

JOURNEYING TOGETHER

WITH COTTON ELECTRIC



COTTON

ELECTRIC CO-OP

A Touchstone Energy Cooperative

POWER STROKE



COTTON

ELECTRIC CO-OP



DRIVING MEMBER ENGAGEMENT

A message from Board President Shan Files and CEO Jennifer Meason

Your feedback and participation are integral to Cotton Electric Cooperative. Cooperatives are guided by seven cooperative principles – Open Membership; Democratic Member Control; Members’ Economic Participation; Autonomy and Independence; Education, Training, and Information; Cooperation Among Cooperatives; and—above all—Concern for Community. Our upcoming Annual Meeting puts these principles into action and showcases how Cotton Electric Cooperative is different from other utilities.

New route for 2024

We’ve made some updates to the Annual Meeting and Member Appreciation Day for 2024. In an effort to reduce driving distances for members and offer more flexibility, we are shifting gears to a drive-thru registration at two locations. Members will have the choice of participating at the Great Plains Coliseum in Lawton or the Stephens County Fairgrounds in Duncan. The drive-thru registration will be open at both locations from 2 p.m. to 6 p.m. The business meeting and prize drawing will be broadcast on the cooperative’s website at 8 p.m.

In the driver’s seat

If you’ve never attended the annual meeting, we encourage you to participate. Why? Because input from members like you matters and helps drive the direction of the co-op.

Electric co-ops are democratically controlled by the members we serve, which means you have a say in the governance of your co-op. An important agenda item will be voting on the proposed bylaw revisions as presented by the Cotton Electric Cooperative Board of Trustees.

The Board of Trustees has reviewed the bylaws, last updated on Aug. 23, 2003, and is recommending a number of amendments to the Cooperative’s bylaws with your approval. The entire set of cooperative bylaws is presented in the September 2024 issue of *The Current* with strikethroughs representing language that will be removed and underlined sections representing language that will be added.

By voting on the proposed bylaw changes, you can help map the future of the cooperative.

Sharing the Road

Your involvement will also help your community. As a co-op, our core purpose and mission are to provide safe, reliable and affordable power. We’re also motivated by service to our community.

As part of our commitment to community, we will donate \$1,000 to the local volunteer fire department serving our Annual Meeting Grand Prize Winner’s membership account.

Challenging roads ahead

During the business meeting, we will report on the cooperative’s financial health and our strategic road map for the journey ahead.

In addition to sharing our successes, we will also discuss the challenges electric cooperatives face, like the U.S. Environmental Protection Agency’s rule that impacts energy production from power plants. At a time of increasing demand for electricity, the need for reliable power-generating resources is essential, and we remain dedicated to advocating for you, our member-owners.

Cruise over to see us

We hope you will exercise the benefits of your cooperative membership and join us on Sept. 26 at one of our two drive-thru registration locations, and virtually for the business meeting at 8 p.m. via our website at www.cottonelectric.com.

Just like excitement of seeing friends while “dragging main” back in our youth, we look forward to seeing your friendly faces at the co-op’s drive-thru registration.



Board President Shan Files

CEO Jennifer Meason

MANAGEMENT

Jennifer Meason | *Chief Executive Officer*
Bryce Hooper | *Chief Operating Officer*
Shane Bowers | *Vice President*
Mike Ottinger | *Vice President*

OFFICES

226 N. Broadway, Walters | 580-875-3351
1101 W. Oak, Duncan | 580-255-5065

INDEPENDENT AUDITORS

Briscoe, Burke & Grigsby, LLP | Tulsa, OK

ACCOUNTING STATISTICS

Cotton Electric Accounting Staff

LEGAL COUNSEL

Carl Buckholts | *Ellis & Buckholts*

YOUR COOPERATIVE



Cotton Electric Cooperative provides electric service to more than 23,000 meters in eight counties of southwest Oklahoma. Cotton Electric was organized in 1938 to provide electric services to rural areas at a time when other utilities did not consider it economically feasible. Over the course of more than 80 years, the cooperative has steadily grown while continuing to meet the changing needs of its members. Our service territory covers 3,720 square miles.

Members of Cotton Electric own the cooperative’s electric system and have an active voice in business matters. Combined with the many services offered, a dispatcher is always on duty to assist with any unexpected problems occurring after normal working hours.

Our headquarters is located at 226 North Broadway in Walters and our branch office at 1101 West Oak in Duncan.

