

# Somerset Rural Electric Cooperative, Inc.

A Touchstone Energy® Cooperative 



One of 14 electric cooperatives  
serving Pennsylvania and New Jersey

## SOMERSET REC

223 Industrial Park Road  
Somerset, PA 15501  
814-445-4106  
800-443-4255

Email: [e-mail@somersetrec.com](mailto:e-mail@somersetrec.com)  
Website: [www.somersetrec.com](http://www.somersetrec.com)

## BOARD OF DIRECTORS

### President

**Clarence B. Waltermire, District 5**

### Vice President

**Jerry L. Engle, District 4**

### Secretary/Treasurer

**Lowell L. Friedline, District 3**

**Floyd T. Lehman, District 1**

**Russ Hillegas, District 2**

**P. Timothy Vought, District 6**

**Carl A. Hay Jr., District 7**

**Joshua C. Sechler, District 8**

**Harvey W. Reckner Jr., District 9**

**Ruston Ogburn  
General Manager**

## STAFF

**Gary Gindlesperger**

*Manager of Information Technology*

**Douglas E. Glessner**

*Manager of Outside Operations*

**Jonathan Hillegas**

*Director of Finances*

**Emily Baer**

*Director of Marketing and Member Services*

**Phil Stern**

*Manager of Metering Services*

**Jessi Ditzler**

*Executive Assistant*

## OFFICE HOURS

Monday through Friday  
7:30 a.m. - 4 p.m.

## EMERGENCY OUTAGE NUMBERS

814-445-4106  
800-443-4255

## Where Are You, Old Glory?



**AS I RECENTLY PREPARED FOR** the annual meeting of members, I found myself checking boxes, making phone calls and sending emails to make sure everything was set for the event. In three short years, going back to an in-person meeting had more preparation than I remembered. Did we have a minister lined up to say a prayer at the start of the meeting? Who was the guest speaker going to be? How many dozens of cookies should I order? Is there an American flag on stage?

The American flag can be found at many events throughout rural America and is proudly on display at Somerset REC — outside our main entrance, in the community room, in the board room and in the warehouse. This prominent, symbolic and respected piece of fabric has three simple colors — red, white, and blue — along with basic shapes, such as stars and stripes that represent the original 13 colonies and 50 states of our nation.

While reviewing the history of your local electric cooperative, I found gratitude was a common trait among members back in the early days. Much like early Americans fought to keep our country free, early cooperative members fought for your electricity more than 80 years ago when Congress passed, and President Franklin D. Roosevelt signed, the Rural Electrification Act of 1936. These pioneering men and women lived and labored in a dark, powerless land and turning on the light switch was a victory in our rural community. Today, most people don't remember life without electricity, but we also don't remember life without freedom. Although at times we take the lightbulb for granted, let's not take the flag for granted, too.

On June 14, Old Glory will turn 246 years old, and my oldest daughter will celebrate her ninth birthday. She takes pride in having her birthday on a holiday and is quick to remind anyone who wishes her a happy birthday it is also Flag Day. Surprisingly, a lot of people are not aware of this observance.

Patriotism is never lost, but is it put away with each passing generation? The Pledge of Allegiance was something I recited maybe once a year until I became a member of my school board. Now, I recite these words monthly before every meeting and the more often I say them, the more often I am reminded of the many freedoms represented by the pledge.

So where is Old Glory? On a flagpole in your front yard or at the gravesite of a veteran? Maybe at a local business or school? Today when you look around, you see an American flag flying almost everywhere. Cooperatives understand that America is strongest when we work together.

If it's been a while since you last said the following words, I ask that you take a moment the next time you see an American flag and recite this patriotic verse: "I pledge allegiance, to the flag, of the United States of America. And to the Republic for which is stands, one Nation under God, indivisible, with liberty and justice for all." 🇺🇸

## EMILY BAER

DIRECTOR OF MARKETING AND MEMBER SERVICES

# Managing Expectations

**THE PAST YEAR HAS GIVEN** us a glimpse into a considerably different future for the electric industry. Your cooperative works to balance the unpredictability of the energy market with conservative financial and strategic planning to ensure our mission of providing you, our members, with safe, reliable, and cost-effective electric service.

## Electric market expectations

Fifteen years ago, natural gas generation represented less than half of its current contribution to the electricity supply. When natural gas prices spiked, we all felt the turmoil created by the significant volatility in the price of natural gas, and subsequently the price of electricity. That all changed suddenly when the Marcellus Shale reserves in our region unleashed an abundant supply of natural gas. As a result, the decade following the widespread use of shale gas saw remarkably smooth energy prices.

