



Northcentral
Electric Cooperative™

2023

Annual Report



Our Mission

Northcentral Electric Cooperative seeks to be the leading provider of innovative solutions committed to service, reliability, and community.

Our Vision & Values

We are continually seeking and providing innovative solutions for our communities by upholding the values of safety, continuous improvement, integrity, accountability, and being locally owned and community invested.

Contact Us

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Annual
Report
2023





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Annual Meeting Agenda

Welcome & Call to Order
Pat Woods, Northcentral Board President

Invocation
Reverend Kerry Powell, Maples Memorial United Methodist Church

Reading of Minutes (2022 Meeting)
James Woods, Board Attorney

Report as to Quorum Being Present
Rita Hobbs, Chairperson, Elections and Credentials Committee

Report of the CEO
Kevin Doddridge, General Manager/CEO

Door Prize Drawings

Reconvene for Election Committee Report
Kevin Doddridge, General Manager/CEO

Election Committee Report
Rita Hobbs, Elections and Credentials Committee

Adjourn

Greetings



Northcentral Electric Cooperative is proud to have served our community for the past 72 years. The challenges that Northcentral has been presented this past year have only been surpassed by the multiple successes realized as we continue to improve the quality of life in north central Mississippi.

Northcentral's system reliability continues to remain one of the highest in the country, all while maintaining retail rates in the bottom 35% nationally. All costs have been rising, however. The materials and equipment needed to provide quality electric and internet services have risen on an average of over 45% the past 4 years. Rising interest rates as well as the availability and cost of labor provide additional challenges. Proposed federal guidelines affecting transformer production and generation construction are challenges that could cause dramatic increases in pricing as well as decreases in availability of materials and generation capacity. Keeping rates reasonable while managing ongoing grid maintenance, as well as residential, retail, and industrial growth will be a challenge for the foreseeable future.

Northcentral Connect, our high-speed fiber internet service, is continuing to make progress as we have doubled our customer count in the last year. We anticipate continual growth as additional phases are opened throughout our service area.

The culture of safety is, has, and will continue to be part of the foundation of all we do. Safety challenges are amplified as we continue to provide storm relief to other electric cooperatives in unfamiliar areas. It will, however, be at the forefront of our operations and a key core value. We at Northcentral will remain steadfast in our commitment to a culture that pursues "Zero Incidents."

“Northcentral Electric Cooperative has enjoyed adding value to our community with our electric and telecommunications services”

While there are constant risks in the office and in the field, we are determined to satisfy 100% of the rules, covering 100% of the employees and community, 100% of the time.

Northcentral Electric Cooperative has enjoyed adding value to our community with our electric and telecommunications services, and eagerly anticipates the opportunity to provide services and solutions that add value to the lives of those in our community well into the future.



Kevin Doddridge
General Manager / CEO



Introduction

Know Your Directors

Cooperative Leadership in your community

Our board members live within the communities they service. They are your neighbors. As a member, you have a say in the cooperative business. If you have a question, contact your director and they will work to get you answers.