YOUR BOARD OF DIRECTORS



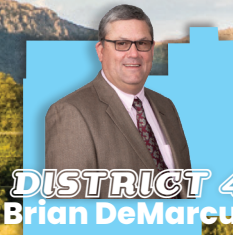
DISTRICT 1
Shan Files



DISTRICT 2
Ken Layn



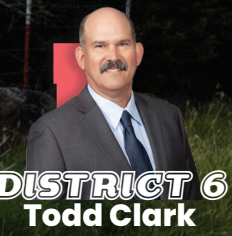
DISTRICT 3
Nichole Scott



DISTRICT 4
Brian DeMarcus



DISTRICT 5
Clifford Dunham



DISTRICT 6
Todd Clark



DISTRICT 7
Steve Robinson



DISTRICT 8
Tony High



DISTRICT 9
Dell Farris

Cotton Electric Cooperative’s Board of Trustees has a fiduciary responsibility for the governance of the cooperative and its subsidiary, serving to oversee and shape policy and keep the co-op and its subsidiary on a steadfast, focused course.

Your trustees are a dedicated, experienced group of professionals who share in an abiding loyalty for, and commitment to, the members throughout our eight-county service area. They act on behalf of you, our members, carrying out their principal responsibility to evaluate and create policies to ensure your cooperative provides safe, affordable and reliable service; all while adhering to our core value: to strengthen the communities we serve.



