

# **REA** *energy* Cooperative Inc.

A Touchstone Energy® Cooperative



## 2023 Annual Report

# 2023 Executive Report

We are very pleased to report to you, our consumer-members, on the condition of your cooperative. 2023 was a good but challenging year for the cooperative due to increasing inflation and inventory shortages. The cooperative's financial performance, however, during the year allowed us to continue improving our system and reliability.

The following are just some of our 2023 accomplishments:

## Finance

Financially, REA Energy experienced a 12% increase in revenue in 2023. Our electricity sales of \$51,112,008 were due to a rate increase that offset increasing expenses and declining kilowatt-hour (kWh) usage. Our usage decreased by 3%, while expenses increased 16% in 2023. Our cost of power totaled \$28,951,823, which was a 27% increase from 2022.

This combination of increased revenue and a \$1.6 million patronage allocation from our wholesale electric power supplier allowed us to record a cash and noncash net margin of \$4,672,576, which met the requirements of our mortgage holders.

Detailed financial statements can be found on subsequent pages of this issue of *Penn Lines*. The cooperative's records were audited by an independent accounting firm, which issued a clean audit opinion.

## Member Services

REA Energy Cooperative continued to expand member services in 2023.

- Held an in-person and virtual annual meeting, with nearly 400 members attending.
- Held a Member Appreciation Month in October in conjunction with National Cooperative Month.
- Redesigned the cooperative's website, [reaenergy.com](http://reaenergy.com), and REA Energy Services' website, [reaservices.com](http://reaservices.com).
- Conducted high-voltage and safety demonstrations with our tabletop display at the Cookport Fair.
- Increased the use of mobile devices in field vehicles for up-to-date information flow.
- Continued communication and education with our members via regular posts to the cooperative's social media pages, *Penn Lines* articles and printed material.

- Continued to promote Touchstone Energy®, a national cooperative that provides our members with benefits.
- Promoted the education of our youth by sending seven students on Youth Tour in Washington, D.C.
- Further promoted and enhanced the Members Sharing with Members Fund to help those in need due to unemployment or financial hardship.
- Encouraged large commercial members, known as key accounts, to expand our system, which may reduce costs for all members.
- Returned more than \$1 million to the membership through capital credits checks.

Adhering to our core principles, REA Energy will continue to enhance existing programs and offer new technology to better serve our members.

## REA Energy Services

REA Energy Services, our for-profit subsidiary, continued to be successful due to an increase in commercial customers. REA Energy Services had solid sales in all four business lines, including heating, ventilation, and air-conditioning products (HVAC), electrical contracting, generators, and tree trimming.

REA Energy Services installs most types of HVAC systems, such as electric boilers, and three major heat pumps, including ductless, air-source, and geothermal systems. Through education, which emphasizes the cost-saving benefits of these products, we continue to install many of these systems. We anticipate future interest from members due to volatile fossil fuel prices versus low REA Energy electric rates. Since profits from this subsidiary are returned to the cooperative, the subsidiary's success helps to keep rates low.

Most of our products, such as heat pumps, provide direct profits to the cooperative and also increase electric sales, which also help to keep rates low. Not only does the cooperative benefit from the subsidiary, but members also benefit from purchasing high-efficiency products that help them save money on their monthly energy bills.

Our electrical contracting business line continues to provide safe electrical upgrades to our residential consumers and provides solutions for commercial

consumers. Our load technicians play a pivotal role in increasing electric sales by providing services at a competitive price. This service makes it easier for commercial and industrial accounts to relocate to cooperative lines, which increases sales.

REA Energy Services recorded approximately \$920,940 in revenue for 2023. The solid sales numbers were due to great customer service, honesty and exceptional value, making REA Energy Services the company of choice for many people.

REA Energy Services will be offering more convenient and energy-efficient products and services in the future. Think of us for any future contracting jobs and tell a friend about our excellent products and services.

## Rights of Way

REA Energy constantly monitors the reliability of our power system. Each year, an outage summary report identifies areas that need attention and, based on past history, where future outages are most likely to occur. Tree-related outages accounted for 56,783 outage hours in 2023, resulting in 19% of the total outage hours for the year.

Last year, the cooperative spent more than \$3.8 million on cutting trees in rights of way for line extensions to serve new members, as well as on regular cutting and herbicide treatments for existing rights of way. Contributions for rights of way were made by various companies and members in 2023.