District 1
Byhalia

Pat Woods, President
Serving since 2008



District 2
Olive Branch

Don Dickerson, Secretary
Serving since 2011



District 3
Pleasant Hill

Phil Lachaussee
Serving since 2015



District 4
Olive Branch

Tony Taylor
Serving since 2016



District 5
Marshall County

Jerry Nichols, Vice President
Serving since 1998



District 6
Watson Community

Morris Thompson
Serving since 2013



District 7
Chulahoma Community

Kimberly Gordon
Serving since 2022



District 8
Marshall, Tate, & Lafayette
Counties at-large

Ricky Jones
Serving since 2003

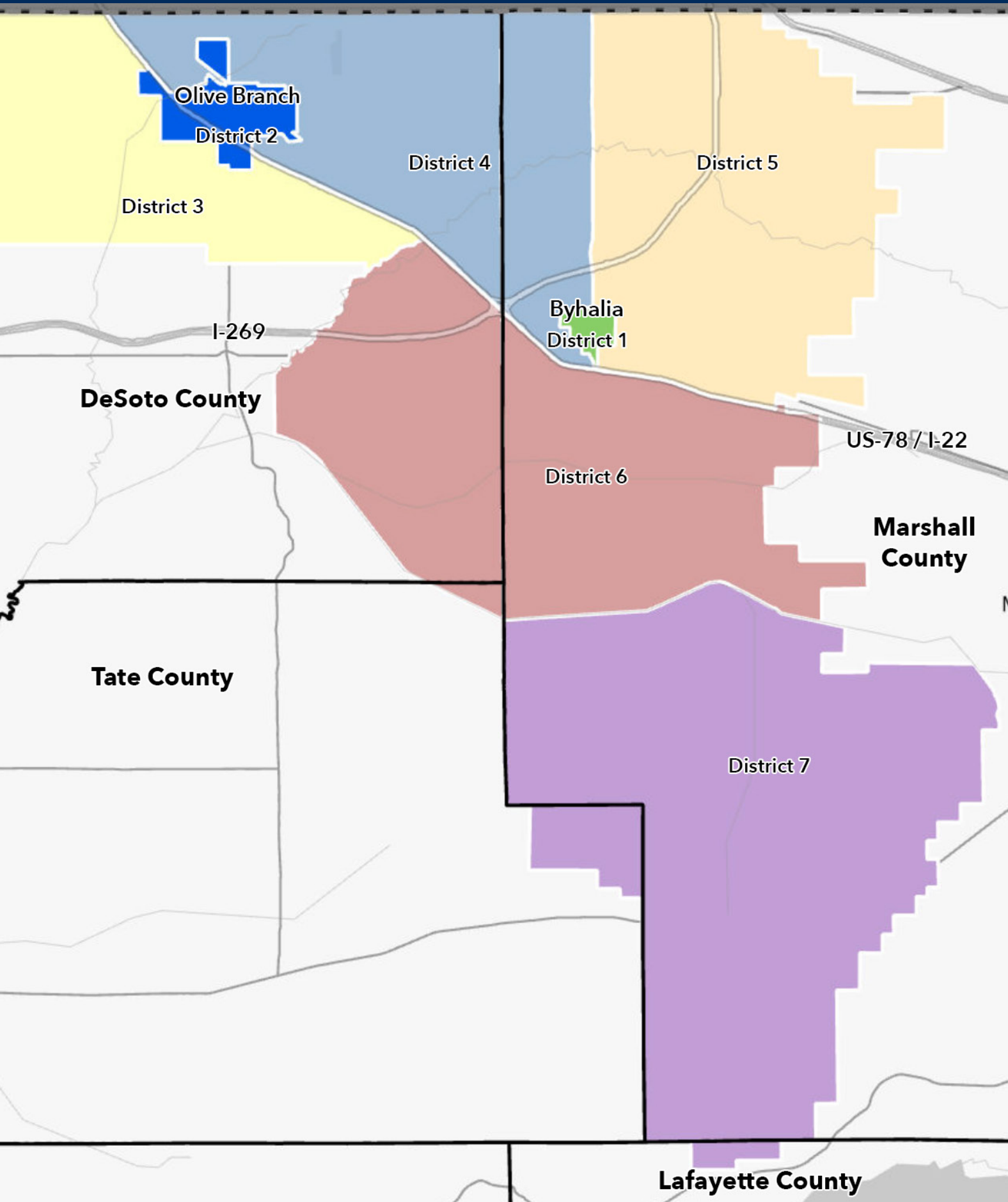


District 9
DeSoto County at-large

Julie Niblett
Serving since 2015



James E. Woods
Board Attorney



Spotlights

Northcentral Employee Promotions



Jody Morgan has been promoted to Line Foreman (October 2022)

Danielle Fennell has been promoted to Work Order Coordinator II (March 2023)



Tammy Bunn has been promoted to Fiber Service Representative (August 2023)

Lauren Presley has been promoted to Fiber Business Service Representative (July 2023)



Milestone Anniversaries



Thomas Crockett,
Underground Utility Worker
30 years



Danielle Fennell,
Work Order Coordinator II
20 years



Larry Johnson,
Director of Engineering &
Operations
10 years



Michael Bellipanni
Director of Marketing &
Business Development
10 years



Michelle Doole
Staff Accountant
10 years



Jody Morgan
Line Foreman
10 years



Cordell Eason,
System Operator
10 years

Retirements



Mike Crutcher has retired after 30 years of service. He was one of our linemen, hired in January of 1993

Patty Tatum has retired after 16 years of service. She was our receptionist, hired in October of 2006



Finances

Our financial statements represent July 2022 to June 2023. We've experienced growth in several areas with Northcentral Electric Cooperative exceeding 300 megawatts in peak demand. As of the date of this publication, the annual audit of our financial statements by our accounting firm, Franks, Franks, Wilemon, & Hagood, P.A. was incomplete.



