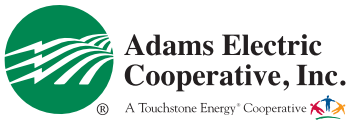


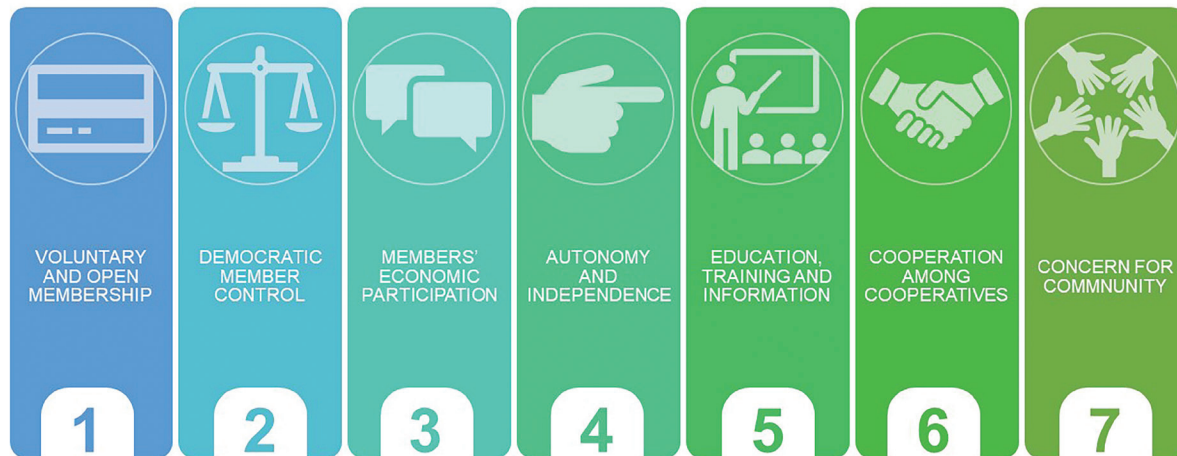
IT'S ALL ABOUT
ME
 MEMBER
 ENGAGEMENT



2022 ANNUAL REPORT



7 Cooperative Principles



It's All About OUR MISSION

PROVIDE SAFE, RELIABLE POWER AT COMPETITIVE RATES AND IMPROVE THE QUALITY OF LIFE IN THE COMMUNITIES WE SERVE.

Voluntary and Open Membership: Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

Democratic Member Control: Cooperatives are democratic organizations that actively participate in setting policies and making decisions.

Elected representatives are accountable to the membership. Members have equal voting rights (one member, one vote).

Members' Economic Participation: Members contribute equally to the capital of the cooperative. This benefits members in proportion to the business they conduct with the cooperative, rather than on the capital they invest.

Autonomy and Independence: Cooperatives are autonomous, self-help organizations controlled

by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control as well as their unique identity.

Education, Training and Information: Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. Cooperatives also inform the general public about the benefits of cooperatives.

Cooperation Among Cooperatives: Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.

Concern for Community: While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.



In 1940, rural residents banded together to form Adams Electric Cooperative and became the first members of our now 83-year-old organization. It's not lost on us that members are the reason we exist. In fact, our members – you! – are a top priority in all our decision making. We hope when you think of your co-op, aside from the reliable electricity it provides, you remember, it's all about ME!

The cooperative focuses not just on ME as in our membership, but also, M.E., as in member engagement. In 2022, the co-op worked to engage with our membership more than ever, including the

creation of new Member Engagement Group. Learn more about the new volunteer group within the pages of this 2022 Annual Report.

Adams continued to put its members first by returning money to your pockets. In February 2023, the cooperative's board of directors approved a return of \$2.4 million in Ownership Rewards (capital credits) to current and former members. This brings the total of Ownership Rewards returned to more than \$52 million. Adams Electric operates on an at-cost basis and values the importance of returning excess profits to the membership.