Substations we focused on in 2023 were:

**Summerhill** — cut 57 miles

**Birtle** — cut 21 miles

**Kenwood** — cut 84 miles

**Washington** — cut 139 miles

**St. Augustine** — cut 115 miles

The maintenance of rights of way is a time-consuming and labor-intensive task. If you notice trees that present an immediate threat to the cooperative's power lines, please contact us so we can investigate.

## Reliability/System Improvements

REA Energy strives to provide reliable electric service to members. This past year, the cooperative rebuilt 16.6 miles of line across the system. Rebuilding, relocation and upgrading of electric lines included:

**Overhead** — 16.6 miles



### Amsbry Metering Point

- Columbia Street — 2.7 miles

### Indiana North Substation

- Harrison Drive — 0.5 mile
- Thompson Road — 0.5 mile
- Wida Road — 2 miles

### Livermore Substation

- Lewisville Road — 0.7 mile
- Willams Road — 1 mile

### Shadowood Substation

- Goral Road — 0.6 mile
- Henry Road — 2 miles

### Summerhill Substation

- Jap Road — 0.5 mile
- State Route 160 — 0.9 mile

### Washington Substation

- Johnston Road — 1.4 miles
- Potts Road — 0.6 mile
- State Route 954 — 3.2 miles

### Substation/Metering Point

- Washington Substation — Replaced the aging wooden structure with new steel structures, transformers and regulators.

REA Energy is in the fourth year of its four-year work plan and the eighth year of its 10-year work plan. The four-year work plan runs through June 2025 and includes approximately 15 to 30 miles of reconductoring projects each year.

## 2023 Outages

REA Energy had 297,584 total member outage hours for 2023, compared to 211,449 in 2022. REA experienced three major-event storms in 2023, totaling 151,052 outage hours, compared to one major-event storm in 2022, totaling 26,624 outage hours.

Outages on the transmission system owned by investor-owned utility, FirstEnergy, accounted for 22,889 member hours in 2023, compared to 49,713 member hours in 2022.

Management and staff continue to focus on system improvements and work closely with our transmission and power suppliers to improve reliability.

## Annual Meeting

REA Energy's Annual Meeting is scheduled Thursday, Sept. 19, at the Kovalchick Convention Complex in Indiana, Pa.:

**Doors open — 4 p.m.**

**Entertainment — 4:30 to 5:15 p.m.**

**Business meeting starts — 5:30 p.m.**

In conjunction with the in-person meeting, we will also offer members the ability to log on to a virtual platform to view the meeting. To register to view the annual meeting virtually, go to [reaenergy.com](http://reaenergy.com) and click on the "Annual Meeting Registration"

button before noon Sept. 19. This will admit you to the virtual annual meeting and

makes the named member(s) eligible to win a door prize.

# REA Energy Board and Leadership



Michael J. Bertolino,  
Chairman, CCD, BLC, Gold

#### Board of Directors

Wayne Farabaugh, Vice Chairman,  
CCD, BLC, Gold

Robert Neese, Secretary/Treasurer,  
Allegheny Director, CCD, BLC, Gold

Rick Shope, PREA Director,  
CCD, BLC, Gold

Thomas Aurandt, CCD

Tom Beresnyak, CCD

Sandra Dill, CCD

Anthony Enciso, CCD, BLC

John R. Learn, CCD, BLC



Chad Carrick, MBA, CFPC  
President and CEO

#### Staff

Barry Baker, Indiana Operations Manager

Erin Bauer, SHRM-CP, PAC Coordinator

Shane Cribbs, CISSP,  
Network & Systems Manager

Dave Daugherty, CSP  
Safety & Right of Way Manager

Jeff Dishong, Ebensburg Operations Supervisor

Lisa Gardill, CFPC  
Accounting & Finance Manager

Nicholas Hartman, Manager of Engineering

Stacy Hilliard, CCC, CKAE  
Communications & Marketing Manager  
Local Pages Editor

Bryon Roland, CPSM, CPM  
Purchasing & Facilities Manager

Renee Spalla, Supervisor of Consumer Services

Chris Weller, Load Management Supervisor



#### Headquarters Office

75 Airport Road

P.O. Box 70

Indiana, PA 15701-0070

724-349-4800 or 800-211-5667

Office Hours: Monday-Friday  
7 a.m.-3:30 p.m.

