

ANNUAL REPORT



A Touchstone Energy® Cooperative



2019

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INFORMATION REQUESTS

Oregon Trail Electric Cooperative Headquarters
Administration & Communications
4005 23rd St.
Baker City, Oregon 97814
(541) 523-3616
www.otec.coop

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Les Penning, CEO



Charlene Chase, President

CEO & Board President Message

2019 marked thirty-one years since our members took action to purchase the investor-owned utility and made your own cooperative. OTEC's mission remains the same – to provide you with safe, reliable, and competitively priced power while making meaningful investments and having a positive impact in the communities we serve. We know delivering on our mission is critical to delivering on our members' expectations and satisfaction and is something we strive for every day.

With the future bright for the four counties we serve, 2019 proved to be another strong year and our financial health remains solid. First and foremost, despite the wholesale power increase from the Bonneville Power Administration, your electricity rates remain very competitive. OTEC's average all-inclusive – delivery and energy charge – residential rate is 9.83 cents per kilowatt-hour, compared to the Oregon average of 10.85 cents and the national average of 12.87 cents.

We continue to have a strong equity position as well. In 2019 the Board of Directors approved the retirement of \$3.5 million in capital credits to our member-owners. Capital credits are one of the more visible benefits of membership in a cooperative and returning the members' investment is a key indicator of financial health. Our investment in maintaining and upgrading our electric infrastructure continues to ensure our system's reliability. We invested more than \$3.5 million to improve our infrastructure last year, which included major transmission rebuilds, and other capital projects to increase our capacity and reliability, which is rated at 99.97%.

The safety of our member-owners, our employees and the general public will always be at the forefront of everything OTEC does. To expand our already strong safety culture we officially launched the Rural Electric Safety Accreditation Program in 2019, which allows OTEC to work with our national cooperative program consisting of hundreds of other utilities to collaboratively maintain best practices under ever-changing environments. Our Community Safety Outreach program provided safety training to nearly 2,000 of our members and their families and we utilized the latest innovative technology to create a Virtual Reality safety video to provide training to our first responders, businesses, and communities. These are just a few of the examples of how we're pushing safety as a top priority.

Since we are owned by you, our member-owners, we continue to strive to support each of the communities we serve and their efforts to remain economically healthy and sustainable. We strive to uphold and live our cooperative value of commitment to community by giving back to our members – on behalf of our members – through donations and charitable contributions to dozens of agencies and groups. That also includes our employees who volunteer their time throughout the year for various projects and events around our communities. We continue supporting the youth in our communities through our scholarship programs and invest in early childhood development. Through the power of unclaimed capital credits, great volunteers, and collaboration with the James and Shirley Rippey Family Foundation to match every dollar, we are able to deliver the Dolly Parton Imagination Library program. This program delivers free books monthly by mail to our local children between birth and 5 years of age. Because of the hard work of all the volunteers in our communities, more than 2,000 children received free books in 2019.

Although our communities have had their struggles during the impacts of the COVID-19 pandemic, the future of your cooperative is bright. We are working hard every day to make sure we provide you with safe, competitively priced, and reliable electricity and we will continue to do so. We are privileged to work for you and take seriously the responsibility to power your homes, businesses, and farms and we are proud to serve you all in Baker, Grant, Harney and Union Counties.



Our mission is to safely provide reliable electric and related services that support the economy and the quality of life of OTEC members based on the cooperative principles.

