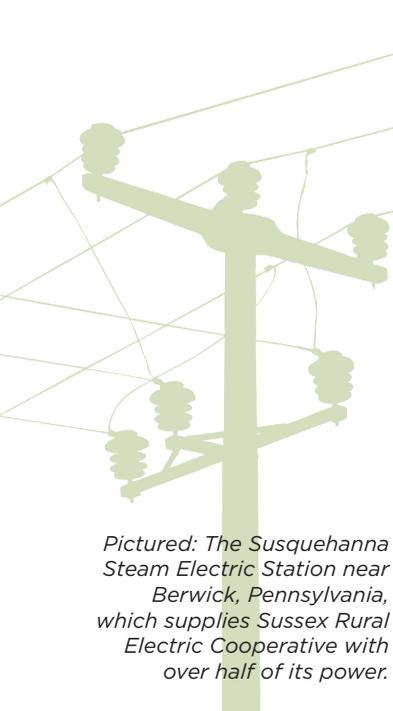


2023 ANNUAL REPORT ISSUE

Find this year's Annual Report inside



Pictured: The Susquehanna Steam Electric Station near Berwick, Pennsylvania, which supplies Sussex Rural Electric Cooperative with over half of its power.



**Sussex Rural
Electric Cooperative, Inc.**
A Touchstone Energy® Cooperative 

SREC's Member Newsletter

Volume 1, Issue 2

www.sussexrec.com
973-875-5101
info@sussexrec.com

Currents

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We hope you enjoyed your first issue. As this version of Currents is "new" this year, publication timing caused two issues to mail out close together. In the future, issues of Currents will be spaced further apart.

The Co-op Difference

For many people, the ins and outs of their electric company don't really matter until there's an outage or a rate increase. Sussex Rural Electric Cooperative is very lucky to have many members that are interested in learning about the Co-op. There are many things that make us and other rural electric co-ops unique compared to the average investor-owned utility (often called IOUs). Here are four things that set us apart:

1. Member Focused, Member Owned

Rural Electric Cooperatives like Sussex Rural Electric Cooperative are owned by the members they serve.

That means you, along with everyone else in our 11,000+ membership, are a part-owner of the

By Chris Reese
contacttheceo@sussexrec.com



Co-op. You get to exercise this power with the democratic voice you hold in our board elections, which decide the direction that SREC takes. Each member of our board of directors is a member themselves. You hold the power to cast your vote for board members and you may even run for a seat on our board if you feel that you would be a good fit.

Our board election is conducted by mail each year in May. Also around that time, our Annual Report is sent to members. This report gives member-owners the type of transparency into Sussex Rural Electric Cooperative's financials and operations that they are entitled to. This year's Annual Report is included in this very issue of *Currents*!

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<< Continued from pg. 1

2. You Keep the Profits

As a member/owner of a not-for-profit, rural electric cooperative, our focus is always on you, not profits! This means that Sussex Rural Electric Cooperative does not base its rates on how it can best make a profit, unlike how IOUs may operate. Everything we charge members is designated toward a specific need. On your bill, you'll see the two main ways we do this: the Energy Charge (which covers the amount of electricity you use at-cost) and the System Connection Fee (which goes toward equipment, maintenance, staffing, and all the essential pieces needed to keep your power flowing).



Any margins we make during the year are later returned to members as capital credits. Capital credits are returned to members after first being reinvested into our system to allow for needed upgrades and maintenance, allocated proportionally based on the amount of electricity the member used in a given year.

3. Grassroots Origins

How can Sussex Rural Electric Cooperative operate so differently than nearly every other electric company? That goes all the way back to the 1930s, when millions of rural Americans had no access to electricity or the modern necessities city residents could enjoy. In rural Sussex County, the IOU of the time had electrified the main roads, but would charge a farmer looking to electrify their property as much as \$10,000.

Thanks to President Franklin Delano Roosevelt's Rural Electrification Act, local farmers were able to take collective action and form Sussex Rural Electric Cooperative, receiving an REA loan to construct their own electrical distribution system and bring power to their community. 85 years later, SREC continues

to work for the benefits of its members and community.



4. The Co-op Network

You aren't just a member of SREC - you're a part of a group of over 42 million co-op member-owners across the US. We are the only rural electric co-op in New Jersey, but we connect to a larger network through our statewide and national organizations. We collaborate with co-ops in Pennsylvania through the Pennsylvania Rural Electric Association (PREA). These partnerships allow us to share ideas, attend training alongside other co-op employees, and provide mutual aid to one another during storms or large outages.