#### Ebensburg, Pa.

127 Municipal Road

P.O. Box 273

Ebensburg, PA 15931-0273

814-472-8570

Office Hours: Monday, Wednesday, Friday  
7 a.m.-3:30 p.m.

Closed Tuesday and Thursday

Emergencies/Outages: 844-920-3395

Email: [reaenergy@reaenergy.com](mailto:reaenergy@reaenergy.com)

Website: [reaenergy.com](http://reaenergy.com)

#### 2023 Statistics

Number of Services - 25,347

Miles of Electric Line - 2,731

System Peak (December) - 74,417 kW

Kilowatt-Hours Sold - 370,745,390 kWh

Net Plant Value - \$114,330,417

Est. Gross Load Mgmt. Savings - \$451,981

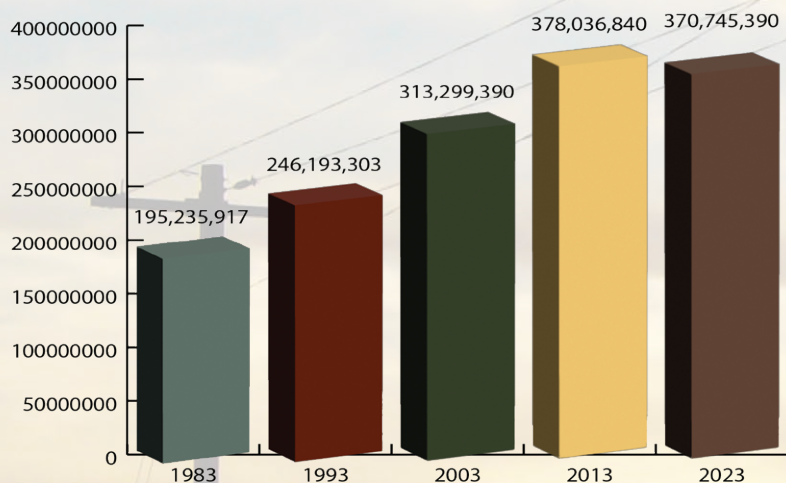
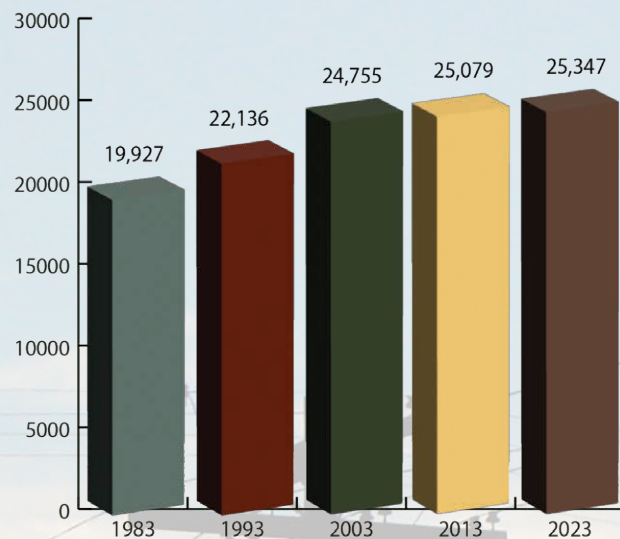
Water Heaters Controlled - 6,414

