



State of Michigan

GRETCHEN WHITMER
GOVERNORDEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
PUBLIC SERVICE COMMISSIONORLENE HAWKS
DIRECTORSALLY A. TALBERG
CHAIRMANNORMAN J. SAARI
COMMISSIONER

Michigan Public Service Commission

Public Utility Assessment (PUA) Report for the Year-Ended 2018

Company Name: Presque Isle Electric & Gas Cooperative

Address: 19831 M 68 HIGHWAY PO BOX 308

City: ONAWAY State: MI Zip: 49765

Contact Person: Thomas J. Sobeck

Direct Phone: 989-733-8515 ext. 1000

Direct E-mail: tsobeck@pieg.com Fax Number: 989-733-8465

GROSS UTILITY OPERATING REVENUES FOR 2018

(1) TOTAL UTILITY REVENUE:	<u>\$46,046,734</u>
(2) TOTAL REGULATED NATURAL GAS:	<u>\$347,871</u>
(3) TOTAL UNREGULATED NATURAL GAS*:	<u>\$9,408,541</u>
(4) TOTAL ELECTRIC**:	<u>\$35,617,160</u>
(5) TOTAL UNREGULATED NATURAL GAS AND ELECTRIC:	<u>\$45,025,701</u>
(6) 50% OF UNREGULATED NATURAL GAS AND ELECTRIC**:	<u>\$22,512,851</u>
TOTAL GAS & ELECTRIC REVENUES TO BE SUBJECT TO ASSESSMENT FROM LINES (2) and (6) ABOVE:	<u>\$22,860,722</u>

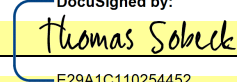
* This adjusted methodology will apply to Presque Isle Electric & Gas Co-op's unregulated gas revenues only and should commence with the revenues during 2017 - Case No. [U-18196](#)

** The adjusted methodology will apply only to those cooperatives that were subject to member-regulation throughout the **entire** year of 2017. Case No. [U-16552](#)

As a regulated public utility in Michigan your firm is subject to an annual public utility assessment provided in [Public Act 299 of 1972](#). Failure to provide this information puts your firm in [violation of this act](#).

Please submit the above information by **April 30, 2019** to the address listed below.

I certify that the foregoing statement is true and correct to the best of my knowledge, information and belief.

DocuSigned by:
Signature: 

Printed Name: Thomas J Sobeck
E29A1C110254452...

Title: President & CEO

Date: 3/19/2019

Mail or Deliver Hard Copy to:
Michigan Public Service Commission
Attn: Jennifer Brooks, Financial Analysis & Audit Division
7109 W. Saginaw Hwy
PO Box 30221
Lansing, MI 48909

Please direct any questions or email submissions regarding this report to:
Jennifer Brooks, Financial Analysis & Audit Division
brooks10@michigan.gov

MICHIGAN PUBLIC SERVICE COMMISSION

ADDITIONAL SCHEDULES FOR AN ELECTRIC UTILITY COOPERATIVE

This form is authorized by Case No. [U-12134](#), the Code of Conduct. Filing of this form is mandatory pursuant to [PA 3 of 1939](#). Failure to provide this information will put you in [violation of this act](#) and the commission shall order such remedies and penalties as necessary.

Report submitted for year ending: December 31, 2018
Present name of respondent: PRESQUE ISLE ELECTRIC & GAS CO-OP
Address of principal place of business: 19831 M-68 HIGHWAY ONAWAY, MI 49765
Utility representative to whom inquires regarding this report may be directed: Name: RANDY STEMPKY Title: CHIEF FINANCIAL OFFICER Address: 19831 M-68 HIGHWAY City: ONAWAY State: MI Zip: 49765 Direct Telephone, Include Area Code: 989-733-8515
If the utility name has been changed during the past year: Prior Name: Date of Change:
Two copies of the published annual report to stockholders: [] were forwarded to the Commission [] will be forwarded to the Commission on or about
Annual reports to stockholders: [] are published [] are not published

FOR ASSISTANCE IN COMPLETION OF THIS FORM:

Contact the Michigan Public Service Commission (Jennifer Brooks) at brooks10@michigan.gov OR forward correspondence to:

Michigan Public Service Commission
Regulated Energy Division
7109 W. Saginaw Hwy
PO Box 30221
Lansing, MI 48909

Name of Respondent Presque Isle Electric & Gas Co-op	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 4/29/2019	Year of Report 12/31/2018
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IMPORTANT CHANGES DURING THE YEAR

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none", "not acceptable" or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration given therefor and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact.

2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.

3. Purchase or sale of an operating unit or system: Give a brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission.

4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents and other conditions. State name of Commission authorizing lease and give reference to such authorization.

5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing

sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements etc.

6. Obligations incurred or assumed by respondent as guarantor for the performance by another of any agreement or obligation, including ordinary commercial paper maturing on demand or not later than one year after date of issue: State on behalf of whom the obligation was assumed and amount of the obligation. Give reference to Commission authorization if any was required.

7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.

8. State the estimated annual effect and nature of any important wage scale changes during the year.

9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.

10. Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on page 106, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.

11. Estimated increase or decrease in annual revenues due to important rate changes: State effective date and approximate amount of increase or decrease of each revenue classification. State the number of customers affected.

12. If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by instructions 1 to 11 above, such notes may be attached to this page.

1) Acquired Natural Gas Franchises from City of Onaway, Ellis Township, Forest Township, Grant Township, North Allis Township, Nunda Township, Walker Township, and Waverly Township -- No Payment of Consideration

2) None

3) Purchase of Aurora Gas Company on May 1, 2018.

4) None

5) The acquisition of Aurora Gas Company added approximately 221 miles of natural gas main in the City of Onaway, and the Townships of Allis, Aloha, Bearinger, Ellis, Forest, Grant, Koehler, North Allis, Nunda, Tuscarora, Walker, and Waverly.

	<u>Approximate Customers Added</u>	<u>Approximate Revenue</u>
Residential	2,745	\$1,700,000
Commercial	150	\$650,000
Public Authority	5	\$73,000

6-12) None

PRESQUE ISLE ELECTRIC & GAS CO-OP

19831 M68 Hwy. P.O. Box 308 Onaway, MI 49765 (989) 733-8515 1-800-423-6634 Fax (989) 733-2247

CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

Signature of Chief Financial Officer

Date

Signature of Chief Executive Officer

Date

PART 1 - STATEMENT OF COMBINED OPERATIONS FOR THE PERIOD ENDED DECEMBER 31, 2018

RUS Form 7 Line Number	ITEM	YEAR TO DATE			THIS MONTH
		2017	2018	BUDGET	
1.	Operating Revenue - Electric	35,617,160	36,281,323	35,419,092	2,924,653
1.	Operating Revenue - Gas	7,292,453	9,765,412	7,549,381	1,416,749
	Total Revenue	42,909,614	46,046,735	42,968,473	4,341,402
3.	Cost of Purchased Energy - Electric	20,722,593	20,933,066	20,574,235	1,672,024
3.	Cost of Purchased Energy - Gas	3,281,263	4,087,016	3,000,000	639,090
	Total Cost of Energy Sold	24,003,855	25,020,082	23,574,235	2,311,114
	Gross Revenues	18,905,758	21,026,653	19,394,238	2,030,288
5.	Distribution Expense - Operation	1,678,316	2,096,353	1,924,164	138,341
6.	Distribution Expense - Maintenance	3,841,955	4,368,302	4,433,165	387,076
7.	Consumer Accounts Expense	1,781,925	2,180,561	2,137,149	149,935
8.	Customer Service and Informational Expense	832,042	874,924	980,517	36,375
10.	Administrative and General Expense	1,871,995	2,087,234	1,929,950	185,232
	Total Operation & Maintenance Expense	10,006,233	11,607,372	11,404,945	896,959
12.	Depreciation & Amortization Expense	3,748,845	4,311,187	3,828,383	379,807
13.	Tax Expense - Property & Gross Receipts	1,136,847	1,167,528	1,140,088	162,059
14.	Tax Expense - Other	1,052	1,064	1,733	9
15.	Interest on Long-Term Debt	2,432,979	2,633,317	2,559,043	239,155
17.	Interest Expense - Other	31,062	83,787	25,758	10,904
18.	Other Deductions	1,000	1,000	0	0
	Total Cost of Operations	17,358,017	19,805,254	18,959,950	1,688,893
20.	Patronage Capital & Operating Margins	1,547,741	1,221,399	434,288	341,395
21.	Non-Operating Margins - Interest	74,105	73,657	52,536	2,023
23.	Income (Loss) from Equity Investments	(88,479)	(487,804)	(251,699)	(144,971)
24.	Non-Operating Margins - Other	0	0	0	0
25. a	Generation and Transmission Capital Credits	1,340,933	1,486,730	1,300,000	1,486,730
25. b	G & T Capital Credits - PSDFC	0	0	0	0
26.	Other Capital Credits and Patronage Dividends	271,253	273,028	266,225	23,718
27.	Extraordinary Items	0	0	0	0
28.	Patronage Capital	3,145,553	2,567,010	1,801,350	1,708,895

Net T.I.E.R. 2.28 1.94

Operating T.I.E.R. 1.63 1.45

ITEM	ELECTRIC YEAR TO DATE		GAS YEAR TO DATE	
	2017	2018	2017	2018
1. New Services Connected	213	245	129	3,086
2. Services Retired	88	27	0	0
3. Total Services in Place	35,780	36,050	10,007	13,092
4. Idle Services (Excl Seasonal)	2,312	2,400	602	693
5. Miles Distribution - Overhead	3,838	3,841		
6. Miles Distribution - Underground	1,051	1,068		
7. Total Miles Energized (5 + 6)	4,890	4,908		