Last year brought difficult decisions as well, as the cooperative faced its first significant rate increase in years. Most of the increase is due to rising energy supply costs that the cooperative must pay to its generation and transmission cooperative, Allegheny Electric Cooperative, Inc. Though these costs are passed through to the membership, the Adams' board and staff worked with its statewide organization to limit the total kilowatt hour (kWh) charge increase to as little as possible for the membership. This annual report includes additional information about this rate increase.

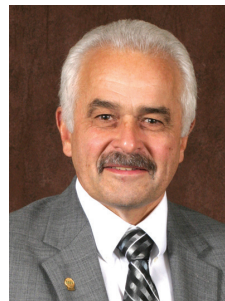
The concept "It's All About M.E.," includes creating new and more convenient ways for the membership to talk with co-op employees, sign up for membership and pay their bills. Launching payment kiosks and electronic signature membership applications allowed members to more easily work with the co-op to manage their accounts.

Delivering safe and reliable power to our membership is a top priority at the cooperative. While 2022 saw a late December windstorm that qualified as one of the top five worst days for the cooperative, co-op employees were able to restore power to all members within 24 hours. Part of that, in thanks, is due to preventive maintenance programs the co-op has in place, such as vegetation management and pole inspections.

The 2022 Annual Report includes details about the past year at Adams Electric – but we hope it also goes to show you, "It's All About M.E. (member engagement)."

Cooperatively,

STEVE RASMUSSEN
CEO/
General Manager



GLENN E. BANGE
Board
President



LEADERSHIP

Board of DIRECTORS

Adams Electric is guided by a board of nine directors, elected by the membership, to serve three-year terms. For the purpose of electing these directors, and to ensure that all areas of the co-op's service territory are well represented, the cooperative is divided into nine zones. Although each director is a member of his or her zone, the entire co-op membership votes directors into office through an election process in the spring.



Glenn Bange
Hanover
President
2005
Zone 3



Nadine Hubner
Felton
Vice President
2013
Zone 6



Thomas "Tom" Knaub
Wellsville
Treasurer
1999
Zone 4



Dale Myers
Glenville
Secretary
2018
Zone 5



F.L. "Ray" Schwartz
Fairfield
2006
Zone 1



Jay Herman
Aspers
2019
Zone 2



Jay Grove
Shippensburg
1992
Zone 7



S. Eugene "Gene" Herritt
Shippensburg
1985
Zone 8



David Frey
East Berlin
2021
Zone 9

Following the retirement of long-time outside



general legal counsel Sam Teeter, **Adam Boyer** of

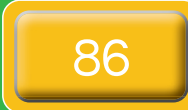
Barley Snyder was hired. In this role, he will be responsible for tasks including attending board meetings, minute taking as the recording secretary, board reorganization, counsel on governance according to co-op bylaws and policies, counsel for the community development fund, real estate and financing transactions, corporate compliance and filings, and attending legal seminars and workshops focusing on the cooperative and its practices.

It's All About SUPPORT



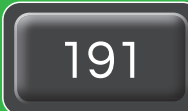
Co-op Owners for Political Action (Co-op Owners) is a group of members and employees who invest in legislators who support cooperatives. This non-partisan political action committee gives its participants the opportunity to have their voices heard on issues affecting their co-op and their communities.

2022



Number of employees, directors and their spouses contributing to ACRE

2022



Number of members who have voluntarily joined Co-op Owners

2022



Average amount members contribute on their monthly electric bill

LEADERSHIP



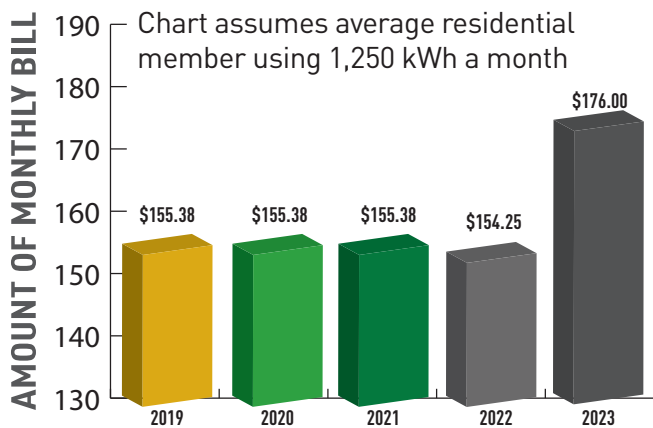
Rewards for OWNERS

One of the many benefits of being a member-owner of Adams Electric is the annual return of Ownership Rewards to members.