+ 23% Asset Growth



+ 5% Membership Equity Growth



+ 14% Power Cost & Operating Expense



+ 15% Total Electric Plant



1.2 Billion kWh Sold



+ 12% Purchased Power



+ 12% Electric Sales



34,811 Total Members

**NORTHCENTRAL ELECTRIC COOPERATIVE
BALANCE SHEET**

Fiscal Years ending June 30, 2023 and 2022

	For the years ended June 30,	
	2023	2022
ASSETS		
UTILITY PLANT		
Utility Plant in Service - At Cost	\$ 243,548,451	\$ 211,217,578
Construction Work In Process	27,170,420	16,815,875
	<u>270,718,871</u>	<u>228,033,453</u>
Less Accumulated Depreciation	72,425,873	70,482,670
Total Electric Plant- Net	<u>198,292,998</u>	<u>157,550,783</u>
OTHER ASSETS AND INVESTMENTS		
Investments in Associated Organizations	1,756,403	1,672,525
Investment in Subsidiary	2,152,841	1,829,789
	<u>3,909,244</u>	<u>3,502,314</u>
TOTAL OTHER ASSETS AND INVESTMENTS		
	<u>3,909,244</u>	<u>3,502,314</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	8,744,157	8,706,641
Accounts Receivable	10,411,674	10,439,873
Accounts Receivable - Unbilled	4,151,098	2,982,828
Prepayments	139,617	400,367
Materials and Supplies	2,322,655	1,917,644
Other Current Assets	106,214	369,542
	<u>25,875,415</u>	<u>24,816,895</u>
TOTAL CURRENT ASSETS		
	<u>25,875,415</u>	<u>24,816,895</u>
DEFERRED DEBITS	42,446	71,813
TOTAL ASSETS	<u>\$ 228,120,103</u>	<u>\$ 185,941,805</u>
MEMBERSHIP EQUITY AND LIABILITY		
MEMBERSHIP EQUITY		
Membership Certificates	1,451,197	1,421,247
Patronage Capital	115,801,903	110,535,783
	<u>117,253,100</u>	<u>111,957,030</u>
TOTAL MEMBERSHIP EQUITY		
	<u>117,253,100</u>	<u>111,957,030</u>
NON-CURRENT LIABILITES		
Long-term Debt, Net of Current Maturities	56,894,931	39,422,395
Advance from TVA	14,196	30,216
	<u>56,909,127</u>	<u>39,452,611</u>
TOTAL NON-CURRENT LIABILITES		
	<u>56,909,127</u>	<u>39,452,611</u>
CURRENT AND ACCRUED LIABILITIES		
Line of Credit	17,000,000	3,000,000
Current Maturities of Long-term Debt	3,178,912	1,503,861
Accounts Payable	24,143,369	22,064,840
Interest Accrued	443,619	261,814
Customer Deposits	6,857,510	6,393,830
Other Current Liabilities	2,334,466	1,307,819
	<u>53,957,876</u>	<u>34,532,164</u>
TOTAL CURRENT LIABILITES		
	<u>53,957,876</u>	<u>34,532,164</u>
TOTAL MEMBERSHIP EQUITY AND LIABILITES	<u>\$ 228,120,103</u>	<u>\$ 185,941,805</u>

NORTHCENTRAL ELECTRIC COOPERATIVE**Income Statement**

Fiscal Years ending June 30, 2023 and 2022

	For the years ended June 30,	
	2023	2022
OPERATING REVENUE:		
Electric Sales	139,156,961	124,384,894
Other Revenues	1,683,661	1,289,552
Total Operating Revenue	\$ 140,840,622	\$ 125,674,446
OPERATING EXPENSE:		
Purchased Power	103,515,058	92,472,146
Distribution Expense - Operating	4,566,787	3,956,498
Distribution Expense - Maintenance	7,709,810	5,262,954
Customer Account Expense	1,844,992	1,508,973
Sales Expense	361,345	307,517
Customer Service & Informational Expense	774,452	615,749
Administrative & General Expense	4,314,617	3,524,833
Total Operating Expenses	\$ 123,087,061	\$ 107,648,670
OTHER OPERATING EXPENSE:		
Depreciation	8,336,205	7,091,701
Taxes and Tax Equivalents	1,756,287	1,570,509
Total Other Operating Expenses	\$ 10,092,492	\$ 8,662,210
Operating Income Before Interest Expense	7,661,069	9,363,566
INTEREST EXPENSE	2,412,753	1,285,086
Operating Income	5,248,316	8,078,480
NON OPERATING MARGINS		
Interest Income	267,990	294,517
Miscellaneous Non-Operating Income	(250,186)	(820,586)
Net Other Income (Expense)	17,804	(526,069)
NET MARGINS FOR THE PERIOD	\$ 5,266,120	\$ 7,552,411

