



**Northwestern Rural Electric
Co-operative Association, Inc.**

A Touchstone Energy® Cooperative 

www.NorthwesternREC.com

ANNUAL REPORT

2023

L. BOVE TRAIL RD

Prepared For:

**The members of
Northwestern REC**

Prepared By:

**Amy Wellington
Director of Communications**

ANNUAL REPORT HIGHLIGHT

The 2024 Annual Meeting is scheduled Saturday, Aug. 3, at New Beginnings Church of God near Meadville. The drive-thru will open at 9 a.m. and close at noon, and the business meeting will begin promptly at 11 a.m. Send your reservations to info@northwesternrec.com or call 800-352-0014. Members must be present during the drive-thru to receive the annual meeting gift.

2023 EXECUTIVE REPORT

OUR CO-OP STRIVES FOR SERVICE EXCELLENCE

Please bear with us as we share a story about one of our linemen from last year. It's a short story but delivers a powerful message regarding the level of commitment our linemen have for the members.

“

You may recall the back-to-back weekend outages we experienced in March and April of last year when two different storms blew through our service territory, wreaking havoc on the entire system. The first storm exceeded a long-standing record for broken poles by 28 – a record that was set during the 1985 tornadoes.

Our guys had just finished cleaning up from that storm when a short but devastating storm knocked power out for 13,000 of our 17,000 memberships the very next weekend. Again, crews worked around the clock throughout the weekend and into the following week to restore power. Norb “Norbie” Adam was one of those linemen.

Norbie, a crew chief at the time, was set to retire on April 3, which happened to be the Monday following the second storm. Long before the storms occurred, Norbie's retirement cake celebration was planned for 3 p.m. April 3. Other retirees were invited to the co-op to help celebrate with Norb, who had more than 47 years of service to the cooperative – one of the longest reigns in co-op history.

But when 3 p.m. rolled around, Norb was not eating cake with his fellow retirees – he was out in the field with the rest of the linemen working to restore service to those who remained without power. And he was still out in the field after 5 p.m., when we finally got him to call it quits.

We see this exemplary service to the members in all the linemen. It is simply the cooperative way – passed down from generation to generation. Thank you, Norbie, for your years of service. (For those who may be wondering, Norbie was finally able to enjoy his retirement cake with friends and family a few days later.)

The members in the Oil Creek and Centerville area were hit the hardest by both storms mentioned earlier. They remained without power for several days until our power supplier, FirstEnergy (also hit hard by these storms), was able to repair the transmission line that feeds the two substations.

We have been trying to find ways to improve our service reliability in eastern Crawford County for several years. The Centerville (CT) substation is linked directly to our Oil Creek (OC) substation. If the OC sub goes offline, so does the entire CT sub.

It has taken years of negotiations and assistance from Allegheny Electric Cooperative, Inc., our generation and transmission cooperative, but we were able to finalize a plan with FirstEnergy last fall. FirstEnergy has agreed to build a new transmission line off Route 8 that will feed our CT substation. This new delivery point will not only serve the CT sub but will also allow our switching technology to pick up the entire OC sub during outages.



Members in eastern Crawford County will see a tremendous improvement in service reliability. Planning has already begun, and construction is expected to begin later this year.

This project will require an investment from the cooperative. To help offset much of the cost, we have submitted a grant application to the Pa. Department of Environmental Protection. Regardless of the grant outcome, Northwestern REC is financially sound and is prepared for this project. None of these future expenditures have impacted our rates.

In 2023, we did see a significant increase to our service availability charge. That increase was necessary to cover the tangible expenditures we face to ensure you have power at the flip of a switch. Expenditures such as poles, wire, transformers, fleet maintenance, gasoline, and so on – costs that occur whether you use any electricity or not.

It should come as no surprise to you that we have experienced overwhelming increases to the cost of these tangible items. For instance, the cost of PVC pipe went up more than 400% in 2022. As a rural electric distribution cooperative, we have fewer members per mile to recover these expenses than our investor-owned counterparts.