In 2023, Adams Electric refunded \$2.4 million in capital credits to its members. Referred to by the cooperative as Ownership Rewards, the figure has surpassed the \$52 million mark for total rewards returned to members in the last 60-plus years.

Ownership Rewards exist because Adams Electric is a not-for-profit electric cooperative. We don't have shareholders or investors who take a portion of the revenue we collect. We are owned by the people we serve. Therefore, we use whatever money we take in to provide electrical service and maintain a financial reserve to offset borrowing and keep rates low.

It's All About RATES

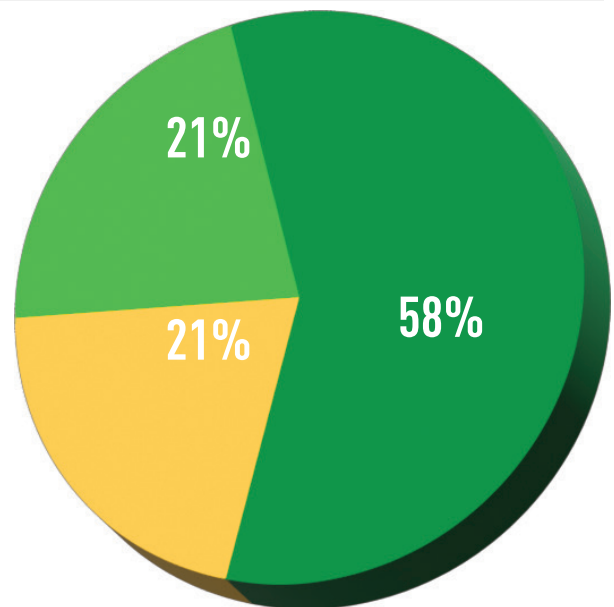


The cooperative instituted a rate increase in January 2023 after several years of not having a significant rate change. The main driver of the rate adjustment was an increase in the energy supply costs Adams Electric pays to our power supplier, Allegheny Electric Cooperative, Inc. These costs are passed through to the membership with no mark-up for profits. In addition, in 2023, the average residential member saw a slight increase to the distribution charge, the access charge and the removal of the wholesale power cost adjustment credit. The storm reserve charge was reduced in 2023.

Energy Charge: This per kWh charge represents combined charges of energy generation and transmission services. This charge is a pass-through cost that is paid to the cooperative's generation and transmission cooperative, Allegheny Electric Cooperative, Inc. Also includes the WPCA, (with this, the cooperative rebalances the prior year's billed amount by either returning or collecting additional money in the current year).

Access Charge: This fixed charge represents the amount to maintain distribution lines and keep equipment in place. It is included in bills whether electricity is used or not as this is the cost of the equipment needed to connect to your home.

Distribution Charge: This per kWh charge includes the costs of delivering electricity over the co-op's distribution system. This includes the storm reserve (a fund to collect money to cover costs associated with restoring service after a major storm).



RELIABILITY

Preventive Maintenance for RELIABILITY

Annually, Adams Electric surveys and inspects its power lines and utility poles for damage, decay, and reliability. These assessments are done through pole inspections, overhead aerial patrols performed by helicopter and drone, infrared scans, and a variety of other ways.

SKY-HIGH PATROLLING: Lead Lineman Craig Mummert prepares for takeoff during 2022 aerial patrols. A lineman familiar with the co-op's system flies with a licensed pilot to spot any trouble areas that may not be visible from the ground.



