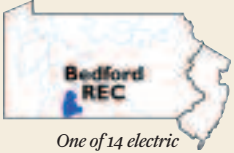


# Bedford Rural Electric Cooperative

A Touchstone Energy® Cooperative 



One of 14 electric cooperatives serving Pennsylvania and New Jersey

Bedford REC  
P.O. Box 335  
Bedford, PA 15522  
814/623-5101

Email: support@bedfordrec.com  
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**  
**Paul L. Rummel Jr.**  
Bedford and Cumberland Valley Twps.

**William Howard Atkinson**  
Monroe and West Providence Twps., Everett Boro  
**Wayne M. Hillegass**  
Napier and Harrison 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.

FROM THE GENERAL MANAGER

## Happy anniversary



by Brooks Shoemaker  
General Manager

**YOUR** Bedford Rural Electric Cooperative membership is a piece of American history that turns 80 this month. Eighty years ago — on May 11, 1935 — President Franklin D. Roosevelt signed an executive order establishing the Rural Electrification Administration. Executive Order 7037 paved the way for the development of rural electric cooperatives,

a movement backed by a member-focused business model that would forever change the American countryside.

Before electricity was readily available, all farm work had to be done by hand. What didn't get done during the day had to be done by the light of a lantern. The power companies of the day served mostly cities and more populated areas, leaving the countryside in the dark. For these investor-owned utilities (IOUs), it just wasn't profitable to build line into these sparsely populated, rural areas.

Originally, the executive order was designed to provide loans in order for IOUs to serve rural areas. Unfortunately — or maybe fortunately, the IOUs were still not interested in building into the countryside. As a result, rural residents took it upon themselves and formed cooperatives to bring power to their communities. In the years that followed, rural electric cooperatives began lighting up the rural landscape. On Dec. 18, 1939, Bedford Rural Electric Cooperative, Inc., turned the first lights on for the rural residents of Bedford County.

When you think about all the electricity-powered machinery, tools, appliances and gadgets we have now, it's obvious that many things have changed in the past 80 years. What has not changed is the cooperative business model. We were established by our members to serve our members. Today,

we are still a member-owned — and member-focused — business. Your cooperative is run by a board that you elect. It is made up of fellow members, who are your friends and neighbors.

We do business the co-op way — serving you, our members. We exist solely to provide you with safe, reliable and affordable electricity. Along with 13 other electric cooperatives in Pennsylvania and New Jersey, we make up the Pennsylvania Rural Electric Association (PREA). Formed in 1942, PREA provides services, including communications, training and education, and government relations, for all 14 member cooperatives.

Our power supply is also purchased cooperatively. In 1946, PREA's member cooperatives formed Allegheny Electric Cooperative, Inc. (Allegheny) as an avenue to ensure a dependable cost-effective supply of energy for our members. Through Allegheny, all 14 member cooperatives are able to meet our energy needs much more efficiently and economically than if we attempted to do it individually.

Our power supply portfolio is very diverse and cost-competitive. Allegheny provides our energy through a variety of sources, including ownership of the Raystown Hydroelectric Project in Huntingdon County and a 10 percent ownership share of the Susquehanna Steam Electric Station nuclear plant in Luzerne County. Allegheny also has long-term agreements for hydroelectric power with the New York Power Authority, and continuously monitors the wholesale market for the most competitive pricing for the remainder of cooperative needs.

The end result is that we have one of the lowest and most stable wholesale generation rates in the region. This is impressive given that Pennsylvania is a retail-competitive state. Over the years, you may have heard about “retail choice” — an initiative to bring competitive elec-

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**FROM THE GENERAL MANAGER**

*(continued from page 12a)*

tric generation suppliers (EGSs) to the market in Pennsylvania. For 15 years, electric cooperative members were potential targets for these suppliers, and we hoped that competition would result in even lower rates for our members. However, since retail choice was established, none — I repeat, not one — of these suppliers ever expressed a desire to enter Bedford Rural Electric’s service territory.

