



2013 ANNUAL REPORT



Your Touchstone Energy[®] Cooperative 

Reliability • Affordability • Community

Representing You . . .

Alpena District:

*Kurt Krajniak
Robert Wegmeyer*

Cheboygan District:

*John Brown
Allen Barr*

Montmorency District:

*Daryl Peterson
David Smith*

Presque Isle District:

*Allan Berg
Raymond Wozniak*

Cheboygan District:

Sally Knopf

IN MEMORIAM



**Allen L. Barr
1951-2014**

In honor of Allen L. Barr,
of Cheboygan, who
served on the PIE&G
Board of Directors from
1985-2014.

Your Co-op Board of Directors



Back Row (from left): Brian Burns, CEO, Allan Berg, Daryl Peterson, David Smith; Middle row (from left): Raymond "Burke" Wozniak, Sally Knopf; Front row (from left): Kurt Krajniak, John Brown, Allen Barr. Not pictured: Robert Wegmeyer.

To Our PIE&G Member-Owners,



Brian Burns (L), John Brown

Unlike 2012, the weather in 2013 was much more favorable to your co-op's operations and "bottom line." There were few significant weather events, and overall temperatures were cooler. This kept expenses for electric system repair much lower, and demand for natural gas much higher than in 2012.

With expenses down and sales up, 2013 margins were at record levels of \$4,858,524. This made the board of directors' decision to continue returning capital credits much easier, and enabled them to retire capital credits for the third year in a row – in the amount of \$2,325,000 – primarily to those who took service in the 1980s. Thus, the weather last year led to positive outcomes for your cooperative.

In northern Michigan, dead, dying and diseased trees are increasing at an alarming rate due to the emerald ash borer, beech bark disease, and oak wilt. Concern over the potential impact to electric reliability caused by various tree maladies were addressed in 2013. Through its budgeting process, the co-op increased tree clearing expenses for the upcoming year by 10 percent.

As for energy rates, natural gas rates were reduced while overall electric rates were adjusted to increase revenue by 2.58 percent.

Your co-op's board of directors, managers and employees all work diligently to safely deliver energy to you in the most reliable and affordable way. Meeting these goals is a careful balancing act. Improving reliability is generally done by increasing expenditures on infrastructure and maintenance programs. Affordability, on the other hand, is achieved by decreasing expenses. Hence, the challenge for your co-op is to strike the proper balance to achieve goals that demand opposite courses of action.

All of us thank you for your confidence and support as we work to remain your trusted energy and community partner.

Respectfully,

John Brown

*Chairman of
the Board*

Brian J. Burns

*President & Chief
Executive Officer*

**"The board retired capital credits for the third year in a row –
in the amount of \$2,325,000."**

Treasurer's Report

Presque Isle Electric & Gas Co-op's Statement of Operations and Balance Sheet for the years ending December 31, 2013 and 2012 are included in this annual report. As indicated by these financial reports, the cooperative has completed another successful year. Our electric and natural gas operations continue to provide competitive energy alternatives for our members. Our independent auditor, Harris Group, has confirmed that the financial statements and records presented to them accurately reflect the financial position of the cooperative. The reports of the results of our operations are in conformity with generally accepted accounting principles.



It has been my distinguished pleasure to serve as treasurer for the past year. – Daryl Peterson, Treasurer

Statement of Operations

	2012	2013
OPERATING REVENUES	\$ 41,631,734	\$ 43,939,243
OPERATING EXPENSES		
Cost of Purchased Energy	24,306,322	24,899,061
Operations & Maintenance Expense	9,871,952	8,780,950
Depreciation.	3,354,875	3,434,323
Interest	3,055,897	2,931,289
Taxes.	1,032,248	1,054,259
Total Operating Expenses	41,621,294	41,099,882
Net Operating Income	10,440	2,839,361
NON-OPERATING MARGINS		
Capital Credits – G&T and Other.	1,912,025	2,147,473
Non-Operating Margins – Other.	(67,448)	(128,309)
NET MARGINS	\$ 1,855,017	\$ 4,858,525