It's All About RELIABLE POWER

Adams Electric uses a mix of power sources to support its system needs. In 2022, these sources included nuclear, hydro, member renewable interconnections, and purchases from the market.



NUCLEAR
 (Susquehanna Steam Electric Station)

54.8%



HYDRO
 (Raystown Hydroelectric Project and New York Power Authority)

10.0%



MEMBER INTERCONNECTIONS
 (293 total)

0.1%



MARKET PURCHASES*
 *includes purchases from available and cost-efficient sources of power: nuclear, coal, renewable, etc.

35.1%

It's All About \$AVING

Adams Electric's demand management program, U-Shift, U-\$ave, asks members to volunteer to have a U-Shift switch installed on their water heater, AC unit or separate subpanel that can be interrupted by the cooperative during times of peak demand. In return, program participants receive a bill credit or reduced rate, depending on their program participation. Additionally, members who install a Level II Electric Vehicle charger and connect it to a U-Shift separate subpanel are eligible to receive a one-time **\$300 bill credit**.

In 2022, this voluntary U-Shift program saved Adams over **\$990,000** in avoided power purchases, bringing our total savings since the inception of the program to more than **\$26 million**.

RELIABILITY



Progress Through IMPROVEMENTS

Adams Electric continually works to improve its electrical system to prevent equipment failures and help reduce outage times. Major improvement projects for system reliability in 2022 included:

Gettysburg District: Crews relocated a main feeder in Orrtanna to along Mount Carmel Road. The feeder is the longest on Adams Electric's system. Relocation of the line increases reliability for a large number of members on this section of line.

Shippensburg District: 1.7 miles of three-phase overhead conductor on Neil Road was upgraded to a larger conductor which will increase capacity in this area, reduce voltage drop, and allow for increased backfeeding capabilities.

York District: One-half mile of cross-county conductor was moved along Locust Road and a third-phase was added allowing the cooperative



to balance load, and increase reliability for members receiving power from this feeder. Additionally, in the York District, one-third mile of new line was constructed along Daron and Chestnut Grove roads, allowing the cooperative to retire an aging section of cross-county overhead conductor.

Switches Installed



7,289

Water Heater



917

Air Conditioning



1,158

Separate Subpanels



42

Level II EV Chargers

MEMBERS

Helping MEMBERS

Adams Electric's member assistance fund, administered by the Adams County Community Foundation, provides limited funding – payable through agencies throughout the service territory – to those who need help paying their electric bills.

In 2022, the co-op distributed nearly **\$32,000** of Project Helping Hand funds to **assist nearly 127 members** who were having trouble paying their electric bills. An additional **200 members received funds of over \$36,000**, which helped bring delinquent accounts current through the cooperative's escheats fund (unclaimed Ownership Rewards). In 2022

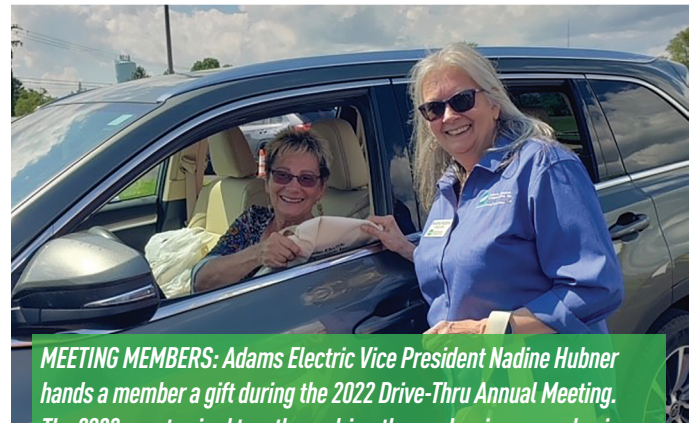


and 2023, the cooperative revised its assistance policy to increase the amount of help allowed per membership and the income stipulations to allow more members to receive help.

