

Bedford Rural Electric Cooperative

A Touchstone Energy® Cooperative 



One of 14 electric cooperatives serving Pennsylvania and New Jersey

Bedford REC
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814/623-5101

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Website: www.bedfordrec.com

BOARD OF DIRECTORS

President & PREA Director
Owen L. Miller
East St. Clair Twp.

Vice President & Allegheny Director
C. Robert Koontz
Colerain, Snake Spring and South Woodbury Twps.

Secretary
Donald Hoenstine
Kimmel and King Twps.

Treasurer
Reuben R. Lafferty
Juniata Twp., Bedford County, and Allegheny Twp., Somerset County, New Baltimore Boro

Assistant Secretary
Earl W. Garland
East Providence Twp., Bedford County, and Brush Creek Twp., Fulton County

Assistant Treasurer
William Howard Atkinson
Monroe and West Providence Twps., Everett Boro

Wayne M. Hillegass
Napier and Harrison Twps.
John R. Koontz
Bedford and Cumberland Valley Twps.
Ned H. McDonald
West St. Clair, Pavia, and Lincoln Twps.

John J. Dirienzo Jr.
Attorney

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

REPORT FROM THE Board President and General Manager



by Owen Miller
Board President



by Brooks Shoemaker
General Manager

Highlights

IT IS A PLEASURE to report on the status of the Bedford Rural Electric Cooperative. It should come as no surprise that you own the cooperative that provides your electric service. Hopefully in today's uncertain financial climate, it is comforting to know that the board of directors and employees are here looking out for you — just like we have been for the past 70 years. That's right — we just completed our 70th year of operations!

As your local, member-owned and member-governed distribution cooperative, we hope that our transparent, non-profit business model reassures you, our consumer-member, that we have your best interests at heart.

2008 was an excellent year for the cooperative. Kilowatt-hour (kWh) sales increased 3.2 percent, a nice increase over our historical 2.5 percent annual average. In fact, we sold 180 million kWhs in 2008, a cooperative record. The record sales level generated margins (our "bottom line") of \$1.9 million. They included \$214,000 of interest income and \$500,000 in allocated margins from our wholesale power supplier, Allegheny Electric Cooperative, Inc. (Allegheny).

In December, the cooperative returned approximately \$766,000 in capital credits

to the membership, including \$135,000 from Allegheny. Over the past 28 years, your cooperative has returned \$7.75 million to its members — just one more advantage of being a cooperative member!

2008 was a busy year from all standpoints as we continued to aggressively rebuild our system, replacing miles of brittle, worn-out conductor with new heavy-duty wire. For example, we rebuilt several miles of 50-year-old, three-phase line from Centennial Road across the mountain to Route 220, south of Bedford. This type of cross-country work is not only time consuming, it is expensive, as we navigate the mountainsides, sometimes having to actually build roads before we can access the area with our equipment. We also replaced our Lovely substation transformer with a new, higher capacity one to accommodate consumer growth in the area. The right-of-way maintenance cycle for the Cessna and Lovely substations was also completed.

All of our system improvement work is planned several years in advance, and during 2008, we developed a new, comprehensive four-year construction work plan. Although the process of developing the plan is very time consuming, it pro-

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**REPORT FROM THE
PRESIDENT & MANAGER**

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vides a roadmap of upcoming projects and ensures that they are properly coordinated within our system.

As a result of the fuel prices, during 2008 we experienced a 60 percent increase in members taking advantage of our various rebate programs. Our Marathon hot water heater program was responsible for the largest part of the increase as record numbers of members converted water heaters from oil or propane to electric.

Many of your friends and neighbors also abandoned fossil fuel heating systems and instead began heating with electric sources. Naturally, we are pleased with this development, but there are also concerns accompanying it. Over the next 20 years, demand for electricity is projected to grow by at least 30 percent. Shortages of electricity are projected in the northeast within the next five years, maybe sooner, and the excess capacity that our industry has enjoyed for years has dried up, thanks to changes attributable to retail competition. At the same time, President Barack Obama and our elected lawmakers in Washington, D.C., are poised to enact climate change legislation designed to combat global warming.