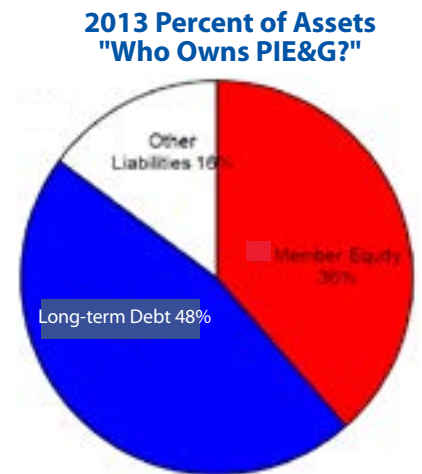
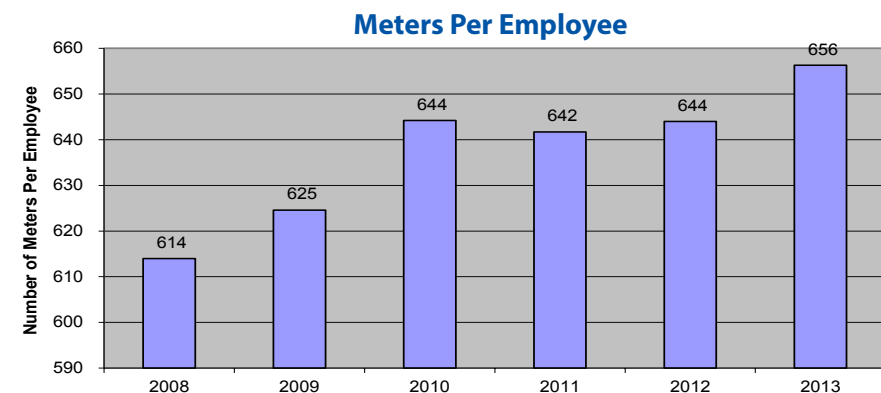
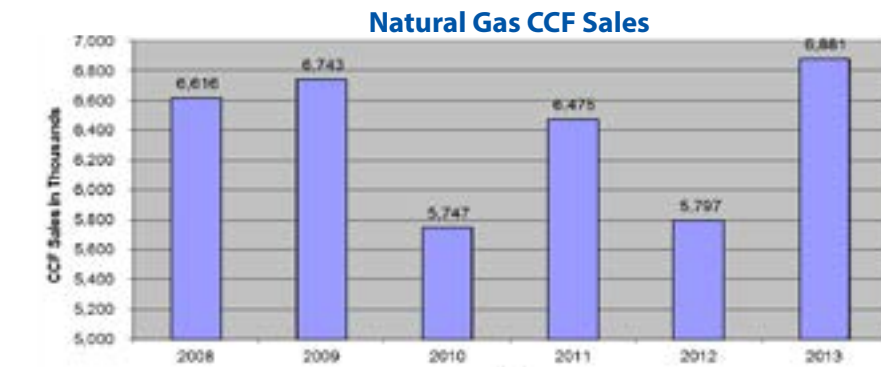
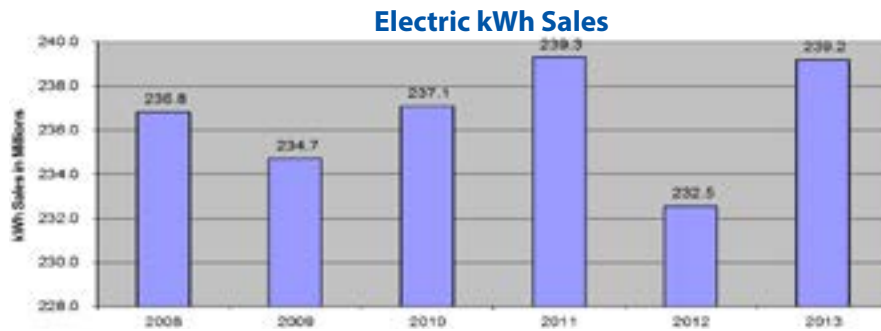
Balance Sheet

	2012	2013
ASSETS		
Total Utility Plant	\$ 124,917,472	\$ 128,094,751
Accumulated Depreciation	(48,585,345)	(51,744,886)
Net Utility Plant.	76,332,127	76,349,865
Investments in Associated Organizations.	22,222,658	23,651,084
Cash & Cash Equivalents	2,708,664	1,647,495
Accounts Receivable	5,119,420	4,542,215
Materials & Supplies.	1,286,667	1,277,856
Other Assets.	328,170	360,230
Deferred Debits.	197,416	317,964
Total Assets	108,195,122	108,146,709
EQUITIES & LIABILITIES		
Margins & Equities:		
Patronage Capital	40,227,641	42,793,997
Other Equities.	(1,588,940)	(1,123,264)
Total Margins & Equities	38,638,701	41,670,733
LIABILITIES:		
Long-Term Debt	50,555,379	50,387,301
Notes Payable	7,278,699	5,200,000
Accounts Payable	11,133,828	10,805,948
Other Current & Accrued Liabilities.	588,515	82,727
Total Liabilities	69,556,421	66,475,976
Total Equities & Liabilities	\$ 108,195,122	\$ 108,146,709

Where Your Energy Dollar Goes . . .



Statistical Summary:	Electric	Natural Gas
Active Meters (12/31/2013)	33,216	8,787
Energy Sold, 2013	239,195,030 kWh	6,881,076 CCF
New Services, 2013	155	150
Miles of Line	3,854 (overhead) 992 (underground)	584



Complete, audited financial statements are available at the Onway office of Presque Isle Electric & Gas Co-op, or on our website at pieg.com. The independent audit of 2013 financial statements was unqualified, and completed by the certified public accounting (CPA) firm, Harris Group of Traverse City.

PIE&G Employees . . .



Electric Operations



Natural Gas Operations



Staking & Engineering

... Make It All Happen



Data Processing



Member Services



Accounting

VISION

Our members and northeast Michigan will regard us as a trusted energy and community partner.

MISSION

To provide energy and other services to sustain and improve the quality of life for our members through the use of a cooperative business structure.

VALUES

In support of our mission, we commit to the following values:

- To conduct our business with honesty and integrity.
- To treat our members and each other with fairness, dignity and respect.
- To support the professional goals of our employees.
- To create a work environment that fosters innovation, participation, pride, ownership, safety and enjoyment.
- To be a good corporate citizen with attention to the environment and the communities we serve.
- To constantly improve our performance, reliability and value.



Presque Isle Electric & Gas Co-op

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Onaway, MI 49765

pieg.com



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