

**Steuben Rural Electric
Cooperative, Inc.**

October 2020

Annual Meeting

Special Edition

Annual Report

Included herein you will find the proposed minutes from the 2019 Annual Meeting; Auditor's Report for 2019; Nominations for Directors for Districts 3, 4 and 6; President's Report; General Manager's Report; Secretary and Treasurer's Reports. These reports are being provided for member information and will be considered for approval at the 2021 Annual Meeting.

ANNUAL REPORT

76th Annual Membership Meeting



James McCormick, President

We recognize the annual meeting is a special time for our members to gather, listen to reports from the General Manager and President, and elect board members. Unfortunately, the annual meeting format many of you have come to know has been altered this year due to the COVID-19 pandemic and our interest in maintaining the health and well-being of our members and employees.

Although the meeting will not be held in its traditional format, we will still hold our business meeting on October 21st at 4:30 p.m. The meeting will include the Board of Directors, a minimal number of Cooperative employees and the Cooperative Attorney. As such, a quorum will not be present and will necessitate adjourning the meeting until a later date or until the next annual meeting, whichever is earlier, in accordance with the procedures set forth in the Cooperative's Bylaws. No formal business or election of directors will take place.

This publication contains reports from the President and General Manager together with updates concerning operations, financial health and future plans of the Cooperative.

As there will be no official director elections for Districts 3, 4, and 6 in 2020, the Directors currently serving those districts will continue in their positions until the 2021 Annual Membership Meeting at which time those positions will be voted on by the membership with the director elected for those districts serving the remaining two years of the three-year term. The districts scheduled for election in 2021 will also be scheduled for election at this time. In other words, during the 2021 Annual Meeting, three districts will be elected to serve the remaining two years of a three-year term, those being Districts 3, 4, and 6, and Districts 5, 7, and 8 will be elected to serve a three-year term.

Members are encouraged to submit questions they may have concerning the Cooperative to either of our offices. All questions will be reviewed and answered on an individual basis by the General Manager.

Members who reserved and picked up a chicken dinner at either of our two office locations, Bath or Cherry Creek, will receive a \$5.00 credit on their November billing statements. The credit is being offered as a token of our appreciation for your understanding and support of the situation we face with holding this year's Annual Membership Meeting as a result of the State of New York's mandates concerning social distancing, social gatherings and travel. Only one \$5.00 credit per membership will be issued.

On behalf of the Board of Directors and employees, I would like to thank each of our members, once again, for your patience, understanding, and support related to mandated directives received from local and state governments as a result of the uncertain times we continue to experience.

MINUTES OF THE OCTOBER 19, 2019 ANNUAL MEETING

The 75th Annual Meeting of the Steuben Rural Electric Cooperative, Inc. was convened at the Canisteo Greenwood High School, 84 Greenwood Street, Canisteo, New York on Saturday, October 19, 2019, as designated by the Bylaws, Article III, Meeting of Members, Section 1, Annual Meeting.

Call to Order: President McCormick called the meeting to order at 11:12 a.m.

Invocation: Doctor George Coon, Pastor of the Tuscarora Baptist Church, delivered the invocation.

Quorum: Attorney Robert Tyson declared that a quorum was present. Three hundred thirty-seven members registered from the Eastern District and twenty-five members registered from the Western District.

Introductions: President McCormick introduced the Board of Directors, Cooperative Attorney and management employees: James McCormick, President, District 1; Janice Hoad, Secretary, District 2; Joseph Hauryski, Director, District 3; Gary Brockway, Treasurer, District 4; Gordon Foster, Director, District 6; Robert Nichols, Vice-President, District 7; Randy Stankey, Director, District 8; William Moss, III, Director, District 9; Robert Tyson, Cooperative Attorney; Bryant Dillon, General Manager, and Lee Ann Hoad, Recording Secretary.

Special Guests: President McCormick introduced the special guests in the audience: Darryl Jacobs, New York Power Authority; Steve Burnett, Director, Delaware County Electric Cooperative; Laurie Wehmeyer, Director, Delaware County Electric Cooperative; Bill Moss, Jr., former SREC Director; Carol Ellis, wife of former SREC Director Butch Ellis; Dick Moyle, former SREC General Manager and his wife Lynne; Gary Potter, President Otsego Electric Cooperative and NYS NRECA Director; and Lee James, Constituent Services Specialist of Congressman Tom Reed's office.

Special Recognition: Lee James of Congressman Tom Reed's office addressed the membership and presented a recognition plaque to Mr. McCormick honoring the Cooperative's 75th anniversary.

Welcome: President McCormick welcomed the members and guests to the meeting and expressed his appreciation to the Cherry Creek members for making the trip and taking an interest in Cooperative affairs.

Appreciation: President McCormick expressed his appreciation to the employees and volunteers assisting at the meeting.

Electric Bill Credit: President McCormick announced the \$5.00 credit for registering at the meeting and a credit of \$25.00 as a member gift (total \$30.00) will again be credited to members' November billing statements.

Appointment of Tellers: President McCormick appointed the following members to collect and record the vote: Amy Badeau, Michelle Keefer, Jeanna Krisher and James Lindberg. Betty Orcutt was appointed to monitor the recording of the final vote.

Reading of the Meeting Notice and Proof of Publication: Pursuant to the Bylaws, Article III, Section 3, Secretary Janice Hoad declared that the notice of the meeting, stating the place, day and hour and the purpose or purposes for which the meeting is called was mailed to all members at the United States Post Office in O'Fallon, Missouri on September 16, 2019. In addition, Mrs. Hoad declared the special notice of the meeting, stating the place, day and hour and the purpose or purposes for which the meeting is called was mailed to all members at the United States Post Office in O'Fallon, Missouri on October 8, 2019.