CORE VALUES

ADAPTABILITY

ECONOMIC STEWARDSHIP

safety

integrity

commitment to

INTEGRITY

COMMITMENT TO

employees

ADAPTABILITY

COMMUNITY/MEMBERS

economic stewardship

reliability

INTEGRITY

SAFETY

RELIABILITY

integrity

COMMITMENT TO COMMUNITY/MEMBERS

commitment to

economic stewardship

RELIABILITY

employees

ADAPTABILITY

safety

commitment to community/members

BOARD OF DIRECTORS



Charlene Chase
President
Position 9-Baker County



Wayne Overton
Vice President
Position 5-Baker County



Aletha Bonebrake
Secretary & Treasurer
Position 2-Baker County



George Galloway
Director
Position 1-Union County



Robert Cargill
Director
Position 3-Harney County



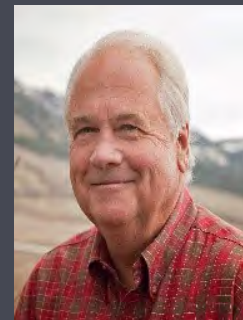
G. Austin Bingaman
Director
Position 4-Union County



Gary Miller
Director
Position 6-Grant County

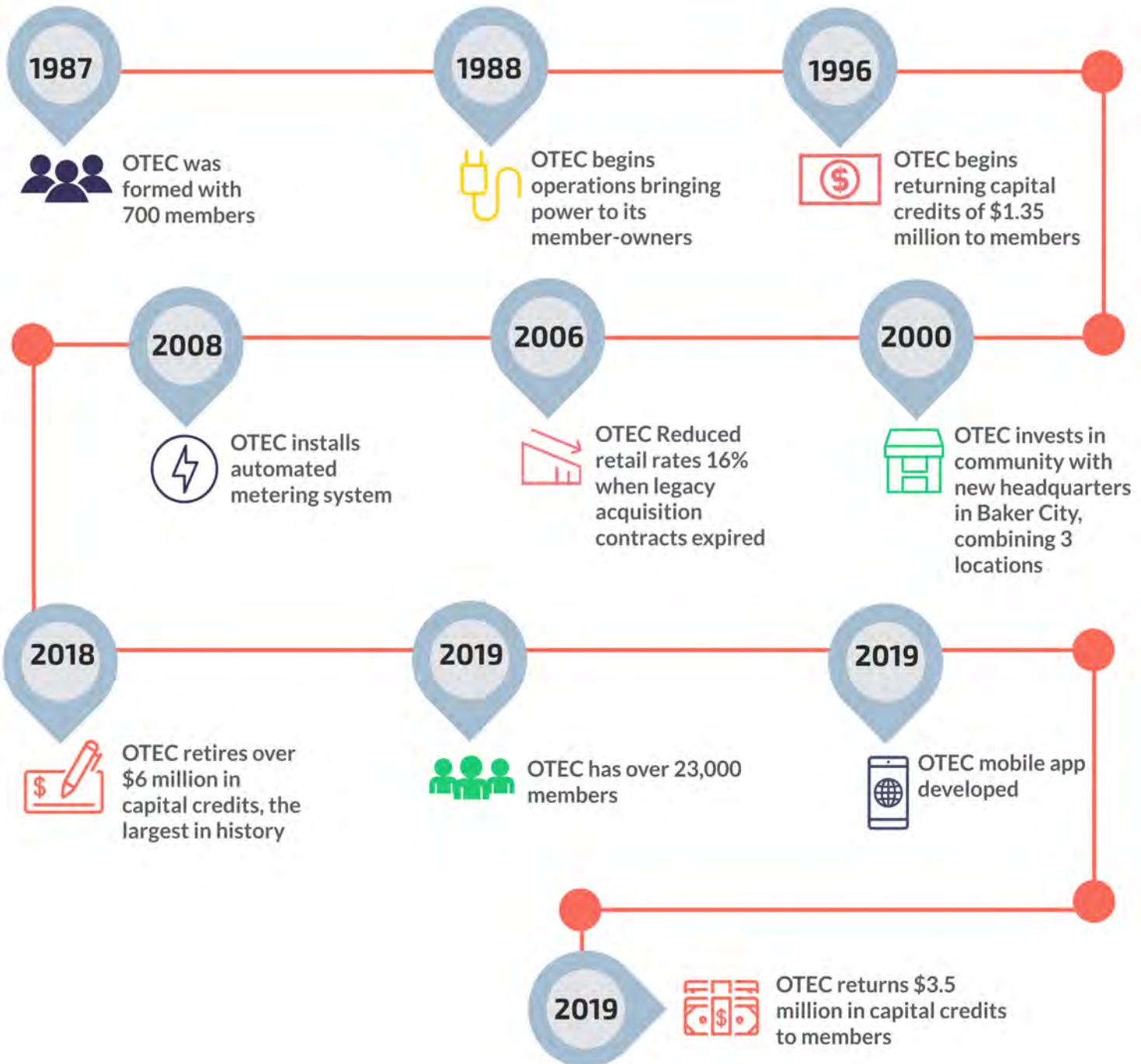


Greg Howard
Director
Position 7-Union County



David Baum
Director
Position 8-Union County

SERVING MEMBERS SINCE 1987





CORPORATE STRATEGY

OTEC's vision is that by 2022, member satisfaction will be in the top 10% of cooperatives nationally by innovating and diversifying services to grow and provide added value to our members.

In 2019 there were several areas of concentration.



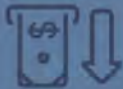
MEMBER SERVICE