Safety & Loss Control

“Northcentral’s culture of safety extends to you, the member!”

There are many sports or athletic sayings and quotes from our youth that many of us still use. They are just as true and endearing today as when we heard them years ago. Some of my favorites are, “It’s all about blocking and tackling”, “keep your eye on the ball”, and my all-time favorite, “keep swinging.”

To me, most of the sayings that I love and remember best are about getting back to the basics: making sure the small things that bring you success are ingrained in what you do every day and not forgotten.

Most in the utility industry that I know are seeing a workforce that is becoming younger and younger. The information and skill set transfer occurring across the industry is unprecedented; and the way in which that information and skill set is being transferred is evolving at a very fast pace. Yes, learning is changing, and the pace of learning is too. However, we cannot forget about the basics! Safety and workforce development work hand and hand. They complement one another, and you can’t separate them. Most of us learn by seeing, hearing, and doing. Competency is then accomplished through repetition.

Safety is investing in people through proper training, appropriate and well-maintained equipment, and having the correct tool to safely perform a task. I am proud to report to our membership that Northcentral Electric Cooperative and Northcentral Connect are leaders in safety and workforce development. Through our apprenticeship training programs and continuing education opportunities, Northcentral strives to give employees the training and instruction they need to meet the current and future needs of our members. Whether it is providing reliable electric service or high-speed internet services, Northcentral understands that our greatest responsibility is the safety of our employees and members. It is very intentional. Like Yogi Berra once said, “you’ve got to be very careful if you don’t know where you are going, because you might not get there.”



Director of Safety & Loss Control
JD Cox

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Day or night, a job begins with inspecting the tools and equipment we need to safely complete the job. Rain or shine, we plan each job and make sure everyone recognizes potential hazards and understands their role in the job.

Remember, Northcentral's **CULTURE OF SAFETY** extends to you, our members! If we can be a resource to help you or your organization make the same commitment to safety, please email me.



Construction

“Quick restoration by Northcentral crews and contractors highlights the benefits of our fiber make-ready work and vegetation management program.”



Director of Construction

Darin Farley

dfarley@northcentralelectric.com

Consistent growth and system improvements on Northcentral’s lines keep the jobs and service orders flowing into the Construction Department. In addition, make-ready work to accommodate the fiber for system operations and to provide services through Northcentral Connect have kept us busy throughout the year. I am proud of the amount of work done this year by Northcentral’s overhead and underground construction crews and service men; alongside several contractors we have continued to utilize.

In the past year, over 1,500 utility poles have been replaced, either for fiber make-ready, storms, hazard recognition, or failed inspections. Crews also installed 560 new residential underground services, as well as primary conductors and fiber to 9 new and existing subdivisions. On the commercial & industrial side, we connected 13 new projects. We also had three-phase line ties built in Olive Branch, as well as another circuit constructed from our DeSoto Road substation to support growth. Crews are in the process of building out circuits from our new North DeSoto Substation to serve the northwest corner of our service area.

The City of Olive Branch invested in a massive project to upgrade all street lighting to LED this year. We completed the project this fiscal year, changing out and installing over 2,500 lights.

Inclement weather hit us early in 2023, beginning with Winter Storm Mara in February. With the assistance of 5 of our sister Mississippi cooperatives and MDR Construction, power was restored safely in a matter of a few days. Once power was restored to our members, Northcentral and contractor crews were sent to assist Holly Springs Utility Department in their restoration efforts from the storm.

As the saying goes, March came “in like a lion,” with a wind event that left us with large tree damage and 10 broken utility poles. Quick restoration by Northcentral crews and contractors highlights the benefits of our fiber make-ready work and vegetation management program.