Water Heaters Issued to Date - 5,075

Round-Up Participants - 1,811

Full-Time Employees - 68

## Number of Accounts



## kWh Sold

## Net Utility Plant

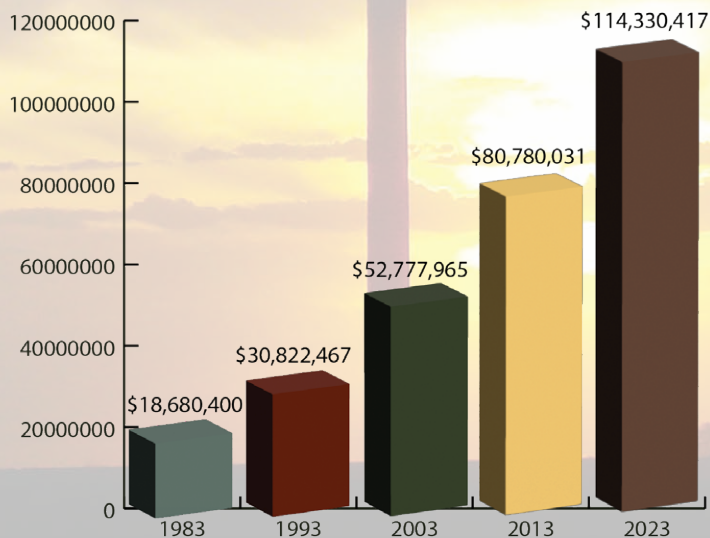
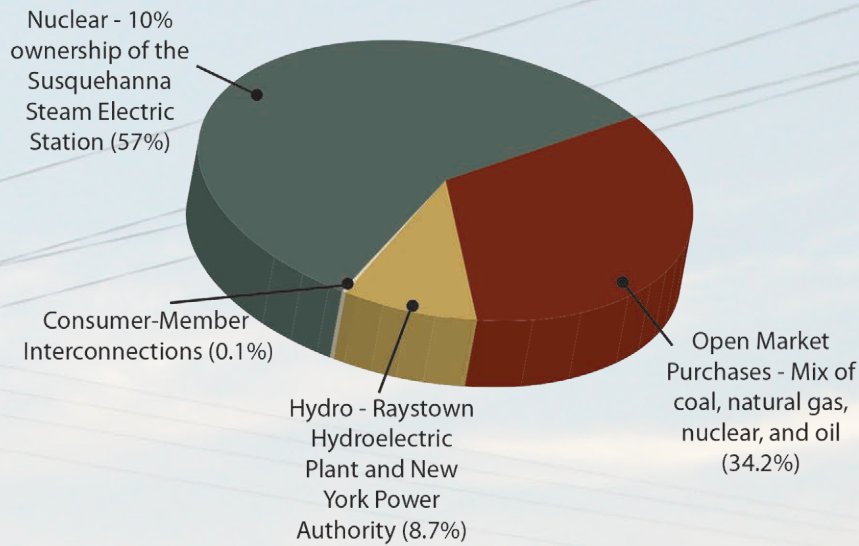
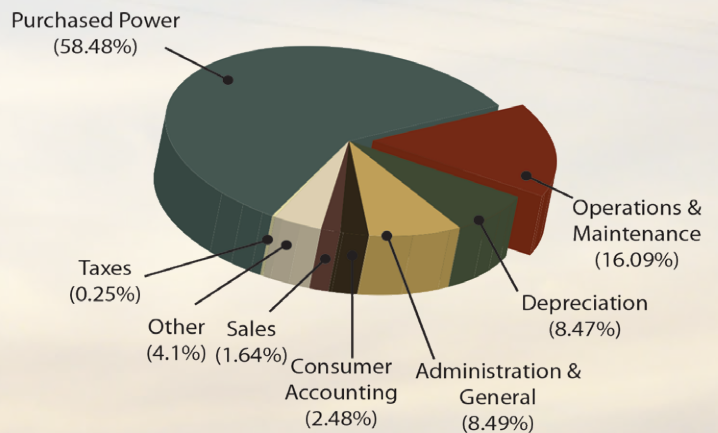