Nationally, we are members of the National Rural Electric Cooperative Association (NRECA) alongside over 900 other not-for-profit, member-owned rural electric cooperatives. NRECA supports co-ops like SREC by providing learning and development opportunities, sharing information on grants and other opportunities for financial support, advocating for co-ops' legislative needs, and more! You can think of PREA and NRECA as a vital part of our support system that helps Sussex Rural Electric Cooperative succeed and take care of its members.

Sussex Rural Electric Cooperative, and all rural electric cooperatives, have a different style of business than IOUs. Know that our focus will always remain on the wellbeing of members like you, just as it always has been since we were established in 1937.



Sussex Rural Electric Cooperative, Inc.

President & CEO - Christopher P. Reese

Our Board of Directors

Chairman	-	Jack Haggerty, Jr.
Vice Chairman	-	William Kovach
Sec./Treasurer	-	Ronald Dupont
Thomas Madsen		Barbara Miller
Brad Sparta		Joseph Barca
Michael Abate		Karen McDougal

President & Chairman's Report



Chris Reese
President
& CEO



Jack Haggerty
Chairman
of the Board

2022 was an eventful year for Sussex Rural Electric Cooperative, though it was anything but normal. September through November's issues of *Currents* explored challenges we have been facing including, but not limited to, rising power supply costs, supply chain shortages, economic inflation, and an abundance of dying trees. These issues defined the year for us and our members.

Throughout a very challenging period, we kept a watchful eye on market and industry changes. We did all we could to protect our members from market volatility while still ensuring reliable delivery of electricity, through a careful balance of meeting revenue needs and minimizing financial impacts on our members. During the height of the pandemic, we chose not to raise rates even when faced with rising material costs and a dramatic increase in member non-payments. This continued through 2022 until the beginning of this year. While there is never an ideal time for a rate adjustment, we did implement one at the start of 2023. In order to efficiently run the utility, we must recover our costs of doing business and maintain sufficient margins to reinvest in our electric distribution system. Remember, those margins are later returned to you as capital credits, not given to stockholders or investors who do not even use our service.

Costs for essential materials and equipment have skyrocketed (*see chart on page six*). Lead times on what were already extended deliveries have more than doubled. In some cases, we've had to order needed materials 18-20 months ahead without knowing exactly how much it will cost or when it will arrive. Transformers, utility poles, conductors, and house meters are among the essential products still in short supply or facing major lead times. While some of these essential materials have doubled or tripled in cost, they are still vital to our system. It is critical to have these items available in case of storms or other disasters. Rising power costs, especially concerning natural gas, also created pressure on SREC's rates.

We have been affected by fuel costs like everyone else and are incurring higher diesel and gasoline costs to run our trucks and equipment. It has also become difficult to replace utility trucks on our normal schedule. Some manufacturers are quoting us delivery five years out! This change leads to more maintenance at a potentially higher cost. With increased federal and state investments in power and broadband infrastructure, the expanding EV market, and a global shortage of electrical steel, we are bracing ourselves for many of these problems to continue in the coming years.

In 2022 a greater focus was devoted to security, both physical and cybersecurity. Both are critical to provide reliable power in the face of cyber threats and events such as substation shootings, which occurred in some parts of the US last year. Our cybersecurity efforts were partially achieved by working as a group with PREA cooperatives.

We also worked with these co-ops' crews in mutual aid efforts throughout the year. While our area was mostly spared from storms this winter, other states were not as fortunate. In a display of cooperation among cooperatives, we sent crews and equipment at different times to Pennsylvania, Ohio, and Virginia to help restore power following extreme weather events, just as other co-ops have helped us during past storms.

Our Annual Meeting Event will be coming up soon, once again split into an Online Meeting covering the business portion of the event and an in-person Member Appreciation Event held at the NJ State Fair. During the Online Meeting on Monday, June 5th, be sure to register for our in-person event to reserve up to two free Fair tickets. On August 7th at the Fair, SREC's employees and directors will be staffing our booth at the BBQ Pavilion where we will be providing \$10 bill credits, gifts, and prizes to registered members. 58% of members who attended 2022's event had never before attended an Annual Meeting. We saw positive results from the event at the Fair and aim to recreate them this August. We hope to see you there! 

Christopher P. Reese

Jack Haggerty Jr.