In 2022, approximately **\$78,000** was added to the fund from:

- Members participating in Operation Round-Up
- Ownership Rewards donations
- Board and employee donations
- Cooperative fundraisers

Meeting TOGETHER



MEETING MEMBERS: Adams Electric Vice President Nadine Hubner hands a member a gift during the 2022 Drive-Thru Annual Meeting. The 2022 event paired together a drive-thru and an in-person business meeting allowing the co-op's members to engage with us in their preferred way! Over 700 memberships and 1,390 members visited cooperative staff at one of its three office locations during the event.

It's All About CONVENIENCE

The front office of the Gettysburg District officially closed June 30, 2022, and reopened within the co-op's headquarters building on July 6, 2022. This required the co-op to relocate the two-person member services team from that building. Member appointments continue to be scheduled in the new location, a building that has been in use since 1996. During COVID-19 the cooperative moved to appointment-only member visits. From June 2020 to April 2022, there were **650 appointments made by members**, divided among the three offices. The majority of appointments were for payments (which are now processed mostly through our office kiosks) and processing of membership paperwork (which has now migrated mostly to electronic signature).

MEMBERS



It's All About VOLUNTEERS

The Credentials and Election Committee is an independent body of co-op members who oversee the director election process. The committee meets each year to certify petitions of candidates running for seats on the co-op's board of directors and to certify votes cast in the general election. A term is one year.

2023 Credentials and Election Committee

| | | |
|---------------|---------------|-------------------|
| Charles Adler | Judy Hamm | Jim Morhaleck |
| Zach Boyer | Robert Hudson | Jim Myers |
| Lori Cutshall | Carr Marks | Earl Parshall |
| John Davis | Mike McGough | Jennifer Stefanik |

The Scholarship Committee is made up of nine Adams Electric volunteers. The committee selects recipients of Adams Electric scholarships from undergraduate applicants and winners of the co-op's adult scholarships. A term is three years.

2023 Scholarship Committee

| | | |
|-----------------|----------------|-----------------|
| Judy Hamm | Enid Morhaleck | Milford Roush |
| Elizabeth Lynch | Theresa Myers | Curtis Wolfe |
| Peggy Magaldi | Earl Parshall | Arthur Yingling |

It's All About MEMBER ENGAGEMENT

In 2022, the cooperative created the **Member Engagement Group (MEG)**, as a revision to our previously named Member Advisory Committee. The new MEG allows the cooperative to engage a larger pool of our membership (all members who have signed up as volunteers are invited to the annual group event). At the inaugural event in October 2022, nearly 100 member-volunteers, Co-op Owner members, board members, and employees gathered to discuss upcoming co-op changes and events.



INNOVATION

It's All About INFORMATION

Manage your bill.
View your use.



Adams Electric members can opt-in to receive email, text, or push notifications with account information through the member's SmartHub account. Over 28,000 Adams

Electric members have SmartHub accounts and can manage their accounts electronically.

Available notifications include billing and account information, outage restoration updates, U-Shift,

U-\$ave notifications, energy-efficient newsletters and more. Over 7,000 members have signed up to receive account updates electronically.

Securing Co-op EQUIPMENT

The cooperative continues to monitor current trends and focuses on keeping the electrical system safe – including from cyberattacks. On average, the co-op blocks over 2 million cyberattacks a month, preventing the breach of cooperative equipment.



By the NUMBERS

28,826

Ebill/SmartHub Accounts

7,360

App Notifications

27,348

Bill Available Email

539

Power Outage Email

956

Bill Available Text

410

Power Outage Text

INNOVATION



Advancing with the TIMES

Payment Kiosks: In 2022, Adams Electric introduced on-site payment kiosks as an option for members to pay their electric bill. Each office is equipped with a self-use payment kiosk. Since bringing kiosks online, over 725 transactions have been made.

E-Sign: In 2022, Adams launched an electronic membership application process for new members to join the cooperative electronically. Since E-Sign has launched, over 70% of new members have opted to use the electronic signature service.



Number of transactions made since bringing payment kiosks on-site.

E-SIGN



Percentage of new members using E-Sign.



