



Chris Reese
President & CEO

2022 Annual Report

Sussex Rural Electric Cooperative, Inc.

President and Chairman's Report



Jack Haggerty
Chairman of the Board

In its 85 years of existence, Sussex Rural Electric Cooperative's mission has stayed the same: provide our members with the highest possible quality of service at the lowest possible cost. This was true when the Co-op first formed in 1937 by interested community members who wanted to improve their lives with access to affordable electricity, and this has been true the last two years, through the pandemic that gripped the world and created new challenges for us all.

The needs of our members have changed over time, but through it all we have always worked hard to ensure that our service meets the needs of the moment. In the year 2021, many members were working or attending school virtually from home due to the pandemic. At this same time, we experienced some outages due to extreme weather events and their impact on trees. Many of the trees in our area have grown old, becoming weaker and more susceptible to damage. Some are even dead or rotting inside, in part due to the impact of invasive pests like the emerald ash borer or the spotted lanternfly.

While tree trimming efforts were a ready our highest yearly expense aside from power costs, we increased our budget for tree trimming to ensure more hazard trees and branches are taken care of before they could become a problem. To help with this process, we contracted the services of a professional arborist who is working with us full time to diagnose potential issues regarding trees and vegetation. In addition, to further improve reliability of service we have undertaken one of our biggest construction projects in years during the second half of 2021.

A vulnerable section of our transmission line that provides a link between our two delivery points (where we receive our power from the grid) crosses over fairly rugged, remote, and tree-lined terrain in Vernon for about a half mile. The overhead line was originally built in the 1970s and the time was coming to replace the poles and hardware. This was going to be a difficult project due to the lack of access to these poles and no easy way to de-energize the line for our crews to work on it safely. Also, if a tree or lightning was to damage that line, the outage could potentially last a long time, with no way to re-route power and very difficult access conditions.

After reviewing multiple options and their costs, we determined the best solution was to run a new underground 34.5KV transmission line within the same right of way as the existing overhead line. The project began in October of 2021 and was completed in early 2022. We have hardened the Cooperative's grid in that we now have a redundant section. The new underground lines are immune to trees and the elements. With the new underground line now energized, we can also begin the maintenance on the existing overhead components without having to disrupt power. That maintenance can take place over a number of years, spreading out the cost. Both lines will be maintained, backing each other up for decades to come.

Sussex Rural Electric Cooperative's Annual Report is delivered to you every May in order to share the status and financials of the Cooperative with its members, who are each a part-owner of SREC. Previous Annual Reports have gone in-depth on these updates in this written summary. For this edition we would like to present this same information in a much more digestible way. In addition to the financial information within this newsletter, on the back page you will find updates on various parts of our business.

Be sure to take note of the information on this year's Annual Meeting Event presented on the back page. 2022's Annual Meeting will be split into a pre-recorded, online business portion on June 6th and an in-person member appreciation event held at the NJ State Fair on August 8th. Please be sure to register for this in-person event during the Online Meeting to guarantee you will receive up to two free tickets to the NJ State Fair. Sussex Rural Electric Cooperative's employees and directors will be staffing our tent at the Fairgrounds, where we will be providing \$10 bill credits, member appreciation gifts, and prize drawing tickets for members who have registered. We hope to see you there!



**Sussex Rural
Electric Cooperative, Inc.**

A Touchstone Energy® Cooperative



Christopher P. Reese
President & CEO

Jack Haggerty Jr.
Chairman of the Board

BALANCE SHEET (Audited)- For the years ended**2021****2020****Assets**

Total utility plant in service	\$ 73,754,450	\$ 71,923,920
Construction work in progress	2,239,388	840,743
	<u>75,993,838</u>	<u>72,764,663</u>
Less: Accumulated provisions for depreciation	(40,466,692)	(38,979,949)
Net electric plant	35,527,146	33,784,714
Total other investments	7,840,633	6,629,316
Total utility plant & other investments	43,367,779	40,414,030

Current assets

Cash & short-term investments	631,838	1,015,585
Accounts receivable Less provision for doubtful accounts of \$490,000 in 2021 and \$305,000 in 2020)	2,117,684	2,368,422
Materials & supplies	1,127,743	1,034,965
Other current & accrued assets	796,892	609,093
Total current assets	4,674,157	5,028,065

Deferred charges

	4,529,436	4,198,961
Total Assets	\$ 52,571,372	\$ 49,641,056

Equities & Liabilities**Equities:**

Memberships	\$ 55,160	\$ 54,955
Patronage capital	12,055,457	10,671,458
Other equities	11,315,571	9,892,094
Total equities and margins	23,426,188	20,618,507