Minutes of the October 13, 2018 Meeting: A motion was made, seconded and adopted to waive the reading of the October 13, 2018 minutes and accept them as published.

President's Report: President McCormick provided the President's Report. The report highlighted and reviewed the 75-year history of the Cooperative and the importance of the Seven Cooperative Principles, advising how each of the principles is applied by the directors and employees of SREC. In addition, he advised the Cooperative retired \$373,104.48 in capital credits to its members.

MINUTES OF THE OCTOBER 19, 2019 ANNUAL MEETING, CONTINUED

General Manager's Report: Mr. Dillon presented the General Manager's Report that included updates concerning broadband installation across SREC's system; the 15-year hydropower contract extension with the New York Power Authority, extending the current contract through 2040; sectionalizing study implementation to improve reliability to members; pole replacements; member communication and the sale of the landfill gas to energy plant to Steuben County. In addition, he thanked the employees for their dedication and professionalism over the past year.

Secretary and Treasurer's Reports: A motion was made, seconded and adopted to accept the Secretary and Treasurer reports as published.

Nominating Committee: Attorney Tyson read the Nominating Committee Report. The committee met on June 26, 2019 to select a slate of candidates for election to the Board of Directors in the districts scheduled for election.

In addition, Attorney Tyson advised a petition had been filed in accordance with the Bylaws, for another candidate to be placed on the ballot.

Introduction of Candidates for Election to the Board of Directors: Attorney Tyson introduced the candidates who were nominated for a three-year term to the Board of Directors: District 1: Wayland, Cohocton, Fremont, Avoca, Hornellsville, Hartsville, Greenwood, and West Union – James McCormick; District 2: Cameron and Howard – Janice Hoad; District 9: Chautauqua County – William Moss, III.

Attorney Tyson introduced the candidates who were nominated for the remaining two years of a three-year term for District 5: Canisteo, Jasper, Troupsburg, and Woodhull – Gerald Chase, Jr.; Joe Cornell; and Jennifer Thurber.

Attorney Tyson called for nominations from the floor for Districts 1, 2 and 9. Receiving no nominations from the floor, a motion was made, seconded and adopted to close the nominations for Districts 1, 2 and 9 and have the secretary cast one ballot electing those nominated for these positions by the Nominating Committee.

Attorney Tyson declared James McCormick, Janice Hoad and William Moss, III duly elected to the position of director for Districts 1, 2 and 9 respectively.

Attorney Tyson directed the Tellers to collect the ballots and adjourn to the conference room for the purpose of counting the ballots.

Service Awards: President McCormick and the General Manager recognized the following employees for their years of service: Ernie Jessup, Stores and Facilities, 30-year pin; Justin Young, 1st Class Lineman, 15-year pin; Bryant Dillon, General Manager, 5-year pin; and Katie Smith, Branch Office Clerk, 5-year pin.

In addition, they advised Evan Green, Richard Pendle, and Ryan Anderson-Petell have been hired as linemen during 2019. They further advised the Cooperative saw three employees retire in 2019, Dana Robinson, Crew Chief; Ernie Lang, Crew Chief; and John Ellis, Mechanic.

Unfinished Business: President McCormick announced there was no unfinished business to bring before the membership.

New Business: President McCormick advised there were proposed Bylaw amendments to be considered by the membership and asked Attorney Tyson to explain same.

Attorney Tyson advised the first Bylaw amendment would amend Article IV Directors, Section 3, Nominations as follows:

Current Article IV Directors Section 3 Nominations reads : It shall be the duty of the Board of Directors to appoint, not less than forty-five (45) days nor more than one hundred twenty (120) days before the date of the meeting of the members at which directors are to be elected, a committee on nominations consisting of not less than five (5) nor more than nine (9) members who shall be selected from different sections of the project area as to insure equitable representation. No member

MINUTES OF THE OCTOBER 19, 2019 ANNUAL MEETING, CONTINUED

of the Board of Directors or any relative of any director may serve on such committee. The committee, to provide equitable representation, shall prepare and post at the principle office of the Cooperative, at least twenty (20) days before the meeting a list of nominations for directors. The committee shall make a prudent effort to nominate at least two (2) nominees from each district of the Cooperative scheduled for election. In the event that less than two (2) nominees are nominated by the committee, the committee shall certify to the Board of Directors that a diligent search was made for candidates and that less than two (2) persons were found who were willing to be nominated for the position of director from that district. Any fifteen (15) or more members acting together may make other nominations by petition not less than fifteen (15) days prior to the meeting, and the Cooperative shall post such nominations, under the direction of the Secretary of the Board of Directors, at the same place where the list of nominations made by the committee is posted. Under the direction of the Secretary of the Board of Directors, the cooperative shall mail the notice of the meeting or separately, but at least seven (7) days before the date of the meeting, a statement of the number of directors to be elected and the names and addresses of the candidates specifying separately the nominations made by petition, if any.

Nothing contained herein shall, however, prevent additional nominations from the floor at the meeting of the members. Additional nominations made by petition **or from the floor** shall be for the respective districts scheduled for election. The nominee in each district receiving the highest number of votes cast shall be deemed elected to the Board of Directors.

The proposed amendment would remove the bold language above, thereby eliminating the option to nominate candidates from the floor at future meetings.

Attorney Tyson advised the second Bylaw amendment would add the following to the Bylaws, specifying a time frame in which a former director may be considered for employment with the Cooperative:

Article IV Directors, Section 8 Employment of Former Directors by the Cooperative: Former directors shall not be employed by the Cooperative for at least five (5) years after completing service as a director.