Delivering exceptional service to our member-owners.



RELIABILITY

Keeping our electrical services reliable for member-owners.



COMPETITIVE

Keeping our rates competitive.



GROWTH

To ensure the health of our communities.



INNOVATION

Keeping up with & planning for changes in the electrical industry.

Throughout our strategy process, OTEC remains aligned with our community, industry partners, and leaders and are focused on innovative and advanced technology changes to deliver top tier member service. In addition, OTEC reviewed member surveys that revealed additional perspectives and needs of our member-owners in the 22 communities we serve ●●●●● throughout our four-county territory. ●●●●●

2019 major strategic accomplishments:



Concentration on safety through the launch of the Rural Electrical Safety Achievement Program.



Advanced focus on wildfire mitigation plans, disaster recovery, and emergency preparedness.



Designed and prepared for the installation of Cooperative-owned electric vehicle (EV) charging infrastructure to support members and stimulate local tourism.



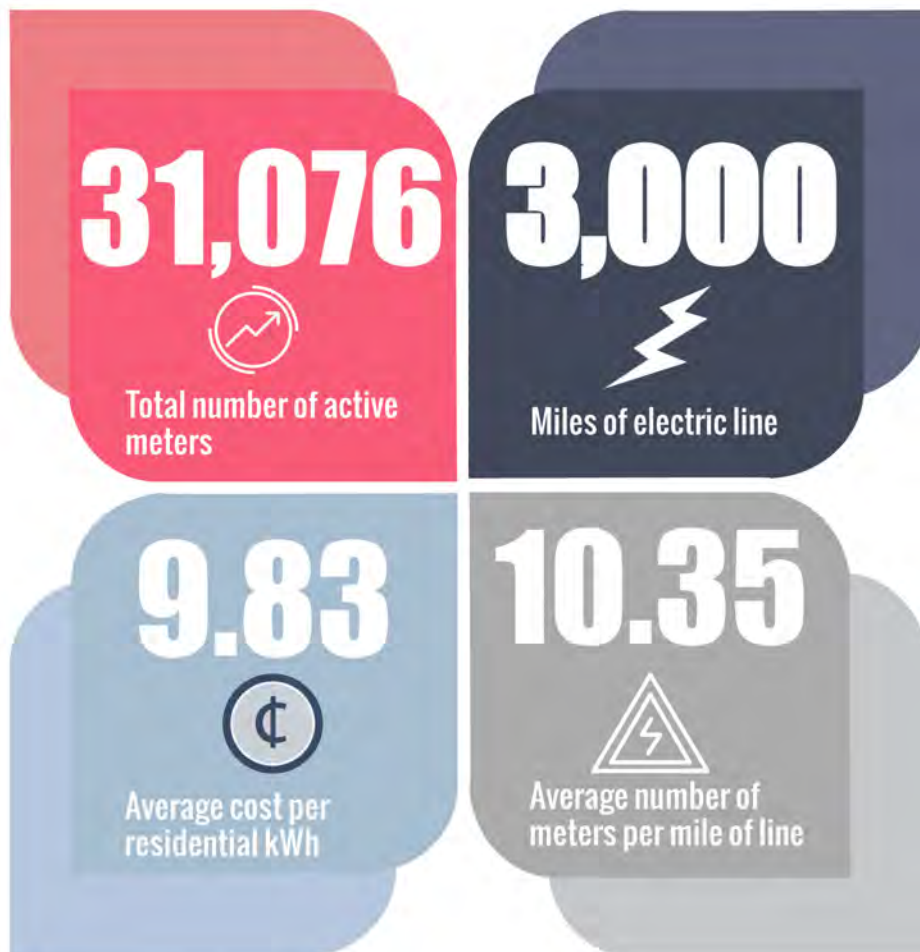
Created virtual reality (VR) videos for safety training, and to support local tourism and economic development efforts. Launched an economic gateway site as part of the OTEC website.