We experienced natural gas price volatility again last year due primarily to the Russian invasion of Ukraine. The result was unpredictable electricity price spikes similar to those seen prior to the shale revolution. Domestic and global energy markets are changing rapidly, and it's our job to anticipate and prepare for these changes as best we can. Increases in regulation, construction costs, labor costs, and global competition for commodities are all challenges to our mission. Although each of these factors has arisen as an obstacle in the past, we now will work to address them as they happen simultaneously for the foreseeable future.

The best way to mitigate these factors is through self-supply of electricity. We currently do this through our relationship with Allegheny Electric Cooperative, Inc. (Allegheny). Allegheny supplies nearly 65% of our electricity demand through the Susquehanna Steam Electric Station nuclear plant, Raystown Hydroelectric Project and long-term supply contracts with New York Power Authority. That means our members benefit from having exposure to only 35% of the price volatility associated with the issues noted above.

## Financial expectations

The vast majority of the products we use to build our distribution system have not varied significantly for decades. However, inflation and supply chain disruptions

have created a whirlwind of change in one of the most predictable parts of our industry. Now, delivery schedules and product availability factor heavily into our decisions, ranging from upgrading our poles and wires to having backup servers, which allow our office systems to function correctly.

Some of the supply disruptions seem to be subsiding, but material and equipment costs have remained high and do not show signs of subsiding.


Fortunately, the cooperative has taken a conservative financial approach to avoid accumulating excessive debt. This creates opportunities for us to maintain a strong balance sheet without significant rate increases for our members. At this point, the rate increases made last fall have aligned with the increased costs we anticipated we would pay for wholesale electricity. It is too early to know if that pattern will continue, but we will update our members as we learn more about our future costs.

## Strategic expectations

We regularly focus our board and management discussions on the future. With several major initiatives being completed recently, this winter provided a unique opportunity to review our goals to ensure we dedicate our resources in ways that best serve our members.

The resulting plans will embrace recent upgrades in meter communication technology to ensure we focus our line rebuilding and maintenance efforts in the most efficient ways and will allow us to be better aligned with the communication expectations of our members. We will also be reviewing our building and storage needs, which have changed over the decades despite very few changes to our office and storeroom facilities. Finally, we will refocus our efforts to facilitate broadband to our members to determine the best way to utilize our resources now and what events would trigger a change of course in this area.

Be assured that your board and the cooperative staff understand that the most important thing we can do is provide safe, reliable, and cost-effective electric service to our members. That expectation has remained our guiding principle since our founding and will maintain our purpose-driven work despite the changes to our industry, our area, and the world. 🌍

  
C. Ben Waltermire, Board President

  
Ruston Ogburn, General Manager

## Somerset Rural Electric Cooperative, Inc.

**Members' Financial Report of 2022****Balance Sheets - December 31, 2022 & 2021**

	2022	2021		2022	2021
<b>Assets</b>			<b>Equities and Liabilities</b>		
Electric plant in service	\$ 62,364,893	\$ 59,485,017	<b>Equities</b>		
Construction work in progress	\$ 474,815	\$ 606,440	Memberships	\$ 102,395	\$ 105,650
Total Utility Plant	\$ 62,839,708	\$ 60,091,457	Patronage capital	\$ 36,198,946	\$ 32,552,666
Accumulated provision for depreciation	\$ (28,960,051)	\$ (28,077,984)	Other equities	\$ 1,684,342	\$ 1,565,560
Net Utility Plant	\$ 33,879,657	\$ 32,013,473	Total Members' Equities	\$ 37,985,683	\$ 34,223,876
<b>Investments</b>			<b>Long-Term Liabilities</b>		
Investments in associated organizations	\$ 818,382	\$ 818,382	CFC mortgage notes, less current portion	\$ 4,402,535	\$ 5,056,862
Patronage capital, due from other cooperatives	\$ 8,893,630	\$ 7,833,498	Post-retirement benefit obligation	\$ 678,326	\$ 687,248
Total Investments	\$ 9,712,012	\$ 8,651,880	Total Long-Term Liabilities	\$ 5,080,861	\$ 5,744,110
<b>Current Assets</b>			<b>Current Liabilities</b>		
Cash, general	-	\$ 53,571	Current portion CFC mortgage notes	\$ 654,327	\$ 617,793
Accounts receivable, consumers, net of accumulated provision for uncollectibles	\$ 2,361,042	\$ 1,819,674	Cash deficit	\$ 110,425	-
Unbilled electric revenues	\$ 609,336	430,988	Accounts payable - purchased power	\$ 1,133,372	\$ 1,107,761
Other receivables	\$ 757,912	\$ 698,373	Accounts payable - other	\$ 359,533	\$ 339,713
Materials and supplies	\$ 910,628	\$ 751,960	Consumer deposits	\$ 1,240,539	\$ 1,270,062
Prepaid expenses	\$ 88,137	\$ 84,184	Other current liabilities	\$ 534,315	\$ 455,163
Prepayments	\$ 48,221	\$ 55,260	Deferred credits	\$ 544,315	\$ 216,787
Total Current Assets	\$ 4,775,276	\$ 3,894,010	Accumulated miscellaneous operating provision	\$ 723,575	\$ 716,411
Deferred Debit	-	\$ 132,313	Total Current Liabilities	\$ 5,300,401	\$ 4,723,690
<b>Total Assets</b>	<b>\$ 48,366,945</b>	<b>\$ 44,691,676</b>	<b>Total Equities and Liabilities</b>	<b>\$ 48,366,945</b>	<b>\$ 44,691,676</b>

