

2018 ANNUAL REPORT







Our Goals

Reliable Service

In other words, keeping the lights on.

Good Customer Relations

Providing friendly, efficient service and maintaining open communication with our members. As a member-owned organization our customers are our members.

Good Employee Relations

This results from an atmosphere of cooperation and open, two-way communication between all staff members.

Financial Integrity

Salem Electric operates with funds from a single source – our members' electric bills. It is our duty to spend their money wisely, yet provide adequate financing to achieve the cooperative's other goals.

Low Rates

Approximately 50% of our retail rate reflects the cost of purchasing electricity from our supplier — the Bonneville Power Administration. Our success in this goal is determined by how efficiently we use the remaining portion of our funds to achieve the first four goals.

Safety

While not one of our five goals, the safety of our employees, our members, and the general public is of the utmost importance and an overarching goal.

President's Message



Jeff Anderson

Jeff Anderson
President

Fellow Salem Electric members, it has been my honor to serve as a Salem Electric director for the past 34 years. Currently, as president, I have the unique opportunity to work closely with staff as well as fellow board members.

If I describe 2018 in one word, it would be transitions. In February 2018, general manager Terry Kelly retired and Tony Schacher became general manager. Tony's experience in engineering and operations is invaluable as we evaluate the core competencies of delivering power.

To better serve members who have difficulty making it to the office during business hours, a payment kiosk was installed outside our office. The kiosk accepts a variety of payments and applies them immediately.

Our AMI deployment team installed nearly 10,000 meters, providing members the ability to view their energy consumption in real time. AMI technology has also improved our operational efficiency, allowing for quick identification of power outages and the ability to collect meter readings on demand.

Our member survey supported what I've thought for years, our members are highly satisfied with the service Salem Electric provides. Going forward our challenge is to maintain the high level of excellence we've all come to expect.

It's an exciting time to be an electric co-op member! As your board president, I will continue to represent our membership in every decision we make.

Manager's Message



Tony Schacher
General Manager



As Salem Electric's general manager, I spend a lot of time looking at numbers, reviewing policy, and working with the Board of Directors, and I am proud to report that your electric cooperative has never been stronger.

The Board's dedication and commitment to representing you, the members, is apparent in every decision they make. With the strategic plan as our compass, we begin 2019 looking at opportunities to engage with our members, implement new technology, maintain a high level of safety and security, sustain service reliability, and maintain low rates.

Our employees' competency, dedication, and willingness to go the extra step to serve our members is evident in everything they do. They continue to amaze me. Whether it be an audit for a heat pump, volunteering in the community, a high bill inquiry, or an outage situation, our staff does what it takes to get the job done and our 2018 member survey results showed that our members notice it also.

I am happy to announce we received a very high rating in overall member satisfaction and member interactions. The survey also indicated that our members are proud to be affiliated with Salem Electric and believe they are getting a good value for the money.

At Salem Electric, we strive to be your trusted energy advisor and we will continue to maintain our high standard of excellence. We are honored to be your electric cooperative.

Member Survey

In our quest for continuous improvement, we hired the National Rural Electric Cooperative Association (NRECA) to conduct a residential member survey. The survey, given by phone and email, consisted of twelve questions covering a variety of topics ranging from convenient payment options to supporting the community.

We are proud to report that the survey showed our overall member satisfaction is exceptionally high! Thank you to the members who participated in the survey. Your feedback is essential as we consider future programs and services.

9.6/10 – Overall Member Satisfaction

“I never worry about electricity because I trust that Salem Electric will do what is needed to fix issues and safeguard against hazards.”

9/10 – Member Loyalty

“Salem Electric is one of the finest community businesses that I have come across. They are top-notch.”

4.5/5 – Charging Reasonable Rates

“Very satisfied with your efforts to keep rates down.”

4.7/5 – Having Members’ Best Interests at Heart

“They are easy to talk to when I go into the office.”

4.8/5 – Restoring Power Quickly After an Outage

“Have had very few outages in the last 8 years...keep up the good work.”

2018 Highlights

9,803

AMI Meters Installed

providing members a tool to view their energy usage and better manage their electric bill.



Payment Kiosk

installed at SE for members' after-hours payments.



Raptor Cam

installed on a West Salem nesting platform to provide a live feed to SE's YouTube channel.

360 New Homes Added to Salem Electric's Service Area



Like

479 Likes 510 Following

facebook.com/SalemElectricCooperative

2018 Highlights

12



training certificates received
by your board of directors.

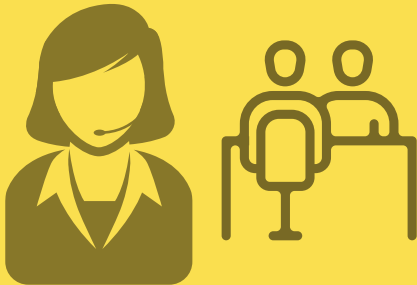
\$1,730,790

capital credits paid
to members.



86,000

members assisted by phone
and in person.