Despite the \$15 increase to our service availability charge last year, we have not raised the demand or kilowatt-hour (kWh) charge since 2008. That rate remains \$0.10104 per kWh. Our typical residential member averages around 900 kWh per month, and a total utility bill of \$136 (including the service availability charge). That same customer on our local investor-owned-utility lines pays \$182 (including their basic monthly charge).

Our co-op strives for service excellence, both as your electric provider and “go-to” for energy-related information. We hope



you see value in your co-op membership, just as we value you as our member. We encourage you to review this annual report at your leisure and join us on Saturday, Aug. 3, for the 88th annual meeting at New Beginnings Church of God on Leslie Road near Meadville.

If you can't attend the annual meeting in person, feel free to call us at 800-352-0014 or send us your questions ahead of time to info@northwesternrec.com. The meeting will stream live on Facebook or YouTube.

Thank you for always being *People We Can Count On*.

Lisa Chausse
Board Chair

Ryan Meller
President & CEO



THE VALUE OF ELECTRICITY

The cost of everyday items has gone up dramatically over the years.
Electricity being the exception.

\$4.43/LB
VS
\$0.11 /kWh

POWERING
YOUR DAY
AND LIFE.

THAT'S THE VALUE OF ELECTRICITY.



Touchstone Energy[®]
Cooperative

Your source of power. And information.



2024 ANNUAL MEETING

Saturday, Aug. 3, at New Beginnings Church of God
Business Meeting begins at 11 a.m.
Drive-thru opens at 9 a.m. and ends at noon.

NEW THIS YEAR

Please take note that the 88th annual meeting is on Saturday, Aug. 3, at New Beginnings Church of God on Leslie Road near Meadville. Members are asked to enter the drive from Shartle Road and exit on Leslie Road.

You must be present during the drive-thru to receive the annual meeting gift. Send questions to info@northwesternrec.com or call us at 800-352-0014.

We will be accepting non-perishable food donations to distribute to the local food pantries.

OUR 7 CO-OP PRINCIPLES

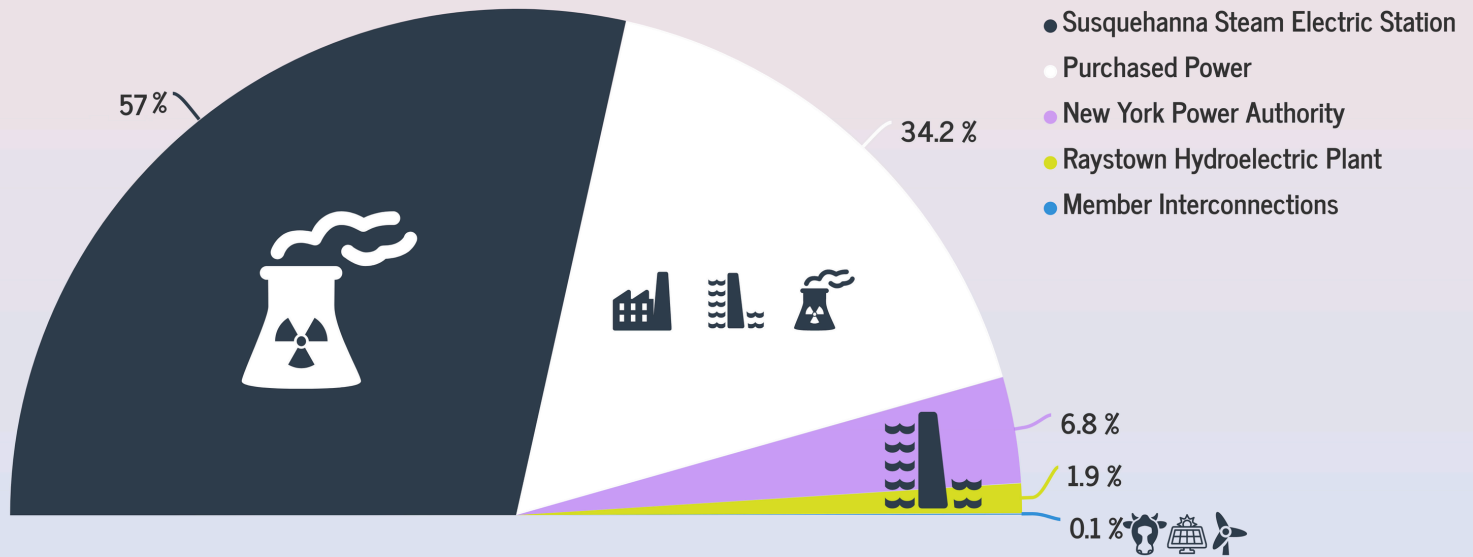
We are guided by the following principles:

- **Voluntary & Open Membership**
- **Democratic Member Control**
- **Member Economic Participation**
- **Autonomy & Independence**
- **Education & Training**
- **Cooperation Among Cooperatives**
- **Concern for Community**



CO-OP 2023 DATA REPORT

Where we purchased our power in 2023



\$18,113,635
PURCHASED POWER
258,886,722 kWh

61 FULL-TIME
EMPLOYEES

\$131.17
AVG. MONTHLY BILL

916
AVG. MONTHLY kWh USE

In 2023,
21,501

METERS
SERVED

resulting in more
than 19,581 active
accounts.

2,650

MILES OF
ELECTRIC LINE

averaging out to
8 members per
mile of electric line.

65.7% CARBON-FREE ENERGY - INCLUDING NUCLEAR POWER

PA/NJ co-ops own 10% of Susquehanna Steam Electric Station, which provides power to 57% of our members.



CONSOLIDATED FINANCIAL STATEMENTS

NORTHWESTERN RURAL ELECTRIC COOPERATIVE ASSOC., INC. & SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2023 and 2022

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES

Years Ended December 31, 2023 and 2022

Assets	2023	2022	2023	2022
Property and equipment:				
Electric plant in service - at cost	\$ 141,133,563	\$ 136,416,175		
Construction work in progress	1,847,977	858,932		
	<u>142,981,540</u>	<u>137,275,107</u>		
Less accumulated provisions for depreciation	<u>50,817,471</u>	<u>47,586,061</u>		
Total electric plant	92,164,069	89,689,046		
Other assets and investments:				
Non-utility property, at cost	255,000	261,998		
Cash surrender value of life insurance	466,725	439,612		
Investments in associated organizations	14,829,420	14,344,622		
Certificates of deposit	293,291	280,138		
Board designated funds	1,432,070	1,432,364		
Total other assets and investments	17,276,506	16,758,734		
Current assets:				
Cash and cash equivalents	2,918,277	5,056,069		
Trade accounts receivable, less allowance for uncollectible accounts of \$117,668 and \$118,880 for 2023 and 2022, respectively	4,539,962	4,725,110		
Rent from electric property and other receivables	76,350	580,457		
Materials and supplies	1,044,039	922,666		
Other current and prepaid assets	158,300	123,311		
Total current assets	8,736,928	11,407,613		
Deferred charges	846,080	1,078,836		
	\$ 119,023,583	\$ 118,934,229		
Equities and Liabilities	2023	2022		
Equities:				
Memberships	\$ 61,125	\$ 63,000		
Patronage capital	11,655,611	12,161,302		
Other equities	54,261,940	52,475,678		
Accumulated other comprehensive loss	(336,527)	(244,261)		
Total equities	65,642,149	64,455,719		
Long-term debt:				
CFC notes, less current maturities	41,937,441	40,174,108		
Farmer Mac notes, less current maturities	3,963,032	4,461,909		
Capital Lease obligation, less current maturities	41,143	74,808		
Total long-term debt	45,941,616	44,710,825		
Non-current liabilities:				
Accumulated post retirement benefit obligation, less current portion	589,322	501,785		
Employee deferred compensation, less current portion	-	24,000		