The reason for this is simple: our highly competitive and stable cooperative generation rates mean there is no incentive for EGSs to market to cooperative members. They just can’t make any money in our sparsely populated, rural areas. Does this sound familiar? Well, it should! History does repeat itself, echoing the very reason electric cooperatives were formed in the first place.

The Pennsylvania General Assembly understood this, and eventually removed cooperatives from the burdensome financial requirements associated with retail choice. It truly recognizes the effectiveness of the cooperative business model — a model that shows how a locally owned, not-for-profit cooperative, run by the members it serves, can consistently serve the best interests of the members.

After 80 years of successfully fulfill-



**ELECTION RESULTS:** Bedford REC Manager Brooks Shoemaker, right, congratulates newly re-elected board members from left: Howard Atkinson, Don Hoenstine and Wayne Hillegass.

ing the early promise of that executive order, it’s nice to be part of one of the greatest success stories in American history. Happy anniversary, and rest assured everyone at Bedford Rural Electric Cooperative continues to work for you with one goal in mind — to deliver safe, reliable, and economical energy for the next 80 years!

**The numbers**

We enjoyed a banner year in 2014. Our sales were 254 million kilowatt-hours (kWhs) and operating revenues fell just shy of \$24 million. Both of these numbers represented an increase of more than 20 percent. Much of the 28 percent overall kWh sales increase is attributed to our largest commercial account.

In another item of good news, in this era of rising prices, we are very pleased that local operating expenses increased less than 4 percent in 2014. At the end of the year, we were able to generate margins (our “net profit”) of \$2,025,000. That included \$102,000 of interest income and \$508,000 in allocated, but not realized, margins from our wholesale power supplier, Allegheny Electric Cooperative, Inc.

Our annual December Christmas present to our members was a little sweeter this year, as we put more than \$1.6 million of returned capital credits back into your pockets. It was by far the largest capital credits retirement in the cooperative’s history. Over the past 34 years, your cooperative has returned \$13.45 million to the members — just one more advantage to being a cooperative member. Economic participation and regular capital credits refunds are hallmarks

*(continues on page 12d)*



**SCHOLARSHIP RECIPIENTS:** Bedford Rural Electric Cooperative presents scholarships to six high school seniors and one non-traditional student at the 2015 Bedford REC Annual Meeting. Recipients are, from left, Scott Collins, non-traditional; Hannah Miller, Brennon Miller, Nicole Clark, Joshua Wagner, Megan Anderson and Emily Sprigg.

## Bedford Rural Electric Cooperative, Inc. 2014 Members' Financial Report

### Balance Sheet

	December 31,	
	2014	2013
<b>ASSETS</b>		
Net Utility Plant	\$ 33,391,372	\$ 32,653,577
Equity in Associated Organizations	5,398,313	5,023,453
Cash and Temporary Investments	3,497,070	2,206,010
Accounts Receivable	1,357,101	1,646,849
Materials and Supplies	821,344	663,600
Other Assets	1,885,889	1,664,362
<b>TOTAL ASSETS</b>	<b>\$ 46,351,089</b>	<b>\$ 43,857,851</b>
 <b>LIABILITIES AND EQUITIES</b>		
Long-Term Debt	\$ 17,263,129	\$ 15,172,104
Consumer Deposits	771,118	870,592
Accounts Payable	1,933,146	1,845,711
Other Liabilities	1,310,846	1,277,527
Operating Reserves	258,707	258,707
Equities	254,074	249,152
Patronage Capital	24,560,069	24,184,058
<b>TOTAL LIABILITIES AND EQUITIES</b>	<b>\$ 46,351,089</b>	<b>\$ 43,857,851</b>