PRESQUE ISLE ELECTRIC & GAS CO-OP

19831 M68 Hwy. P.O. Box 308 Onaway, MI 49765 (989) 733-8515 1-800-423-6634 Fax (989) 733-2247

CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

Signature of Chief Financial Officer

Date

Signature of Chief Executive Officer

Date

PART 1A - STATEMENT OF ELECTRICAL OPERATIONS FOR THE PERIOD ENDED DECEMBER 31, 2018

RUS Form 7 Line Number	ITEM	YEAR TO DATE			THIS MONTH
		2017	2018	BUDGET	
1.	Operating Revenue - Electric	35,617,160	36,281,323	35,419,092	2,924,653
1.					
	Total Revenue	35,617,160	36,281,323	35,419,092	2,924,653
3.	Cost of Purchased Energy - Electric	20,722,593	20,933,066	20,574,235	1,672,024
3.					
	Total Cost of Energy Sold	20,722,593	20,933,066	20,574,235	1,672,024
	Gross Revenues	14,894,568	15,348,257	14,844,857	1,252,629
5.	Distribution Expense - Operation	1,056,367	1,268,600	1,253,044	79,132
6.	Distribution Expense - Maintenance	3,593,859	4,050,076	4,188,339	360,105
7.	Consumer Accounts Expense	1,377,122	1,597,765	1,681,105	106,854
8.	Customer Service and Informational Expens	803,051	844,751	917,774	35,299
10.	Administrative and General Expense	1,485,628	1,609,085	1,588,700	139,523
	Total Operation & Maintenance Expense	8,316,027	9,370,276	9,628,962	720,913
12.	Depreciation & Amortization Expense	3,019,129	3,086,468	3,089,396	257,517
13.	Tax Expense - Property & Gross Receipts	873,652	898,771	872,598	133,372
14.	Tax Expense - Other	1,052	1,060	1,733	9
15.	Interest on Long-Term Debt	1,587,376	1,537,520	1,791,330	147,022
17.	Interest Expense - Other	20,045	59,301	15,524	7,100
18.	Other Deductions	1,000	1,000	0	0
	Total Cost of Operations	13,818,280	14,954,395	15,399,543	1,265,932
20.	Patronage Capital & Operating Margins	1,076,287	393,862	(554,686)	(13,303)
21.	Non-Operating Margins - Interest	69,171	68,349	51,429	1,598
23.	Income (Loss) from Equity Investments	(102,178)	(471,140)	(263,241)	(114,797)
24.	Non-Operating Margins - Other	0	0	0	0
25.a	Generation and Transmission Capital Credits	1,340,933	1,486,730	1,300,000	1,486,730
25.b	G & T Capital Credits - PSDFC	0	0	0	0
26.	Other Capital Credits and Patronage Dividen	199,893	198,493	195,652	18,500
27.	Extraordinary Items See attached sheet	0	0	0	0
28.	Patronage Capital	2,584,106	1,676,295	729,154	1,378,728
	Net T.I.E.R.	2.61	2.05		
	Operating T.I.E.R.	1.67	1.25		

PART 2A - DATA ON ELECTRICAL DISTRIBUTION PLANT

ITEM	YEAR TO DATE	
	2017	2018
1. New Services Connected	213	245
2. Services Retired	88	27
3. Total Services in Place	35,780	36,050
4. Idle Services (Excl Seasonal)	2,312	2,400
5. Miles Distribution - Overhead	3,838	3,841
6. Miles Distribution - Underground	1,051	1,068
7. Total Miles Energized (5 + 6)	4,889	4,908

PRESQUE ISLE ELECTRIC & GAS CO-OP

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We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

Signature of Chief Financial Officer

Date

Signature of Chief Executive Officer

Date

PART 1B - STATEMENT OF GAS OPERATIONS FOR THE PERIOD ENDED DECEMBER 31, 2018

RUS Form 7 Line Number	ITEM	YEAR TO DATE			THIS MONTH
		2017	2018	BUDGET	
1.	Operating Revenue - Gas	7,292,453	9,765,412	7,549,381	1,416,749
	Total Revenue	7,292,453	9,765,412	7,549,381	1,416,749
3.	Cost of Purchased Energy - Gas	3,281,263	4,087,016	3,000,000	639,090
	Total Cost of Energy Sold	3,281,263	4,087,016	3,000,000	639,090
	Gross Revenues	4,011,191	5,678,395	4,549,381	777,659
5.	Distribution Expense - Operation	621,949	827,753	671,120	59,209
6.	Distribution Expense - Maintenance	248,096	318,226	244,826	26,971
7.	Consumer Accounts Expense	404,803	582,796	456,044	43,081
8.	Customer Service and Informational Expens	28,991	30,172	62,743	1,076
10.	Administrative and General Expense	386,367	478,149	341,250	45,709
	Total Operation & Maintenance Expense	1,690,206	2,237,096	1,775,983	176,046
12.	Depreciation & Amortization Expense	729,716	1,224,719	738,987	122,290
13.	Tax Expense - Property & Gross Receipts	263,195	268,757	267,490	28,687
14.	Tax Expense - Other	0	4	0	0
15.	Interest on Long-Term Debt	845,603	1,095,797	767,713	92,133
17.	Interest Expense - Other	11,017	24,486	10,234	3,804
18.	Other Deductions	0	0	0	0
	Total Cost of Operations	3,539,737	4,850,859	3,560,407	422,960
20.	Patronage Capital & Operating Margins	471,454	827,536	988,974	354,698
21.	Non-Operating Margins - Interest	4,934	5,308	1,107	425
23.	Income (Loss) from Equity Investments	13,699	(16,664)	11,542	(30,174)
24.	Non-Operating Margins - Other	0	0	0	0
25.a	Generation and Transmission Capital Credits	0	0	0	0
25.b	G & T Capital Credits - PSDFC	0	0	0	0
26.	Other Capital Credits and Patronage Dividen	71,360	74,534	70,573	5,218
27.	Extraordinary Items	0	0	0	0
28.	Patronage Capital	561,447	890,715	1,072,196	330,167
	Net T.I.E.R.	1.66	1.80		
	Operating T.I.E.R.	1.55	1.74		

PART 2B - DATA ON GAS DISTRIBUTION PLANT

ITEM	YEAR TO DATE	
	2017	2018
1. New Services Connected	129	3,086
2. Services Retired	0	0
3. Total Services in Place	10,007	13,092
4. Idle Services (Excl Seasonal)	602	693
5. Miles Distribution - Overhead	0	0
6. Miles Distribution - Underground	0	0
7. Total Miles Energized (5 + 6)	0	0

PRESQUE ISLE ELECTRIC & GAS CO-OP

19831 M68 Hwy. P.O. Box 308 Onaway, MI 49765 (989) 733-8515 1-800-423-6634 Fax (989) 733-2247

PART 3 - COMBINED BALANCE SHEET AS OF DECEMBER 31, 2018

RUS Form 7 Line Number	ASSETS AND OTHER DEBITS	RUS Form 7 Line Number	LIABILITIES AND OTHER CREDITS
1a.	Utility Plant in Service - Electric 108,812,471	30a.	Memberships - Electric 260,060
1b.	Utility Plant in Service - Gas 43,379,841	30b.	Memberships - Gas 25,205
1.	Utility Plant in Service - Combined 152,192,312	30.	Memberships - Combined 285,265
2a.	Construction Work in Progress - Electric 865,356	31a.	Patronage Capital - Electric 41,275,861
2b.	Construction Work in Progress - Gas 148,846	31b.	Patronage Capital - Gas 6,486,821
2.	Construction Work in Progress - Combined 1,014,201	31.	Patronage Capital - Combined 47,762,682
3a.	Total Utility Plant (1 + 2) - Electric 109,677,827	32a.	Operating Margins - Prior Years - Electric (253,082)
3b.	Total Utility Plant (1 + 2) - Gas 43,528,687	32b.	Operating Margins - Prior Years - Gas 0
3.	Total Utility Plant - Combined 153,206,513	32.	Operating Margins - Prior Years - Combined (253,082)
4a.	Accumulated Provision for Depreciation - Electric 56,718,916	33a.	Operating Margins - Current Year - Electric 393,862
4b.	Accumulated Provision for Depreciation - Gas 10,427,978	33b.	Operating Margins - Current Year - Gas 827,536
4.	Accum. Provision for Depreciation - Combined 67,146,894	33.	Operating Margins - Current Year - Combined 1,221,399
5a.	Net Utility Plant (3 - 4) - Electric 52,958,911	34a.	Non Operating Margins - Electric 1,282,433
5b.	Net Utility Plant (3 - 4) - Gas 33,100,708	34b.	Non Operating Margins - Gas 63,178
5.	Net Utility Plant - Combined 86,059,619	34.	Non Operating Margins - Combined 1,345,611
7.	Investments in Subsidiary Companies 0	35a.	Other Margins and Equities - Electric 3,598,250
8.a	Invest. in Assoc. Org- Patronage Capital - WPC 20,379,590	35b.	Other Margins and Equities - Gas 7,179
8.b	Invest. in Assoc. Org- Patronage Capital - Other 5,309,166	35.	Other Margins and Equities - Combined 3,605,429
9.	Invest. in Assoc. Org. - Other - General Funds 4,800	36a.	Total Margins and Equities (30 thru 35) - Electric 46,557,385
10.	Invest. in Assoc. Org. - Other - Nongeneral Funds 1,500,225	36b.	Total Margins and Equities (30 thru 35) - Gas 7,409,919
11.	Invest. in Economic Development Projects 0	36.	Total Margins and Equities (30 thru 35) - Combined 53,967,304
12.	Other Investments 0	37.	Long Term Debt - RUS (Net)
13.	Restricted Funds 0		(Payments-Unapplied \$ -0-) 0
14.	Total Other Property and Investments (6 thru 13) 27,193,781	38.	Long Term Debt - RUS - Econ. Dev. (Net) 0
15.	Cash - General Funds 1,210,125	39.	Long Term Debt - Other - RUS Guaranteed 0
16.	Cash - Construction Funds 0	40.	Long Term Debt - Other (Net) 58,272,209
17.	Special Deposits 0	41.	Total Long Term Debt (37 thru 40) 58,272,209
18.	Temporary Investments 1,609,260	42.	Obligations Under Capital Leases 0
19.	Notes Receivable - Net 0	43.	Deferred Compensation 0
20.	Accounts Receivable - Net Sales of Energy 4,203,386	44.	Total Other Non Current Liabilities (42+43) 0
21.	Accounts Receivable - Net Other 295,032	45.	Line of Credit Balance Due 2,500,000
22.	Materials and Supplies - Electric and Other 1,945,684	46.	Accounts Payable 2,755,927
23.	Prepayments 373,934	47.	Consumers Deposits 596,468
24.	Other Current and Accrued Assets 0	48.	Other Current and Accrued Liabilities 5,140,316
25.	Total Current and Accrued Assets (15 thru 24) 9,637,421	49.	Total Current and Accrued Liabilities (45 thru 48) 10,992,711
26.	Regulatory Assets 0	50.	Deferred Credits
27.	Other Deferred Debits 341,403	51.	Accumulated Deferred Income Taxes 0
28.	Accumulated Deferred Income Taxes 0	52.	Total Liabilities and Other Credits
29.	Total Assets and Other Debits (5 + 14 + 25 thru 28) 123,232,224		(36+41+44+49 thru 51) 123,232,224
			<i>ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION</i>
		53.	Balance Beginning of the Year - Electric 21,653,464
		54.	Balance Beginning of the Year - Gas 4,660,838
		55.	Balance Beginning of the Year - Gas AER 1,054,511
			Amount Received This Year (Net) - Electric 635,199
			Amount Received This Year (Net) - Gas 108,053
			Amount Received This Year (Net) - Gas AER
			Total Contributions in Aid of Construction - Electric 22,288,663
			Total Contributions in Aid of Construction - Gas 4,768,891
			Total Contributions in Aid of Construction - Gas AER 1,054,511

PART 4 - NOTES TO COMBINED FINANCIAL STATEMENTS

THIS SPACE BELOW IS PROVIDED FOR IMPORTANT NOTES REGARDING THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT.