Total other long-term liabilities	589,322	525,785		
Current liabilities:				
Current maturities of long-term debt	2,501,570	2,575,604		
Current maturity of capital lease obligation	33,665	32,253		
Current post-retirement benefit obligation and deferred compensation	100,975	86,217		
Accounts payable:				
Purchased power	1,512,650	1,415,237		
Other	615,693	904,540		
Capital credit retirement funding liability	484,341	587,728		
Customer deposits	434,196	434,347		
Accrued interest	353,326	354,613		
Accrued payroll	370,952	526,254		
Accrued vacation liability	443,128	427,750		
Total current liabilities	6,850,496	7,344,543		
Total liabilities	53,381,434	52,581,153		
Deferred credits	-	1,897,357		
	\$ 119,023,583	\$ 118,934,229		
Operating revenues:				
Electric energy revenue	\$ 37,284,138	\$ 33,137,255		
Customers' forfeited discounts and penalties	76,803	75,019		
Rent from electric property	1,026,372	1,366,869		
Miscellaneous electric revenue	395,276	430,242		
Total operating revenues	38,782,589	35,009,385		
Operating expenses:				
Cost of power	18,113,635	14,571,013		
Distribution - operations	1,911,581	1,848,388		
Distribution - maintenance	5,155,580	4,996,520		
Consumer accounts	1,289,938	1,329,074		
Customer service and information	950,720	819,052		
Sales	205,548	145,695		
Administrative and general	4,153,189	3,897,526		
Depreciation and amortization	4,308,911	4,107,697		
Other	110,439	135,126		
Total operating expenses	36,199,541	31,850,091		
Operating margin before fixed charges	2,583,048	3,159,294		
Fixed charges:				
Interest on long-term debt	1,920,245	1,856,669		
Operating margin after fixed charges	662,803	1,302,625		
G & T and other capital credits	1,061,926	1,876,719		
Net operating margins	1,724,729	3,179,344		
Non-operating margins:				
Interest income	151,930	79,663		
Net gain on disposition of property	53,188	140,894		
Miscellaneous non-operating income (loss)	(70,138)	40,500		
Total non-operating margin	134,980	261,057		
Net margin	\$ 1,859,709	\$ 3,440,401		
Other comprehensive income				
Unfunded post-retirement benefit plans:				
Net actuarial gain (loss)	(106,890)	135,295		
Amortization of actuarial loss recognized	14,624	18,654		
Total other comprehensive income	(92,266)	153,949		
Total comprehensive income	1,767,443	3,594,350		

The consolidated financial statements of the cooperative and subsidiaries for the year ended December 31, 2023 have been audited by Buffamante Whipple Buttafaro, P.C., Jamestown, New York. The audit resulted in a clean opinion stating that the financial statements presented fairly, in all material respects, the financial position of the cooperative and subsidiaries as of December 31, 2023 and results of their operations and cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

The auditor's complete report is on file in the office of the cooperative and is available for inspection by the membership.