LEADERSHIP: Wayne Hillegass, Howard Atkinson and Donald Hoenstine are being congratulated by General Manager Brooks Shoemaker on being re-elected to the board of directors.

In early 2008, your cooperative and our sister cooperatives across both Pennsylvania and the United States, in conjunction with the National Rural Electric Cooperative Association (NRECA, our national trade organization) launched “Our Energy,

Our Future,” a campaign designed to urge Congress to work with co-op leadership to be sure that climate change legislation keeps electricity affordable for our members. We all know that costs are rising in every aspect of our lives; it is no different in our business. We work hard to contain our costs, but only so much can be done.

We had a modest 3 percent rate increase that took effect in January

2009. Although that was our first increase in 10 years, the upward pressure on our rates is going to continue. The price the co-op pays for generation from Allegheny, our power supplier, is anticipated to increase steadily in the next 10 years. The bottom line in today’s economy is that our members are having difficulty dealing with rising costs on a daily basis. How much more can we afford to pay for climate change?

So, what is the answer? Unfortunately, there isn’t a single solution. Some say we can meet future demand through energy efficiency, some say we need more renewables, some say technology — like a smart grid — will solve the problem, and some, the silent majority, haven’t said anything yet. That is the first thing that has to change.

This is a difficult conversation we need to have immediately. We need to face the energy challenge and find solutions while meeting our climate change goals, keeping costs down and making sure electricity is available when we need it.

In short, we need a plan. Immediately! Now is the time to have a candid conversation with your legislators. The website

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ACADEMIC KUDOS: 2009 Scholarship recipients Dena McCloskey, Everett High School, Drew Bollman, Bedford High School, and Stacie Beegle, Chestnut Ridge High School.

**Bedford Rural Electric Cooperative, Inc.
2008 Members' Financial Report**

Balance Sheet

| | December 31, | |
|---------------------------------------|----------------------|----------------------|
| | 2008 | 2007 |
| ASSETS | | |
| Net Utility Plant | \$ 28,908,636 | \$ 27,615,804 |
| Equity in Associated Organizations | 3,196,681 | 2,824,659 |
| Cash and Temporary Investments | 290,680 | 167,514 |
| Accounts Receivable | 1,263,524 | 1,504,969 |
| Materials and Supplies | 463,012 | 509,507 |
| Other Assets | 460,845 | 406,022 |
| TOTAL ASSETS | \$ 34,583,378 | \$ 33,028,475 |
| LIABILITIES AND EQUITIES | | |
| Long-Term Debt | \$ 10,665,641 | \$ 10,874,353 |
| Consumer Deposits | 130,612 | 208,584 |
| Accounts Payable | 1,164,510 | 1,042,423 |
| Other Liabilities | 2,922,986 | 2,407,646 |
| Operating Reserves | 258,707 | 258,707 |
| Equities | 229,055 | 228,386 |
| Patronage Capital | 19,211,867 | 18,008,376 |
| TOTAL LIABILITIES AND EQUITIES | \$ 34,583,378 | \$ 33,028,475 |