PRESQUE ISLE ELECTRIC & GAS CO-OP

19831 M68 Hwy. P.O. Box 308 Onaway, MI 49765 (989) 733-8515 1-800-423-6634 Fax (989) 733-2247

ELECTRIC OPERATIONS PLANT RATIOS, SALES & REVENUE REPORT FOR THE MONTH ENDING DECEMBER 31, 2018

BALANCE SHEET RATIOS

Current Assets to Current Liabilities	- Combined	87.67 %
Margins & Equities as % of Assets	- Combined	43.79 %
Long Term Debt as % of Net Utility Plant	- Combined	67.71 %
Long Term Debt as % of Plant	- Combined	38.04 %
Modified Debt Service Coverage Ratio	- Combined	2.04

CONSUMER SALES AND REVENUE DATA - MONTHLY

CLASS OF SERVICE	Number Receiving Service	kWh Sold	Amount	Number of Minimum Bills
	A.	B.	C.	D.
Sales - Residential	17,641	12,259,920	1,697,954	999
Sales - Seasonal	13,540	2,895,215	681,677	15,608
Sales - General Service - Oil	469	440,136	56,014	80
Sales - Irrigation	26	7,528	1,514	16
Sales - General Service	1,555	2,499,667	300,962	205
Sales - Large Power - Oil	9	124,467	13,401	
Sales - Large Power	41	2,289,021	228,790	1
Sales - Public Street & Highway Lighting	38	12,270	3,845	
Sales - Public Buildings	331	358,410	44,760	44
Consumer Sales - PSCR			(150,532)	
Total Sales of Electric Energy (1 thru 11)	33,650	20,886,634	2,878,384	16,953
Other Electric Revenue			46,269	
Total (12 + 13)			2,924,653	
Last Year kWh Sales	33,468	20,650,998		

CONSUMER SALES AND REVENUE DATA - YEAR TO DATE

CLASS OF SERVICE	Average Number Receiving Service	kWh Sold Cumulative	Amount Cumulative
	B.	C.	D.
Sales - Residential	17,591	139,660,811	19,549,457
Sales - Seasonal	13,516	33,888,309	8,004,170
Sales - General Service - Oil	469	4,675,662	606,939
Sales - Irrigation	26	248,483	35,244
Sales - General Service	1,503	32,078,144	3,804,192
Sales - Large Power - Oil	9	1,385,237	153,078
Sales - Large Power	41	30,975,401	3,048,095
Sales - Public Street & Highway Lighting	38	158,397	46,753
Sales - Public Buildings	332	4,755,429	585,984
Consumer Sales - PSCR			(688,262)
Total Sales of Electric Energy (1 thru 11)	33,525	247,825,873	35,145,650
Other Electric Revenue			1,135,673
Total (12 + 13)			36,281,323
Last Year kWh Sales		236,535,693	

KWH AND KWH STATISTICS

ITEM	THIS MONTH	YEAR-TO-DATE
1. kWh Purchased	23,509,140	267,335,055
2. Interchange kWh-Net	562	36,752
3. Total kWh (1 + 2)	23,509,702	267,371,807
4. Total kWh-Sold	20,886,634	247,825,873
5. Office Use - **For Information Purposes Only**	25,947	247,221
6. Total Unaccounted for (3 - 4)	2,623,068	19,545,934
7. Percent System Loss (6/3)x100	11.16	7.31
8. Maximum Demand (kw)	39,407	55,233
9. Month When Maximum Demand Occurred		7

PRESQUE ISLE ELECTRIC & GAS CO-OP

19831 M68 Hwy. P.O. Box 308 Oneway, MI 49765 (989) 733-8515 1-800-423-6634 Fax (989) 733-2247

**GAS OPERATIONS
SALES & REVENUE REPORT
FOR THE MONTH DECEMBER 31, 2018**

CONSUMER SALES AND REVENUE DATA - MONTHLY

CLASS OF SERVICE	Number Receiving Service A.	CCF Sold B.	Amount C.	Number of Minimum Bills D.
Gas Sales - Residential	7,495	905,176	856,970	264
Gas Sales - Residential - Line Retention	62			
Gas Sales - Seasonal	4,208	292,047	298,285	551
Gas Sales - Seasonal - Line Retention	67			
Gas Sales - General Service	410	127,456	97,187	26
Gas Sales - General Service - Line Retention	2			
Gas Sales - Large Power	16	44,184	31,889	2
Gas Sales - Public Buildings	139	72,088	53,405	10
Gas Sales - Public Buildings - Line Retention				
Gas Cost Recovery (Over)/Undercollection			71,328	
Less: Area Expansion Rate				
Total Sales of Natural Gas Energy (1 thru 11)	12,399	1,440,951	1,409,063	853
Other Gas Revenue			7,685	
Total (12 + 13)			1,416,749	
Last Year CCF Sales	9,405	1,129,862		

CONSUMER SALES AND REVENUE DATA - YEAR TO DATE

CLASS OF SERVICE	Average Number Receiving Service B.	CCF Sold Cumulative C.	Amount Cumulative D.
Gas Sales - Residential	6,770	5,878,925	6,078,754
Gas Sales - Residential - Line Retention	66		
Gas Sales - Seasonal	3,927	2,023,721	2,330,689
Gas Sales - Seasonal - Line Retention	76		
Gas Sales - General Service	364	873,279	711,999
Gas Sales - General Service - Line Retention	2		
Gas Sales - Large Power	12	314,255	234,347
Gas Sales - Public Buildings	126	441,258	350,473
Gas Sales - Public Buildings - Line Retention			
Gas Cost Recovery (Over)/Undercollection			(38,473)
Less: Area Expansion Rate			
Total Sales of Natural Gas Energy (1 thru 11)	11,343	9,531,438	9,667,788
Other Gas Revenue			97,623
Total (12 + 13)			9,765,412
Last Year CCF Sales		7,170,458	

PRESQUE ISLE ELECTRIC & GAS CO-OP

19831 M68 Hwy. P.O. Box 308 Onaway, MI 49765 (989) 733-8515 1-800-423-6634 Fax (989) 733-2247

STATISTICAL INFORMATION FOR THE MONTH ENDING DECEMBER 31, 2018

	THIS YEAR	LAST YEAR
1. KWHRS Sold Per Consumer:		
a. For the Month	621	617
b. Year to Date	<u>616</u>	<u>591</u>
2. Average Monthly Bill	85.54	94.33
Average Residential Bill	<u>96.25</u>	<u>97.53</u>
3. Average Bill:		
a. Year To Date	87.36	86.25
b. YTD Residential	<u>92.61</u>	<u>89.93</u>
4. Cost Per KWHR Purchased		
a. This Month Mills	71.12	78.93
b. Year to Date Mills	<u>78.29</u>	<u>80.64</u>
5. Revenue Per KWHR Sold:		
a. This Month Mills	137.81	152.88
b. Year to Date Mills	<u>141.82</u>	<u>145.98</u>
6. Power Cost Adjustment		
a. This Month	<u>-0.000590</u>	<u>0.000870</u>
7. Number of New Members - Electric	82	68
Number of Transferred Members Added - Electric	1326	1411
7. Number of New Members - Gas	115	47
Number of Transferred Members Added - Gas	<u>144</u>	<u>151</u>
8. Security Lights Billed	<u>1941</u>	<u>1945</u>
9. Regular Payroll - Hours	13,677.00	12,198.50
Overtime Payroll - Hours	782.25	1,995.50
Total Payroll	<u>14,459.25</u>	<u>14,194.00</u>
10. Number of Employees		
Full Time	77	71
Temporary	<u>8</u>	<u>6</u>
11. Principal Paid To CFC-YTD	1,823,401.11	1,621,675.15
Interest Paid To CFC-YTD	<u>2,598,518.74</u>	<u>2,435,745.78</u>
12. Interest Paid on Line of Credit - YTD	<u>74,958.72</u>	<u>24,143.47</u>

PRESQUE ISLE ELECTRIC & GAS CO-OP

19831 M68 Hwy. P.O. Box 308 Onaway, MI 49765 (989) 733-8515 1-800-423-6634 Fax (989) 733-2247

STATISTICAL INFORMATION FOR THE MONTH ENDING DECEMBER 31, 2018

	THIS YEAR	LAST YEAR
1. CCF'S Sold Per Consumer:		
a. For the Month	116	120
b. Year to Date	<u>70</u>	<u>64</u>
2. Average Monthly Bill	113.64	111.77
Average Residential Bill	<u>114.34</u>	<u>123.40</u>
3. Average Bill:		
a. Year To Date	71.03	64.55
b. YTD Residential	<u>74.82</u>	<u>71.38</u>
4. Cost Per CCF Purchased		
a. This Month	0.41	0.37
b. Year to Date	<u>0.42</u>	<u>0.43</u>
5. Revenue Per CCF Sold:		
a. This Month	0.98	0.93
b. Year to Date	<u>1.01</u>	<u>1.01</u>
6A. Total Active Accounts	12,399	9,405
6B. Total Service Lines Installed	<u>13,092</u>	<u>10,007</u>
7. Number of New Members - Gas	115	47
Number of Transferred Members Added - Gas	<u>144</u>	<u>151</u>

PRESQUE ISLE ELECTRIC & GAS CO-OP

19831 M68 Hwy. P.O. Box 308 Onaway, MI 49765 (989) 733-8515 1-800-423-6634 Fax (989) 733-2247

CASH REPORT AS OF DECEMBER 31, 2018

Cash Balance As Of	11/30/2018		\$970,287.96
Receipts			
Utility Billings		\$3,471,782.89	
Interest		2,048.22	
Other Accounts Receivable		61,134.96	
Other		1,598,555.40	
CFC LTD		<u>0.00</u>	
Total Receipts			<u>5,133,521.47</u>
Total Receipts & Previous Balance			6,103,809.43
Less: Cash Disbursements			<u>(3,284,424.28)</u>
Cash Balance As Of	12/31/2018		<u>\$2,819,385.15</u>

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	Presque Isle Electric & Gas Co-op
	BORROWER DESIGNATION	M1028
	ENDING DATE	12/31/2018

Submit one electronic copy and one signed hard copy to CFC. Round all numbers to the nearest dollar.

