

REA *energy*

Cooperative Inc.

A Touchstone Energy® Cooperative



2022 Annual Report

2022 Executive Report

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

Following are just some of our 2022 accomplishments:

Finance

Financially, REA Energy Cooperative experienced a slight increase in revenue in 2022. Our revenues of \$45,640,407 were due to a 1.26% increase in residential and commercial use.

Our cost of power totaled \$22,774,316 due to the competitive wholesale rates we received from Allegheny Electric Cooperative, Inc., power delivery provider, and the benefits provided by our load management system.

This combination of increased kilowatt-hour sales, reasonable power costs, and a \$2.6 million patronage allocation from our wholesale electric power supplier allowed us to record a net margin of \$6,553,607. This 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 2022.

- Purchased In The Stix Broadband, LLC in June 2022, which will operate as a subsidiary of the cooperative.
- Converted to a new bill-payment system. National Information Solutions Cooperative (NISC) is an information technology company that develops and supports software and hardware solutions for utility cooperatives. This leads to a more in-depth online system and additional bill payment options for members.
- 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 look of reaenergy.com.
- Conducted high-voltage demonstrations at the Indiana and Cookport fairs. Provided safety demonstrations

with our tabletop high-voltage display.

- 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 awarding four, one-time scholarships to students who would have been eligible to attend Youth Tour.
- Further promoted and enhanced the "Members Sharing with Members" Fund to help members in need due to unemployment or financial hardship.
- Encouraged large commercial members, known as key accounts, to expand on our system, which may reduce costs for all members.

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 and emphasizing 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 for-profit subsidiary go back to the cooperative, the subsidiary's success helps to keep rates low for members.

Most of our products, such as heat pumps, provide direct profits to the cooperative and also increase electric sales, which helps to keep rates low. Not only does the cooperative benefit from the subsidiary, but members also benefit from purchasing high-efficiency products, which save money on 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 locate to cooperative lines, which increases sales.

REA Energy Services recorded approximately \$924,313 in revenue for 2022. 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 35.4% of all outage hours in 2022.

Last year, the cooperative spent more than \$3.7 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 2022.

Substations we focused on in 2022 were:

- Browns Crossroads — cut 41 miles
- Cherryhill — cut 105 miles
- Tanoma MP — cut 10 miles
- Strongstown — cut 164 miles
- Curry Run — cut 58 miles
- Shadowood — cut 42 miles

Maintaining rights of way remains a very 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 15.56 miles of line across the system. Rebuilding, relocation and upgrading of electric lines included:

Overhead line

- Belsano substation, Thompson Road — 0.38 miles
- Cherryhill substation, Helman Road — 0.5 miles
- Georgeville substation, Alabran Road — 1.31 miles
- Georgeville substation, Mahoning

Road — 0.72 miles

- ▶ Latimer substation, State Park Road — 1 mile
- ▶ Laurel substation, Dutch Road — 1.7 miles
- ▶ Laurel substation, Scout Dam Road — 0.57 miles
- ▶ Laurel substation, Cunningham Road — 0.64 miles
- ▶ Parkwood substation, Anthony Run Road — 1.3 miles
- ▶ Smithport substation, Watson Road — 1.4 miles
- ▶ St. Augustine substation, St. Augustine Road — 4.43 miles
- ▶ Uniontown substation, Tippeary Road — 0.5 miles
- ▶ Uniontown substation, Rairigh Road — 1.11 miles

Substation/Metering Point

- ▶ Georgeville substation — Installed down-line, single-phase voltage regulator on the Trade City circuit.
- ▶ Strongtown substation — Replaced and relocated down-line three-phase voltage regulator bank on the Nolo circuit.

REA Energy is in the second year of its four-year work plan and sixth year of its 10-year work plan. The four-year work plan runs from 2022 through June 2025 and includes approximately 15-30 miles of reconductoring projects each year.

Outages in 2022

REA Energy had 211,449 total member outage hours for 2022, compared to 244,131 in 2021. REA experienced one major-event storm in 2022, which accounted for 26,624 outage hours, compared to three major-event storms in 2021, totaling 62,814 outage hours. Outages on the transmission system owned by investor-owned utility, FirstEnergy, accounted for 49,713 member hours in 2022, compared to 51,108 member hours in 2021. FirstEnergy is the cooperative's transmission supplier.

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

Annual Meeting

REA Energy's Annual Meeting is scheduled Thursday, Sept. 14, at the Kovalchick Convention Complex in Indiana, Pa.