Balance Sheet (Audited) For the years ended	2022	2021
Assets:		
Total utility plant in service	\$ 78,037,307	\$ 73,754,450
Construction work in progress	1,133,375	2,239,388
	<u>79,170,682</u>	<u>75,993,838</u>
Less: Accumulated provisions for depreciation	(42,001,472)	(40,466,692)
Net electric plant	37,169,210	35,527,146
Total other investments	8,810,027	7,840,633
Total utility plant & other investments	45,979,237	43,367,779
Current assets:		
Cash & short-term investments	1,157,930	631,838
Accounts receivable, less provision for doubtful accounts of \$118,281 in 2022 & \$490,000 in 2021	2,202,579	2,117,684
Materials & supplies	987,913	1,127,743
Other current & accrued assets	1,177,724	796,892
Total current assets	5,526,146	4,674,157
Deferred charges	4,396,158	4,529,436
Total Assets	\$ 55,901,541	\$ 52,571,372
Equities & Liabilities		
Equities:		
Memberships	\$55,240	\$55,160
Patronage capital	13,594,749	12,156,082
Other equities	10,969,401	11,214,946
Total equities and margins	24,619,390	23,426,188
Non-current liabilities:		
Long term debt, less current portion	21,130,418	18,766,466
Other	250,071	307,761
Total non-current liabilities	21,380,489	19,074,227
Current liabilities:		
Current portion of long-term debt	692,302	1,451,585
Other	145,611	110,537
Accounts payable	1,917,061	1,685,525
Consumer deposits	373,430	367,930
Other current & accrued liabilities	1,811,166	1,722,264
Total current liabilities	4,939,570	5,337,841
Deferred credits	4,962,092	4,733,116
Total Equities & Liabilities	\$ 55,901,541	\$ 52,571,372

2022 SREC Power Supply Sources



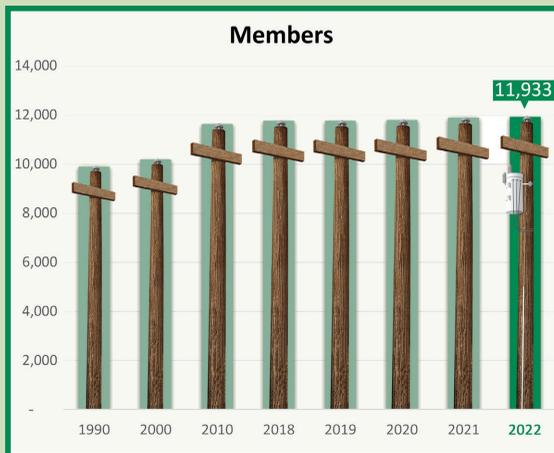
*Additional power from a variety of sources purchased to meet our energy needs.
2022's Breakdown:
40.0% Natural Gas
32.3% Nuclear
20.0% Coal
3.7% Wind
1.9% Hydro
1.1% Solar
1.0% Other



2023 Annual Report



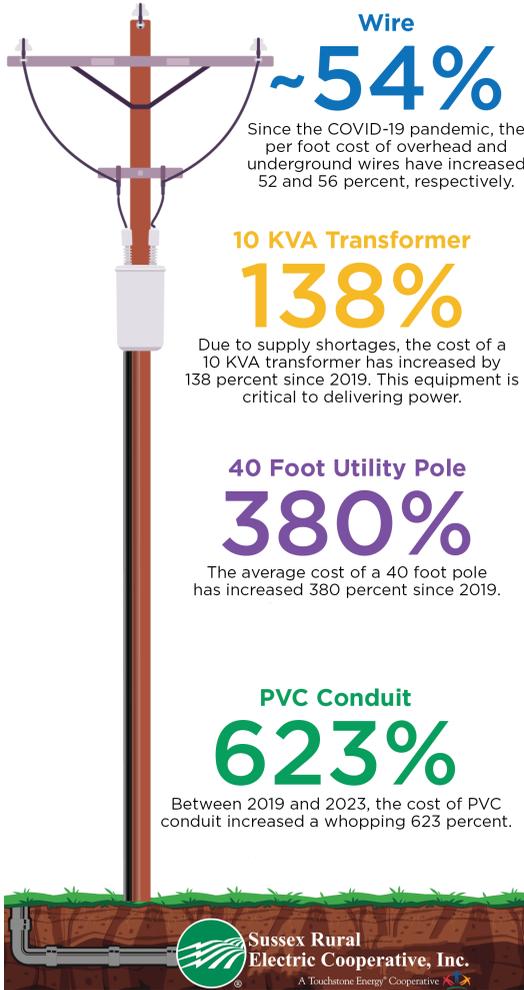
Income Statement (Audited) - For the years ended	2022	2021
Operating revenue	\$ 21,964,827	\$ 21,226,154
Operating expenses:		
Cost of power	10,118,572	9,500,474
Transmission expense	29,286	4,987
Distribution expense - operation	2,154,408	2,099,807
Distribution expense - maintenance	2,449,650	2,659,435
Member account & service expense	912,770	1,343,266
Administrative & general expense	2,521,037	2,253,650
Depreciation & amortization expense	1,984,709	1,951,422
Taxes	2,320	957
Interest - other	58,579	35,188
Total operating expenses & interest	20,231,331	19,849,186
Operating margins before fixed charges	1,733,496	1,376,968
Interest on long-term debt	(711,472)	(710,707)
Operating margins after fixed charges	1,022,024	666,261
Capital credits from other cooperatives	1,266,005	1,618,031
Net operating margins	2,288,029	2,284,292
Non-operating margins:		
(Loss) / Gain on sale of assets - net	33,432	38,738
Interest and other income	48,932	1,048,663
Net margin for period	\$ 2,370,393	\$ 3,371,693
Total other comprehensive (loss) / income	(357,040)	251,460
Total comprehensive income	\$ 2,013,353	\$ 3,623,153