Attorney Tyson called for and received a motion, and second to approve the proposed Bylaw amendments. Attorney Tyson called for a vote to approve the proposed Bylaw amendments and all members voted to approve the amendments. The motion was adopted.

Question and Answer Period: Mr. Dillon advised that all questions submitted to the office prior to the meeting were addressed on an individual basis with the member and asked if there were additional questions the members would like addressed. One additional question was raised in which the member inquired as to the nominating committee process and how one is considered for nomination. Mr. Dillon answered the question to the satisfaction of the members.

Luncheon Recess: Mr. McCormick declared a luncheon recess at 12:30 p.m. for the Kanona Volunteer Fire Department's chicken barbeque and announced the election results and raffle ticket drawing would take place following the luncheon.

Reconvene: The meeting was reconvened at 1:30 p.m.

Election Results: Attorney Tyson declared Gerald Chase, Jr. duly elected to the position of Director for District 5 for the remaining two years of a three-year term and thanked the other candidates for their interest in the position.

Raffle Ticket Drawings: Lee Ann Hoad conducted the raffle ticket drawing for four (4) \$100 Visa Gift Cards and the following individuals were awarded the gift cards: Henry Johnson, Max Tobias, James Frantz, and Harry Spears.

Adjournment: Mr. Dillon adjourned the meeting at 2:00 p.m. and thanked everyone for attending.

Respectfully submitted,

Janice L. Hoad
Secretary

INDEPENDENT AUDITOR'S REPORT



Dave DiTanna
Buffamante, Whipple
Buttafaro, PC

To the Board of Directors
Steuben Rural Electric Cooperative, Inc. & Subsidiary
Bath, New York

We have audited the accompanying consolidated financial statements of Steuben Rural Electric Cooperative & Subsidiary which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of revenue, expenses and patronage capital, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Steuben Rural Electric Cooperative, Inc. & Subsidiary as of December 31, 2019 and 2018 and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 19, subsequent to December 31, 2019 the following events occurred: a formal plan for dissolution of the SREC Generating Company was executed by members of the Board of Directors; the agreement to the rights to landfill gas was terminated; a debt cancellation and release agreement was executed between the Generation Company and the Cooperative; and the assets (facility and equipment) owned by the Cooperative were sold to the County of Steuben. The financial statements do not include any adjustments that resulted from the outcome of the events that occurred subsequent to year-end. Our opinion is not modified with respect to that matter.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Balance Sheets and Consolidating Statements of Revenue, Expenses and Patronage Capital as of and for the years ended December 31, 2019 and 2018 on pages 22 through 27, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2020, on our consideration of Steuben Rural Electric Cooperative, Inc.'s internal control over financial reporting and our testes of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro, P.C.
Jamestown, New York
May 20, 2020

CONSOLIDATED BALANCE SHEETS

<u>ASSETS</u>		
	<u>2019</u>	<u>2018</u>
Electric Plant		
In Service - At Cost	\$ 55,431,652	\$ 55,111,640
Construction in Progress	344,738	419,559
Total Electric Plant	<u>55,776,390</u>	<u>55,531,199</u>
Less:		
Provision for Depreciation	23,016,906	21,963,886
Retirement Work in Progress	(3,081)	(67,142)
Subtotal	<u>23,013,825</u>	<u>21,896,744</u>
Total Electric Plant - Net	<u>32,762,565</u>	<u>33,634,455</u>
Other Assets		
Investments in Associated Organizations	1,992,808	1,203,435
Total Other Assets	<u>1,992,808</u>	<u>1,203,435</u>
Current Assets		
Cash and Cash Equivalents	730,961	1,730,804
Accounts Receivable - Net	1,605,645	1,875,503
Other Accounts Receivable	1,713,100	812,975
Inventory	493,805	443,489
Prepaid Expenses	357,964	116,068
Total Current Assets	<u>4,901,475</u>	<u>4,978,839</u>
Noncurrent Assets		
Other Regulatory Assets	522,638	659,182
Miscellaneous Deferred Debits	88,824	12,723
Total Noncurrent Assets	<u>611,462</u>	<u>671,905</u>
TOTAL ASSETS	<u>\$ 40,268,310</u>	<u>\$ 40,488,634</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
	<u>2019</u>	<u>2018</u>
Members' Equity		
Memberships	\$ 326,605	\$ 318,780
Patronage Capital	14,679,377	14,696,820
Other Equities	1,751,668	1,636,264
Total Members' Equity	<u>16,757,650</u>	<u>16,651,864</u>
Long-Term Debt - Net	<u>19,877,593</u>	<u>20,464,552</u>
Current Liabilities		
Long-Term Debt - Current Maturities	1,508,407	1,555,968
Line of Credit	872,000	200,000
Accounts Payable	389,651	599,888
Customer Deposits	39,830	44,730
Other Liabilities	619,951	743,122
Total Current Liabilities	<u>3,429,839</u>	<u>3,143,708</u>
Noncurrent Liabilities		
Loan Conversion Fees	-	-
Other Postretirement Benefits	203,228	228,510
Total Noncurrent Liabilities	<u>203,228</u>	<u>228,510</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 40,268,310</u>	<u>\$ 40,488,634</u>