Non-current liabilities:

Long term debt, less current portion	18,766,466	16,683,074
Other	307,761	418,298
Total non-current liabilities	19,074,227	17,101,372

Current liabilities:

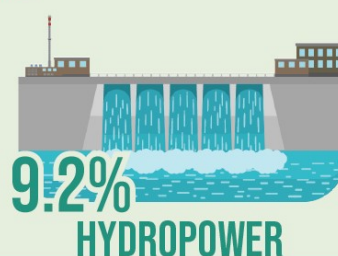
Current portion of long-term debt	1,451,585	4,147,388
Other	110,537	121,559
Accounts payable	1,685,525	1,415,075
Consumer deposits	367,930	372,230
Other current & accrued liabilities	1,722,264	1,643,648
Total current liabilities	5,337,841	7,699,900

Deferred credits

	4,733,116	4,221,277
Total Equities & Liabilities	\$ 52,571,372	\$ 49,641,056

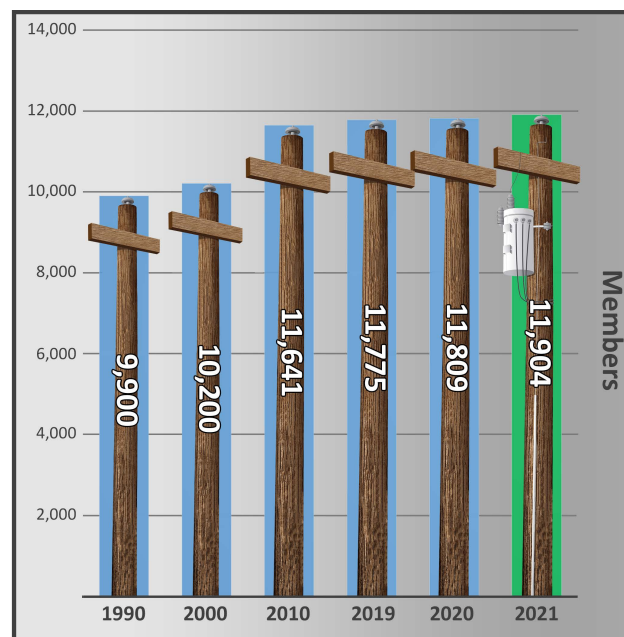
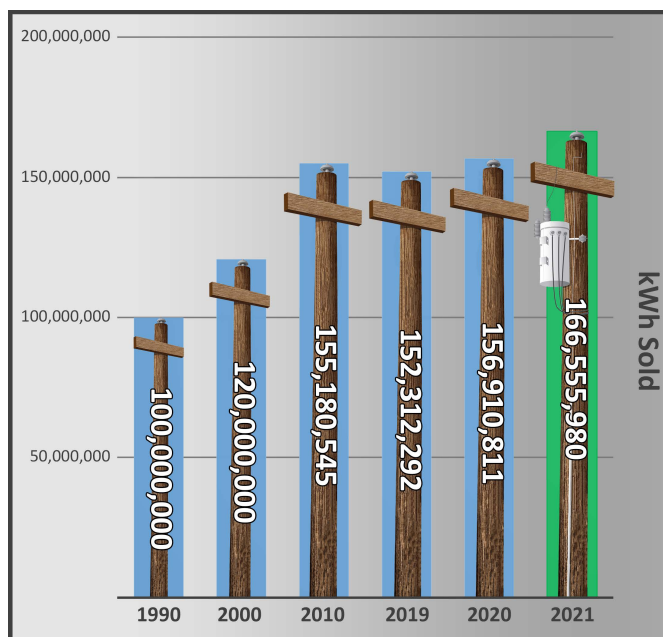
SREC POWER SUPPLY SOURCES