We were spared from an eventful summer storm season and able to return the favor to some of our Mississippi co-ops this year with mutual aid. Multiple crews and pieces of equipment were sent in waves to assist Twin County Electric in rebuilding from the devastating Rolling Fork tornado. We also traveled to assist Yazoo Valley and Tippah Electric Power Associations with restoration from late June storms. Further assistance was provided to Holly Springs Utilities in June to recover from an extended storm-related outage.



Engineering & Operations

“Northcentral continues to deploy fiber services, now passing more than 13,000 homes”



Director of Engineering & Operations

Larry Johnson

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Our 11th substation at “North DeSoto” was energized in August and now serves portions of Pleasant Hill and Mineral Wells. This provides load relief on our existing substations and will result in less line exposure and new switching capabilities to ensure greater reliability for members in Olive Branch and Southaven.

Energizing the North DeSoto station is timely, as Northcentral set a new energy demand peak this summer. With a continued annual growth of over 2.5%, our total load exceeds 300 megawatts (MW), which represents roughly 1% of TVA’s system peak demand.

For the first time in Northcentral’s history, TVA required the cooperative and all other local power companies to shed firm load due to lost generation during Winter Storm Elliott. Our emergency operation plans, which are required and periodically updated, helped ensure that the response was effective and caused minimal impact to our members. Many lessons were learned during this event, but we are hopeful that they will not be needed in the future.

We announced last year that Northcentral entered into a long-term contract to purchase 15 MW of wholesale power from local solar farms. The first of three sites is scheduled to be generating power by the end of 2023. The second site should be operational by mid-to-late 2024, and the third in 2025.

Material delivery times and inventory are improving, but the supply chain is still very fragile. Northcentral continues to remain ahead of the curve by proper planning and by working with suppliers, other cooperatives, and municipalities to share and trade inventory to fill immediate gaps.

Work is ongoing to re-establish proper right-of-way clearance of our lines. Through the first half of the year, we completed our most rural and southern areas and finished

out the fiscal year with clearing around Pleasant Hill and Mineral Wells. Northcentral is working to achieve a four to five-year trim cycle for the system, and other methods of tree detection systems, such as LIDAR (light detection and ranging) technology and satellite imagery are being considered. Our vegetation management program has proven successful with greater reliability and better restoration times through several severe weather events in the past year.

Improvements are being made to our Outage Management System (OMS) and its ability to provide more accurate data and predictions. In the upcoming year, we will work with our Automated Meter Reading (AMR) system provider to test how the two systems can work together to better determine outage areas before outage reporting calls are received by our members. This will help us to be more proactive with restorations, especially when you are not at home to report an outage.

Northcentral continues to deploy fiber broadband services, now passing more than 13,000 homes and businesses, installing over 475 miles of mainline fiber, and is now serving over 3,500 subscribers through our subsidiary, Northcentral Connect. The work and pole replacements required to provide adequate space and height for the new fiber-optic cables also increases system resiliency, reliability, and safety.



Finance & Administration

“The most important asset of Northcentral isn’t one that is shown on our Balance Sheet. It is the employees that work to serve our membership and live out our culture.”