WESTERN FARMERS ELECTRIC COOPERATIVE FUEL MIX



43%
SOUTHWEST POWER POOL



26%
RENEWABLES
WIND, SOLAR, HYDRO



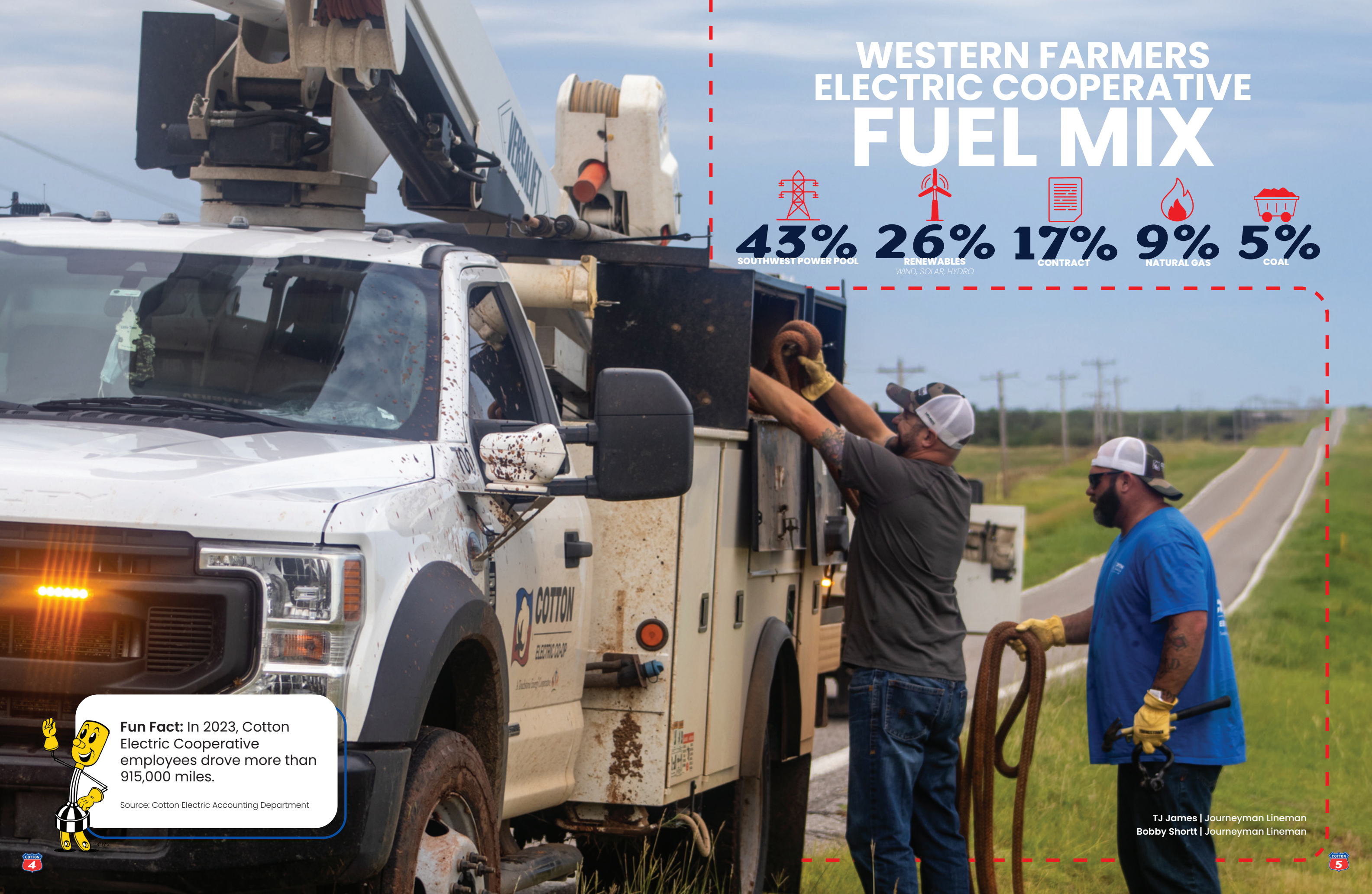
17%
CONTRACT



9%
NATURAL GAS



5%
COAL



Fun Fact: In 2023, Cotton Electric Cooperative employees drove more than 915,000 miles.