Completed installation of Phase III Supervisory Control and Data Acquisition (SCADA) deployment in the Baker District.



OPERATING STATISTICS



All inclusive residential rate includes \$33.50 delivery charge and \$.06797kWh. Average usage based on 970 kWh usage.

2019 SCHOLARSHIPS



Trade Scholarships
College Scholarships
Lineman School
Scholarships



Oregon Trail
Electric Cooperative
is committed to
enhancing the quality
of life in our
community.



\$173,500
awarded in 2019



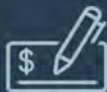
Idaho Youth
Rally
Washington
D.C. Youth Tour



FOCUSED

On Our
Values

2019 COMMITMENT TO COMMUNITY & MEMBERS



\$3,500,000

Paid in capital credits.



\$145,718

Provided in community
support.



\$702,019

Energy efficient rebates to
members.



\$24,105

Buy locally rebates to
members.

Dolly Parton's Imagination Library

Dolly Parton's
Imagination Library

Books for children

16,630

Books were mailed to
children in Baker,
Grant, Harney, & Union
Counties in 2019.

Program sponsored by
OTEC. Thank you to
our community
volunteers for making
it possible!

This program gave over

1,500

books *a month* to children
in Baker, Grant, Harney &
Union Counties in 2019

" There is
no greater gift
for a child
than a book "

**OTEC member-owners can receive 1
free book every month for children in
your home ages birth - 5 years!**

Visit our website at www.otec.coop
to sign up!