CONSOLIDATED FINANCIAL STATEMENTS

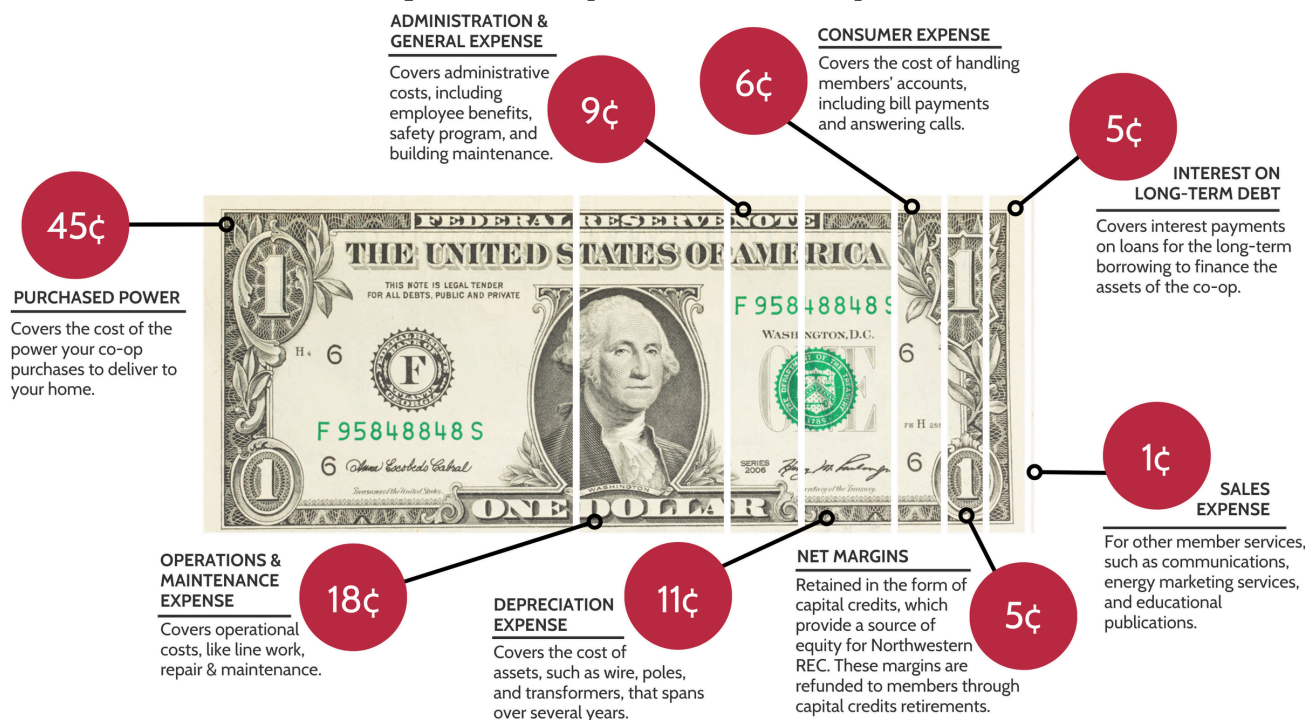
NORTHWESTERN RURAL ELECTRIC COOPERATIVE ASSOC., INC. & SUBSIDIARIES

CONSOLIDATED STATEMENT OF EQUITIES

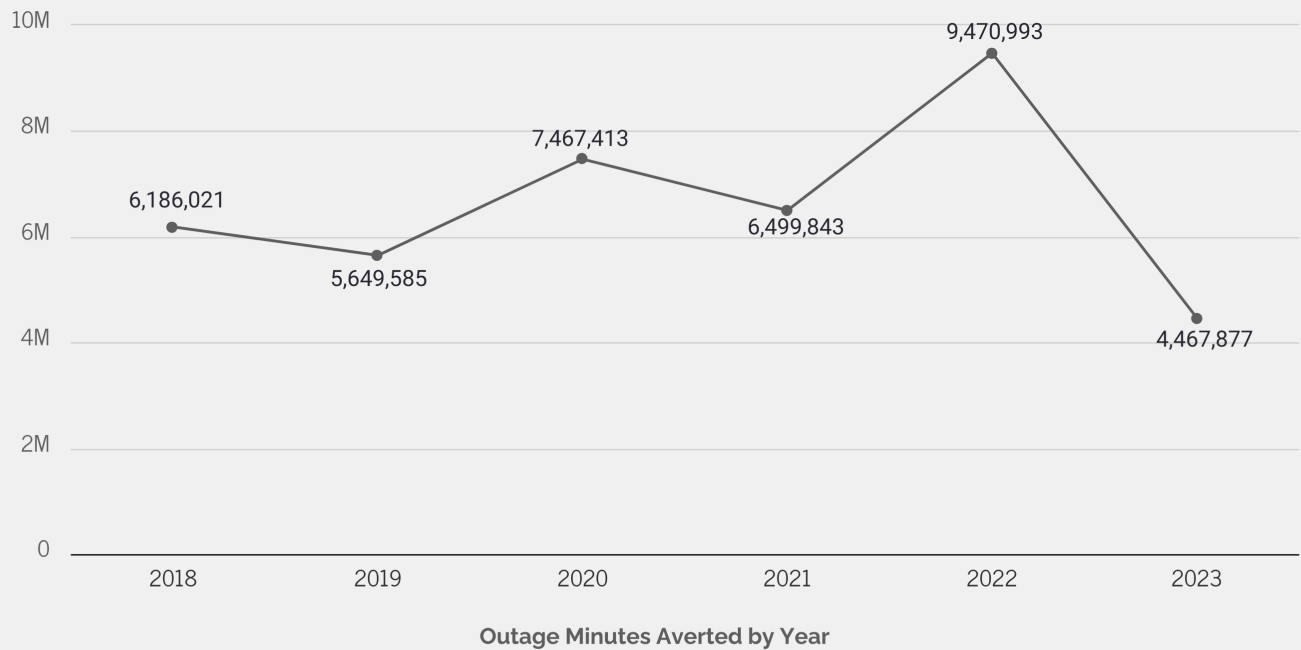
Years Ended December 31, 2023 and 2022

	Memberships	Patronage Capital	Other Equities
Balance, at December 31, 2021	\$ 64,890	\$ 13,044,864	\$ 48,831,498
Membership fees cancelled	(1,890)	-	-
Net operating margins	-	3,179,344	-
G&T patronage capital credits received and allocated	-	277,990	(277,990)
Non-patronage source margins	-	(2,679,344)	2,679,344
Net non-operating margins	-	-	261,057
Retirement of capital credits	-	(1,661,552)	-
Equity payable upon liquidation	-	-	976,675
Gain on early retirement of estate capital credits	-	-	5,094
Total other comprehensive income	-	-	-
Balance, at December 31, 2022	\$ 63,000	\$ 12,161,302	\$ 52,475,678