**Statements of Revenue and Patronage Capital For the Years ended December 31, 2022 & 2021**

	2022	2021		2022	2021
<b>Operating Revenue</b>			<b>Operating margins before interest expense</b>		
Sales of electric energy	\$ 22,594,997	\$ 21,217,086	Interest expense	\$ 3,121,431	\$ 837,516
Other operating revenue	\$ 1,806,899	\$ 1,601,692	Operating margins after interest expense	\$ 269,704	\$ 300,946
Total Operating Revenue	\$ 24,401,896	\$ 22,818,778	<b>Non-operating Margins</b>		
<b>Operating Expenses</b>			Interest income	\$ 34,251	\$ 37,334
Cost of power	\$ 11,108,453	\$ 11,103,666	Gain (loss) on disposition of property	\$ 82,531	\$ 9,680
Distribution - operation	\$ 2,221,269	\$ 2,133,792	Total non-operating margins	\$ 116,782	\$ 47,014
Distribution - maintenance	\$ 3,662,452	\$ 4,618,918	<b>Capital Credits</b>	\$ 1,322,592	\$ 2,085,022
Consumer accounts	\$ 903,764	\$ 888,095	Net Margins	\$ 4,291,101	\$ 2,668,606
Consumer service and information	\$ 288,671	\$ 266,687	<b>Patronage Capital, Beginning of Year</b>	\$ 32,552,666	\$ 30,468,307
Administrative and general	\$ 1,210,696	\$ 1,135,240	<b>Retirement of Capital Credits</b>	\$ (644,821)	\$ (584,247)
Depreciation and amortization	\$ 1,885,160	\$ 1,834,864	<b>Patronage Capital, End of Year</b>	\$ 36,198,946	\$ 32,552,666
<b>Total Operating Expenses</b>	<b>\$ 21,280,465</b>	<b>\$ 21,981,262</b>			

Note: The complete 2022 Audit Report, as audited by Beer Ream Co., is available for inspection at the offices of Somerset Rural Electric Cooperative, Inc.

# HAPPY Retirement

## HAY RETIRING AS CO-OP BOARD DIRECTOR

Carl A. Hay Jr. retired from the co-op board of directors in May. Hay joined the Somerset REC board in 2010 where he represented members in District 7, which is comprised of Northampton, Southampton, Fairhope, Larimer and Greenville townships, respectively. He earned his Credentialed Cooperative Director certification and Board Leadership Certificate and was awarded the Director Gold Certificate for 2020-2022.

Carl enjoyed serving food to members at Member Appreciation Day and participating in the board tour, which is a day spent touring our service territory to update directors on operations and larger projects that are in progress at the co-op.

"In the boardroom, Carl always kept his focus on how the member at the end of the line would be impacted by the board's decisions," says Somerset REC General Manager Rus Ogburn.

Congratulations, and thank you for serving our membership for 13 years!



## Have You Tried the SmartHub App?

**SMARTHUB IS A CONVENIENT WAY** to manage your Somerset Rural Electric Cooperative account. This free app is available to download on the App Store or Google Play on your tablet or mobile device with easy-to-use features such as:

- View or pay your electric bill
- Enroll in the auto pay or round-up program
- Check daily, monthly, and yearly electric use
- Report an issue or outage
- View outage map