COMMUNITY

Improving Quality of LIFE

The cooperative's mission statement includes more than providing safe, reliable power – it also seeks to improve the quality of life in the communities it serves. One way Adams works to improve lives is through donations. In 2022, the cooperative supported more than 200 community organizations.



Number of community organizations supported through direct donations from Adams in 2022

SUPPORT FOR SCHOOL: Scholarship Committee Board Liaison Nadine Hubner presents scholarship certificates to undergraduate and adult recipients at the co-op's Member Engagement Meeting in October.



Supporting Community ORGANIZATIONS

Adams Electric Cooperative was honored to be able to assist the Pleasant Hall community in Letterkenny Township, Franklin County, by donating funds for the purchase of two Milwaukee battery-operated chainsaws for the Pleasant Hall Volunteer Fire Department.



It's All About EDUCATION

Adams Electric awarded 48 scholarships to high school, undergraduate and adult learners continuing their education in 2022. Cooperative members and their children are eligible for this \$1,000 scholarship opportunity administered by the Adams County Community Foundation. The cooperative's volunteer Scholarship Committee selects recipients of the undergraduate and adult programs. *Scholarships are funded by unclaimed Ownership Rewards and do not affect rates.



It's All About EMPLOYEES

Adams Electric's **74 employees** work day in and day out to provide reliable and safe electric service to **34,000 members** across our five-county service territory.

Eric Altice
 Wes Ashton
 Shane Atherton
 Brandon Beard
 Vic Brammann
 Mickey Brandt
 Mike Chamberlin
 Morgan Chamberlin
 Jim Chiaruttini
 Michele Colyer
 Mark Cramer
 Kevin Dehoff
 Shawn Dehoff
 Georgie Drowsky
 Michelle Druck-Mitchell
 Mike Feathers
 Jon Fetter
 Sarah Frank
 Greg Gamble
 Ryan Gelnett
 Chris Gilbertson
 Guy Gorman
 Wes Graham
 Karen Harner
 Dru Hartman

Mike Hawbaker
 Jayme Hawn
 Stacey Haynes
 Ty Hensley
 Gary Hodges
 Jordan Hoke
 Heather Holt
 Penny Hoover
 Mike Johnson
 Lori Kemper
 Cecil Knotts
 Cortney Knotts
 Andrew Koser
 April Krumrine
 Kornell Kuntz
 Andrew Kuykendall
 Dan Leonard
 Tony McCauslin
 Jenn McCleaf
 Mike McKinney
 Tom McMaster
 Meredith Miller
 Tyler Miller
 Kennedy Muchimba
 Andrew Mummert

Craig Mummert
 Sheila Neil
 Kami Noel
 Mitch Orchowski
 Steve Rasmussen
 Travis Rawlings
 Max Rinehart
 Tasha Sanders
 Brian Shearer
 Kyle Smith
 Tony Spangler
 Jason Stanley
 Noah Staub
 Jacob Strausbaugh
 Wyatt Taughinbaugh
 Brooke Thoman
 Chad Thoman
 Dina Topper
 Jeff Turner
 Brad Varner
 Adam Waldron
 Josh Wayne
 Lisa Willet
 Rebecca Witherow

FINANCIALS

CONSOLIDATED STATEMENTS OF OPERATION

| OPERATING REVENUES | 2022 | 2021 | \$ CHANGE | % CHANGE |
|---------------------------------|---------------------|---------------------|--------------------|-------------|
| Electric Sales Revenue | \$69,130,931 | \$67,131,533 | \$1,999,398 | 3.0% |
| Other Electric Revenue | 1,394,505 | 1,331,643 | 62,862 | 4.7% |
| Total Operating Revenues | \$70,525,436 | \$68,463,176 | \$2,062,260 | 3.0% |