A COPY OF THE FULL AUDIT REPORT
MAY BE OBTAINED
BY CONTACTING THE BATH DISTRICT OFFICE

CONSOLIDATED STATEMENTS OF REVENUE, EXPENSES AND PATRONAGE CAPITAL

	<u>2019</u>	<u>2018</u>
Operating Revenues	\$ 10,999,696	\$ 11,879,411
Operation and Maintenance Expenses		
Cost of Purchased Power	2,383,029	2,653,694
Power Production Expense	172,378	736,859
Distribution Expense - Operation	1,879,114	1,654,631
Distribution Expense - Maintenance	1,680,824	1,775,038
Customer Accounts Expense	445,881	491,324
Customer Service and Information Expense	116,068	128,620
Administrative and General Expense	1,366,559	1,408,279
Total Operation and Maintenance Expenses	<u>8,043,853</u>	<u>8,848,445</u>
Other Operating Expenses		
Depreciation Expense	1,650,361	1,651,787
Interest Expense - Long-Term Debt	795,495	787,595
Interest Expense - Other	13,944	13,365
Miscellaneous Expenses	113,736	4,787
Total Other Operating Expenses	<u>2,573,536</u>	<u>2,457,534</u>
Total Cost of Electric	<u>10,617,389</u>	<u>11,305,979</u>
Net Operating Margins	<u>382,307</u>	<u>573,432</u>
Non-Operating Margins		
Interest Income	46,443	28,386
Other Capital Credits and Patronage Dividends	37,809	51,193
Miscellaneous Non-Operating Income	5,097	5
Net Non-Operating Margins	<u>89,349</u>	<u>79,584</u>
Net Margins	471,656	653,016
Patronage Capital - Beginning	14,696,820	14,628,963
Less: Retirement of Patronage Capital	<u>(489,099)</u>	<u>(585,159)</u>
Patronage Capital - Ending	<u>\$ 14,679,377</u>	<u>\$ 14,696,820</u>

A COPY OF THE FULL AUDIT REPORT
MAY BE OBTAINED
BY CONTACTING THE BATH DISTRICT OFFICE

NOMINATING COMMITTEE REPORT

A meeting of the Nominating Committee was held at the main office of the Cooperative, 9 Wilson Avenue, Bath, New York on Wednesday, July 1, 2020 at 5:00 p.m. by teleconference only as a result of the current New York State mandates concerning social gatherings and travel restrictions associated with the COVID-19 Corona Virus Pandemic.

The committee members present by phone were: Donna Bossick, District 2; Camelia Oswald, District 3; Walter Longwell, District 4; Willard Caudill, District 6; Mary Ellen Baker, District 7; and Patricia Bromley, District 8. Also, in attendance were Bryant Dillon, General Manager and Lee Ann Hoad, Executive Secretary of the Cooperative.

Mr. Dillon welcomed everyone to the meeting and thanked them for taking time from their schedules to participate on the committee and asked that all members, when possible, be sure to place their phones on mute when not speaking, and announce themselves when speaking. The committee was also advised that motions would be voted on by objection only. He then reviewed and explained Policy 201 Director Search and Selection, Policy 202 Functions of the Nominating Committee, and Article 4 Section 2 Qualification and Tenure and Article 4 Section 3 Nominations of the Bylaws in detail with committee members.

A motion was made and seconded to elect Walter Longwell as Committee Chair. The motion was adopted and the meeting was turned over to Mr. Longwell to conduct the remainder of the nomination process.

A motion was made and seconded to elect Willard Caudill as Recording Secretary. The motion was adopted.

The following candidates were nominated for a three-year term on the Cooperative's Board of Directors with the Committee assuring that each nominee was advised prior to accepting the nomination that the official election for their districts would not take place until the 2021 Annual Meeting as a result of the 2020 Annual Meeting being adjourned for lack of a quorum due to the fact New York State will likely not allow large gatherings at the time the meeting would be scheduled in October of 2020.

District 3	Joseph Hauryski
District 4	Gary Brockway
District 6	Gordon Foster

A motion was made and seconded to accept the nominations for the districts scheduled for director election. The motion was adopted. The names of the nominees will be submitted to the General Manager for verification of district.

The Nominating Committee certified to the Board of Directors as required by the Bylaws, that they made a prudent effort to nominate at least two nominees from each district. A diligent search was made for candidates for Districts 3, 4, and 6, and they were able to find only one candidate willing to be nominated for the position of director from those districts.

A motion was made and seconded to adjourn the meeting at 5:23 p.m. The motion was adopted.

Respectfully submitted,

Willard Caudill
Recording Secretary

VOTING PROCEDURES

As mentioned earlier, voting for director elections for Districts 3, 4 and 6 will be held during the 2021 Annual Meeting due to the fact that the 2020 Annual Meeting will be convened without a quorum being present. Because no quorum will be present, the meeting will be adjourned with no action being taken on any business items including approval of the 2019 Annual Meeting Minutes, Officer Reports or Director Elections. All 2020 business items will be included in the 2021 Annual Meeting. Those currently serving as Directors for Districts 3, 4, and 6 will continue in their respective positions and at the 2021 Annual Meeting, all candidates nominated by the Nominating Committee in 2020 will be placed on the ballot to be elected to serve the remaining two years of the three-year term for those districts.

DIRECTOR ELECTIONS 2020-2023

District 3
Towns of Urbana, Wayne, Bradford, Hornby,
Orange



Joseph Hauryski

Mr. Hauryski currently resides in Bradford, New York. He has been a member of the Cooperative for 16 years and has served on the Board of Directors since 2005 and held the office of Secretary of the Board for 10 years.

He is a graduate of Campbell Savona Central School, obtained his AAS Degree from Alfred State College and his BS Degree from Ohio State University.

He is a member of the St. Stanislaus Church in Bradford and the Bath Elks Lodge. He retired from USDA in 2004 and served on the Steuben County Legislature for twelve years from 2008 to 2019 and was Chairman from 2010 to 2019.