Director of Finance &
Administration

Mark Nichols

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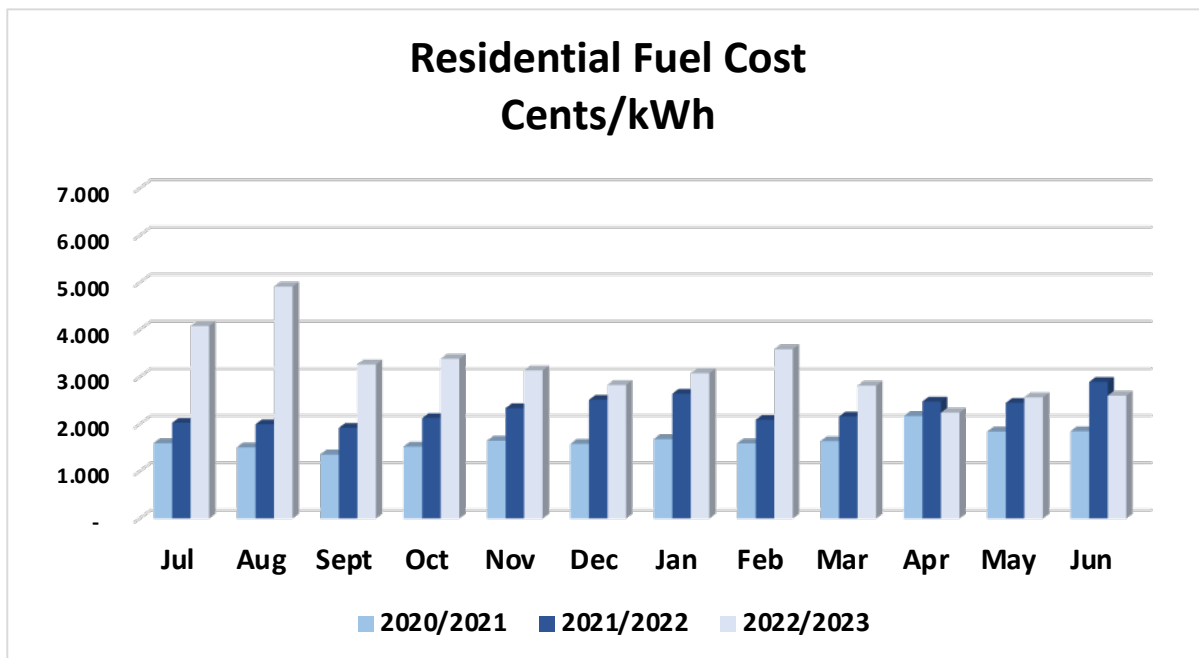
Northcentral continues to see a large increase in our plant from the construction of new services, a new substation in our northwestern service area, and the investment in our fiber infrastructure. Total plant of \$271 million was an increase of \$42 million for the year. The added plant was financed with an increase in long-term debt of \$18 million, bringing out total long-term debt to \$57 million.

Electric sales revenue was \$139 million for the year, and our wholesale power cost was \$104 million. 75% of our members’ power bill went to the purchase of power. General operating expense was \$12 million for the period, and other operating expenses, comprised mostly of depreciation, was \$10 million. Maintenance expense was \$8 million this year, which is an increase of \$1.8 million over the prior period. This is a conscious effort to build on the reliability and safety of our system.

Northcentral’s base rates only increased by 1.3% from the previous year. However, the Tennessee Valley Authority’s (TVA) fuel cost spiked in the summer of 2022. This spike, coupled with a much hotter than normal summer resulted in higher bills for our membership.

Northcentral doesn’t generate any of the electricity sold to our membership. We buy our power from TVA. The fuel cost adjustment (FCA) is a mechanism that TVA uses to adjust monthly for the cost of fuel it takes to generate power. This fuel consists of the raw materials used to generate electricity like uranium, coal, and natural gas. The residential base rate for August 2022 was 7.766 cents per kilowatt-hour (kWh,) and the FCA was 4.915 cents per kWh. The FCA represented 63% of the total rate for that month. TVA’s fuel cost remained above normal for much of the year but did come in line by the last quarter of the fiscal year.

Northcentral sold 1.2 billion kWh during the year, which ranks us among the top 10% of cooperatives nationally in that category. We had 34,811 members at the end of the fiscal year which is an increase of 476



over last period. These statistics highlight the continued growth of our area and the “strength in numbers” benefitting Northcentral Electric Cooperative members.

Our Customer Service Representatives take an average of 450 phone calls per day, and they complete 600 service orders per month involving all aspects of providing electric service. We improved the member experience by updating our mobile app and the design of our electric bill, providing members with more information regarding their accounts. There are currently 840 members in our “Pay My Way” prepaid billing system, which allows a member to make payments whenever they want with no deposit requirements. Customer Service can provide the member with daily and even hourly usage at their location and show how that usage relates to the temperature. The Customer Service Department takes pride in providing excellent customer service to our membership.

The most important asset of Northcentral isn’t one that is shown on our Balance Sheet. It is the employees that work to serve our membership and live out our culture. Northcentral hired 13 new employees this year and finished the year with 123 employees; 7 of which are dedicated to our telecommunications affiliate, Northcentral Connect. We continue to invest in these employees through training and development, so that employees remain motivated, and we utilize each employee’s individual talents. This training and development enabled us to fill several open positions with internal talent this last year.

Northcentral is your locally owned power cooperative providing excellent service to our membership and communities with integrity and accountability.

Marketing & Economic Development

“Northcentral continues to invest in our youth with volunteerism, scholarships, and our Cooperative Youth Leaders Program”



Director of Marketing & Business Development

Michael Bellipanni

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Accountability and continuous improvement are two of Northcentral’s core values that stand out to me each year at this time. Budgets and work plans are set for the fiscal year, and we have begun working towards our department goal with our mission and values in mind.