With the return to an in-person meeting, your board and management decided to make some changes to the meeting's format to enhance the convenience and experience for everyone:

Doors open — 4 p.m.

Entertainment — 4:30 to 5:15 p.m.

Business meeting start — 5:30 p.m.

In conjunction with the in-person meeting, we will also offer members the ability to log onto a virtual platform to view the meeting.

Information for logging onto the virtual platform will be included in the annual meeting notice.



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

Thomas Aurandt, CCD

Tom Beresnyak, CCD

Sandra Dill, CCD

Anthony Enciso, CCD, BLC

John R. Learn, CCD, BLC

Rick Shope, PREA Director, CCD, BLC, Gold



Chad Carrick, MBA, CFPC
President and CEO

Staff

Barry Baker, Indiana Operations Manager

Erin Bauer, SHRM-CP, ACRE 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

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
Indiana, Pa.

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.

District Office
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

Home Page - reaenergy.com

Facebook: search for REA Energy Cooperative, Inc.

Instagram: search for REAenergy

2022 Statistics

Number of Services - 25,222

Est. Gross Load Mgmt. Savings - \$290,310

Miles of Electric Line - 2,901

Water Heaters Controlled - 5,997

System Peak (December) - 79,692 kW

Water Heaters Issued to Date - 4,921

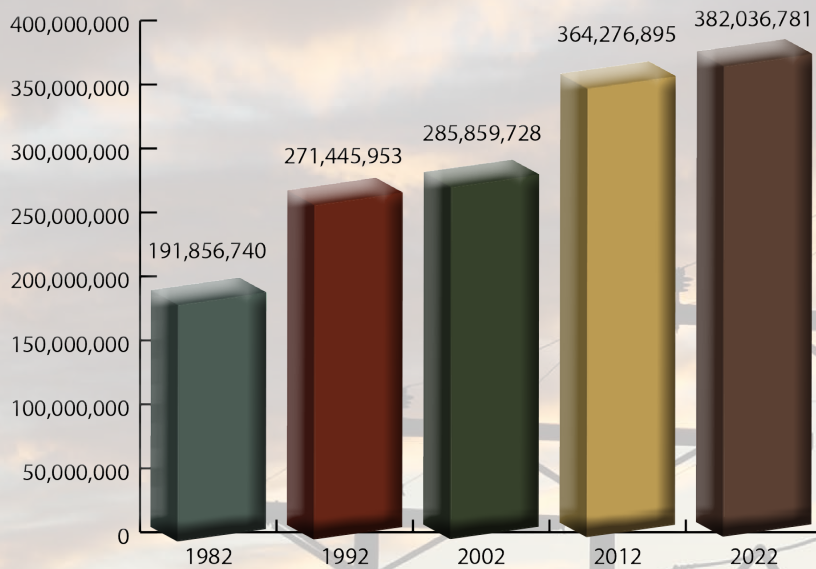
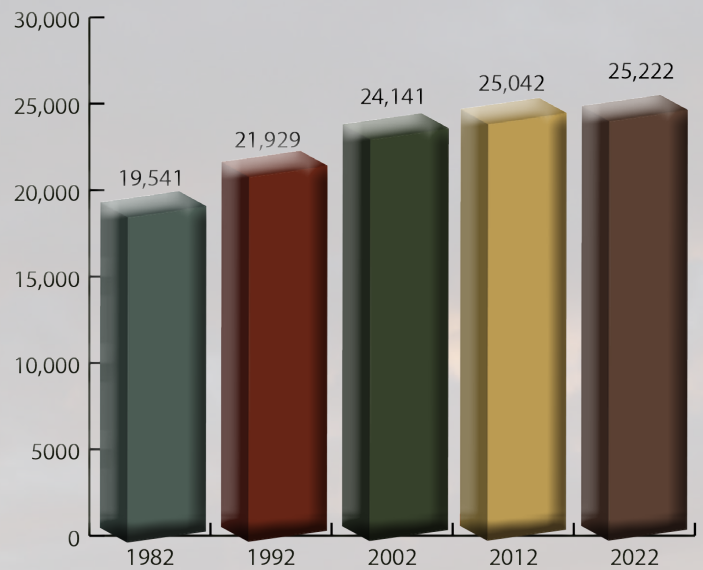
Kilowatt-hours sold - 382,036,781 kWh