Source: Cotton Electric Accounting Department

TJ James | Journeyman Lineman
Bobby Shortt | Journeyman Lineman



YOUR COOPERATIVE BY THE NUMBERS



182,440

HOURS WORKED BY COTTON
ELECTRIC EMPLOYEES
84 FULL-TIME | 3 PART-TIME |
3 SUMMER HIRES

16,344

MEMBERS AT YEAR-END



\$160

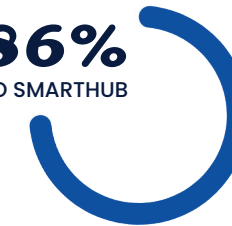
AVERAGE MONTHLY
RESIDENTIAL/FARM BILL

\$1,205

AVERAGE MONTHLY
EXPENSE PER MILE

74.86%

ACCOUNTS REGISTERED TO SMARTHUB



848,946,130

KILOWATT-HOURS SOLD



\$54,252,215

COST OF POWER

5,265

MILES OF LINE

1,898

POLES INSTALLED



4.47

METERS SERVED PER MILE OF LINE

23,550

METERS



447.84

MEGAWATT HOURS PRODUCED
AT SOLAR SITE IN 2023

252.407

KILOWATTS PEAK GENERATION
AT SOLAR SITE | APRIL 5, 2023

kW

181,005

PEAK DEMAND | AUGUST 2023

**OUTAGE
OVERVIEW**



99.90%

AVERAGE SYSTEM RELIABILITY

15,581

OUTAGE PHONE CALLS RECEIVED



1,773

OUTAGES

649

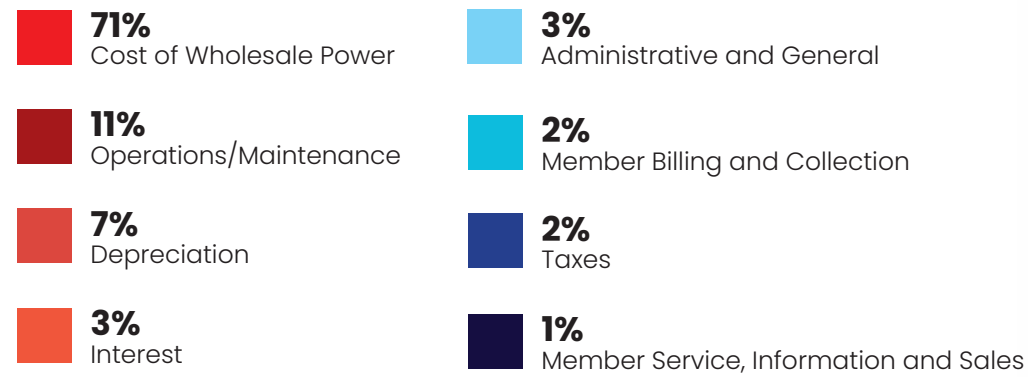
OUTAGES CAUSED BY
WEATHER

392

OUTAGES CAUSED BY
ANIMALS/OTHER



2023 OPERATING EXPENSES

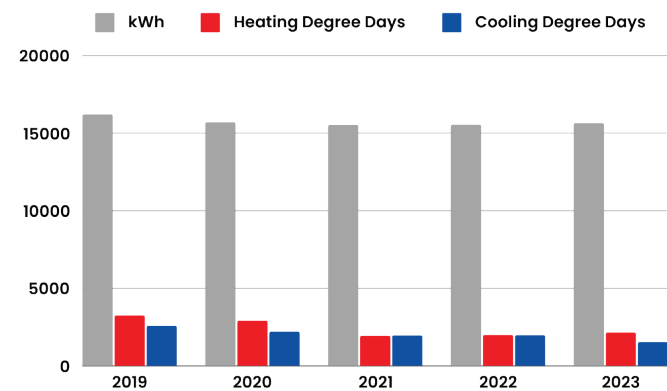


FIVE-YEAR OPERATING STATISTICS

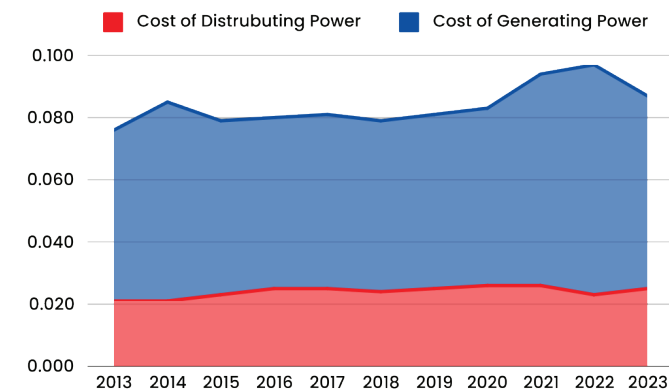
As of December 31, 2023

	2019	2020	2021	2022	2023
Total Revenue	\$66,103,443	\$65,320,632	\$72,967,532	\$90,236,776	\$80,100,035
Cost of Purchased Power	44,134,706	43,294,753	52,169,580	65,550,204	54,252,215
Taxes	1,288,812	1,256,495	1,409,951	1,747,517	1,583,454
Operating Expense per Mile	12,252	12,086	13,762	16,418	14,461
Operating Income per Mile	12,713	12,541	13,976	17,184	15,214
Average Farm/Residential Annual Bill	1,800	1,773	1,862	2,188	1,921
Average Number of Meters Billed	22,356	22,580	22,915	23,278	23,550
Miles of Line Energized	5,200	5,209	5,221	5,251	5,265
Density per Mile	4.30	4.34	4.39	4.43	4.47
New Services Connected	345	418	478	562	434
Services Retired	136	162	149	141	190

AVERAGE FARM/RESIDENTIAL kWh CONSUMED



TOTAL AVERAGE COST PER KWH PURCHASED



Keeton Sallee | Journeyman Lineman

CONSOLIDATED BALANCE SHEETS

As of Dec. 31, 2023 and 2022

ASSETS	2023	2022
Utility Plant		
Electric Plant in Service	166,954,000	159,544,025
Construction Work in Progress	1,553,257	1,482,229
Total Utility Plant, at cost	168,507,257	161,026,254
Less Accumulated Depreciation	(45,246,854)	(42,646,066)
Net Utility Plant	123,260,403	118,380,188
Non-utility plant		
Non-utility Plant	831,829	561,871
Less Accumulated Depreciation	(423,613)	(360,387)
Total Non-utility Plant	408,216	201,484
Other Property and Investments		
Investment in Associated Organizations	38,248,994	35,125,559
Long-term Recoverable Storm URI Costs	3,887,480	5,744,139
Total Other Investments	42,136,474	40,899,698
Current Assets		
Cash & Cash Equivalents	3,123,851	7,598,797
Accounts Receivable less doubtful accounts	1,394,102	1,420,592
Unbilled Revenue	5,942,040	7,264,984
Short-term Recoverable Storm URI Costs	1,882,646	1,843,058
Materials and Supplies	3,863,383	3,459,534
Other Current and Accrued Assets	251,801	277,517
Total Current Assets	16,457,823	21,864,482
Deferred Debits	0	0
TOTAL ASSETS	182,262,916	181,345,852
LIABILITIES AND MEMBERS' EQUITY	2023	2022
Equities and Margins		
Memberships	113,560	113,345
Patronage Capital	85,226,696	78,463,389
Accumulated other comprehensive income	1,129,927	884,783
Other Equities	14,569,874	14,031,571
Total Equities and Margins	101,040,057	93,493,088
Long-term Debt		
Long-term Debt less Current Maturities	56,465,196	59,590,200
Other Non-current Liabilities	6,518,982	6,743,927
Long-term Accounts Payable to Associated Org.	3,887,481	5,774,138
Total Long-term Liabilities	66,871,659	72,108,265
Current Liabilities		
Current Maturities of Long-term Debt	2,657,000	2,080,000
Accounts Payable to Associated Organization	1,882,646	1,843,058
Account Payable	4,839,284	6,632,031
Consumer Deposits	2,818,722	2,714,048
Other Current and Accrued Liabilities	1,373,227	1,379,544
Total Current Liabilities	13,570,879	14,648,681
Deferred Credits & Income Taxes	780,321	1,095,818
TOTAL LIABILITIES AND EQUITY	182,262,916	181,345,852