District 4
Town of Bath



Gary Brockway

Mr. Brockway and his wife, Barbara, reside in Savona, New York and have been Cooperative members since 1996. He has been a member of the Board of Directors since 2010. He currently serves as Treasurer.

He obtained his degree in Business Administration from Alfred and was employed at the Steuben County Department of Social Services, retiring in 2005, following 30 years of service.

He is a past member of the Avoca Volunteer Fire Department and Ambulance Corp and served as Deputy Mayor of the Village Board. He also served as Deputy Mayor for the Savona Village Board. Gary is a long-time communicant of the Church of the Good Shepherd Episcopal Church in Savona, serving on the Executive Committee for 20 years.

District 6
Towns of Thurston, Campbell, Rathbone



Gordon Foster

Mr. Foster resides in Thurston, New York and has been a member of the Cooperative for 54 years. He has served on the Board of Directors since 1982 and was President for 15 years. He is an active participant with the NYSRECA Statewide organization.

He obtained his AAS Degree in Engineering Sciences from Alfred Agricultural and Technical College and was employed with Corning, Inc. for 40 years as a Technologist until retiring in 2005.

Mr. Foster manages a 750-acre replacement farm in Risingville and has served as Thurston Town Assessor for 48 years.

DIRECTOR QUALIFICATIONS

In order to be elected to the Board as a Director, candidates must meet the following qualifications (see Bylaws, Article IV Directors, Section 2 Qualifications & Tenure): Directors shall be elected by ballot at each annual meeting of the members, by and from the members, to serve until the third succeeding annual meeting of the members or until their successor shall have been elected and shall have qualified. No person shall be eligible to become or remain a director or to hold any position of trust in the Cooperative who: (A) Is not a member and bona fide resident of the district within the Cooperative for which the director was elected to serve; (B) Is in any way employed by or financially interested in a competing enterprise or a business selling electric energy, equipment or supplies to the Cooperative; (C) Is an employee of the Cooperative or has been an employee of the Cooperative within five (5) years from the date of the annual meeting at which the nomination will come to a vote; (D) Is unable to read, write and speak in the English language; (E) Is not able to enter into a legally binding contract; (F) Is a convicted felon; (G) Has had bills owed to the Cooperative delinquent for more than ninety (90) days within the past two (2) years.

NOMINATIONS

It shall be the duty of the Board of Directors to appoint, not less than forty-five (45) days nor more than one hundred twenty (120) days before the date of the meeting of the members at which directors are to be elected, a committee on nominations consisting of not less than five (5) nor more than nine (9) members who shall be selected from different sections of the project area so as to insure equitable representation. No member of the Board of Directors or any relative of a director may serve on such committee. The committee, to provide equitable representation, shall prepare and post at the principle office of the Cooperative, at least twenty (20) days before the meeting a list of nominations for directors. The committee shall make a prudent effort to nominate at least two (2) nominees from each district of the Cooperative scheduled for election. In the event that less than two (2) nominees are nominated by the committee, the committee shall certify to the Board of Directors that a diligent search was made for candidates and that less than two (2) persons were found who were willing to be nominated for the position of director from that district. Any fifteen (15) or more members acting together may make nominations by petition not less than fifteen (15) days prior to the meeting, and the Cooperative shall post such nominations, under the direction of the Secretary of the Board of Directors, at the same place where the list of nominations made by the committee is posted. Under the direction of the Secretary of the Board of Directors, the Cooperative shall mail with the notice of the meeting or separately, but at least seven (7) days before the date of the meeting, a statement of the number of directors to be elected and the names and addresses of the candidates specifying separately the nominations made by petition, if any. Additional nominations made by petition shall be for the respective districts scheduled for election. The nominee in each district receiving the highest number of votes cast shall be deemed elected to the Board of Directors.

PRESIDENT'S REPORT

As we reflect on 2020, we recognize it as a year that presented many challenges with the COVID-19 pandemic. The board of directors, management and staff of the Cooperative always look forward to the annual meeting. It is a time where members can get together, discuss Cooperative business and is a unique display of democracy at work. Unfortunately, due to the restrictions in place, the Cooperative could not hold the 2020 annual meeting in its traditional format.

In addition to altering the format of the annual meeting, the Cooperative has had to modify its operations significantly to ensure the safety of our essential staff members and to comply with guidance from the State of New York and the Federal Government. The Cooperative's board of directors assesses these changes and any new guidance each month. As of now, we are continuing to keep our front offices closed to any, non-emergency related, outside traffic. We certainly realize and understand that it is inconvenient for some. We will continue to assess this on a monthly basis and open the offices to outside traffic when we can accommodate the additional traffic while complying with guidance that has been issued. Please do not hesitate to contact our office with any questions or concerns.

Despite the circumstances, the Cooperative had a very successful year. During 2020, the Cooperative successfully closed on the sale of its 3.2MW landfill gas to energy generating plant, signed an extension of its power supply agreement, started several critical infrastructure projects and continued to contribute to the expansion of broadband in our communities. The General Manager's report will elaborate on the details of these projects.

As indicated in the Treasurer's report, the Cooperative continues to maintain a strong financial position with a stable return of member equity. On September 30, 2020, the Cooperative retired and paid \$382,178.18 of patronage capital. This retirement of patronage capital was the remaining portion of patronage capital allocated for 1993 and 73% of the patronage capital allocated for the 1994 year. As you are aware, patronage capital is a form of equity that the Cooperative holds to provide the Cooperative working capital to maintain and improve its infrastructure. This equity is later returned to the membership in the form of a patronage capital retirement payment. The Cooperative strives to maintain a reasonable patronage capital cycle of 25-30 years.