Membership fees cancelled	(1,875)	-	-
Net operating margins	-	1,724,729	-
G&T patronage capital credits received and allocated	-	354,636	(354,636)
Non-patronage source margins	-	(1,324,729)	1,324,729
Net non-operating margins	-	-	134,980
Retirement of capital credits	-	(1,261,247)	-
Equity payable upon liquidation	-	-	678,301
Gain on early retirement of estate capital credits	-	-	3,868
Total other comprehensive income (loss)	-	-	-
Change in donated capital and other	-	920	(980)
Balance, at December 31, 2023	\$ 61,125	\$ 11,655,611	\$ 54,261,940

Where your co-op dollar was spent in 2023



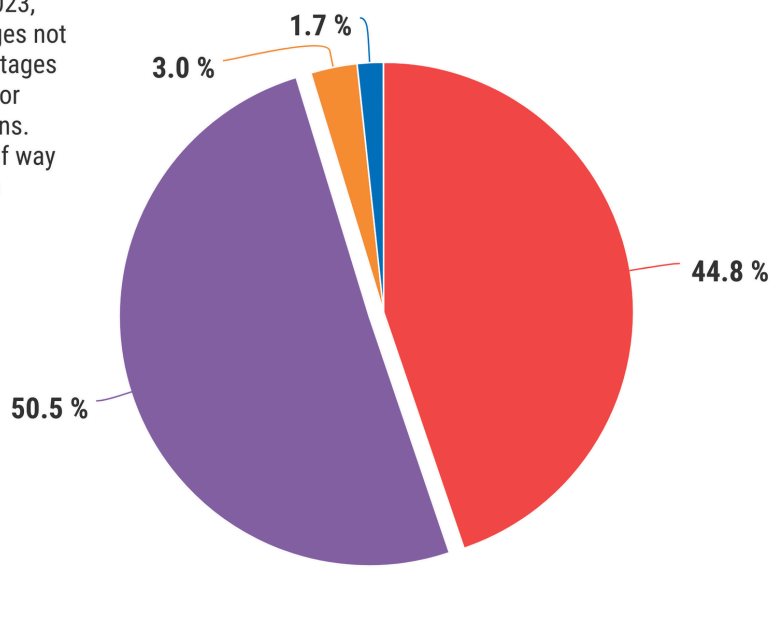
Northwestern REC was able to avoid 4,467,877 minutes of outage time last year by utilizing switching technology. This number is lower than previous years primarily because some storm damage was too extensive to allow for backfeeding.