3,119,974 kWh saved



Salem Electric members saved
enough energy to serve 246
homes for one year.

Ten \$1,500 college scholarships

awarded to students
in Salem Electric's
service area.



\$8,010 raised

by employees
to benefit Union
Gospel Mission.



2018 Highlights



936
members
received heating assistance.

2 No Outage Months



February and March
2018 — SE's 25th and
26th months with no
preventable outages.



300+

attended Member Appreciation
Night during a summer concert
at West Salem Park.



700

elementary
students

watched Safety Town presentations.

\$64,000

donated to
over 75 local
organizations.



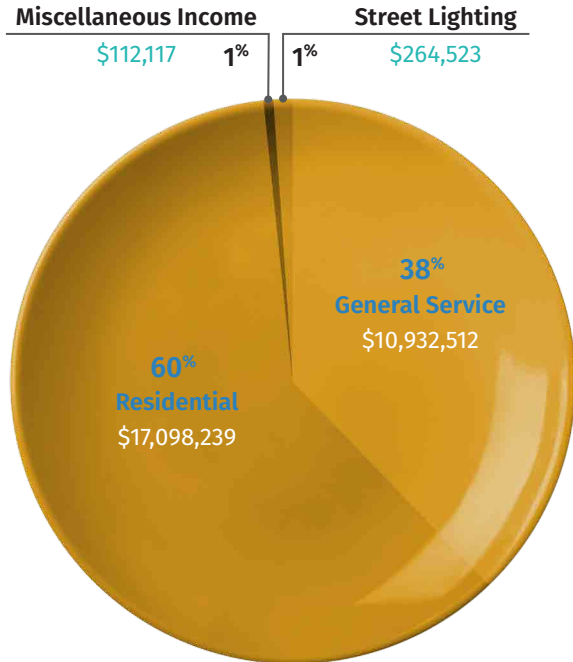
4 Awards



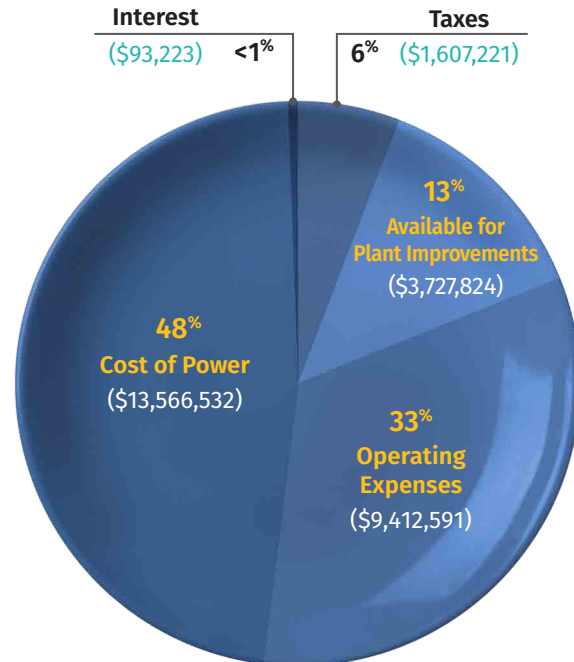
received from the Northwest Public Power Association for the 2017
Annual Report, an eclipse photo, a coloring book, and a safety award.

Cash Flow

Where it came from



How it was used



5-Year Growth Highlights

	2018	2017	2016	2015	2014
Electric Plant in Service — Depreciated	\$44,562,441	\$40,956,093	\$37,338,071	\$35,845,886	\$33,601,078
Maximum System Peak Demand in MWs*					
Summer	69.58	68.80	68.72	68.24	63.77
Winter	65.98	77.81	69.54	65.31	72.40
kWhs Sold	317,746,474	330,690,801	311,901,820	309,487,937	315,921,792
Gross Revenue	\$28,407,391	\$29,474,388	\$28,112,328	\$26,123,164	\$26,155,331
Net Margin	\$1,881,211	\$3,319,954	\$2,017,427	\$1,964,120	\$2,671,053
Taxes	\$1,607,221	\$1,576,823	\$1,495,880	\$1,404,062	\$1,395,418
Number of Accounts Billed	19,738	19,502	19,339	19,209	19,074
Number of Employees	48	47	49	50	49
Capital Reserve Refunds	\$1,730,790	\$1,616,879	\$1,662,316	\$1,666,997	\$1,806,648

*91.07 MWs historic peak was set 12/23/98.