CONSOLIDATED STATEMENT OF REVENUE, PATRONAGE CAPITAL AND COMPREHENSIVE INCOME

	2023	2022
REVENUE		
Operating Revenues	82,700,005	93,168,082
Operating Expenses		
Cost of Power	54,252,215	65,550,204
Distribution Expense - Operations	3,548,868	3,522,885
Distribution Expense - Maintenance	4,967,054	3,960,066
Consumer Accounts	1,553,263	1,539,645
Customer Service and Information	191,599	165,737
Sales Expense	627,669	600,164
Administrative and General	3,039,199	2,912,222
Depreciation	5,115,382	4,983,879
Taxes	1,583,454	1,747,517
Interest	2,138,036	2,165,001
Cost of Goods Sold	1,242,799	1,542,413
Other Interest and Deductions	141,358	42,738
Total Operating Expenses	78,400,896	88,732,471
Net Operating Margins	4,299,109	4,435,611
Other Income		
Interest Income	222,748	134,485
Other Income (Expense)	(147,165)	31,073
Total Other Income	75,583	165,558
W.F.E.C. and Other Capital Credits	3,344,846	1,775,922
Net Margins Before Income Taxes	7,719,538	6,377,091
Provision for Income Taxes	(45,698)	(109,922)
PATRONAGE CAPITAL		
Patronage Capital Beginning of Year	78,463,389	74,169,185
Transfer to Other Equities	(365,744)	(471,150)
Retirement of Capital Credits	(544,789)	(1,501,815)
Patronage Capital End of Year	85,226,696	78,463,389
COMPREHENSIVE INCOME		
Net Margins for the Year	7,673,840	6,267,169
Other Comprehensive Income		
Amortize loss (gain) on APBO	(13,452)	11,972
Current Gain on APBO	231,194	1,769,043
Comprehensive Income	7,891,582	8,048,184



Fun Fact: Wichita Mountains Wildlife Refuge preserves approximately 60,000 acres of mixed prairie, ancient granite mountains, and fresh water lakes and streams.

Source: www.fws.gov/refuge/wichita-mountains

COTTON ELECTRIC SERVICES INC.



Established in 1984, Cotton Electric Services, Inc. (CESI) specializes in high-voltage testing, repairing and selling personal protective equipment to electric providers nationwide. It is an independent, for-profit subsidiary of Cotton Electric Cooperative.

Safety is the first priority and the primary reason the CESI test lab exists. Employees use state-of-the-art cleaning and dielectric testing procedures to ensure personal protective equipment meets national standards.

CESI tests items used every day by lineworkers, such as gloves, blankets, sleeves, line hose, hot sticks, and other protective equipment. The staff cleans and then

scrutinizes each item for visual signs of wear and tear before subjecting them to electrical testing.

The testing facility has exceeded the strictest standards established by the Association of North American Independent Laboratories for Protective Equipment Testing (NAIL for PET) and maintains its NAIL for PET accreditation for protective equipment testing through an in-house audit by an independent inspector every three years.

If items do not pass the tests and must be discarded, CESI serves as a supplier and distributor for replacements. An on-site warehouse holds an extensive inventory of products to provide customers with materials they need at an affordable cost.



Fun Fact: In 2023, CESI shipped nationwide to 34 states.

Source: Cotton Electric Services, Inc.

STATEMENTS OF FINANCIAL POSITION

For the Years Ended Dec. 31, 2023 and 2022

BALANCE SHEET	2023	2022
ASSETS		
Current Assets		
Cash/Cash Equivalents	\$612,206	\$ 926,794
Accounts Receivable	139,790	197,765
Prepayments	166,716	178,138
Inventory	1,512,375	1,265,925
Total Current Assets	2,431,087	2,568,622

Fixed Assets		
Property and Equipment	831,829	561,871
Less: Accumulated Depreciation	(423,613)	(360,387)
Net Fixed Assets	408,216	201,484
Total Assets	\$2,839,303	\$2,770,106

LIABILITIES AND MEMBERS' EQUITY	2023	2022
Current Liabilities		
Accounts Payable	\$110,383	\$139,323
Accounts Payable-Parent	51,315	80,531
Other Accrued Liabilities	9,214	1,071
Income Tax Accrual	0	10,045
Total Current Liabilities	170,912	230,970

Long-Term Liabilities		
Deferred Income Taxes	90,504	44,806
Total Long-Term Liabilities	90,504	44,806

Members' Equity		
Memberships	225,000	225,000
Retained Earnings	2,352,887	2,269,330
Total Members' Equity	2,577,887	2,494,330
Total Liabilities and Members' Equity	\$2,839,303	\$2,770,106