CERTIFICATION	BALANCE CHECK RESULTS	AUTHORIZATION
We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.		AUTHORIZATION NRECA uses rural electric system data for legislative, regulatory and other purposes. May we provide this report from your system to NRECA? <input checked="" type="radio"/> YES <input type="radio"/> NO
DocuSigned by: 3/28/2019 <small>A0B3B758D0534CD...</small>		
Signature of Office Manager or Accountant Date		
DocuSigned by: 3/28/2019 <small>E29A1C110254452...</small>		
Signature of Manager Date		

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	42,909,614	46,046,735	42,968,473	4,341,402
2. Power Production Expense	0	0	0	0
3. Cost of Purchased Power	24,003,855	25,020,082	23,574,235	2,311,114
4. Transmission Expense	0	0	0	0
5. Regional Market Operations Expense	0	0	0	0
6. Distribution Expense - Operation	1,678,316	2,096,353	1,924,164	138,341
7. Distribution Expense - Maintenance	3,841,955	4,368,302	4,433,165	387,076
8. Consumer Accounts Expense	1,781,925	2,180,561	2,137,149	149,935
9. Customer Service and Informational Expense	832,042	874,923	980,517	36,375
10. Sales Expense	0	0	0	0
11. Administrative and General Expense	1,871,995	2,087,234	1,929,950	185,232
12. Total Operation & Maintenance Expense (2 thru 11)	34,010,088	36,627,454	34,979,180	3,208,073
13. Depreciation & Amortization Expense	3,748,845	4,445,463	3,828,383	379,807
14. Tax Expense - Property & Gross Receipts	1,136,847	1,179,823	1,140,088	162,059
15. Tax Expense - Other	1,052	1,064	1,733	9
16. Interest on Long-Term Debt	2,432,979	2,633,317	2,559,043	239,155
17. Interest Charged to Construction (Credit)	0	0	0	0
18. Interest Expense - Other	31,062	83,787	25,758	10,904
19. Other Deductions	1,000	1,000	0	0
20. Total Cost of Electric Service (12 thru 19)	41,361,873	44,971,907	42,534,185	4,000,007
21. Patronage Capital & Operating Margins (1 minus 20)	1,547,741	1,074,828	434,288	341,395
22. Non Operating Margins - Interest	74,105	73,660	52,536	2,023
23. Allowance for Funds Used During Construction	0	0	0	0
24. Income (Loss) from Equity Investments	(88,479)	(487,804)	(251,699)	(144,971)
25. Non Operating Margins - Other	0	146,568	0	0
26. Generation & Transmission Capital Credits	1,340,933	1,486,730	1,300,000	1,486,730
27. Other Capital Credits & Patronage Dividends	271,253	273,028	266,225	23,718
28. Extraordinary Items	0	0	0	0
29. Patronage Capital or Margins (21 thru 28)	3,145,553	2,567,010	1,801,350	1,708,895

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	213	245	5. Miles Transmission	0	0
2. Services Retired	88	27	6. Miles Distribution Overhead	3,838	3,841
3. Total Services In Place	35,780	36,050	7. Miles Distribution Underground	1,051	1068
4. Idle Services (Exclude Seasonal)	2,312	2,400	8. Total Miles Energized (5+6+7)	4,889	4,909



NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT		BORROWER NAME		Presque Isle El
		BORROWER DESIGNATION		MI028
		ENDING DATE		12/31/2018
PART C. BALANCE SHEET				
ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	158,392,302	29. Memberships	285,265	
2. Construction Work in Progress	1,014,201	30. Patronage Capital	47,348,536	
3. Total Utility Plant (1+2)	159,406,503	31. Operating Margins - Prior Years	(253,082)	
4. Accum. Provision for Depreciation and Amort	70,648,602	32. Operating Margins - Current Year	2,981,156	
5. Net Utility Plant (3-4)	88,757,901	33. Non-Operating Margins	0	
6. Nonutility Property - Net	0	34. Other Margins & Equities	3,866,076	
7. Investment in Subsidiary Companies	0	35. Total Margins & Equities (29 thru 34)	54,227,951	
8. Invest. in Assoc. Org. - Patronage Capital	23,116,846	36. Long-Term Debt CFC (Net)	58,272,209	
9. Invest. in Assoc. Org. - Other - General Funds	4,800	37. Long-Term Debt - Other (Net)	0	
10. Invest in Assoc. Org. - Other - Nongeneral Funds	1,500,225	38. Total Long-Term Debt (36 + 37)	58,272,209	
11. Investments in Economic Development Projects	0	39. Obligations Under Capital Leases - Non current	0	
12. Other Investments	0	40. Accumulated Operating Provisions - Asset Retirement Obligations	0	
13. Special Funds	0	41. Total Other Noncurrent Liabilities (39+40)	0	
14. Total Other Property & Investments (6 thru 13)	24,621,871	42. Notes Payable	2,500,000	
15. Cash-General Funds	1,355,279	43. Accounts Payable	2,755,927	
16. Cash-Construction Funds-Trustee	0	44. Consumers Deposits	596,468	
17. Special Deposits	0	45. Current Maturities Long-Term Debt	2,010,000	
18. Temporary Investments	1,609,260	46. Current Maturities Long-Term Debt-Economic Dev.	0	
19. Notes Receivable - Net	0	47. Current Maturities Capital Leases	0	
20. Accounts Receivable - Net Sales of Energy	4,203,386	48. Other Current & Accrued Liabilities	3,141,195	
21. Accounts Receivable - Net Other	295,032	49. Total Current & Accrued Liabilities (42 thru 48)	11,003,590	
22. Renewable Energy Credits	0	50. Deferred Credits		
23. Materials & Supplies - Electric and Other	1,945,684	51. Total Liabilities & Other Credits (35+38+41+49+50)	123,503,750	
24. Prepayments	373,934			
25. Other Current & Accrued Assets	0	ESTIMATED CONTRIBUTION-IN-AID-OF-CONSTRUCTION		
26. Total Current & Accrued Assets (15 thru 25)	9,782,575	Balance Beginning of Year	21,653,464	
27. Deferred Debits	341,403	Amounts Received This Year (Net)	635,199	
28. Total Assets & Other Debits (5+14+26+27)	123,503,750	TOTAL Contributions-In-Aid-Of-Construction	22,288,663	
PART D. THE SPACE BELOW IS PROVIDED FOR IMPORTANT NOTES REGARDING THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT.				

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT		BORROWER NAME	Presque Isle El
		BORROWER DESIGNATION	MI028
		ENDING DATE	12/31/2018

PART E. CHANGES IN UTILITY PLANT

	PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFER (d)	BALANCE END OF YEAR (e)
1	Distribution Plant Subtotal	97,299,798	2,627,062	1,060,549	0	98,866,311
2	General Plant Subtotal	8,196,310	1,125,543	629,698	0	8,692,154
3	Headquarters Plant	1,574,979	81,260	23,537	0	1,632,702
4	Intangibles	25,648	0	0	0	25,648
5	Transmission Plant Subtotal	0	0	0	0	0
6	Regional Transmission and Market Operation Plant	0	0	0	0	0
7	Production Plant - Steam	0	0	0	0	0
8	Production Plant - Nuclear	0	0	0	0	0
9	Production Plant - Hydro	0	0	0	0	0
10	Production Plant - Other	0	0	0	0	0
11	All Other Utility Plant	33,142,930	16,081,908	49,352	0	49,175,486
12	SUBTOTAL: (1 thru 11)	140,239,665	19,915,773	1,763,136	0	158,392,302
13	Construction Work in Progress	32,344	981,858			1,014,201
14	TOTAL UTILITY PLANT (12+13)	140,272,009	20,897,630	1,763,136	0	159,406,503

CFC NO LONGER REQUIRES SECTIONS "F", "J", AND "M" DATA
Those sections refer to data on "Materials and Supplies" (F), "Energy Efficiency and Conservation Loan Program" (J), and "Annual Meeting and Board Data" (M).

PART H. SERVICE INTERRUPTIONS

	ITEM	Avg. Minutes per Consumer by Cause	Avg. Minutes per Consumer by Cause	Avg. Minutes per Consumer by Cause	Avg. Minutes per Consumer by Cause	TOTAL (e)
		Power Supplier (a)	Major Event (b)	Planned (c)	All Other (d)	
1.	Present Year	3.50	676.40	1.40	269.10	950.40
2.	Five-Year Average	3.90	493.36	3.68	266.96	767.90

PART I. EMPLOYEE - HOUR AND PAYROLL STATISTICS

1.	Number of Full Time Employees	77	4. Payroll - Expensed	4,471,969
2.	Employee - Hours Worked - Regular Time	161,178	5. Payroll - Capitalized	1,741,410
3.	Employee - Hours Worked - Overtime	17,954	6. Payroll - Other	0

PART J. PATRONAGE CAPITAL

	ITEM	THIS YEAR (a)	CUMULATIVE (b)	PART K. DUE FROM CONSUMERS FOR ELECTRIC SERVICE	
				1. Amount Due Over 60 Days:	2. Amount Written Off During Year:
1.	General Retirement	2,390,555	15,697,907	373,502	
2.	Special Retirements	11,882	50,486	130,069	
3.	Total Retirements (1+2)	2,402,437	15,748,393		
4.	Cash Received from Retirement of Patronage Capital by Suppliers of Electric Power	1,594,069			
5.	Cash Received from Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	104,142			
6.	Total Cash Received (4+5)	1,698,210			

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT							BORROWER NAME		Presque Isle El	
							BORROWER DESIGNATION		MI028	
							ENDING DATE		12/31/2018	
PART L. KWH PURCHASED AND TOTAL COST										
	NAME OF SUPPLIER (a)	CFC USE ONLY SUPPLIER CODE (b)	RENEWABLE ENERGY PROGRAM NAME (c)	RENEWABLE FUEL TYPE (d)	KWH PURCHASED (e)	TOTAL COST (f)	AVERAGE COST PER KWH (cents) (g)	INCLUDED IN TOTAL COST		
								FUEL COST ADJUSTMENT (h)	WHEELING & OTHER CHARGES (or Credits) (i)	COMMENTS (j)
1	Wolverine Power Supply			0 None	267,335,055	20,933,066	7.83	0	0	Comments
2				0 None	0	0	0.00	0	0	Comments
3				0 None	0	0	0.00	0	0	Comments
4				0 None	0	0	0.00	0	0	Comments
5				0 None	0	0	0.00	0	0	Comments
6				0 None	0	0	0.00	0	0	Comments
7				0 None	0	0	0.00	0	0	Comments
8				0 None	0	0	0.00	0	0	Comments
9				0 None	0	0	0.00	0	0	Comments
10				0 None	0	0	0.00	0	0	Comments
11				0 None	0	0	0.00	0	0	Comments
12				0 None	0	0	0.00	0	0	Comments
13				0 None	0	0	0.00	0	0	Comments
14				0 None	0	0	0.00	0	0	Comments
15				0 None	0	0	0.00	0	0	Comments
16				0 None	0	0	0.00	0	0	Comments
17				0 None	0	0	0.00	0	0	Comments
18				0 None	0	0	0.00	0	0	Comments
19				0 None	0	0	0.00	0	0	Comments
20				0 None	0	0	0.00	0	0	Comments
21	TOTALS				267,335,055	20,933,066	7.83	0	0	



NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	Presque Isle El
	BORROWER DESIGNATION	MI028
	ENDING DATE	12/31/2018

PART L. KWH PURCHASED AND TOTAL COST (Continued)

COMMENTS	
1	
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NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	Presque Isle El
	BORROWER DESIGNATION	MI028
	ENDING DATE	12/31/2018

PART M. LONG-TERM LEASES (If additional space is needed, use separate sheet)

*LIST BELOW ALL "RESTRICTED PROPERTY" ** HELD UNDER "LONG TERM" LEASE. (If none, State "NONE")*

	NAME OF LESSOR	TYPE OF PROPERTY	RENTAL THIS YEAR
1.	NONE		\$0
2.			\$0
3.		TOTAL	\$0

** "RESTRICTED PROPERTY" means all properties other than automobiles, trucks, tractors, other vehicles (including without limitation aircraft and ships), office and warehouse space and office equipment (including without limitation computers). "LONG TERM" means leases having unexpired terms in excess of 3 years and covering property having an initial cost in excess of \$250,000).