The Cooperative's board of directors did a great deal of planning over the past year to ensure the stability of the Cooperative for many years to come. This planning began in December of 2019, when the Cooperative's board of directors held a multi-day strategic planning session to identify key issues, strengths, weaknesses, opportunities and threats that the Cooperative will face in the coming years. At the end of the strategic planning session, the Cooperative's management presented the directors with a formal implementation plan and steps necessary to achieve the goals. This plan will place emphasis on updating and enhancing existing infrastructure to ensure reliability. In conjunction with these infrastructure goals, the Cooperative will be required to set forth financial policies and procedures necessary to accomplish the overall objectives of the infrastructure plan. One of the most important takeaways from this plan was a renewed commitment to the safety of our linemen and workforce. Without a strong, stable and safe workforce, we will not be able to achieve the needs of our members. We look forward to seeing this plan come to fruition to ensure that we are providing low-cost, reliable electricity in a safe manner.

On behalf of all of the directors, we would like to express our appreciation to the members for their patience and understanding as we navigate through the unprecedented times. We would also like to say thank you to all of our outstanding lineman and office employees that continue to push the Cooperative into the future. The board of directors looks forward to tackling the challenges and opportunities that 2021 will bring.

GENERAL MANAGER'S REPORT

It is unfortunate that we cannot be together as a group to celebrate the 76th annual meeting of the Cooperative. Given the restrictions in place by the State of New York as a result of the COVID-19 pandemic, it was simply not possible to hold the meeting in our traditional format. The Cooperative and its board of directors investigated various alternatives to accomplish the annual meeting. However, New York State Rural Electric Cooperative Law requires that a quorum of 50 members must be present, in person, to take action on Cooperative business at the annual meeting. We appreciate your understanding as we adapt to these unusual circumstances. That being said, we still have an underlying obligation to keep our member-owners up to date and informed on the current events and future plans at the Cooperative. Cooperatives were built on a foundation of democracy and democratic member control. We hope that you find this report and its content as a useful resource in developing an insight on the happenings at the Cooperative.

Since we last met on October 19, 2019, there have been several significant developments that will establish a strong foundation for the Cooperative moving into the future. On February 19, 2020, the Cooperative signed the extension of the Agreement for the Sale of Niagara Project Wholesale Power and Energy. As many members are aware, approximately 85% of Steuben Rural Electric Cooperative's purchased power comes from the New York Power Authority's Robert Moses Niagara Power Plant. The Robert Moses Niagara Power Plant was constructed by the New York Power Authority between 1959 and 1961. Today, the Robert Moses Niagara Power Plant consists of 13 generators with a combined maximum output of 2,675 megawatts. Approximately 765 megawatts of the total capacity of the plant is contractually allocated to 51 municipal and rural electric cooperative systems in New York. The existing contract between the New York Power Authority and Steuben Rural Electric Cooperative was set to expire in 2025. This contract extension is a monumental achievement which provides price stability to the Cooperative and its members for the next 20 years. The new contract continues the sale of this hydropower at cost-based rates. Access to this low-cost energy is the lifeblood of Steuben Rural Electric Cooperative. The average savings over the past three years has been approximately \$1,850,000 per year in comparison to purchasing wholesale power on the open market. In addition to providing price stability to the membership, the new contract ensures the Cooperative's continued commitment towards its clean energy goals and secures approximately 85% of Steuben Rural Electric Cooperative's power supply portfolio to be delivered in the form of clean renewable hydropower.

On January 17th of 2020, the Cooperative signed the final closing agreement on the sale of the 3.2MW landfill gas to energy plant to Steuben County. The proceeds from the sale of the landfill gas to energy plant will be used to repay existing debt obligations issued for the construction of the facility. This project was effectively used as a hedge against wholesale energy prices for a number of years. The volatility and unpredictable nature of renewable attribute pricing and eligibility, coupled together with low wholesale market energy prices, led the board of directors towards the decision to hold the plant for sale. As mentioned previously, there has been a 20-year extension to the Cooperative's purchased power supply contract and exposure to wholesale energy markets is limited, thus less of a need for such a hedge. We feel strongly that this decision will best support the Cooperative's long-term objectives and help to maintain a secure financial position.

Throughout the past few years, we have also been working closely with several telecommunication companies to ensure that our infrastructure is available and ready to accommodate broadband expansion. Facilitating rural broadband expansion has been and continues to be a major focus for the Cooperative's leadership.

GENERAL MANAGER'S REPORT, CONTINUED

The expansion of this infrastructure is vital to economic development, education, medical care and the list goes on. As you are aware, New York State established the New NY Broadband Program in 2015. Three rounds of funding were made available for the deployment of rural broadband. Between the New NY Broadband Program and the Charter/Spectrum Settlement Agreement, much of our service territory will now have access to high-speed internet. That being said, there were census blocks in our territory that were awarded funding for enhancements to satellite. It is our opinion that this is not an acceptable means of coverage and funds should have been targeted towards more resilient technologies. We will continue to discuss these issues with policymakers and continue to be a voice for our communities.