*OPEN MARKET IS A MIX OF NUCLEAR, RENEWABLES, NATURAL GAS, AND/OR OTHER SOURCES



INCOME STATEMENT (Audited)- For the years ended
2021
2020

Operating revenue	\$ 21,226,154	\$ 21,078,940
Operating expenses:		
Cost of power	9,500,474	9,369,906
Transmission expense	4,987	7,321
Distribution expense - operation	2,099,807	1,772,568
Distribution expense - maintenance	2,659,435	2,647,770
Member account & service expense	1,343,266	1,359,052
Administrative & general expense	2,253,650	2,586,943
Depreciation & amortization expense	1,951,422	1,894,310
Taxes	957	1,686
Interest- other	35,188	51,244
Total operating expenses & interest	19,849,186	19,690,800
Operating margins before fixed charges	1,376,968	1,388,140
Interest on long-term debt	(710,707)	(731,283)
Operating margins after fixed charges	666,261	656,857
Capital credits from other cooperatives	1,618,031	747,652
Net operating margins	2,284,292	1,404,509
Non-operating margins:		
(Loss) / Gain on sale of assets - net	38,738	32,343
Interest and other income	1,048,663	190,283
Net margin for period	\$ 3,371,693	\$ 1,627,135
Total other comprehensive (loss) / income	251,461	396,807
Total comprehensive income	\$ 3,623,154	\$ 2,023,942



 The Co-op Dollar	Where It Comes From		Where It Goes	
	Residential	77.5%	Purchased Power Cost	44.8%
	Small Commercial	6.0%	Operating Expenses	39.1%
	Large Commercial	5.1%	Depreciation	9.5%
	Seasonal	1.8%	Interest On Debt	3.5%
	Electric Thermal Storage	1.3%	Margins	3.1%
	Security Lights	0.4%		
	Other Income	7.9%		



CAPITAL CREDITS

Sussex Rural Electric's capital credit retirement for 2021 returned a total of

\$800,000

to its members

\$363,000 from the year 2003

\$414,000 from the year 2020

Capital credits are profits, or "margins," that are returned to members by SREC. For more information, visit sussexrec.com/capital-credits.

VEGETATION MANAGEMENT

Trees and branches were the cause of

52% of outages in 2021

To fight this, SREC has invested

\$908,000

into our tree trimming budget

We have also contracted the services of a Vegetation Management Consultant from ACRT to work with our crews full-time to minimize tree impacts.

ELECTRIC THERMAL STORAGE

9

ETS systems installed

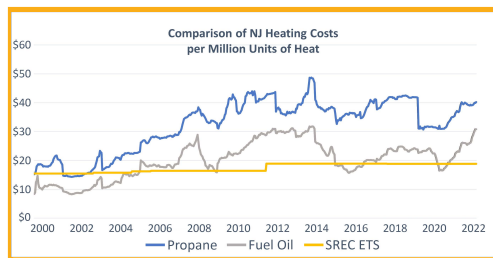
294

total ETS systems

6,468

kWh of demand capacity across our system

ETS heat offers a way to heat your home with off-peak electricity. With heating oil and propane costs so high, there's never been a better time to invest in ETS.



www.sussexrec.com/ets

SREC RESOURCES

PHONE: 973-875-1365

EMAIL: GENERATOR3@SUSSEXREC.COM



SREC RESOURCES, INC.

NJ LICENSED ELEC CONTRACTOR # 15375A

SREC Resources is Sussex Rural's wholly owned contracting subsidiary.

SREC Resources accomplished the following in 2021:

32

Cummins home generators installed

9

ETS systems installed

104

GenerLink transfer switches installed

SREC Resources also offers high voltage, primary electric contracting jobs and services.

ONLINE BILLING OPTIONS

Members are increasingly taking advantage of convenient, online options to pay their bills.

1,351

total enrolled in paperless billing

185

new enrollees in 2021

2,494

total enrolled in automatic drafts

1,221

new enrollees in 2021



Sussex Rural Electric Cooperative

Enroll at www.srecbillpay.com

PICATINNY ARSENAL

Sussex Rural Electric Cooperative continues to benefit from its 50-year contract with the U.S. Army at Picatinny Arsenal.



We are in the process of participating in a microgrid study with the Department of Defense to aid in their long-term resiliency plans.

We continue to perform capital improvements within Picatinny Arsenal as requested. Our contract with Picatinny contributes to SREC's ability to maintain a strong amount of line crew coverage during storms and large jobs.

2022 Annual Meeting Event

In 2022, SREC will be hosting a two-part Annual Meeting Event:

Online Meeting - Monday, June 6th

- Pre-recorded business portion of Annual Meeting
- Q&A with the CEO
- Goes online Monday, June 6th at www.sussexrec.com/online-meeting
- Register here for our in-person event to receive up to two free tickets to the NJ State Fair

Member Appreciation at the Fair - Monday, August 8th

- In-person event held at NJ State Fair on Monday, August 8th
- Member-focused portion of Annual Meeting
- Visit our tent to receive member appreciation gift and \$10 bill credit, and enter our prize drawing!



Do you have a question for our Online Meeting's Q&A? Submit at www.sussexrec.com/online-meeting or by calling our office at 973-875-5101