2023 was a strategic planning year for Northcentral’s staff and board. This process is valuable and necessary every few years for a growing cooperative like ours. It’s an opportunity for us to focus on where we can achieve that continuous improvement and hold ourselves accountable for areas where could become stronger.

We used 2 key tools in this process. First was a Member Satisfaction Study, conducted by graduate Integrated Communications students at the University of Mississippi. This study lets us know how we are performing in your eyes and helps us benchmark our member satisfaction scores against other cooperatives across the country. It also gives us a sample of our members’ feelings and demand for emerging technologies such as electric vehicles, solar, and smart-home management tools. We also invested in an Employee Satisfaction Study to use in strategic planning. Northcentral employees provided us valuable feedback on how we are doing through their eyes. While we scored highly in both these studies, there are always areas to improve. The needs and expectations of our members and our employees are evolving, and we need to routinely check in with them to evaluate.

Communication was a key point in both studies where we need improvement. Weakness in both internal and external communication was highlighted by the rolling blackouts during Winter Storm Elliott last December. This prompted us to evaluate the methods we communicate with members and employees and to update plans and technology to get it right should another event catch us off guard again.

We advanced initiatives in renewables and electric vehicle charging this year. In December, Northcentral will begin purchasing wholesale power from the first of 3 utility-scale solar farms being built in Marshall County. These projects will provide significant wholesale power cost savings to the cooperative and help us hedge against long-term cost increases. The first Level-3 fast electric vehicle charging site has been identified and will soon be operational on I-22 in Byhalia.

The demand for housing in our service area is driven by the livability of our communities and fueled by economic development. In partnership with our local economic developers, TVA, and the Mississippi Development Authority, we were able to recruit over \$271 million in new industrial capital investment and 2,525 new jobs to the area over the next 5 years. Existing industry expansions created 225 new jobs and an additional \$45 million in capital investment.

Our economic development partnerships are strong. With the development of land along the I-269 corridor, there is tremendous opportunity. As landowners and developers begin to make moves, we intend to use our partnership as a resource to help guide good growth in the area.

Northcentral continues to invest in our youth with volunteerism, scholarships, and our Cooperative Youth Leaders Program. Our investment in community helped launch the Light Garden Christmas show, as well as bring the Light the Way Christian Music Festival to our area. Community Care Fund grants were awarded to help the new Eddie Dixon Career and Technical Education Center in Marshall County, as well as the YMCA of Memphis and the Mid South to bring after-school care to Byhalia Elementary School.

We continue to plug away with Northcentral Connect, adding roughly 120 new subscribers each month in 7 active phases. By year end, we will have achieved our goal of bringing fiber to the homes of our most unserved and underserved members. The project is far from over as new phases are designed and construction is ongoing in all existing areas. To sign up for the fastest, most reliable fiber internet services, provided by folks you know, please visit northcentralconnect.com today!

The Seven Cooperative Principles

Cooperatives around the world operate according to the same set of core principles and values, adopted by the International Cooperative Alliance. These principles are a key reason why America's electric cooperatives operate differently from other electric utilities, putting the needs of our members first.

01. Voluntary & Open Membership

Membership in a cooperative is open to all people who can reasonably use its services and stand willing to accept the responsibilities of membership, regardless of race, religion, gender or economic circumstances.

02. Democratic Member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. Representatives (directors/trustees) are elected among members and are accountable to them. In primary cooperatives, members have equal voting rights (one member, one vote); cooperatives at other levels are organized in a democratic manner.

03. Members' Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital remains the common property of the cooperative. Members allocate surpluses for any or all of the following purposes: developing the cooperative; setting up reserves; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the

04. Autonomy & Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control as well as their unique identity.

05. Education, Training, and Information

Education and training for members, elected representatives (directors/trustees), CEOs and employees help them effectively contribute to the development of their cooperatives. Communications about the nature and benefits of cooperatives, particularly with the general public and opinion leaders, help boost

06. Cooperation Among Cooperatives

By working together through local, national, regional and international structures, cooperatives improve services, bolster local economies and deal more effectively with social and community needs.

07. Concern for Community

Cooperatives work for the sustainable development of their communities through policies supported by the membership.

Northcentral Electric Cooperative™

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