Although the Cooperative has several developments coming to fruition, we have not taken our eyes off the reason we are here, to provide low-cost, reliable electric. Reliability is achieved through consistent maintenance and system improvement. On April 15, 2020, the Cooperative's board of directors approved a bid on two critical construction projects. The largest of these projects is a rebuild of the Cooperative's 6-mile sub-transmission line which supplies the Cooperative's Quarry substation. The Quarry substation provides electric service to 650 members in the Towns of Bath, Cameron, Canisteo and Howard. This sub-transmission line was built in the 1960s and is nearing its life expectancy. This sub-transmission line is a critical component of the distribution system. This construction project is expected to start in the fall of 2020 and carry through into quarter 1 of 2021. In conjunction with the sub-transmission line rebuild, the Cooperative will be reconductoring and sectionalizing 15-miles of primary overhead distribution on County Route 10 and surrounding areas in the Town of Cameron. Reconductoring consists of replacing wire that has met its life expectancy. The sectionalizing component will break up this line section into smaller line sections in an effort to improve reliability. In addition to these large construction projects, the Cooperative's line crews are also working on several other system improvements. Another key element to reliability is a strong right-of-way maintenance program. In the 2020 budget development process, the board of directors approved a 25% increase in our integrated vegetation management budget. This increase was necessary to ensuring that the program is hitting the necessary mileage targets on an annual basis and the rights-of-way are properly maintained and clear of "utility unfriendly" vegetation. Consistency in our approach to maintenance programs will pay significant dividends in future years to come.

The Cooperative recently implemented a new outage management system that will allow us to communicate with members in different ways and on a broader scale. Members now have access to outage updates through SmartHub and the SmartHub mobile app. Through SmartHub, members can enroll in text message alerts that will notify you when a power outage has been reported that impacts your electric service and will send a text message to let you know when your power is restored. This system gives members the ability to have access to information about their electric service, anytime, anywhere.

In closing, I would like to thank our hard-working and dedicated staff at Steuben Rural Electric Cooperative. We have several new faces at the Cooperative and we are excited to see these individuals grow. As always, our staff is aware of what it means to serve our members and we take great pride in providing the best service possible. We look forward to continuing this into the 2021 year and far beyond. Thank you to all of our members!

REPORT OF THE SECRETARY



Janice Hoad,
Secretary

Last year's Annual Meeting was held at the Canisteo Greenwood High School, Canisteo, New York, on October 19, 2019. Total attendance was 337 members from the Eastern District and 25 members from the Western District. There were no proxies submitted.

The directors elected to three-year terms were: James McCormick, District 1; Janice Hoad, District 2; and William Moss, III, District 9. Gerald Chase, Jr. was elected to fill the remaining two years of a three-year term for District 5.

The Board held regular, committee and special meetings, according to the Bylaws of the Cooperative. Attendance was nearly 100 percent.

As of January 1, 2019, there were a total of 6734 members representing the utilization of 6299 active metering points. For the period January 1, 2019 through December 31, 2019, the Board accepted membership of 39 new members, while 16 members left our system. We ended 2019 with a total of 6757 members.

All membership records and minutes from all meetings are up-to-date and on file at the office. We welcome suggestions from the members on any item of Cooperative affairs.

Janice Hoad
Secretary

REPORT OF THE TREASURER



Gary Brockway,
Treasurer

You have been provided a copy of the audited Financial Statements for the years ended December 31, 2019 and 2018. Our operating revenue in the consolidated financial statements decreased 7.4% from \$11,879,411 in 2018 to \$10,999,696 in 2019. The decrease in operating revenues was due in large part to (1) the suspension of operations of the landfill gas to energy plant in April of 2019; and (2) having experienced no major storms during 2019. Operating expenses decreased 6.09% from \$11,305,979 to \$10,617,389 during this time period.

During 2019, the Cooperative maintained its commitment to the retirement of patronage capital in order to ensure a timely return on member capital. Patronage capital retirement amounted to \$585,159 in 2018 and \$489,099 in 2019.

The duties of the Treasurer have been performed in accordance with standard accounting practices and in accordance with Bylaw requirements.

Gary Brockway
Treasurer

DIRECTOR & EMPLOYEE SERVICE AWARDS

- Jim McCormick, Director/President – 40-year pin
- Josh Gauss, Operations Manager – 20-year pin
- Joseph Hauryski, Director – 15-year pin
- Mike Green, 2nd Class Lineman – 20-year pin
- Gary Brockway, Director/Treasurer – 10-year pin
- Betty Hall, IT/Payroll Benefits Specialist – 20-year pin
- Kristen Cleveland, Members Services Rep – 10-year pin
- Jennifer Madigan, Receptionist/Cashier – 5-year pin

EMPLOYEE RETIREMENTS & NEW EMPLOYEES

During 2020, we are sad to announce the retirements and departures of a few lineman but are pleased to welcome several new faces in our line department.

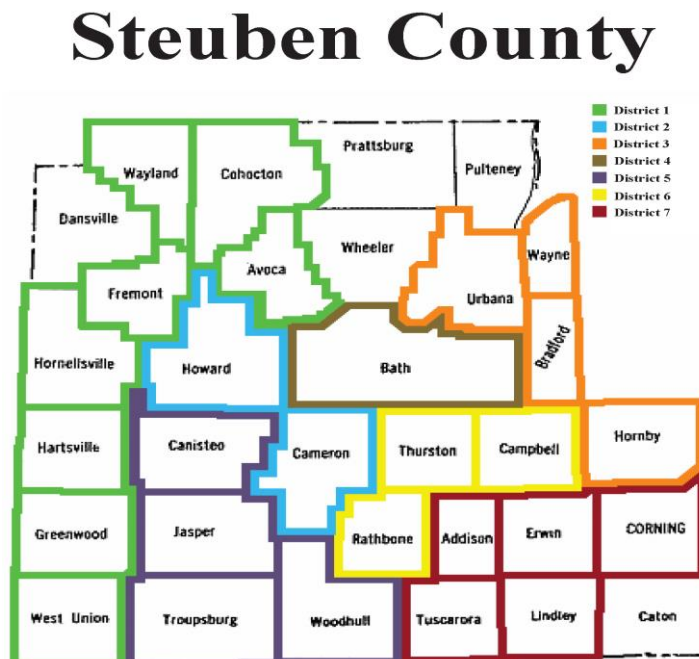
Johnny Badeau, 1st Class Lineman, retired from the Cooperative in January of 2020 following 18 years of dedicated service. We wish Johnny the best in his retirement and thank him for his 18 years of service to the Cooperative and its membership.