YOUR CO-OP AT A GLANCE

Outage Causes in 2023

Trees accounted for just over half of our outages in 2023, with power supply outages not far behind. Most tree outages also include high winds or severe weather conditions. Even the clearest right of way can be affected by trees during a storm event.



KNOW THE NOMINEES



Candy Brundage
District 3 Incumbent

Candy Hendricks Brundage was born and raised in Punxsatawney. After graduating from high school in 1985, she discovered her love for criminal justice while working as a legal secretary at the Law Offices of Ferraro and Young.

In 1992, she entered the Pennsylvania State Police Academy in Hershey. Brundage enjoyed 25 1/2 years as a Pennsylvania State Trooper, First Class working in the Troop E, Erie area, which covers Franklin, Warren, Meadville, Girard and Erie. She worked several units including patrol, crime, vice and gaming enforcement. She received a bachelor's degree in criminal justice from Mercyhurst University, graduating summa cum laude in 2010.

During her service to the Commonwealth, Brundage spent 20 years as secretary for Swanson Memorial Lodge #48. Since retiring as a trooper, Brundage has been working part time as a library assistant for the Corry Public Library.

Brundage and her husband, Todd, live on co-op lines in the Corry area.



Kevin R. Cox
District 5 Nominee

Kevin R. Cox was nominated for Northwestern REC's District 5 seat in April 2024. He will be replacing Kathryn Cooper-Winters, who decided to retire after this term.

Cox is currently a partner with a private wealth management team. He received a bachelor's degree in political science from the University of Pittsburgh and his MBA from Cleveland State University.

Since becoming a member of Northwestern REC several years ago, Cox has taken an active role in its governance. He has previously volunteered on the Member Panel for Director Elections and looks forward to serving the entire membership as a member of the co-op board of directors.

During his spare time, Cox enjoys spending time with his children, Benjamin and Catarina. He currently resides on co-op lines in the Cambridge Springs area.