INCOME STATEMENT	2023	2022
Revenues		
Revenues from Sales	\$2,670,985	\$3,017,323
Cost of Goods Sold	1,544,992	1,628,430
Gross Profit	1,125,993	1,388,893

Expenses		
Operating Expenses	1,021,313	974,456

Other Income		
Interest Income	14,693	7,117
Gain/Loss on Sale of Equipment	9,882	0
Total Other Income	24,575	7,117

Income Before Taxes	129,255	421,554
Provision for Income Taxes	45,698	109,922

Net Income	\$83,557	\$311,632
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Retained Earnings, beg of year	2,269,330	1,957,698
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Retained Earnings, end of year	\$2,352,887	\$2,269,330
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Jake Lawler | Lead Lab Technician
 Ryan Noland | Lab Technician
 Brett Spence | Lab Technician
 Caleb Ferguson | Lab Technician
 Axel Mallow | Lab Technician

\$2,279,894

PRODUCT SALES

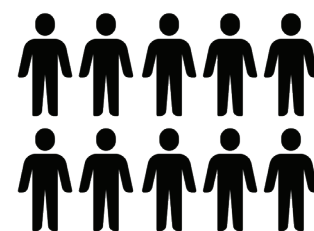
2,574

ORDERS FILLED



39,405

MILES DRIVEN



10

EMPLOYEES
7 FULL-TIME | 3 PART-TIME

19

NEW CUSTOMERS

61,757

GLOVED TESTED

11,600

SLEEVES TESTED



2,578

LINE HOSE TESTED

1,731

BLANKETS TESTED



COTTON ELECTRIC CHARITABLE FOUNDATION

Cotton Electric Cooperative members are a generous group. Most of them participate in Operation Round Up (ORU), which rounds their power bills up to the nearest dollar each month. The funds collected by ORU are administered by the Cotton Electric Charitable Foundation (CECF).

Since the program began in 2004, CECF has issued 643 grants in an effort to improve the quality of life throughout the cooperative's service area. In 2017, CECF awarded grants totaling more than \$1 million. Another milestone was accomplished in 2023 when grants awarded totaled more than \$1.5 million. Grant recipients are located within the Cotton Electric Cooperative service territory.

CECF awarded 32 grants totaling \$73,409.14 during the 2023-24 fiscal year. The foundation's fiscal year begins July 1 and ends June 30. The grants have had broad effects on communities throughout the service area.

"Public safety is an important issue for our members," said Shan Files, president of Cotton Electric Cooperative's Board of Trustees and CECF board member.

"Through Operation Round Up, more than \$89,000 has been contributed to police, sheriff and emergency services in our service area since 2004. This year, another four grants went to equipping fire departments. These additional funds helped them purchase new equipment that can immediately assist with their life-saving efforts."

Five grants were issued to five school systems and another four grants went to organizations serving youth in the Cotton Electric service area. Youth programs can better serve children in need because of support from the foundation.

"The goal of CECF is to improve the lives of our members, and we feel these contributions have made a difference in improving the quality of life in southwest Oklahoma," said Jennifer Meason, Cotton Electric Cooperative CEO and CECF board member.

The CECF Board of Directors meets on a quarterly basis to review applications.

2023-2024 CECF GRANT RECIPIENTS

AmVets Post 11	\$1,200.00
Big Pasture School District	\$7,000.00
Cache High School FCCLA	\$500.00
Chattanooga, Town of	\$3,000.00
Christians Concerned	\$2,000.00
Christian Helping Hands of Comanche	\$3,000.00
Cotton County Sheriff's Office	\$1,012.43
Duncan Area Literacy Council	\$608.99
Duncan New Beginnings Methodist Church	\$780.00
Fairview Cemetery of Randlett	\$1,000.00
Girl Scouts Western Oklahoma	\$600.00
Hastings Volunteer Fire Department	\$4,409.00
Indiahoma V.F.D.	\$3,680.00
Indiahoma, City of	\$3,000.00
One True Light Inc.	\$500.00
Pecan Creek VFD	\$4,494.40
Regional Food Bank of Oklahoma	\$2,500.00
Rush Springs United Methodist Church	\$990.32
Stephens County Humane Society	\$1,000.00
Sterling Public Schools	\$1,845.00
Temple Public Schools	\$2,500.00
Terral Volunteer Fire Department	\$3,500.00
Think Ability, Inc.	\$1,000.00
Velma-Alma Public School	\$4,772.00
Vizavance	\$1,000.00
Von Hawks Rising, Inc.	\$3,750.00
Walters Senior Citizens Center	\$4,000.00
Waurika Senior Citizen Center	\$4,000.00
Waurika Senior Citizen Center	\$2,500.00
Waurika Fire Department	\$2,267.00
Wichita Mountains Prevention Network	\$1,000.00