In the Bath District, the Cooperative would like to welcome the following new hires: Robert Cornell, III – 1st Class Lineman; Taylor Parsons – 2nd Class Lineman; Douglas Hosmer-Smith – 2nd Class Lineman; and Trenton LaBarr – Lineman Apprentice.

In the Cherry Creek District, the Cooperative would like to welcome one new hire, Kevin Hunt, Lineman Apprentice.

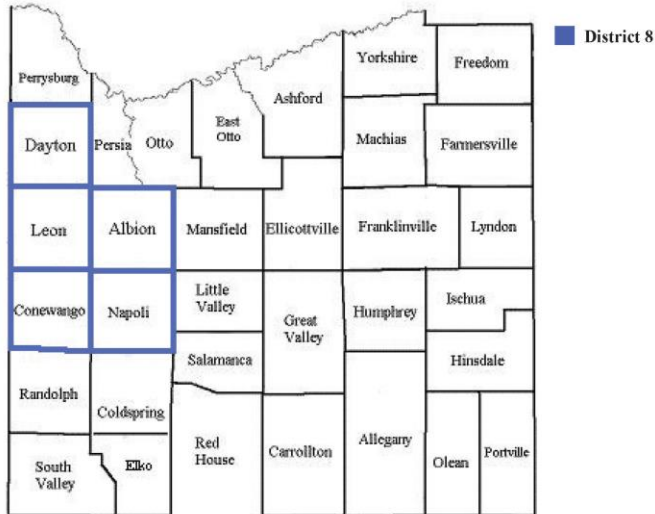
These new hires may be familiar faces to some Cooperative members, having grown up in their respective service territories. We look forward to getting the new group acclimated and continuing to expand on our reputation of quality service. Please join us in welcoming these new hires!

BATH DISTRICT MAP

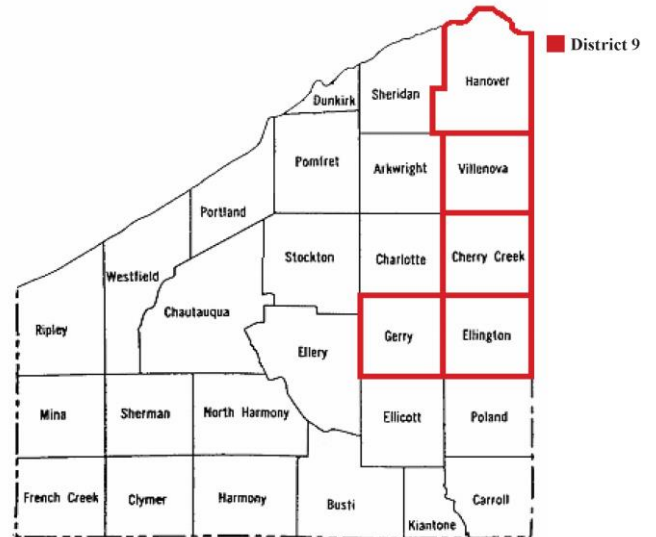


CHERRY CREEK DISTRICT MAPS

Cattaraugus County

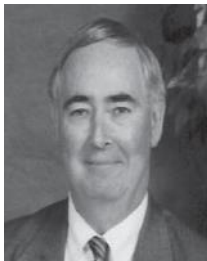


Chautauqua County



BOARD OF DIRECTORS

OFFICERS



James McCormick
President
District 1



Robert Nichols
Vice-President
District 7



Janice Hoad
Secretary
District 2



Gary Brockway
Treasurer
District 4

DIRECTORS



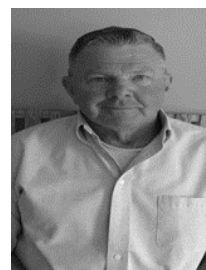
Joseph Hauryski
District 3



Gerald Chase, Jr.
District 5



Gordon Foster
District 6



Randy Stankey
District 8



William Moss III
District 9

Contact Us

Steuben Rural Electric Cooperative, Inc.

Bath District

9 Wilson Avenue

Bath, NY 14810

Phone: 607-776-4161

800-843-3414

Cherry Creek District

5966 South Road

Cherry Creek, NY 14723

Phone: 716-296-5651

800-883-8236

MEMBER QUESTIONS

Because of the unusual structure of this year’s meeting due to circumstances beyond our control, members may find they would like additional information on certain reports or have questions in general.

Please feel free to submit your questions, in writing to the Bath or Cherry Creek Offices, by emailing lhoad@steubenrec.com or dropping them off at our offices. Each question will be reviewed and answered on an individual basis.

THANK YOU

STATEMENT OF NONDISCRIMINATION

Steuben Rural Electric Cooperative, Inc., is an equal opportunity provider and employer. In accordance with Federal civil rights laws and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientations, disability, age, marital status, domestic violence victim status, family/parental status, salary history, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident. Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA’s Target Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English. To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at http://www.ascr.usda.gov/complaint_filing_cust.html and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USD by: mail: U.S. Department of Agriculture, Office of Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, DC 20250-9410; Fax: (202) 690-7442; E-mail: program.intake@usda.gov.
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