### Statements of Revenue and Patronage Capital

	Year Ended December 31,	
	2014	2013
<b>OPERATING REVENUES</b>	<b>\$ 23,897,634</b>	<b>\$ 20,087,983</b>
<b>OPERATING EXPENSES</b>		
Cost of Power	\$ 16,747,008	\$ 12,961,582
Distribution - Operation and Maintenance	2,205,850	2,099,662
Customer Service and Information	691,644	685,812
Administrative and General	1,124,909	1,068,802
Taxes	13,605	13,351
Depreciation	1,198,800	1,169,930
Interest on Debt	511,592	575,949
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 22,493,408</b>	<b>\$ 18,575,088</b>
<b>OTHER OPERATING INCOME</b>		
G & T and Other Capital Credits	\$ 540,657	\$ 368,523
<b>Net Operating Margins</b>	<b>\$ 1,944,883</b>	<b>\$ 1,881,418</b>
<b>Non - Operating Margins</b>	80,115	116,590
<b>NET MARGINS</b>	<b>\$ 2,024,998</b>	<b>\$ 1,998,008</b>
<b>PATRONAGE CAPITAL</b> , Beginning of the Year	24,184,058	23,035,037
<b>PATRONAGE CAPITAL</b> , Before Capital Credit Retirement	26,209,056	25,033,045
<b>CAPITAL CREDIT RETIREMENT</b>	1,648,987	848,987
<b>PATRONAGE CAPITAL</b> , End of the Year	<b>\$ 24,560,069</b>	<b>\$ 24,184,058</b>

Buffamante Whipple Buttafaro, Professional Corporation, P.O. Box 849; Jamestown,  
New York 14702-0849, audited the Cooperative's accounts and records for  
calendar years 2014 and 2013. A complete copy of their report is available for  
inspection at Bedford Rural Electric Cooperative, Inc.'s office in Bedford, PA.

**FROM THE GENERAL MANAGER**

*(continued from page 12b)*

of the cooperative business model. The cooperative's board demonstrates that annually, and strongly believes in that philosophy. The board anticipates, if our financial condition remains strong, similar retirements in both 2015 and 2016.

From an operational standpoint, 2014 was another busy year. Eighty-two new services and several major line rehabilitation projects dominated the year. For the most part, this includes replacing poles and wire from the late 1940s, 1950s, and early 1960s with new poles and conductor. Some of the larger projects included a 3.3-mile project on Route 915, a 1-mile project in the Cedar Grove area, a 2-mile project on Route 30 east of Breezewood, and our biggest, most visible project of the year, a 4.3-mile, ongoing rehabilitation on Route 30 between Everett and Breezewood that combines separate distribution and cross-country transmission circuits onto a single set of poles adjacent to the highway. Together, these projects, along with other smaller line replacements and extensions, cost over \$1.5 million.

We also continued the second phase of our AMI (Advanced Meter Infrastructure) program by replacing the load control receivers (LCRs) that many of you have had in your homes since the 1980s. We use the system to control water heaters and heating systems to help keep our power costs down during peak periods. This has been for several years, and will continue to be, a monumental project. It has been difficult, with today's busy schedules, to set up appointments for our

men to come into your homes and change the equipment. We continue to ask for your cooperation during this process. To date, we have replaced 1,800 of the 2,500 LCRs on the system. New or old, these

units have saved us millions of dollars in the last 25 years. We would not enjoy today's low rates without them. So, please be as accommodating as possible during the process. It will benefit everyone. ☀

**Energy Efficiency  
Tip of the Month**



Summer is right around the corner! Have you changed your home's air filter? Filters get loaded with more and more particles as they do their job. This actually has the effect of making them more efficient, but it also increases resistance and reduces airflow. Remember to check filters once a month.

*Source: EnergySavers.gov*

**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 ...**

Adam Claycomb .....	Week of May 4 .....	635-3376
Gary Lafferty .....	Week of May 11 .....	842-9925
Troy Mock .....	Week of May 18 .....	276-9759
Greg Miller .....	Week of May 25 .....	839-0037
Al Hileman .....	Week of June 1 .....	766-9971

**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. You may receive a busy signal, or in certain cases your call may go unanswered. This occurs in after-hours outages when the office is not fully staffed. Please be patient, and try again in a few minutes.*

**OFFICE CLOSING**  
Bedford REC's office will be closed on Monday, May 25, 2015, in observance of Memorial Day.