Total distribution FY2024-2023 \$73,409.14

STATEMENTS OF FINANCIAL POSITION

For the Years Ended June 30, 2024 and 2023

BALANCE SHEET

ASSETS	*2024	2023
Current Assets		
Checking/Savings	\$61,128	\$53,496
Accounts Receivable		
Contributions Receivable	5,876	5,960
Total Current Assets	67,004	59,456
TOTAL ASSETS	\$67,004	\$59,456
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable	\$1,200	\$0
Total Current Liabilities	1,200	0
Total Liabilities	1,200	0
Equity		
Perm. Restricted Net Assets	5,000	5,000
Unrestricted Net Assets	54,456	53,337
Net Income	7,548	1,119
Total Equity	65,804	59,456
Total Liabilities & Equity	\$67,004	\$59,456

STATEMENT OF ACTIVITIES

REVENUE	*2024	2023
Golf Tournament	\$30,630	\$29,607
Member Contributions	75,356	73,030
Total Revenues	\$105,986	\$102,637
EXPENSES		
Charitable Disbursements	\$73,409	\$82,588
Golf Tournament	20,159	14,109
Total Program Disbursements	\$93,568	\$96,697
Gross Profit/(Loss)	\$12,417	\$5,939
OTHER INCOME/EXPENSES		
Other Expenses	\$4,786	\$4,821
Total Other Income/Expenses	\$4,786	\$4,821
Net Income/(Loss)	\$7,548	\$1,119
Beginning Net Assets	59,456	58,337
End-of-Year Net Assets	\$67,004	\$59,456