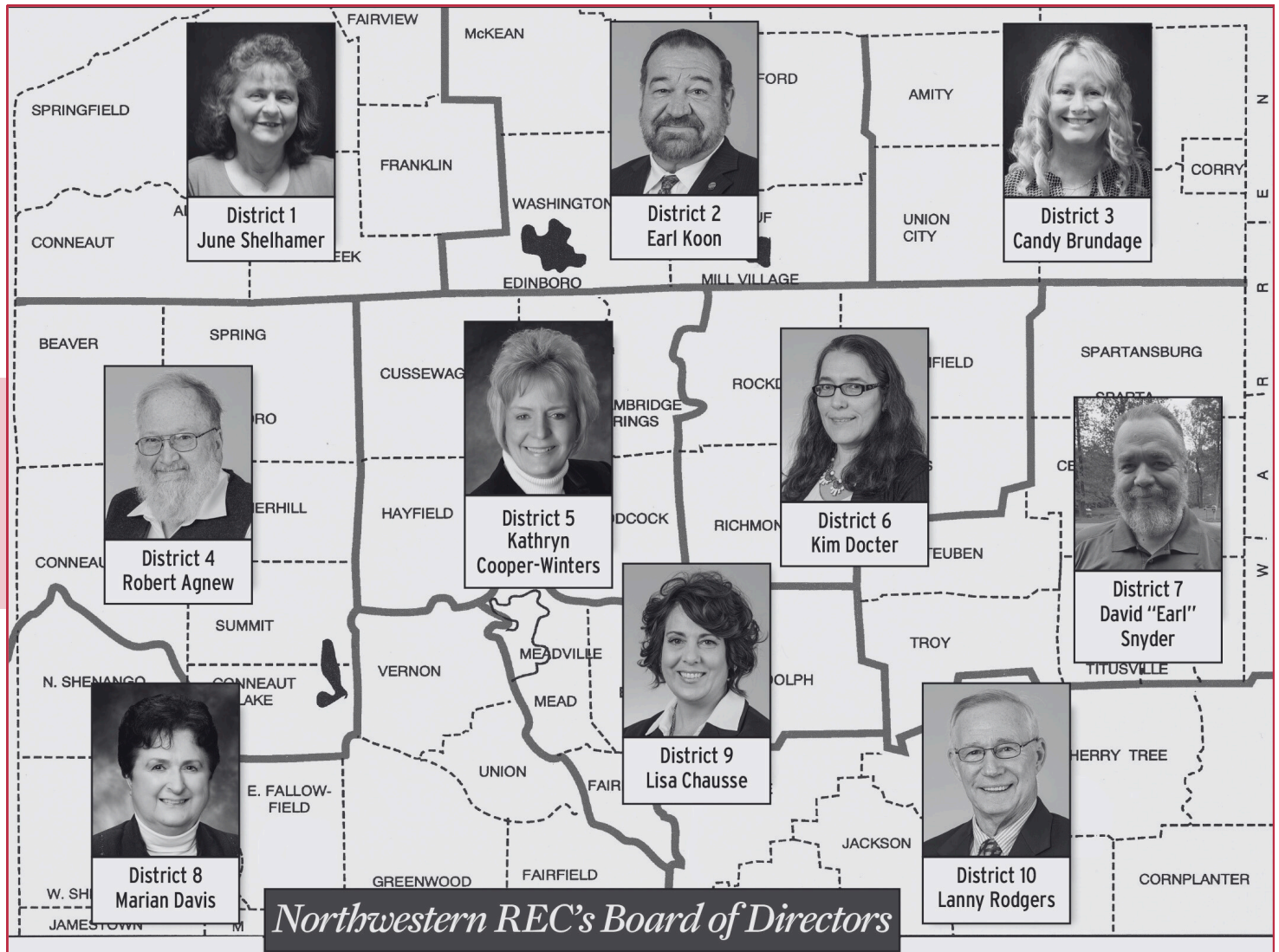
Lanny Rodgers
District 10 Incumbent

Lanny Rodgers retired as a regional manager for the Pennsylvania State Employees' Retirement System. He served in the United States Marine Corps from 1962 to 1966. Rodgers served as director of the Franklin YMCA from 1992 to 1994.

Rodgers was first elected to the board of directors of Northwestern REC in 2000. He has served as vice president for four years and on the member ACRE committee. He formerly served as the Pennsylvania board representative to the National Rural Electric Cooperative Association. Rodgers is also a Credentialed Cooperative Director and has attained the Board Leadership Certificate designation.

Rodgers and his wife, Georgia, have two children, five grandchildren and have resided in the Carlton/Cochran area for more than 30 years.





CO-OP ADMINISTRATION

Kathy Lane
VP & Chief Financial Officer

Stephen Miller
Chief Operating Officer

Clarissa Schneider
Executive Administrator

Kerri Fleet
Human Resources Director

Thomas Dimperio
Information Technology Director

Amy Wellington
Communications Director



Website

www.NorthwesternREC.com



Office Address

**22534 State Hwy. 86,
Cambridge Springs, PA 16403**



Northwestern Rural Electric
Co-operative Association, Inc.

A Touchstone Energy® Cooperative

M2M
Member-to-Member, Inc.

MEAT RAFFLE

1 Ticket for \$5 or 3 Tickets for \$10

Friday, Aug. 23, 2024 at the
Crawford County Fair
Free delivery within a 60-mile radius.

2024 Crawford County
4-H Livestock Auction



All meat will be
purchased during
the 4H Auction.

GRAND

PRIZE: Large Freezer with a ½ cow & ½ pig

SECOND

PRIZE: Small Freezer with a ¼ cow & ¼ pig

THIRD

PRIZE: Small Freezer with a ¼ cow & ¼ pig

NorthwesternREC.com • 1-800-352-0014

P.O. Box 207, 22534 Hwy. 86, Cambridge Springs, PA 16403