Photo Source: Cooperative.com

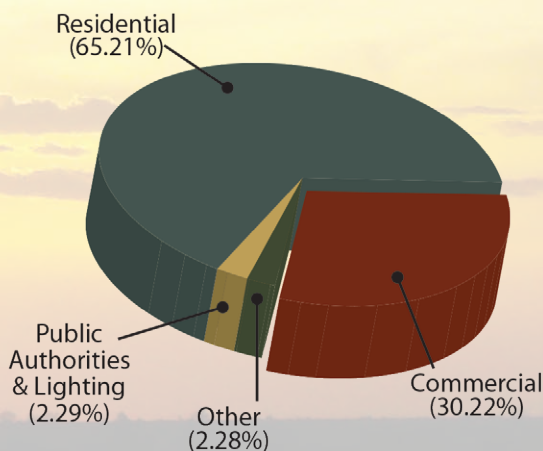
## Wholesale Power Supply Sources



## How the Cooperative's Dollar Was Spent



## Sources of the Cooperative's Dollar





# 2023 Financial Report

## Balance Sheets\*

<u>Assets</u>	December 31,	
	2022	2023
<u>Electric Plant</u>		
In Service and Construction in Progress	143,669,563	150,990,092
Less: Accumulated Provisions for Depreciation	<u>35,238,674</u>	<u>36,659,675</u>
<b>TOTAL ELECTRIC PLANT</b>	<b>108,430,889</b>	<b>114,330,417</b>
Investments in Associated Organizations	<u>22,067,748</u>	<u>23,220,151</u>
<u>Current Assets</u>		
Cash	5,284,855	2,310,171
Temporary Investments	12,176,215	7,513,521
Accounts Receivable (less reserves)	2,357,374	2,478,425
Accrued Utility Revenues	2,887,907	3,575,876
Materials and Supplies (at average cost)	1,729,600	2,047,825
Other Assets and Deferred Charges	<u>505,214</u>	<u>384,411</u>
<b>TOTAL CURRENT ASSETS</b>	<b>24,941,165</b>	<b>18,310,229</b>
<b>TOTAL ASSETS</b>	<b>155,439,802</b>	<b>155,860,797</b>
<u>Equities and Liabilities</u>		
<u>Equities</u>		
Memberships	93,560	95,110
Patronage Capital	78,597,955	82,237,088
Other Equities	<u>152,816</u>	<u>153,822</u>
<b>TOTAL EQUITIES</b>	<b>78,844,331</b>	<b>82,486,020</b>
<u>Liabilities</u>		
Long-Term Debt:		
RUS Mortgage Notes (Less Current Maturities)	58,443,064	56,052,198
CFC Mortgage Notes (Less Current Maturities)	2,593,837	1,464,534
Other	1,642,500	1,045,174
Accumulated Post Retirement Benefit Obligation	616,180	633,771
Current Maturities of Long-Term Debt	3,732,113	4,359,191
Accounts Payable:		
Purchased Power	2,107,342	2,431,221
Other	787,945	754,125
Consumer Deposits and Prepayments	75,945	90,347
Other Liabilities and Deferred Credits	<u>6,596,545</u>	<u>6,544,216</u>
<b>TOTAL LIABILITIES</b>	<b>76,595,471</b>	<b>73,374,777</b>
<b>TOTAL EQUITIES AND LIABILITIES</b>	<b>155,439,802</b>	<b>155,860,797</b>

## Statements of Revenue and Patronage Capital\*

	December 31,	
	2022	2023
<u>Operating Revenue</u>	<u>47,494,091</u>	<u>53,873,821</u>
<u>Operating Expenses</u>		
Cost of Power	22,774,316	28,951,823
Distribution - Operations	1,771,433	1,939,632
Distribution - Maintenance	5,775,263	6,025,707
Consumer Accounts	1,109,420	1,230,069
Sales	822,116	812,435
Administrative and General	4,090,014	4,201,571
Depreciation	3,982,965	4,192,558
Other Operating Costs	1,881,824	2,027,852
Taxes	59,205	124,151
Interest - Other	<u>1,298</u>	<u>1,476</u>
<b>TOTAL OPERATING EXPENSES</b>	<b>42,267,854</b>	<b>49,507,274</b>
<u>Fixed Charges</u>		
Interest on Long-Term Debt	<u>1,972,671</u>	<u>2,040,373</u>
<u>G &amp; T and Other Capital Credits</u>	<u>2,715,407</u>	<u>1,768,102</u>
<b>NET OPERATING MARGINS</b>	<b>5,968,973</b>	<b>4,094,276</b>
<u>Non-Operating Margins</u>		
Interest Income	182,972	575,062
Other Non-Operating Income (Expenses)	<u>466,294</u>	<u>73,093</u>
<b>TOTAL NON-OPERATING MARGINS</b>	<b>649,266</b>	<b>648,155</b>
Provisions for taxes on income	(64,632)	(69,855)
<b>NET MARGINS</b>	<b>6,553,607</b>	<b>4,672,576</b>
Patronage Capital at beginning of year	72,044,398	78,597,995
Less: Retirement of Capital Credits	(0)	(1,033,443)
Other Adjustment	(50)	(0)
<b>Patronage Capital at end of year</b>	<b>78,597,955</b>	<b>82,237,088</b>

Note: The Capital Credits from Allegheny Electric Cooperative, Inc., and other cooperatives, represent patronage capital credits allocated to us, but not paid.

The accounts of our cooperative for 2022 have been audited by Buffamante, Whipple, Buttafaro, P.C., Jamestown, N.Y. The accounts of our cooperative for 2023 have been audited by Fiore Fedeli Snyder Carothers, LLP (FFSC). The auditors' complete report is on file in the office of the cooperative and is available for inspection by members of the cooperative.