| OPERATING EXPENSES | 2022 | 2021 | \$ CHANGE | % CHANGE |
|---------------------------------|---------------------|---------------------|--------------------|-------------|
| Energy Supply | \$36,870,017 | \$35,595,822 | \$1,274,195 | 3.6% |
| Variable Expense | 16,441,250 | 16,691,573 | (250,323) | -1.5% |
| Depreciation | 6,134,824 | 5,877,065 | 257,759 | 4.4% |
| Interest On Long-Term Debt | 4,562,689 | 4,561,250 | 1,439 | 0.0% |
| Total Operating Expenses | \$64,008,780 | \$62,725,710 | \$1,283,070 | 2.0% |

| MARGINS | 2022 | 2021 | \$ CHANGE | % CHANGE |
|----------------------|---------------------|---------------------|----------------------|---------------|
| Operating Margin | \$6,516,656 | \$5,737,466 | \$779,190 | 13.6% |
| Non-Operating Margin | 5,053,699 | 7,906,185 | (2,852,486) | -36.1% |
| Total Margins | \$11,570,355 | \$13,643,651 | \$(2,073,296) | -15.2% |

CONSOLIDATED BALANCE SHEETS

| ASSETS | 2022 | 2021 | \$ CHANGE | % CHANGE |
|---------------------------------|----------------------|----------------------|---------------------|-------------|
| Net Utility Plant Investments | \$176,989,508 | \$169,697,808 | \$7,291,700 | 4.3% |
| Other Long-Term Investments | 36,696,444 | 32,526,084 | 4,170,360 | 12.8% |
| Cash & Temporary Investments | 2,976,643 | 3,328,884 | (352,241) | -10.6% |
| Accounts Receivable | 9,144,925 | 7,406,429 | 1,738,496 | 23.5% |
| Material & Supply Inventories | 3,119,170 | 2,263,824 | 855,346 | 37.8% |
| Other Assets & Deferred Charges | 3,696,772 | 4,355,282 | (658,510) | -15.1% |
| Total Assets | \$232,623,462 | \$219,578,311 | \$13,045,151 | 5.9% |

| LIABILITIES & EQUITIES | 2022 | 2021 | \$ CHANGE | % CHANGE |
|---|----------------------|----------------------|---------------------|-------------|
| Long-Term Loans | \$115,454,860 | \$114,169,773 | \$1,285,087 | 1.1% |
| Line Of Credit | 3,200,000 | 2,634,830 | 565,170 | 21.4% |
| Member Credit Deposits | 949,942 | 923,827 | 26,115 | 2.8% |
| Major Storm Reserves | 2,500,258 | 2,096,819 | 403,439 | 19.2% |
| Accounts Payable | 5,937,325 | 5,084,734 | 852,591 | 16.8% |
| Other Liabilities & Deferred Credits | 9,744,989 | 9,369,832 | 375,157 | 4.0% |
| Member Equities | 94,836,088 | 85,298,496 | 9,537,592 | 11.2% |
| Total Liabilities & Equities | \$232,623,462 | \$219,578,311 | \$13,045,151 | 5.9% |