Round-Up Participants - 1,829

Net Plant Value - \$108,327,735

Full-Time Employees - 68

Number of Accounts



kWh Sold

Net Utility Plant

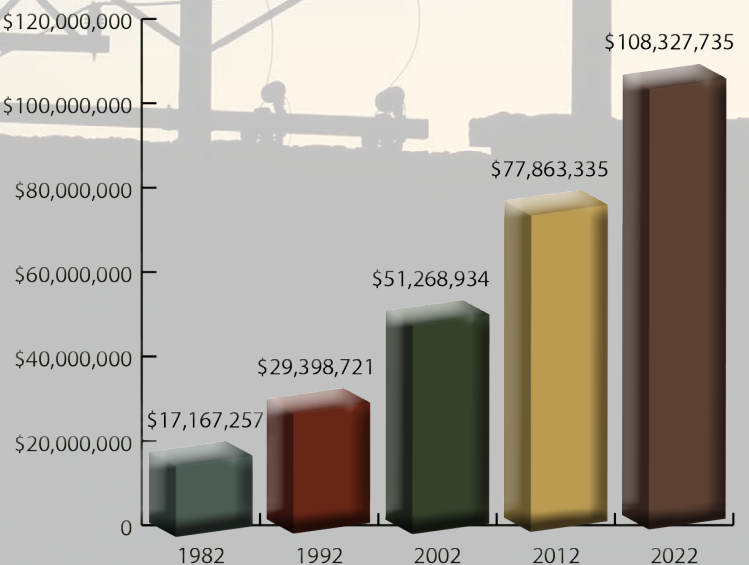


Photo Source: Cooperative.com

Nuclear - partial ownership of the Susquehanna Steam Electric Station (54.3%)

Consumer-Member Interconnections (0.1%)

Hydro - Raystown Hydroelectric Plant and New York Power Authority (9%)

Open Market Purchases - Mix of coal, natural gas, nuclear, and oil (36.6%)

Wholesale Power Supply Sources

How the Cooperative's Dollar Was Spent

Purchased Power (53.88%)

Taxes (0.14%)

Sales (1.95%)

Consumer Accounting (2.62%)

Other (4.46%)

Administration & General (9.68%)

Depreciation (9.42%)

Operations & Maintenance (17.85%)

Residential (67.3%)

Public Authorities & Lighting (0.3%)

Other (2.2%)

Commercial (30.2%)

Sources of the Cooperative's Dollar

2022 Financial Report

Balance Sheets*

<u>Assets</u>	December 31,	
	2021	2022
<u>Electric Plant</u>		
In Service and Construction in Progress	138,254,598	143,669,563
Less: Accumulated Provisions for Depreciation	<u>33,167,347</u>	<u>35,238,674</u>
TOTAL ELECTRIC PLANT	<u>105,087,251</u>	<u>108,430,889</u>
Investments in Associated Organizations	<u>16,822,310</u>	<u>22,067,748</u>
<u>Current Assets</u>		
Cash	5,923,756	5,284,855
Temporary Investments	4,761,759	12,176,215
Accounts Receivable (less reserves)	2,159,552	2,357,374
Accrued Utility Revenues	2,522,313	2,887,907
Materials and Supplies (at average cost)	1,543,597	1,729,600
Other Assets and Deferred Charges	<u>538,060</u>	<u>504,214</u>
TOTAL CURRENT ASSETS	<u>17,449,037</u>	<u>24,941,165</u>
TOTAL ASSETS	<u>139,358,598</u>	<u>155,439,802</u>
<u>Equities and Liabilities</u>		
<u>Equities</u>		
Memberships	93,965	93,560
Patronage Capital	72,044,398	78,597,955
Other Equities	<u>149,779</u>	<u>152,816</u>
TOTAL EQUITIES	<u>72,288,142</u>	<u>78,844,331</u>
<u>Liabilities</u>		
Long-Term Debt:		
RUS Mortgage Notes (Less Current Maturities)	49,906,700	58,443,064
CFC Mortgage Notes (Less Current Maturities)	3,198,999	2,593,837
Other		1,642,500
Accumulated Post Retirement Benefit Obligation	1,004,699	616,180
Current Maturities of Long-Term Debt	3,405,471	3,732,113
Accounts Payable:		
Purchased Power	2,067,635	2,107,342
Other	1,224,228	787,945
Consumer Deposits and Prepayments	71,451	75,945
Other Liabilities and Deferred Credits	<u>6,191,273</u>	<u>6,596,545</u>
TOTAL LIABILITIES	<u>67,070,456</u>	<u>76,595,471</u>
TOTAL EQUITIES AND LIABILITIES	<u>139,358,598</u>	<u>155,439,802</u>