A Touchstone Energy Cooperative

O TEC

CONCERN FOR COMMUNITY



3
6
5

DAYS
A YEAR



Commitment to
MEMBERS



Commitment to
COMMUNITY

FINANCIALS

O TEC Balance Sheet

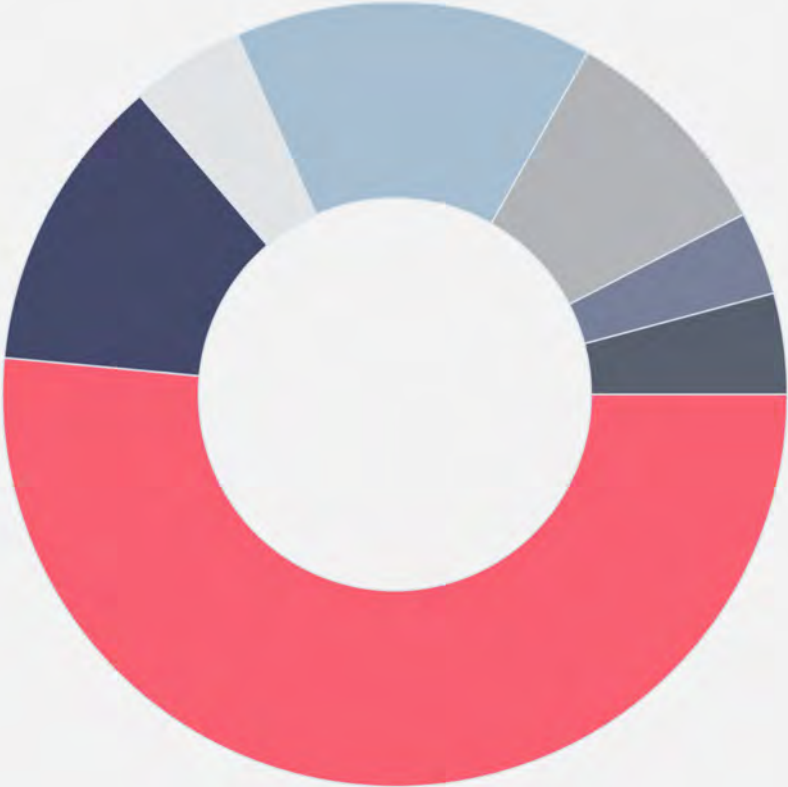
Assets	2019	2018
Utility plant (net)	\$103,410,501	\$103,729,831
Other property and investments	8,009,083	8,006,321
Total utility plant and investments	111,419,584	111,736,152
Current assets		
Cash - General fund	8,663,804	8,749,285
Notes and accounts receivable (net)	6,449,635	6,613,437
Material and supplies - electric	2,619,599	2,874,440
Other current and accrued assets	509,311	557,483
Total current assets	18,242,349	18,794,645
Deferred debits	1,687,922	2,327,447
Total assets	\$ 131,349,855	\$ 132,858,244
Equities and Liabilities	2019	2018
Equities and margins		
Memberships	\$ 229	\$ 229
Patronage capital	71,353,394	71,070,989
Other equities	1,815,058	1,717,637
Total equities and margins	73,168,681	72,788,855
Long-term debt		
Mortgage notes	43,375,314	45,682,413
Other long-term liabilities	777,865	857,007
Total long-term debt	44,153,179	46,539,420
Current liabilities		
Notes and accounts payable	7,189,940	7,369,526
Other current and accrued liabilities	5,607,977	5,537,570
Total current liabilities	12,797,917	12,907,096
Deferred credits	1,230,078	622,873
Total equities and liabilities	\$ 131,349,855	\$ 132,858,244





EXPENSES OUT

	Purchased Power	27,426,631
	Distribution Expenses	6,528,256
	Consumer Account Expense	2,495,932
	Administrative & General	7,852,506
	Depreciation & Amortization	4,920,613
	Taxes	1,826,768
	Interest Expense	2,212,894