\*Consolidated Financial Statements

# Causes of Outages in 2023

CAUSES OF OUTAGES	TOTAL OUTAGE HOURS (Hours out multiplied by the number of consumers affected)	PERCENTAGE OF ALL OUTAGE HOURS
Major Storm	151,052	50.8%
Trees or Limbs	56,783	19.0%
Pre-Arranged	24,351	8.2%
Power/Transmission Supplier	22,889	7.7%
Distribution Line Equipment	21,732	7.3%
Unknown	7,025	2.4%
Customer Caused	6,976	2.3%
Animals	5,212	1.8%
Lightning	1,564	.5%
TOTALS	297,584	100%

Photo Source: Cooperative.com

## Important Annual Meeting News!

The Annual Meeting of the members for REA Energy Cooperative, Inc. will be held Thursday, Sept. 19, 2024, at Kovalchick Convention Complex, 711 Pratt Drive, Indiana, Pa. Doors open at 4 p.m. The business meeting will begin at 5:30 p.m. Those who attend the in-person meeting will receive a gift and be eligible for door prizes.

For those unable to attend the meeting in person, there is an option to attend the meeting virtually. To register for the virtual meeting, visit [reaenergy.com](http://reaenergy.com) and click on the "Annual Meeting Registration" button. Please register by noon Sept. 19.

This admits you to the virtual annual meeting and also entitles the named member(s) a chance to win a door prize. Members who participate in the online meeting for the entire time will receive a \$10 bill credit. Informational videos, along with a list of Frequently Asked Questions on how to register and log in for the meeting, are posted on [reaenergy.com](http://reaenergy.com).

**REA Energy Cooperative, Inc.  
Annual Meeting  
Thursday, Sept. 19, 2024  
Kovalchick Convention Complex**

- 4:30 p.m. • *Entertainment*
- 5:30 p.m. • *Call to Order and Statement of a Quorum*
- *Reading of Notices*
- *Action on 2023 Minutes*
- *Election Results (Districts 3 and 4)*
- *Chairman's Report*
- *President and CEO's Report*
- *Guest Speaker*
- *Unfinished Business*
- *New Business*
- *Adjournment*
- *Questions & Answers*
- *Awarding of Prizes*

## October is National Cooperative Month

Being part of a cooperative means being part of something special. REA Energy Cooperative will celebrate National Cooperative Month in October, along with more than 40,000 other cooperative businesses serving more than 140 million people nationwide.

This year, REA Energy will be celebrating Member Appreciation Month throughout October. Members who were not able to participate in the in-person or online meeting may present their member card (the bottom portion of their annual meeting notice) at either of REA Energy's offices in Indiana or Ebensburg to receive a gift packet. This will be given on a first-come, first-served basis. Only one gift packet per membership will be given, while quantities last. If you received an attendance gift at the in-person meeting or the \$10 bill credit for participating in the online meeting, you will not be eligible for a gift packet.

If you have any questions, please visit [reaenergy.com](http://reaenergy.com) or call 724-349-4800 or 800-211-5667.



**Is your contact  
information up to  
date? Check on  
SmartHub to make  
sure or provide  
updates on the  
back of your  
REA Energy bill.**

### Right-of-Way Management/Facility Construction News

REA Energy contractors from Penn Line Tree Service will be trimming the rights of way of the Clyde and Union-town substation areas in addition to emergency maintenance areas in September.

Members in the affected areas will be notified. Contractors will perform all right-of-way work per REA Energy specifications. All contractors will carry employee identification cards, and their vehicles will display their company name. If you have any questions, call 724-349-4800 or view the specifications at [reaenergy.com](http://reaenergy.com).

## Your Board of Directors



Michael J. Bertolino  
Chairman  
District 3



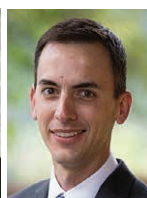
Wayne Farabaugh  
Vice Chairman  
District 8



Robert P. Neese  
Secretary/Treasurer  
District 5



Sandra Dill  
District 9



Tom Beresnyak  
District 1



Anthony Enciso  
District 7



Thomas Aurandt  
District 4



John R. Learn  
District 6



J.R. "Rick" Shope  
District 2

*REA Energy is an equal opportunity provider and employer.*