FINANCIALS



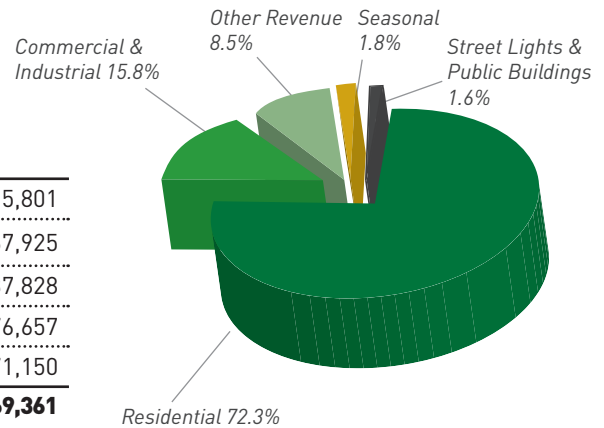
CONSOLIDATED STATEMENTS OF MEMBER OWNERSHIP REWARDS & EQUITIES

| BREAKOUT OF MEMBER EQUITY | 2022 | 2021 | \$ CHANGE | % CHANGE |
|------------------------------------|---------------------|---------------------|--------------------|--------------|
| Pre-Retirement Ownership Rewards | \$89,306,578 | \$80,151,229 | \$9,155,349 | 11.4% |
| Retired Ownership Rewards | [2,122,978] | [2,031,129] | [91,849] | 4.5% |
| Year-End Ownership Rewards | \$87,183,600 | \$78,120,100 | \$9,063,500 | 11.6% |
| Other Equities | 7,186,883 | 6,694,061 | 492,822 | 7.4% |
| Ownership Rewards & Other Equities | \$94,370,483 | \$84,814,161 | \$9,556,322 | 11.3% |
| Refundable Memberships | 465,605 | 484,335 | [18,730] | -3.9% |
| Total Member Equity | \$94,836,088 | \$85,298,496 | \$9,537,592 | 11.2% |

SOURCES OF REVENUE

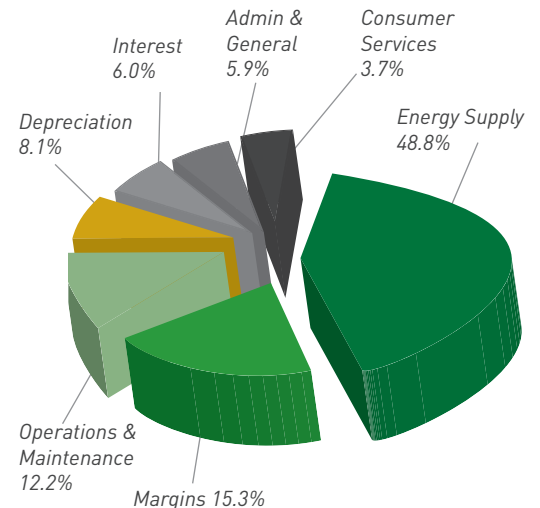
| SOURCE | 2022 | | 2021 | |
|----------------------------------|-------|---------------------|-------|---------------------|
| Residential | 72.3% | 54,652,125 | 69.7% | 53,215,801 |
| Commercial & Industrial | 15.8% | 11,908,038 | 14.8% | 11,267,925 |
| Other Revenue* | 8.5% | 6,448,204 | 12.1% | 9,237,828 |
| Seasonal | 1.8% | 1,394,003 | 1.8% | 1,376,657 |
| Street Lights & Public Buildings | 1.6% | 1,176,765 | 1.7% | 1,271,150 |
| Total | | \$75,579,135 | | \$76,369,361 |

*Other revenue includes non-operating margin and other revenues



USES OF REVENUE

| SOURCE | 2022 | | 2021 | |
|--------------------------|-------|---------------------|-------|---------------------|
| Energy Supply | 48.8% | 36,870,017 | 46.6% | 35,595,822 |
| Margins | 15.3% | 11,570,355 | 17.9% | 13,643,651 |
| Operations & Maintenance | 12.2% | 9,220,135 | 11.8% | 8,994,522 |
| Depreciation | 8.1% | 6,134,824 | 7.7% | 5,877,065 |
| Interest | 6.0% | 4,562,689 | 6.0% | 4,561,250 |
| Admin & General | 5.9% | 4,457,774 | 5.7% | 4,337,546 |
| Consumer Services | 3.7% | 2,763,341 | 4.4% | 3,359,505 |
| Total | | \$75,579,135 | | \$76,369,361 |



Complete audited financial statements are available from Adams Electric Cooperative, Inc.'s headquarters. The independent audit of the 2021 and 2022 financial statements was compiled by the certified public accounting firm of Adams, Jenkins & Cheatham, Midlothian, Va.

IT'S ALL ABOUT



20 ANNUAL 22 REPORT

Adams Electric Cooperative

Headquarters/ Gettysburg District: 1338 Biglerville Road, Gettysburg

Shippensburg District: 10 Duncan Road, Shippensburg

York District: 200 Trinity Road, York

Contact Us: 1-800-726-2324 adamsec.coop



**Adams Electric
Cooperative, Inc.**

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