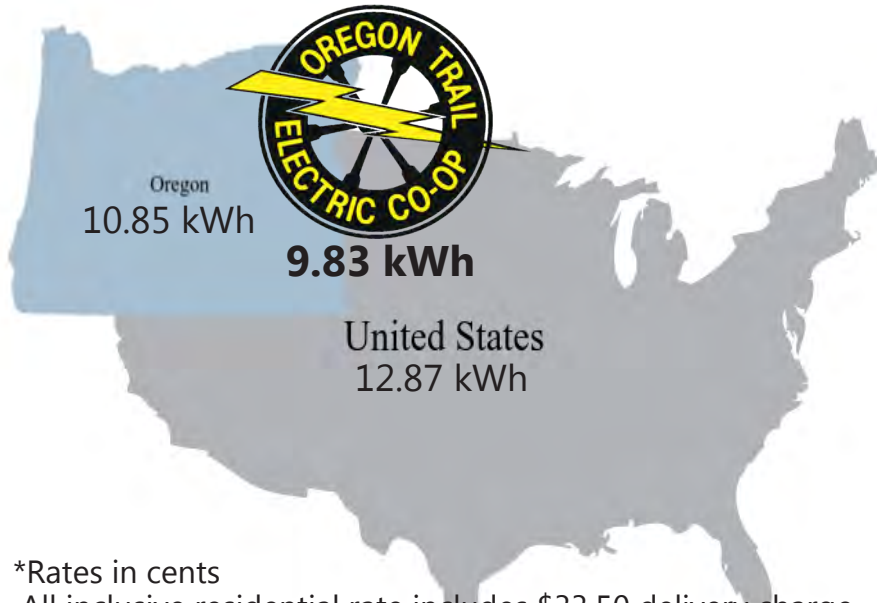
FINANCIALS

STATEMENT OF REVENUE AND EXPENSES

	2019	2018
Total revenues	\$ 57,068,379	\$ 56,957,815
Operating expenses		
Cost of purchased power	\$ 27,426,631	\$ 27,727,213
Distribution expenses	6,528,256	6,772,939
Consumer accounts expense	2,495,932	2,433,127
Administrative and general expenses	7,852,506	7,206,446
Depreciation and amortization expense	4,920,613	4,855,717
Taxes	1,826,768	1,770,323
Interest expense	2,212,894	2,201,698
Total cost of electric service	\$ 53,263,600	\$ 52,967,463
Patronage capital or margins	\$ 3,804,779	\$ 3,990,352