Balance Sheet

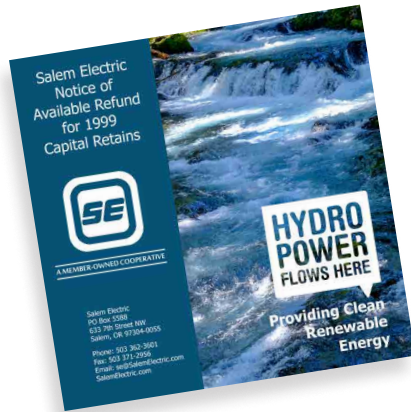
ASSETS	2018	2017	LIABILITIES & EQUITIES	2018	2017
Distribution Plant in Service			Long Term Debt	\$2,105,756	\$2,300,000
— Depreciated	\$40,626,534	\$36,850,044	Accounts Payable		
General Plant in Service			— BPA	1,134,568	1,231,531
— Depreciated	3,935,907	4,106,049	Other Accounts Payable	791,808	115,833
Construction Work in Progress	24,545	31,956	Member Deposits	383,426	386,619
Cash and Temporary Investments	13,909,039	16,244,415	Accrued Expenses	2,041,354	2,386,288
Receivables (Net)	1,995,985	2,354,173	Other Liabilities	9,934,790	11,356,819
Unbilled Revenue*	1,377,765	1,435,721	Member Equity	41,445,560	39,426,201
Materials and Supplies	990,358	952,314	Capital Credits Retired	4,650,087	4,359,935
Prepayments	660,008	626,861	Capital Credits Payable	1,351,437	1,336,933
Other Assets	318,645	298,626	Total Liabilities & Equities	\$63,838,786	\$62,900,159
Total Assets	\$63,838,786	\$62,900,159			

*Figure added to comply with new accounting standards.

Statement of Income & Expenses

INCOME	2018	2017
Residential	\$17,098,239	\$17,995,701
General Service	10,932,512	10,931,425
Street Lighting	264,523	355,108
Miscellaneous	112,117	192,154
Total Income	\$28,407,391	\$29,474,388

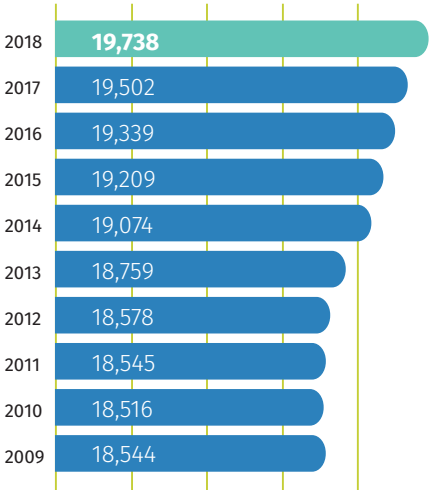
EXPENSES	2018	2017
Cost of Power	\$13,566,532	\$13,749,655
Operating Expenses	9,412,591	9,151,792
Depreciation and Amortization	1,846,613	1,651,116
Taxes	1,607,221	1,576,823
Interest	93,223	25,048
Total Expenses	\$26,526,180	\$26,154,434
Net Margin	\$1,881,211	\$3,319,954



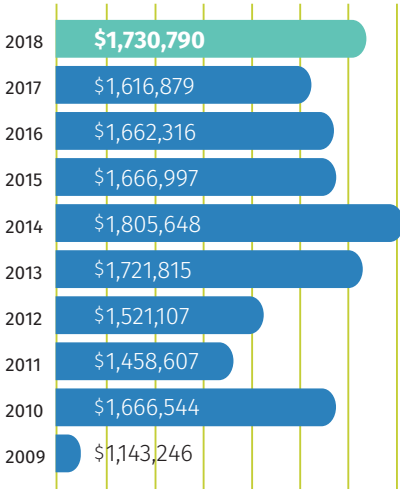
Annually Salem Electric publishes a list of former members we are unable to locate in order to issue them a capital credit refund. The insert is placed in the Statesman Journal, sent to specific zip codes, and available on our website.

Statistical Information

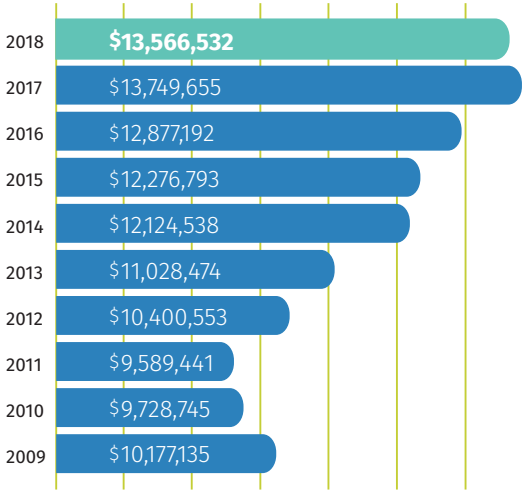
Accounts Billed



Capital Reserve Refunds



Wholesale Power Purchased



Board of Directors



Jeff Anderson
President



Dave Bauer
Vice-President



Joe Van Meter
Secretary/Treasurer



Jerry Berger



Alicia Bonesteele



Cindy Condon



Paul Ennor

MANAGEMENT STAFF

Tony Schacher
General Manager

Chris Kriek
*Administrative Services
Manager*

Britni Davidson
Member Services Manager

Michael Richman
*Information Technology
Manager*

JB Phillips
*Engineering &
Operations Manager*

Michele Adkins
Executive Coordinator

Cindy Lenker
Executive Assistant



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