	Where It Comes From	Where It Goes	
Residential	77.7%	Purchased Power Cost	46.1%
Small Commercial	5.8%	Operating Expenses	31.5%
Large Commercial	5.4%	Depreciation	9.0%
Seasonal	1.7%	Vegetation Management	5.2%
Electric Thermal Storage	1.4%	Margins	4.7%
Security Lights	0.4%	Interest on Debt	3.5%
Other Income	7.6%		



THE IMPACT OF RISING COSTS



Wire
~54%
Since the COVID-19 pandemic, the per foot cost of overhead and underground wires have increased 52 and 56 percent, respectively.

10 KVA Transformer
138%
Due to supply shortages, the cost of a 10 KVA transformer has increased by 138 percent since 2019. This equipment is critical to delivering power.

40 Foot Utility Pole
380%
The average cost of a 40 foot pole has increased 380 percent since 2019.

PVC Conduit
623%
Between 2019 and 2023, the cost of PVC conduit increased a whopping 623 percent.

 **Sussex Rural Electric Cooperative, Inc.**
A Touchstone Energy Cooperative



CAPITAL CREDITS

Our capital credit retirement for 2022 returned a total of **\$800,000** to our members

\$413,000
from the year 2004

\$387,000
from the year 2021

Capital credits are profits that are returned to members. For more details on how capital credits work, visit www.sussexrec.com/capital-credits

VEGETATION MANAGEMENT

Outages caused by trees and branches were down by approximately **21%** in 2022, thanks to our expanded tree trimming efforts. We spent just over \$1 million on vegetation management, including an extra \$100,000 to remove danger trees (trees identified as likely to fall onto our lines from outside of our rights-of-way). These additional funds were originally held to help members facing hardship due to the pandemic, but were freed up thanks to the American Rescue Plan's assistance to our members.



PICATINNY ARSENAL

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

Throughout 2022 many improvements, upgrades, and replacements were completed. Our contract with Picatinny contributes to SREC's ability to maintain strong line crew coverage during storms and large jobs.

SREC RESOURCES

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



SREC RESOURCES, INC.
PHONE: 973-875-1365
EMAIL: GENERATOR30@SUSSEXREC.COM

NJ LICENSED ELEC CONTRACTOR # 15375A

SREC Resources accomplished the following in 2022:

34

Cummins home generators installed

21

ETS systems installed

32

GenerLink transfer switches installed

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

ELECTRIC THERMAL STORAGE

Electric Thermal Storage offers a way to heat your home with off-peak electricity. ETS installs were a record-high in 2022, undoubtedly due to the high costs of heating oil and propane.

21
ETS
systems
installed

315
total
ETS
systems

7,253 kWh
of demand
capacity across
our system

Learn more about ETS at www.sussexrec.com/ets

ANNUAL MEETING

2023 ANNUAL MEETING EVENT

2022's Annual Meeting, for the first time, split the event into an Online Meeting and an in-person Member Appreciation Event at the NJ State Fair. This event gave us the chance to meet many members who'd never attended an Annual Meeting before.

SREC's 2023 Annual Meeting Event will follow the same structure.