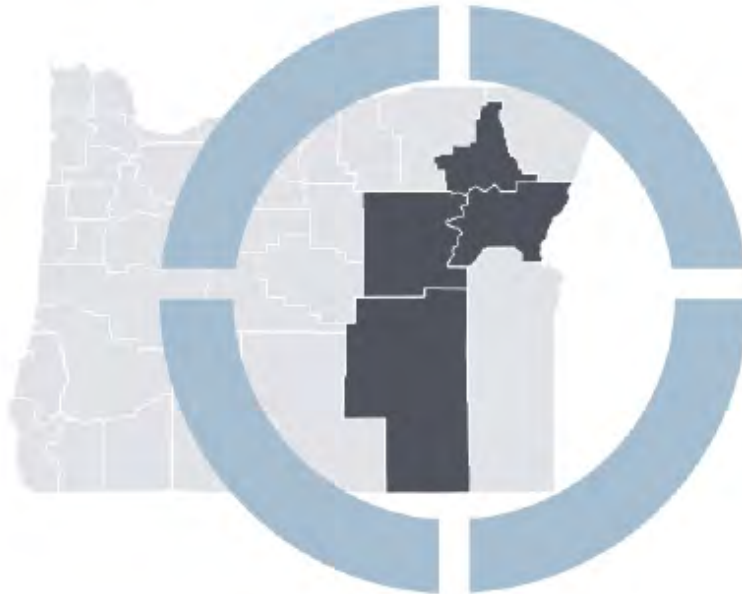


AVERAGE RESIDENTIAL RATE

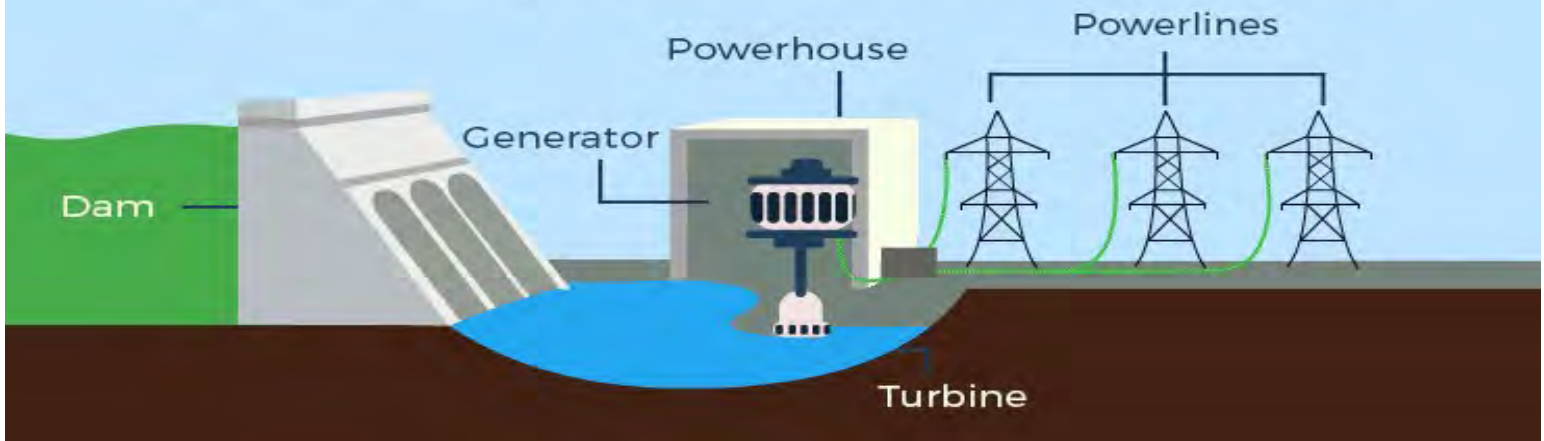


*Rates in cents
All inclusive residential rate includes \$33.50 delivery charge
and \$.06797kWh. Average usage based on 970 kWh usage.

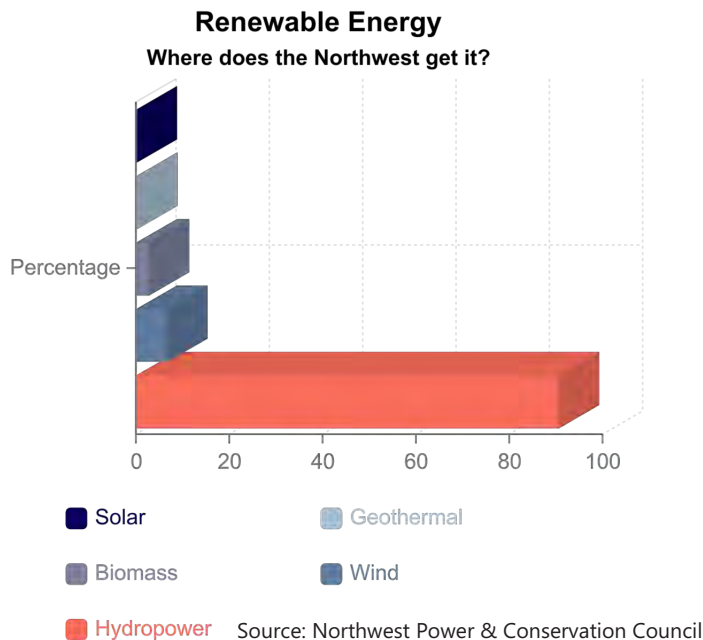
99.7% RELIABILITY



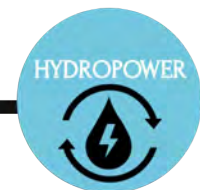
HOW HYDROELECTRICITY WORKS




Though there are a few different types of hydropower plants, they each produce power in much the same way. As water flows through a powerhouse, the pressure of that falling water turns a large turbine that looks like a ship's propeller. The spinning turbine turns a shaft that rotates a series of magnets past copper coils in a generator to create clean, carbon-free and affordable electricity. From the powerhouse, transmission lines carry electricity to communities, where Oregon Trail Electric Cooperative distributes it to members.



OTEC purchases 100% of its power from the Bonneville Power Administration with **97% being carbon-free**, the majority of which comes from hydroelectric.



Source: <https://www.bpa.gov/news/AboutUs/Hydropower-101/Pages/Power-generation-From-water-to-watt.aspx>

A photograph showing several utility trucks with cranes positioned around a power line tower in a field. The cranes are extended upwards, and workers are visible on the tower. The background is a clear blue sky with some lens flare effects. The foreground is a field of dry, scrubby vegetation.

Headquarters
4005 23rd St.
Baker City, OR 97814
541.523.3616

567 W. Pierce St.
Burns, OR 97720
541.573.2666

400 Patterson Bridge St.
John Day, OR 97845
541.575.0161

2408 Cove Ave.
La Grande, OR 97850
541.963.3155

PUTTING OUR ENERGY TO WORK FOR YOU