PART O. LONG-TERM DEBT SERVICE REQUIREMENTS

	NAME OF LENDER	BILLED THIS YEAR			CFC USE ONLY (d)
		BALANCE END OF YEAR	INTEREST (a)	PRINCIPAL (b)	
1	National Rural Utilities Cooperative Finance Corporation	58,272,209	2,598,519	1,823,401	4,421,920
2	NCSC	0	0	0	0
3	Farmer Mac	0	0	0	0
4		0	0	0	0
5		0	0	0	0
6		0	0	0	0
7		0	0	0	0
8		0	0	0	0
9		0	0	0	0
10	Principal Payments Received from Ultimate Recipients of IRP Loans			0	
11	Principal Payments Received from Ultimate Recipients of REDL Loans			0	
12	TOTAL (Sum of 1 thru 9)	\$58,272,209	\$2,598,519	\$1,823,401	\$4,421,920



NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	Presque Isle El
	BORROWER DESIGNATION	MI028
	ENDING DATE	12/31/2018

PART R. POWER REQUIREMENTS DATABASE

CLASSIFICATION	CONSUMER, SALES, AND REVENUE DATA	JANUARY CONSUMERS	DECEMBER CONSUMERS	AVERAGE CONSUMERS	TOTAL KWH SALES AND REVENUE
		(a)	(b)	(c)	
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	17,574	17,641	17,608	
	b. KWH Sold				139,660,811
	c. Revenue				19,549,457
2. Residential Sales - Seasonal	a. No. Consumers Served	13,510	13,540	13,525	
	b. KWH Sold				33,888,309
	c. Revenue				8,004,170
3. Irrigation Sales	a. No. Consumers Served	26	26	26	
	b. KWH Sold				248,483
	c. Revenue				35,244
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	1,987	2,070	2,029	
	b. KWH Sold				51,819,744
	c. Revenue				5,981,796
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	4	4	4	
	b. KWH Sold				17,294,700
	c. Revenue				1,630,508
6. Public Street & Highway Lighting	a. No. Consumers Served	38	38	38	
	b. KWH Sold				158,397
	c. Revenue				46,753
7. Other Sales to Public Authority	a. No. Consumers Served	333	331	332	
	b. KWH Sold				4,755,429
	c. Revenue				585,984
8. Sales for Resales-RUS Borrowers	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				(688,262)
9. Sales for Resales-Other	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
10. TOTAL No. of Consumers (lines 1a thru 9a)		33,472	33,650	33,562	
11. TOTAL KWH Sold (lines 1b thru 9b)					247,825,873
12. TOTAL Revenue Received From Sales of Electric Energy (line 1c thru 9c)					35,145,650
13. Transmission Revenue					0
14. Other Electric Revenue					1,135,673
15. KWH - Own Use					247,221
16. TOTAL KWH Purchased					267,335,055
17. TOTAL KWH Generated					0
18. Cost of Purchases and Generation					20,933,066
19. Interchange - KWH - Net					36,752
20. Peak - Sum All KW Input (Metered)					55,233
<input type="radio"/> None <input type="radio"/> Non-coincident <input checked="" type="radio"/> Coincident					



NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	Presque Isle El
	BORROWER DESIGNATION	MI028
	ENDING DATE	12/31/2018

PART S. ENERGY EFFICIENCY PROGRAMS

Line #	Classification	Added This Year			Total To Date		
		Number of Consumers (a)	Amount Invested (b)	ESTIMATED MMBTU Savings (c)	Number of Consumers (d)	Amount Invested (e)	ESTIMATED MMBTU Savings (f)
1.	Residential Sales (excluding seasonal)	0	0	0	0	0	0
2.	Residential Sales - Seasonal	0	0	0	0	0	0
3.	Irrigation Sales	0	0	0	0	0	0
4.	Comm. and Ind. 1000 KVA or Less	0	0	0	0	0	0
5.	Comm. and Ind. Over 1000 KVA	0	0	0	0	0	0
6.	Public Street and Highway Lighting	0	0	0	0	0	0
7.	Other Sales to Public Authorities	0	0	0	0	0	0
8.	Sales for Resales - RUS Borrowers	0	0	0	0	0	0
9.	Sales for Resales - Other	0	0	0	0	0	0
10.	TOTAL	0	0	0	0	0	0



NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT		BORROWER NAME BORROWER DESIGNATION ENDING DATE		Presque Isle El MI028 12/31/2018
(All investments refer to your most recent CFC Loan Agreement)				
7a - PART 1 - INVESTMENTS				
DESCRIPTION (a)		INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (d)
2. INVESTMENTS IN ASSOCIATED ORGANIZATIONS				
5	See Attached Sheet	644,716	23,977,155	
6				
7				
8				
Subtotal (Line 5 thru 8)		644,716	23,977,155	0
3. INVESTMENTS IN ECONOMIC DEVELOPMENT PROJECTS				
9				
10				
11				
12				
Subtotal (Line 9 thru 12)		0	0	0
4. OTHER INVESTMENTS				
13				
14				
15				
16				
Subtotal (Line 13 thru 16)		0	0	0
5. SPECIAL FUNDS				
17				
18				
19				
20				
Subtotal (Line 17 thru 20)		0	0	0
6. CASH - GENERAL				
21	See Attached Sheet	355,549	999,730	
22				
23				
24				
Subtotal (Line 21 thru 24)		355,549	999,730	0
7. SPECIAL DEPOSITS				
25				
26				
27				
28				
Subtotal (Line 25 thru 28)		0	0	0
8. TEMPORARY INVESTMENTS				
29	NRUCFC		1,595,895	
30	Citizens National Bank - IMMA		13,365	
31				
32				
Subtotal (Line 29 thru 32)		0	1,609,260	0
9. ACCOUNT & NOTES RECEIVABLE - NET				
33	See Attached Sheet	295,032		
34				
35				
36				
Subtotal (Line 33 thru 36)		295,032	0	0
10. COMMITMENTS TO INVEST WITHIN 12 MONTHS BUT NOT ACTUALLY PURCHASED				
37				
38				
39				
40				
Subtotal (Line 37 thru 40)		0	0	0
Total		1,295,298	26,586,145	0

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT			BORROWER NAME		Presque Isle El
			BORROWER DESIGNATION		MI028
			ENDING DATE		12/31/2018
(All investments refer to your most recent CFC Loan Agreement)					
7a - PART II. LOAN GUARANTEES					
Line No.	Organization & Guarantee Beneficiary (a)	Maturity Date of Guarantee Obligation (b)	Original Amount (\$) (c)	Performance Guarantee Exposure or Loan Balance (\$) (d)	Available Loans (Covered by Guarantees) (e)
1			0	0	0
2			0	0	0
3			0	0	0
4			0	0	0
5			0	0	0
TOTALS (Line 1 thru 5)			0	0	0
7a - PART III. LOANS					
Line No.	Name of Organization (a)	Maturity Date (b)	Original Amount (\$) (c)	Loan Balance (\$) (d)	Available Loans (e)
1			0	0	0
2			0	0	0
3			0	0	0
4			0	0	0
5			0	0	0
TOTALS (Line 1 thru 5)			0	0	0
7a - PART IV. TOTAL INVESTMENTS AND LOANS GUARANTEES					
1	TOTAL (Part I, Total - Column b + Part II, Totals - Column d + Column e + Part III, Totals - Column d + Column e)				1,295,298
2	LARGER OF (a) OR (b)				27,113,976
	a. 15 percent of Total Utility Plant (CFC Form 7, Part C, Line 3)			23,910,975	
	b. 50 percent of Total Equity (CFC Form 7, Part C, Line 35)			27,113,976	

CFC Form 7A 2018

Part I - Investments

Line 2. Account #	Investments in Associated Organizations Description	Amount	Included	Excluded
123.14	Central Area Data Processing	\$226,920.20	\$226,920.20	
123.11	Wolverine Power Supply - Patronage	\$13,454,351.66		\$13,454,351.66
123.12	NRUCFC - Patronage	\$2,094,040.40		\$2,094,040.40
123.13	RESCO Patronage	\$321,091.00	\$321,091.00	
123.16	WPSC - Power Supply Development Fund	\$6,925,238.24		\$6,925,238.24
123.40	Wolverine Power Supply - Membership	\$200.00		\$200.00
123.42	NRUCFC - Membership	\$1,000.00		\$1,000.00
123.43	MECA - Membership	\$1,000.00		\$1,000.00
123.45	NRTC - Membership	\$1,000.00	\$1,000.00	
123.21&22	NRUCFC - Capital Term Certificates	\$934,872.00		\$934,872.00
123.00	RESCO - Stock	\$500.00	\$500.00	
123.23	NRUCFC ZTC's	\$565,352.81		\$565,352.81
123.09	Cooperative Response Center	\$24,064.03	\$24,064.03	
123.41	CoBank Membership	\$1,000.00		\$1,000.00
123.17	CoBank Patronage	\$71,140.86	\$71,140.86	
123.46	NCSC Membership	\$100.00		\$100.00
	Total	\$24,621,871.20	\$644,716.09	\$23,977,155.11

Cash Balances

131.00	Citizen's National Bank - Checking	\$207,593.06		\$207,593.06
131.01	Awakon Federal Credit Union - Checking	\$116,527.43		\$116,527.43
131.02	OCFCU - Savings	\$461,630.33	\$211,630.33	\$250,000.00
131.10	PNC Bank	\$393,918.77	\$143,918.77	\$250,000.00
131.11	Chemical Bank	\$27,979.25		\$27,979.25
131.13	Columbus Bank & Trust	\$2,911.72		\$2,911.72
135.00	OCFCU - Working Funds	-\$435.77		-\$435.77
	Awakon Federal Credit Union - PIAGA	\$145,154.00		\$145,154.00
	Total	\$1,355,278.79	\$355,549.10	\$999,729.69