Our Online Meeting goes live on **Monday, June 5th**. Tune in for speeches, Q&As, and the opportunity to register for up to two free Fair tickets. Our in-person Member Appreciation Event takes place on **Monday, August 7th**. You can find us at the BBQ pavillion to meet with us, claim your bill credit, and enter our prize drawing.

Register at www.sussexrec.com/annual-meeting



Know the Signs of a Scam

By Steve Sokolowski
ssokolowski@sussexrec.com

Imposter scams are the number one type of fraud reported to the Federal Trade Commission. Utility consumers have always been favorite targets for scammers, but you may be surprised by how fraudsters have innovated in recent years. As consumers have become more reliant on technology for work, school, and commerce, scammers have updated their tactics and embraced new tech that helps obscure their true identities.



Common Types of Scams

The most common scams we hear about involve a scammer calling SREC members, claiming they represent the Co-op and that the member is overdue on their electric bill. They almost always threaten to disconnect service if they don't receive immediate payment - giving the victim little time to question things. To make matters worse, scammers are commonly able to "spoof" phone numbers, meaning that the caller ID could display Sussex Rural Electric's information to make their lies more believable.

If you get a call like this, simply hang up. You can always call us at 973-875-5101 to verify if the initial call was authentic and to report an attempted scam so we may inform other members to stay alert. Older members are especially vulnerable to these types of imposter scams, so it is helpful to spread the word about potential scams as soon as possible.

If the scam is by email or text, it's best to delete it. These messages could be "phishing" attempts, aiming to get you to click a link which could expose your device to malware that steals your sensitive information or hijacks your device.

If you're unsure about the status of your account with SREC, you can always contact us or use our online bill pay site, www.srecbillpay.com. Remember, SREC will never attempt to demand immediate payment by phone or email and will give more notice if you're facing disconnection.

Some scammers may claim you have been *overcharged* on your bill and say they want to give a refund. If you click the link they've provided, you may be prompted to provide banking or other personal information that can be used to drain your account or steal your identity! Confirm with us directly before assuming claims like this are true.

Scammers are always innovating. A recent *Washington Post* article titled "They Thought Loved Ones Were Calling For Help. It Was an AI Scam." detailed recent scam attempts made using voice impersonation through artificial intelligence.

>> Continued on pg. 8



Make sure you register for our upcoming, in-person Member Appreciation Event - Monday, August 7th at the NJ State Fair!

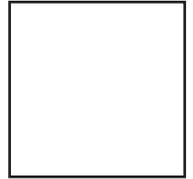
You can register online starting Monday, June 5th at www.sussexrec.com/annual-meeting to reserve up to two free tickets to the Fair. Members without internet access can register by calling us at 973-875-5101 starting June 5th.



IN THIS ISSUE OF Currents



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Sussex, NJ 07461 A Touchstone Energy® Cooperative 
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Know the Signs of a Scam

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Defend Yourself Against Scams

A good place to start is to be cautious of calls or texts from unknown numbers. Be suspicious of an unknown person claiming to be a utility worker who requests banking or other personal information. You should especially be suspicious if the caller asks for payment in gift cards or cryptocurrencies like Bitcoin. Scammers may request these because transactions can be harder to trace, but these are forms of payment SREC would never request that members use to pay their balance. In-person, never let anyone into your home that you don't know unless you have a scheduled appointment or reported a problem. Our employees carry ID badges and drive branded vehicles to prove they're with SREC.

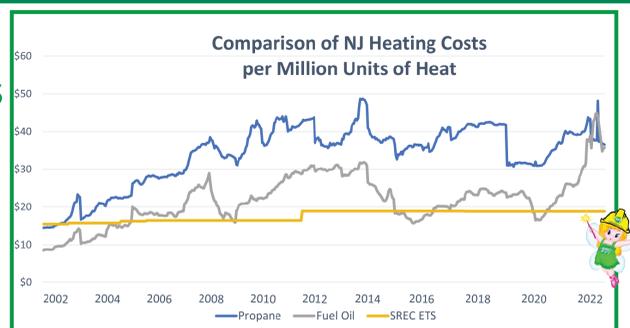
We want to help protect our community against utility scams and you can help create the first line of defense! Call us at 973-875-5101 to report any suspicious interactions like these so we can spread the word and protect your fellow members. 



**Don't be a VICTIM
to fuel price fluctuations**

**Have more say
in what you pay:
ETS is the answer!**

Switch to Electric Thermal Storage to heat your home with off-peak electric heat. Visit www.sussexrec.com/ets for more information.



Made in the USA 

 **Sussex Rural
Electric Cooperative, Inc.**