Statements of Revenue and Patronage Capital*

	December 31,	
	2021	2022
<u>Operating Revenue</u>	<u>45,882,380</u>	<u>47,494,091</u>
<u>Operating Expenses</u>		
Cost of Power	22,496,352	22,774,316
Distribution - Operations	1,725,587	1,771,433
Distribution - Maintenance	6,234,044	5,775,263
Consumer Accounts	1,007,617	1,109,420
Sales	815,958	822,116
Administrative and General	3,434,506	4,090,014
Depreciation	3,833,743	3,982,965
Other Operating Costs	730,944	1,881,824
Taxes	59,468	59,205
Interest - Other	<u>2,717</u>	<u>1,298</u>
TOTAL OPERATING EXPENSES	<u>40,340,936</u>	<u>42,267,854</u>
<u>Fixed Charges</u>		
Interest on Long-Term Debt	<u>1,850,802</u>	<u>1,972,671</u>
<u>G & T and Other Capital Credits</u>	<u>3,842,593</u>	<u>2,715,407</u>
NET OPERATING MARGINS	<u>7,533,235</u>	<u>5,968,973</u>
<u>Non-Operating Margins</u>		
Interest Income	61,844	182,972
Other Non-Operating Income (Expenses)	<u>123,498</u>	<u>466,294</u>
TOTAL NON-OPERATING MARGINS	<u>185,342</u>	<u>649,266</u>
Provisions for Taxes on Income	(41,061)	(64,632)
NET MARGINS	7,677,516	6,553,607
<u>Patronage Capital</u> , at Beginning of Year	65,040,937	72,044,398
Less: Retirement of Capital Credits	(674,038)	
Other Adjustment	(17)	(50)
<u>Patronage Capital</u> , at End of Year	<u>72,044,398</u>	<u>78,597,955</u>

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 2021 and 2022 have been audited by Buffamante, Whipple, Buttafaro, P.C., Jamestown, N.Y. 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 2022

CAUSES OF OUTAGES	TOTAL OUTAGE HOURS (Hours out multiplied by the number of consumers affected)	PERCENTAGE OF ALL OUTAGE HOURS
Trees or Limbs	74,768	35.4%
Power/Transmission Supplier	51,108	24.2%
Distribution Line Equipment	28,080	13.3%
Major Storm	26,624	12.6%
Customer Caused	8,091	3.8%
Pre-Arranged	6,760	3.2%
Unknown	6,481	3.1%
Animals	5,212	2.5%
Lightning	3,412	1.6%
Weather/Other	913	0.4%
TOTALS	211,449	100%

Important Annual Meeting News!

The Annual Meeting of the members for REA Energy Cooperative, Inc. will be held Thursday, Sept. 14, 2023, 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, you will need to go to www.reaenergy.com and click on the button that says "Annual Meeting Registration." Please register by noon Sept. 14, 2023.

This admits you to the Virtual Annual Meeting and also entitles the named member(s) to 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 our website.

REA Energy Cooperative, Inc. Annual Meeting Sept. 14, 2023

- *Entertainment — 4:30 p.m.*
- *Call to Order and Statement of a Quorum — 5:30 p.m.*
- *Reading of Notices*
- *Action on 2022 Minutes*
- *Election Results*
- *Chairman's Report*
- *President and CEO's Report*
- *Unfinished Business*
- *New Business*
- *Questions & Answers*
- *Adjournment*
- *Awarding of Prizes*

October is National Cooperative Month

Being part of a cooperative means being part of something special. REA Energy 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 annual meeting will need to present their annual meeting member card (the bottom portion of their annual meeting notice) 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 or call 724-349-4800 or 800-211-5667.

IMPORTANT NOTICE!

REA Energy's Ebensburg and Indiana offices will be closed on Friday, Oct. 13, 2023. Both offices will reopen at 7 a.m. Monday, Oct. 16, 2023. Please call 724-463-7273 or 800-332-7273 to report any power outages. Payments can be placed in the drop box at both locations or made via SmartHub at reaenergy.com.

Right-of-way management/facility construction news

REA Energy contractors will be completing tree-trimming work in the following areas in September:

- Contractor crews from Penn Line Tree Service will be trimming the rights of way of the Summerhill and Saint Augustine substation areas, in addition to emergency maintenance areas.

Notification of work will be made via a letter to members in the areas affected. Contractors will perform all right-of-way work per REA Energy specifications. If you have any questions, call 724-349-4800, or you can view the specifications online at reaenergy.com. All crews will carry identification.

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.