Temporary Investments

136.00	NRUCFC	\$1,595,895.33		
136.01	Citizen's Nat'l Bank - IMMA	\$13,365.03		

Accounts Receivable - Other

142.20	Accounts Receivable - Aid To Construction	\$97,173.80		
142.22	A/R - Miscellaneous	\$76,104.45		
142.24	A/R - Water Heater Loans	\$44,651.39		
142.25	A/R - Natural Gas Incentive Loans	\$782.37		
142.26	A/R - Appliance Sales	\$2,121.83		
142.27	A/R - Natural Gas Miscellaneous	\$34,252.87		
142.29	A/R - Natural Gas Construction	\$41,369.35		
143.00	A/R - Employees	\$83.90		
143.02	A/R - Employees Sec 125 Plan	-\$1,507.55		
		\$295,032.41		

PRESQUE ISLE ELECTRIC & GAS CO-OP
REPORT ON CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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**PRESQUE ISLE ELECTRIC & GAS CO-OP
BOARD OF DIRECTORS
DECEMBER 31, 2018**

John Brown	Chairperson
Allan Berg	Vice Chairperson
Sandra Borowicz	Secretary
Charles Arbour	Treasurer
Kurt Krajniak	Director
Raymond Wozniak	Director
Sally Knopf	Director
Daryl Peterson	Director
Brentt Lucas	Director

President & Chief Executive Officer

Tom Sobeck



Independent Auditor's Report

The Board of Directors
Presque Isle Electric & Gas Co-op
Onaway, Michigan

We have audited the accompanying consolidated financial statements of Presque Isle Electric & Gas Co-op (the Co-op) and subsidiary, as of December 31, 2018 and 2017, which comprises the balance sheet, related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the 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 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 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 Presque Isle Electric & Gas Co-op as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, in 2018 the Co-op acquired Presque Isle Aurora Gas Assets, Inc., a wholly-owned subsidiary.

Harris Group CPA's

Traverse City, Michigan
March 5, 2019

731 S. Garfield Ave., Traverse City, MI 49686 tel. 231-946-8930 fax. 231-946-1377
www.harrisgroupcpa.com

PRESQUE ISLE ELECTRIC & GAS CO-OP
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
UTILITY PLANT:		
In-Service – at cost	\$ 158,392,302	\$ 140,239,665
Construction work in progress	1,014,201	32,344
SUBTOTAL	159,406,503	140,272,009
Less accumulated depreciation and amortization	70,648,602	63,737,119
NET UTILITY PLANT	88,757,901	76,534,890
OTHER ASSETS AND INVESTMENTS		
Investments in associated organizations	24,621,871	24,644,319
CURRENT ASSETS:		
Cash and temporary cash investments	2,964,539	2,971,080
Accounts Receivable, less allowance for possible losses of \$121,000 in 2018 and \$118,000 in 2017.	4,498,418	4,648,383
Materials and supplies (at average cost)	1,945,684	1,460,638
Other current assets	373,934	347,401
TOTAL CURRENT ASSETS	9,782,575	9,427,502
DEFERRED DEBITS	341,403	236,795
TOTAL ASSETS	\$ 123,503,750	\$ 110,843,506

The accompanying notes are an integral part of these statements.

	<u>2018</u>	<u>2017</u>
EQUITIES AND LIABILITIES		
EQUITIES:		
Memberships	\$ 285,265	\$ 276,930
Patronage capital	50,329,692	50,165,119
Other equities	<u>3,612,994</u>	<u>2,836,466</u>
TOTAL EQUITIES	<u>54,227,951</u>	<u>53,278,515</u>
LONG-TERM DEBT, NET OF CURRENT MATURITIES:		
Mortgage notes to National Rural Utilities Cooperative Finance Corporation (CFC)	58,272,209	48,874,610
Accrued post – retirement benefits	<u>1,216,061</u>	<u>1,274,093</u>
TOTAL LONG-TERM DEBT	<u>59,488,270</u>	<u>50,148,703</u>
CURRENT LIABILITIES:		
Current maturities of long-term debt	2,010,000	1,731,000
Line of credit	2,500,000	-
Accounts payable, purchased energy	2,298,895	2,471,023
Accounts payable, other	456,740	847,569
Patronage capital payable	26,784	20,661
Customer deposits	596,468	544,851
Accrued property taxes	550,280	521,015
Accrued interest	293,986	259,442
Accrued sick and vacation pay	564,781	575,134
Accrued other	<u>489,595</u>	<u>416,349</u>
TOTAL CURRENT LIABILITIES	<u>9,787,529</u>	<u>7,387,044</u>
DEFERRED CREDITS	<u>-</u>	<u>29,244</u>
TOTAL EQUITIES AND LIABILITIES	<u>\$ 123,503,750</u>	<u>\$ 110,843,506</u>

**PRESQUE ISLE ELECTRIC & GAS CO-OP
CONSOLIDATED STATEMENTS OF REVENUE
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
OPERATING REVENUES	\$ 46,046,735	\$ 42,909,614
OPERATING EXPENSES:		
Cost of energy	25,020,082	24,003,855
Distribution – operation	2,096,353	1,678,316
Distribution – maintenance	4,368,302	3,841,955
Consumers accounts	2,180,561	1,781,925
Customer service and information expense	874,923	832,042
Administrative and general	2,087,233	1,871,995
Depreciation and amortization	4,445,463	3,748,845
Taxes – property	1,179,823	1,136,847
Taxes – other	1,064	1,052
	42,253,804	38,896,832
TOTAL OPERATING EXPENSES		
OPERATING MARGIN BEFORE FIXED CHARGES	3,792,931	4,012,782
FIXED CHARGES:		
Interest	2,717,103	2,464,041
Other deductions	1,000	1,000
	2,718,103	2,465,041
TOTAL FIXED CHARGES		
OPERATING MARGINS AFTER FIXED CHARGES	1,074,828	1,547,741
CAPITAL CREDITS:		
Generation and transmission capital credits	1,486,730	1,340,933
Other capital credits	273,028	271,253
	1,759,758	1,612,186
TOTAL CAPITAL CREDITS		
NET OPERATING MARGINS	2,834,586	3,159,927

The accompanying notes are an integral part of these statements.

PRESQUE ISLE ELECTRIC & GAS CO-OP
CONSOLIDATED STATEMENTS OF REVENUE
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Continued)

	<u>2018</u>	<u>2017</u>
NET OPERATING MARGINS (from previous page)	\$ 2,834,586	\$ 3,159,927
NON-OPERATING MARGINS:		
Interest and dividend income	73,660	74,105
Other expenses	<u>(341,236)</u>	<u>(88,479)</u>
TOTAL NON-OPERATING MARGINS	<u>(267,576)</u>	<u>(14,374)</u>
NET MARGINS	<u>\$ 2,567,010</u>	<u>\$ 3,145,553</u>

The accompanying notes are an integral part of these statements.

PRESQUE ISLE ELECTRIC & GAS CO-OP
CONSOLIDATED STATEMENT OF CHANGES IN PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>Memberships</u>	<u>Patronage Capital</u>	<u>Other Equities</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total</u>
Balance, January 1, 2017	\$ 268,545	\$ 49,647,759	\$ 2,553,797	\$ (1,319,079)	\$ 51,151,022
Capital credits retired		(2,628,193)			(2,628,193)
Memberships retired	8,385				8,385
Other equity transactions			535,751	1,065,997	1,601,748
Net margin		<u>3,145,553</u>			<u>3,145,553</u>
Balance, December 31, 2017	276,930	50,165,119	3,089,548	(253,082)	53,278,515
Capital credits retired		(2,402,437)			(2,402,437)
Memberships issued (retired)	8,335				8,335
PIAGA acquisition equity			260,647		260,647
Other equity transactions			515,881		515,881
Net margin		<u>2,567,010</u>			<u>2,567,010</u>
Balance, December 31, 2018	<u>\$ 285,265</u>	<u>\$ 50,329,692</u>	<u>\$ 3,866,076</u>	<u>\$ (253,082)</u>	<u>\$ 54,227,951</u>

The accompanying notes are an integral part of these statements.

PRESQUE ISLE ELECTRIC & GAS CO-OP
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from consumers	\$ 46,385,280	\$ 42,955,756
Cash paid to suppliers and employees	(37,120,098)	(34,458,481)
Interest received	73,660	74,105
Interest paid	(2,683,559)	(2,467,575)
Taxes paid	(1,135,593)	(1,103,791)
	5,519,690	5,000,014
CASH FLOWS FROM INVESTING ACTIVITIES:		
Construction and acquisition of plant & goodwill	(17,140,972)	(4,346,202)
(Increase) decrease in:		
Material inventory	(485,046)	48,257
Investments – associated organizations	1,779,036	1,700,876
	(15,846,982)	(2,597,069)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of debt	(1,823,401)	(1,621,675)
Advances of long term debt	11,500,000	-
Advances on line of credit	2,500,000	-
Memberships issued	8,335	8,385
Patronage capital retired	(2,402,437)	(2,628,193)
Adjustment to pension benefit obligation	-	1,065,997
Increased (decrease) in:		
Consumer deposits	51,617	10,904
Deferred credits	(29,244)	(297,651)
Other equities	515,881	535,751
	10,320,751	(2,926,482)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(6,541)	(523,537)
CASH AND CASH EQUIVALENTS, beginning of year	2,971,080	3,494,617
CASH AND CASH EQUIVALENTS, end of year	\$ 2,964,539	\$ 2,971,080

The accompanying notes are an integral part of these statements.

PRESQUE ISLE ELECTRIC & GAS CO-OP
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Continued)

	2018	2017
RECONCILIATION OF NET MARGINS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Margins	\$ 2,567,010	\$ 3,145,553
Adjustments to reconcile net margins to net cash provided by		
Operating activities:		
Depreciation and amortization	4,674,583	3,931,664
(Gain) loss on disposition of assets	507,196	102,117
G&T and other capital credits	(1,759,758)	(1,612,186)
(Increase) decrease in:		
Customer and other accounts receivable	149,965	(2,925)
Other current assets	(26,533)	50,272
Deferred debits	(104,608)	(15,713)
Increase (decrease) in:		
Accounts payable	(545,663)	608,832
Accrued property taxes	18,094	6,678
Accrued interest payable	34,544	(2,534)
Current and accrued liabilities – other	62,892	(48,992)
Accrued post retirement benefits	(58,032)	(1,162,752)
 Total Adjustments	 2,952,680	 1,854,461
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 \$ 5,519,690	 \$ 5,000,014
 NON-CASH ITEMS – INVESTING & FINANCING		
Capital credits from associated organizations	\$ 1,759,758	\$ 1,612,186

The accompanying notes are an integral part of these statements.