*unaudited

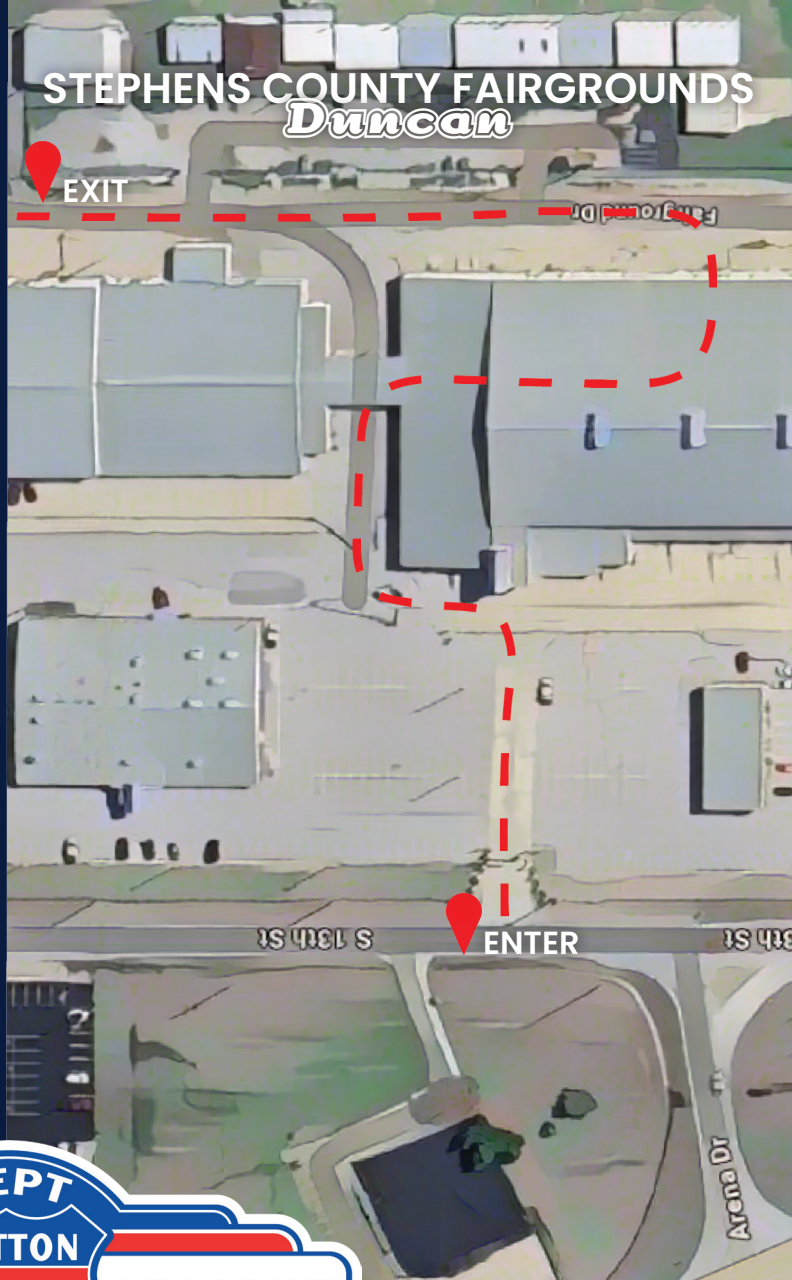
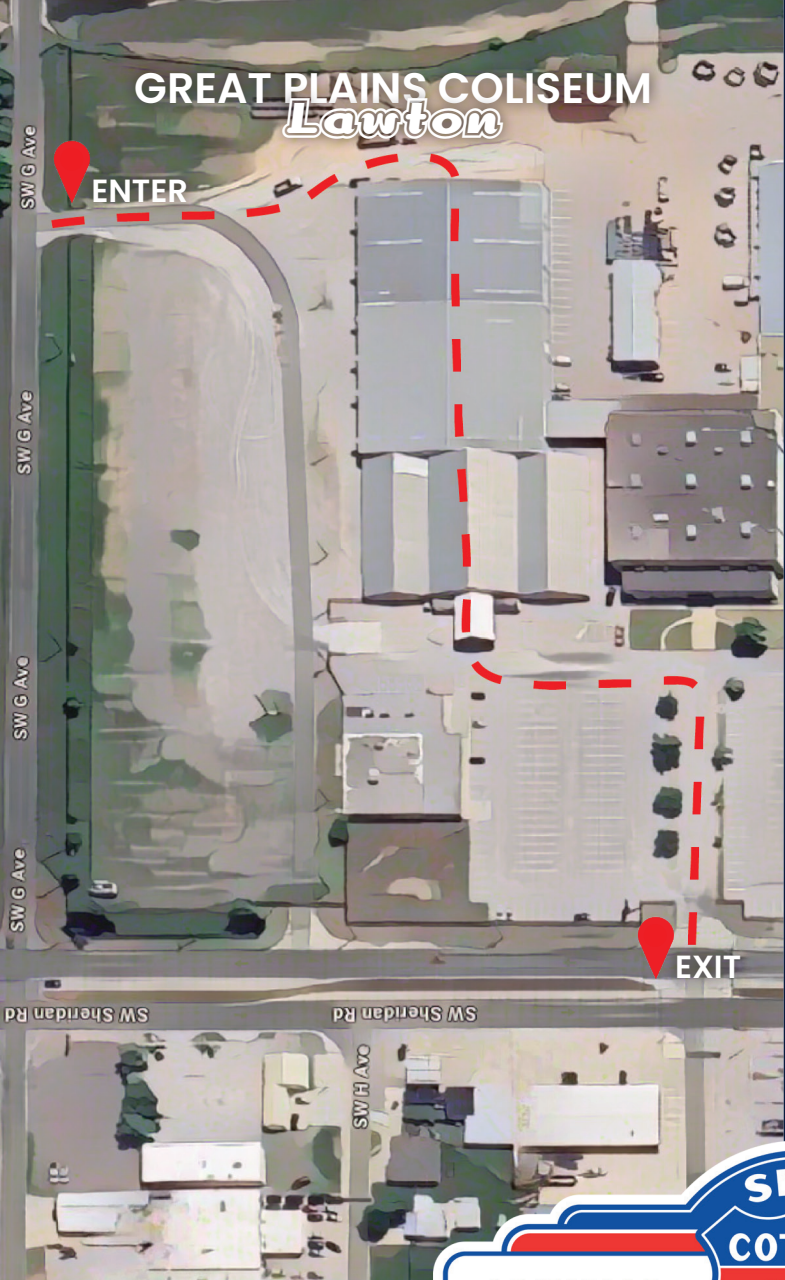
Statements audited annually

The financial statements for Cotton Electric Charitable Foundation as of and up to the years ended June 30, 2023, have been audited by Briscoe, Burke & Grigsby, LLP, an independent accounting firm.

Copies of the complete audited financial statements are on file at the cooperative's headquarters in Walters.

CECF BOARD OF DIRECTORS





Join us for the
**2024 ANNUAL MEETING AND
MEMBER APPRECIATION DAY**

Sept. 26, 2024

DRIVE-THRU LOCATIONS AT:

STEPHENS COUNTY FAIRGROUNDS, DUNCAN & GREAT PLAINS COLISEUM, LAWTON

REGISTRATION FROM 2 P.M. TO 6 P.M. | BUSINESS MEETING WILL BE LIVESTREAMED BEGINNING AT 8 P.M.

We hope to see you there!