Statements of Revenue and Patronage Capital

| | Year Ended December 31, | |
|--|-------------------------|----------------------|
| | 2008 | 2007 |
| OPERATING REVENUES | \$ 16,214,986 | \$ 15,842,338 |
| OPERATING EXPENSES | | |
| Cost of Power | \$ 10,267,542 | \$ 9,904,716 |
| Distribution - Operation and Maintenance | 1,584,979 | 1,561,205 |
| Customer Service and Information | 610,962 | 582,998 |
| Administrative and General | 953,465 | 985,099 |
| Taxes | 11,113 | 760 |
| Depreciation | 892,464 | 836,034 |
| Interest on Debt | 719,572 | 758,524 |
| TOTAL OPERATING EXPENSES | \$ 15,030,097 | \$ 14,629,336 |
| OTHER OPERATING INCOME | | |
| G & T and Other Capital Credits | 581,791 | 809,676 |
| Net Operating Margins | \$ 1,766,680 | \$ 2,022,678 |
| Non - Operating Margins | 202,857 | 184,329 |
| NET MARGINS | \$ 1,969,537 | \$ 2,207,007 |
| PATRONAGE CAPITAL, Beginning of the Year | 18,008,376 | 16,606,892 |
| PATRONAGE CAPITAL, Before Capital Credit Retirement | 19,977,913 | 18,813,899 |
| CAPITAL CREDIT RETIREMENT | 766,046 | 805,523 |
| PATRONAGE CAPITAL, End of the Year | \$ 19,211,867 | \$ 18,008,376 |

Buffamante Whipple Buttafaro, Professional Corporation, P.O. Box 849; Jamestown,
New York 14702-0849, audited the Cooperative's accounts and records for
calendar years 2008 and 2007. A complete copy of their report is available for
inspection at Bedford Rural Electric Cooperative, Inc.'s office in Bedford, PA.

REPORT FROM THE PRESIDENT & MANAGER


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www.ourenergy.coop can help begin the discussion. Tell the policymakers that you are concerned about looming electricity issues. Tell them that we need bipartisan political action to set achievable climate change goals while keeping our energy bills



Ariel Watters 2008 Youth Tour Student and Pennsylvania's representative on the Youth leadership council sings the National Anthem.

affordable. It is our responsibility to make our voices heard before decisions are made that affect our energy and our future.

As you can see, there are tough decisions on the horizon. Decisions that will affect us for generations to come. Please be assured that we are looking out for your best interest, using common sense and fiscal responsibility. You see, the board of directors and employees at Bedford Rural Electric are truly "The People You Can Count On!" 

OFFICE CLOSING
 Bedford REC's office will be closed on Monday, May 25, 2009, for Memorial Day.

Emergency Power Needs

As a service to our members, Bedford Rural Electric needs to be aware of situations where special needs exist. Please provide the following details:

(Please print clearly)

Account: _____

Name: _____

Address: _____

Home Phone: _____

Email Address: _____ Cell Phone: _____

Special Needs: Medical Farming/Livestock

Other _____

Each year, our goal is to provide service with no outages. Unfortunately, that is not a realistic expectation. Outages do occur, and especially during severe storms, service restoration may take several days or longer. Therefore, we strongly recommend that our members with special needs install standby backup generation equipment. Please contact our office for more information on this type of equipment.

TROUBLE CALL SCHEDULE

In case of trouble ...

- First Check your fuses or circuit breakers.
- Second Check with your neighbors, if convenient, to see if they have been affected by the power failure.
- Third **Call 24-hour number, 623-7568**
OR call 800/808-2732 during office hours

(Please help us save money - only use this number if toll charges apply.)

Please give person receiving call your name as it appears on your bill, your telephone number and your map number if known. Any specific information about the outage will also be helpful in pinpointing the problem.

Alternate numbers ...

| | | |
|---------------------|----------------------|----------|
| Al Hileman | Week of May 4 | 766-9971 |
| Jim Seymour | Week of May 11..... | 839-2848 |
| Ed Hankinson | Week of May 18 | 733-2495 |
| Scott Bischof | Week of May 25 | 839-4640 |
| Gary Lafferty | Week of June 1 | 842-9925 |
| Scott Shook | Week of June 8 | 623-2395 |

In case you cannot reach any of the above ... Call:

| | | |
|-------------------|---------------|----------|
| Jim Wood | Bedford..... | 623-6121 |
| James Clark | Everett | 652-9791 |
| Mark Rowan | Bedford..... | 623-7890 |

During widespread power outages, many members are calling to report power failures, so you may receive a busy signal. Please be patient and try again in a few minutes.