PRESQUE ISLE ELECTRIC & GAS CO-OP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the accounting policies adopted by Presque Isle Electric & Gas Co-op which have a significant effect on the financial statements.

Nature of Operations

Presque Isle Electric & Gas Co-op (Presque Isle) is a member-owned, not-for-profit corporation whose purpose is to provide retail energy services to its members. As a cooperative, all monies in excess of cost of providing electric service are capital, at the moment of receipt, and are credited to each member's capital account.

Presque Isle Aurora Gas Assets (PIAGA) is a wholly-owned subsidiary of Presque Isle Electric & Gas Cooperative (PIE&G), acquired in 2018. PIE&G has a rental agreement with PIAGA for use of building, equipment, and transportation assets. In addition, there is an irrevocable right to use agreement that grants PIE&G access and use of PIAGA natural gas pipelines and related property. In consideration, PIE&G manages, operates and maintains the assets.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Utility Plant

Additions, with a life expectancy of more than one year, are recorded at cost, less contributions in aid of construction received from customers. As items are retired or otherwise disposed of, the asset account is credited for the cost and the accumulated depreciation account is charged. The cost of removal, less salvage, is charged to the loss on disposition of utility plant account, and shown on the Statement of Revenue.

Investments

The carrying values of investments in associated organizations are stated at cost, adjusted for capital credits earned or retired. Short-term investments are stated at cost, which approximates market value.

Cash

For purposes of the statement of cash flows, Presque Isle considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Member Energy Prepayments and Unbilled Revenues

Seasonal account billings are accounted for as deferred credits and recognized as income on a straight-line basis over a period of one year. There were no estimated net unbilled revenues for the year.

PRESQUE ISLE ELECTRIC & GAS CO-OP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts receivable

Accounts receivable consist primarily of amounts due from members for electric and gas service. An allowance for doubtful accounts has been estimated based on collection history. When a member's account becomes past due and uncollectible, the member's service is terminated. The Board of Directors approve all accounts charged off.

Regulation

Electric accounting and rate matters are subject to the Board of Directors and membership approval. Natural gas accounting and rate matters are either subject to Home Rule approval pursuant to the Michigan Home Rule Statute or subject to the approval of the Michigan Public Service Commission.

Materials and Supplies

Electrical and natural gas materials and supplies are valued at average cost. Merchandise held for resale is valued at average cost.

Retirement Plan

Presque Isle has a retirement savings plan for substantially all employees. Under the terms of the plan, Presque Isle is required to contribute 10 to 16 percent of the employee's total base earnings to the retirement plan.

Contributions in Aid of Construction

Contributions in aid of construction are received from members on electrical and gas service requests and re-applied against the construction costs.

Income Taxes

The Cooperative is exempt from federal and state income taxes under Section 501(c)(12) of the Internal Revenue Code which provides, in part that the Cooperative derive at least 85 percent of its annual gross income from members to retain the exemption. The Cooperative expects to meet the requirements for the tax year ended December 31, 2018. Accordingly, no provision for income taxes has been made in the financial statements. The Cooperative's federal information returns for Calendar year 2012 and after are subject to examination by the Internal Revenue Service.

NOTE 2: ASSETS PLEDGED

Substantially all assets are pledged as collateral on long-term debt payable to the National Rural Utilities Cooperative Finance Corporation (CFC).

PRESQUE ISLE ELECTRIC & GAS CO-OP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: ELECTRIC AND GAS PLANT AND DEPRECIATION RATES AND PROCEDURES

Major classes of electric and gas plant as of December 31, 2018 and 2017 consisted of:

	<u>2018</u>	<u>2017</u>
Intangible plant & goodwill	\$ 10,400,753	\$ 1,021,015
Distribution plant	135,479,874	129,447,361
General plant	11,676,778	9,771,289
Transmission plant	<u>834,897</u>	<u>-</u>
	158,392,302	140,239,665
Construction work in progress	<u>1,014,201</u>	<u>32,344</u>
TOTAL	<u><u>\$ 159,406,503</u></u>	<u><u>\$ 140,272,009</u></u>

NOTE 4: ELECTRIC AND GAS PLANT AND DEPRECIATION RATES AND PROCEDURES

Provision has been made for depreciation of the distribution plant at a straight-line rate of 10 to 50 years for all distribution plant additions.

General plant depreciation rates have been applied on a straight-line basis as follows for the year ended December 31, 2018:

	<u>Years</u>
Structures and improvements	10-50
Office furniture equipment	1.5-7
Transportation equipment	4-7
Power operated equipment	3-16
Other	4-5

Depreciation and amortization of electric and gas plant in service was charged as follows for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Charged to:		
Classified as depreciation and amortization	\$ 4,445,463	\$ 3,748,845
Classified in other operating expenses	<u>229,120</u>	<u>182,819</u>
	4,674,583	3,931,664
Capitalized to construction	<u>299,228</u>	<u>246,716</u>
TOTAL DEPRECIATION AND AMORTIZATION	<u><u>\$ 4,973,811</u></u>	<u><u>\$ 4,178,380</u></u>

PRESQUE ISLE ELECTRIC & GAS CO-OP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: INVESTMENTS IN ASSOCIATED ORGANIZATIONS

Investments in associated organizations consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Wolverine Power Supply Coop. Inc. - capital credits	\$ 20,379,590	\$ 20,486,928
National Rural Utilities Cooperative Finance Corp.:		
Capital term certificates maturing October 1, 2020 through October 1, 2080 at interest rates between 3% and 5.0%	1,500,225	1,521,664
Patronage capital certificates	2,094,040	1,989,899
Other	<u>648,016</u>	<u>645,828</u>
 TOTAL	 <u>\$ 24,621,871</u>	 <u>\$ 24,644,319</u>

NOTE 6: CASH AND INVESTMENTS

Statements of Financial Accounting Standards (SFAS) No. 105 require disclosure of significant concentrations of credit risk arising from cash deposits in excess of federally insured limits.

	<u>Per Institution</u>	<u>Per Book</u>
Insured	\$ 1,189,410	\$ 1,189,410
Uninsured	<u>1,860,219</u>	<u>1,773,629</u>
 Cash in banks and credit union	 <u>\$ 3,049,629</u>	 2,963,039
 Working funds		 <u>1,500</u>
 Total per books		 <u>\$ 2,964,539</u>

PRESQUE ISLE ELECTRIC & GAS CO-OP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: DEFERRED DEBITS

The Cooperative has recorded deferred debits in the following amounts:

	2018	2017
Prepaid tap fees	\$ 53,390	\$ 55,386
Prepaid years of service	48,466	75,113
Other deferred debits	59,655	59,655
Consumer prepayments	58,917	46,641
Over (Under) collection of WPSC costs	120,975	-
TOTAL	\$ 341,403	\$ 236,795

NOTE 8: MEMBERSHIPS

The following is a summary of changes in memberships for the years ended December 31, 2018 and 2017:

	2018	2017
Balance, beginning	\$ 276,930	\$ 268,545
Membership and subscriptions issued	8,335	8,385
Balance, ending	\$ 285,265	\$ 276,930

Memberships have been adjusted to reflect the number of members currently receiving service. In accordance with the Co-op by-laws, memberships are not refunded when a member leaves the service area. The membership fee is transferred to donated capital when the member terminates service.

NOTE 9: PATRONAGE CAPITAL

Patronage capital balances as of December 31, 2018 and 2017 consisted of:

	2018	2017
Assignable	\$ 2,567,010	\$ 3,145,553
Assigned to date	65,006,257	61,860,704
	67,573,267	65,006,257
Less retirements to date	17,243,575	14,841,138
Balance	\$ 50,329,692	\$ 50,165,119

PRESQUE ISLE ELECTRIC & GAS CO-OP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9: PATRONAGE CAPITAL - continued

Under the provisions of the Mortgage Agreement, until the equities and margins equal or exceed twenty percent of the total assets of the Cooperative, the return to patrons of capital contributed by them is limited generally to twenty-five percent of the patronage capital or margins received by the Cooperative in the next preceding year. The equities and margins of Presque Isle represent 43.6% and 48.0% of the total assets for the years 2018 and 2017, respectively. There were capital credits retired of \$2,402,437 and \$2,628,193 during 2018 and 2017, respectively.

NOTE 10: MORTGAGE NOTES

Long-term debt is composed of 3.65% to 6.30% mortgage notes payable to the National Rural Utilities Cooperative Finance Corporation (CFC). All mortgage notes to CFC will be re-priced and the interest rate adjusted accordingly during the next 10 years in accordance with the policy and procedure governing such re-pricing. The notes are for 35 year periods each, with principal and interest installments due either quarterly or semiannually. The notes are scheduled to be fully repaid at various times from December, 2020 through April 2048.

There were unadvanced loan funds available at December 31, 2018 in the amount of \$9,900,000.

Detail of the long-term debt is as follows:

	2018	2017
National Rural Utilities Cooperative Finance Corporation mortgage notes bearing interest at 3.65% to 6.30% per annum for 2018 and 2017	\$ 60,282,209	\$ 50,605,610
	60,282,209	50,605,610
Less current maturities	2,010,000	1,731,000
TOTAL LONG-TERM DEBT	\$ 58,272,209	\$ 48,874,610

Maturities of long-term debt for each of the next five years are as follows:

2019	\$	2,010,000
2020	\$	2,105,389
2021	\$	2,116,808
2022	\$	2,217,202
2023	\$	2,322,747

**PRESQUE ISLE ELECTRIC & GAS CO-OP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 11: LINE OF CREDIT

Presque Isle had available a short-term line of credit from CFC for 2018 and 2017 of \$8,000,000, with a revolving credit and term of sixty months. The agreement requires that within 360 days of the first advance, the cooperative will reduce to zero for a period of at least five consecutive business days amounts outstanding. The Cooperative was in compliance with this provision during 2018 and 2017. Balance available at December 31, 2018 and 2017 was \$8,000,000. The outstanding balance at December 31, 2018 and 2017 was \$-0-.

Additionally, Presque Isle has a \$5,000,000 unsecured revolving line-of-credit agreement with CoBank. Interest on outstanding borrowings is payable monthly and is computed at 4.61% at December 31, 2018. Presque Isle had an outstanding balance of \$2,500,000 at December 31, 2018 and \$0 at December 31, 2017.

NOTE 12: DEFERRED CREDITS

Following is a summary of the amounts recorded as deferred credits as of December 31, 2018 and 2017:

	2018	2017
Under-collection of 2017 WPSC PSCR Costs	\$ -	\$ 29,244
Customer energy prepayments	-	-
TOTAL	\$ -	\$ 29,244

NOTE 13: RETIREMENT PLAN

Retirement plan benefits for substantially all employees are provided through participation in a defined contribution SelectRE pension plan with 401k option with cash and deferred arrangement of the National Rural Electric Cooperative Association (NRECA) and its member systems. The income earned by funds while held under the plan is tax-exempt under Code Sections 401 and 501 of the Internal Revenue Code. Contributions to the savings program, which are based on a percentage of the employees' compensation, were \$530,687 in 2018 and \$515,800 in 2017.

