>	<u>(414,147)</u>
NET MARGINS	3,145,553	2,567,010

Balance Sheet

ASSETS

Total Utility Plant	140,272,009	159,406,503
Accumulated Depreciation	(63,737,119)	(70,648,602)
Net Utility Plant	76,534,890	88,757,901
Investments in Associated Organizations	24,644,319	24,621,871
Cash & Cash Equivalents	2,971,080	2,964,539
Accounts Receivable	4,648,383	4,498,418
Materials & Supplies	1,460,638	1,945,684
Other Assets	347,401	373,934
Deferred Debits	<u>236,795</u>	<u>341,403</u>
Total Assets	110,843,506	123,503,750

EQUITIES & LIABILITIES

Margins & Equities

Patronage Capital	53,531,597	54,481,033
Other Equities	<u>(\$253,082)</u>	<u>(\$253,082)</u>
Total Margins & Equities	53,278,515	54,227,951

Liabilities

Long Term Debt	48,874,610	58,272,209
Notes Payable	0	0
Accounts Payable	8,661,137	11,003,590
Other Current & Accrued Liabilities	29,244	0
Total Liabilities	<u>57,564,991</u>	<u>69,275,799</u>
TOTAL EQUITIES & LIABILITIES	110,843,506	123,503,750