NOTE 14: POWER SUPPLY COST RECOVERY CLAUSE

On October 12, 1982, the Governor of the State of Michigan signed PA 304 of 1982 into law creating the Power Supply Cost Recovery Clause (PSCR), a power cost recovery mechanism.

Wolverine Power Supply Cooperative, Inc. (Wolverine) and the member-distribution Cooperatives including Presque Isle, obtained authority to implement and apply PSCR clauses and monthly factors. Presque Isle's monthly factor may not exceed +0.8785 mills per KWH for the current period.

PRESQUE ISLE ELECTRIC & GAS CO-OP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: POWER SUPPLY COST RECOVERY CLAUSE - continued

Due to fluctuations in market conditions, over-collections or under-collections could result between the generation cooperative and distribution cooperative as well as between the distribution cooperatives and their member-consumers.

The PSCR clause includes provisions whereby power cost recovery over-collections must be remedied by refunds and power cost recovery under-collections must be remedied by additional collections.

Presque Isle's balance sheets reflect an amount (due to)/from member-consumers for under/(over) collections in the amounts of \$(888,464) and \$(191,698) at December 31, 2018 and 2017, respectively. These amounts are included in the accounts receivable balance.

The GCR mechanism includes provisions whereby gas cost recovery over-collections must be remedied by refunds and gas cost recovery under-collections must be remedied by additional collections. Presque Isle's balance sheet reflects an amount due (to)/from member-consumers for under collections in the amounts of \$103,112 and \$80,306 for the years ended December 31, 2018 and 2017, respectively. This amount is recorded in accounts receivable.

NOTE 15: POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

The cooperative has chosen to recognize the accounting method required by the Statement of Financial Accounting Standards No. 106 for Employer's Accounting for Post-retirement Benefits Other Than Pensions. The statement requires a transition from accounting, for these benefits, on a pay-as-you go (cash basis) to recognizing the benefit cost as they are earned (accrual basis). The change in accounting method requires the accounting for costs incurred to date but unpaid, which is called the Transition amount. This amount may be either expensed in the year of transition or it may be amortized over either the benefit period or twenty-years.

The plan sponsored by the company is a defined benefit post-retirement plan that covers all employees who retire from the cooperative before April 1, 1997 after (i) attainment of age 55 and completion of 30 years of service, or (ii) attainment of age 62. Spouses of pensioners are also insured until the pensioner's death.

At the end of 2018 there were no active participants and the accounting rules of the Financial Accounting Standards Board Statement No. 88 regarding curtailment must be recognized. The reconciliation of the funded status at December 31, 2018 is as follows:

PRESQUE ISLE ELECTRIC & GAS CO-OP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - continued

	<u>2018</u>	<u>2017</u>
(Accrued) post-retirement benefit costs, beginning	\$ (1,274,093)	\$ (2,436,845)
Net periodic post-retirement benefit (costs)	(5,708)	(47,967)
Contributions made	63,740	118,914
Valuation adjustment	<u>-</u>	<u>1,091,805</u>
(Accrued) post-retirement benefit cost, end of year	<u>\$ (1,216,061)</u>	<u>\$ (1,274,093)</u>

Net periodic post-retirement benefit cost includes the following components:

	<u>2018</u>	<u>2017</u>
Interest cost	\$ (5,708)	\$ (37,692)
Net actuarial gain (loss)	<u>-</u>	<u>(10,275)</u>
Net periodic post-retirement benefit cost	<u>\$ (5,708)</u>	<u>\$ (47,967)</u>

For measurement purposes a 8.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2018; the rate was assumed to decrease gradually to an ultimate rate of 5.0% per annum. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by 1 percentage point in each year would increase the accumulated post-retirement benefit obligation \$89,913. Decreasing the assumed health care cost trend rates by 1 percentage point in each year would decrease the accumulated post-retirement benefit obligation \$72,499.

The weighted-average discount rate used in determining the accumulated post-retirement benefit obligation was 3.08 percent.

NOTE 16: FLEX BENEFIT PLAN - under Section 125 of the Internal Revenue Code

The Flexible Benefit Plan is for the benefit of substantially all employees who have been employed for at least 30 days. The Cooperative has elected to offer to eligible employees the following Benefit Plans and Policies subject to the terms and conditions of the plan: (1) Disability Income - Short-Term (A&S); (2) Cancer Insurance; (3) Intensive Care Insurance; (4) Accident Insurance; and (5) Medical Care Expense Reimbursement, not to exceed \$1,200 per plan year. The maximum Pre-Tax Premiums a participant can contribute via the Salary Redirection Agreement is the aggregate cost of the applicable Benefit Plans or Policies selected minus any Nonelective Contributions made by the employer. It is intended that such Pre-Tax Premium accounts shall, for tax purposes, constitute an employer contribution.

PRESQUE ISLE ELECTRIC & GAS CO-OP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17: LETTERS OF CREDIT

The Co-op has a letter of credit outstanding to CFC for \$1,500,000 at December 31, 2018. This letter of credit is required in order to mitigate counter party risk in natural gas purchase transactions. This also is a risk management tool for the Co-op with respect to mark to market issues.

NOTE 18: RECLASSIFICATION OF AMOUNTS

Certain amounts previously reported have been reclassified to conform to the 2018 presentation.

NOTE 19: SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2018, the most recent statement of financial position presented herein, through March 5, 2019, the issuance date of the accompanying financial statements. No significant such events or transactions were identified.

ADDITIONAL INFORMATION

PRESQUE ISLE ELECTRIC & GAS COOPERATIVE
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2018

	Presque Isle Electric & Gas Cooperative	Presque Isle Aurora Gas Assets	Eliminations	Consolidated Total
ASSETS				
UTILITY PLANT:				
In service – at cost	\$ 152,192,312	\$ 6,199,990	\$	\$ 158,392,302
Construction work in progress	1,014,201			1,014,201
	153,206,513	6,199,990		159,406,503
Less accumulated depreciation	(67,146,894)	(3,501,708)		(70,648,602)
NET UTILITY PLANT	86,059,619	2,698,282		88,757,901
OTHER ASSETS AND INVESTMENTS:				
Investments and memberships	24,621,871			24,621,871
Investment in subsidiary	2,571,910		(2,571,910)	
TOTAL OTHER ASSETS AND INVESTMENTS	27,193,781		(2,571,910)	24,621,871
CURRENT ASSETS:				
Cash and temporary cash investments	2,819,385	145,154		2,964,539
Accounts receivable, less allowance for doubtful accounts of approximately \$121,000	4,498,418			4,498,418
Intercompany		292	(292)	
Materials and supplies	1,945,684			1,945,684
Prepaid expenses and other current assets	373,934			373,934
TOTAL CURRENT ASSETS	9,637,421	145,446	(292)	9,782,575
DEFERRED DEBITS	341,403			341,403
TOTAL ASSETS	\$ 123,232,224	\$ 2,843,728	\$ (2,572,202)	\$ 123,503,750

	Presque Isle Electric & Gas Cooperative	Presque Isle Aurora Gas Assets	Eliminations	Consolidated Total
EQUITIES:				
Memberships	\$ 285,265	\$	\$	\$ 285,265
Patronage capital	50,329,692			50,329,692
Other equities	3,352,347	2,832,557	(2,571,910)	3,612,994
TOTAL EQUITIES	53,967,304	2,832,557	(2,571,910)	54,227,951
LONG-TERM DEBT, NET OF CURRENT MATURITIES:				
Mortgage notes to National Rural Utilities Cooperative Finance Corporation	58,272,209			58,272,209
Accrued post-retirement benefits	1,216,061			1,216,061
TOTAL LONG-TERM DEBT	59,488,270			59,488,270
CURRENT LIABILITIES:				
Current maturities of long-term debt	2,010,000			2,010,000
Line of credit	2,500,000			2,500,000
Accounts payable:				
Purchased power	2,298,895			2,298,895
Other	456,740			456,740
Intercompany	292		(292)	
Patronage capital payable	26,784			26,784
Customer deposits and prepayments	596,468			596,468
Accrued property taxes	539,109	11,171		550,280
Accrued interest	293,986			293,986
Accrued vacation and sick pay	564,781			564,781
Other current liabilities	489,595			489,595
TOTAL CURRENT LIABILITIES	9,776,650	11,171	(292)	9,787,529
TOTAL EQUITIES AND LIABILITIES	\$ 123,232,224	\$ 2,843,728	\$ (2,572,202)	\$ 123,503,750

**PRESQUE ISLE ELECTRIC & GAS COOPERATIVE
CONSOLIDATING STATEMENT OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Presque Isle Electric & Gas Cooperative	Presque Isle Aurora Gas Assets	Eliminations	Consolidated Total
OPERATING REVENUES	\$ 46,046,735	\$	\$	\$ 46,046,735
OPERATING EXPENSES:				
Cost of energy	25,020,082			25,020,082
Distribution – operation	2,096,353			2,096,353
Distribution – maintenance	4,368,302			4,368,302
Consumers accounts	2,180,561			2,180,561
Customer service and information expense	874,923			874,923
Administrative and general	2,087,233			2,087,233
Depreciation and amortization	4,311,187	134,276		4,445,463
Taxes – property	1,167,528	12,295		1,179,823
Taxes – other	1,064			1,064
TOTAL OPERATING EXPENSES	42,107,233	146,571		42,253,804
OPERATING MARGINS BEFORE FIXED CHARGES	3,939,502	(146,571)		3,792,931
FIXED CHARGES:				
Interest on long-term debt	2,717,103			2,717,103
Other deductions	1,000			1,000
TOTAL FIXED CHARGES	2,718,103			2,718,103
OPERATING MARGINS AFTER FIXED CHARGES	1,221,399	(146,571)		1,074,828
CAPITAL CREDITS	1,759,758			1,759,758
NET OPERATING MARGINS	2,981,157	(146,571)		2,834,586
NON-OPERATING MARGINS:				
Interest Income	73,657	3		73,660
Other	(487,804)	146,568		(341,236)
TOTAL NON-OPERATING MARGINS	(414,147)	146,571		(267,576)
NET MARGINS	\$ 2,567,010	\$ -	\$	\$ 2,567,010



AUDITORS' CERTIFICATION REGARDING LOAN FUND EXPENDITURES

During the period of this audit, Presque Isle Electric & Gas Co-op received \$11,500,000 in long-term loan fund advances from CFC on loans controlled by the 100% CFC Mortgage and Loan Agreement. Based on our review of construction work orders and other plant accounting records created during the audit period, it is our opinion that these CFC loan funds were expended for purposes contemplated in the Loan Agreements on such loans.

Harris Group CPA's

Certified Public Accountants
March 5, 2019