



# 2023 ANNUAL MEETING Booklet

Upshur Rural Electric Cooperative, Inc.



*Welcome from*  
**Frankie B. King**  
President, URECC Board of Directors



**W**elcome to the 86th Annual Meeting of Upshur Rural Electric Cooperative Corporation. The information in this annual report covers the Cooperative's operations for 2022. From its humble beginnings, the mission of Upshur Rural has been to make reliable electric energy available to its members at the lowest cost, consistent with a sound economy and good management. Today, 86 years later, our mission remains the same.

The past three years have been the most tumultuous times I have seen while serving on this board. We have suffered through the interruptions to our personal lives and business routines caused by the pandemic. The consequence of less fuel diversity in our generation mix is witnessed by the retirement of thousands of gigawatts produced by low-cost coal. Rampant inflation has caused an increase in cost in every aspect of providing electricity to our members. I never imagined the cost of a kilowatt hour to our members would be 15 cents. At the same time, as a retired egg farmer, I never thought I would see eggs selling for almost 50 cents each. The fallout of such volatile times takes a toll on our physical, mental, and financial health. In order to keep the Co-Op ship afloat and upright in troubling times is a heavy lift and requires a lot of planning, hard work, dedication, and devotion to the mission from the Board of each employee of Upshur Rural. Your Board of Directors has several responsibilities, which, considered in their entirety, can be summed into "protecting the physical and financial assets of the Co-Op" so the Co-Op can fulfill its mission to the membership. Keeping those responsibilities in mind, the Board makes decisions and passes policies that may seem to some that we have no compassion or we are uncaring. Recently, the Deposit Policy and the Convenience Fee Policy have been questioned. However, having these two policies in place, our Co-Op has saved over \$500,000 in charge-offs and credit card fees.

In times like these, we must depend on our faith in God to see ourselves through uncertain times. We also look for and take comfort in things that have remained seemingly unchanged and steadfast. Your power is still on, Upshur's crews are still performing upgrades, maintaining our infrastructure, and connecting new services. We are still here, steadfast, and more determined than ever to carry out our mission statement; to provide our members with affordable, safe, and reliable energy. It is with great pleasure that the Board of Directors can report that Upshur Rural remains a very strong Co-Op when measured by growth, equity, cost of service, and the return of capital credits to our members.

During the past 86 years, change has been a part of Upshur's history. Upshur began in 1937 with less than 500 members and only a few miles of energized lines. We relied on the federal government for our capital needs and depended entirely on investor-owned utilities as a source of power to our members. Today, we are over 34,000 members strong with over 49,000 meters. The few miles of energized lines have grown to over 6,500 mile. We are no longer indebted to the federal government for our capital needs. We obtain our capital needs through a Cooperative owned bank.

Upshur Rural continues to invest in the future as we build new substations and upgrade others. We have several miles of new transmission lines either under construction or in the planning phase and will upgrade others. We have also embarked on a pole replacement effort across our entire system, and we continue to trim and mow right of ways. All this effort and expense is done in the name of "Reliable energy".

Your Board would like to thank the members of Upshur Rural for your continued support and the staff of Upshur Rural for their dedication and hard work. As your Board, we are committed to the continued success of our Cooperative and to our mission statement.

I encourage you to study the annual report and the important information therein. We invite you to call or come by the office if you have a question. Upshur Rural is here for you.

Yours very truly,



# A Letter to the members of URECC from CEO Robert A. Walker



## To the Membership,

To borrow a phrase from Paul Harvey – *"In times like these, it helps to recall that there have always been times like these."*

We stated that the previous one was a year of change just a year ago. A year later, it seems that a year of change has turned into two. On reflection, however, I think that it's not change at any one point in time but change that happens often and broadly across many aspects of life that catches the eye. These can be the changes that stay at the forefront in our minds. It's what we might call volatility.

Last October, we wrote a letter to the Membership alerting the volatility that we saw coming. Much of the concern was simply rooted in basic economics – it was not revelatory in nature. As a summary, we noted that natural gas prices were becoming unstable due to European policies to curb greenhouse gas emissions by simply ending production. This left a production hole in Europe. Into that supply vacuum, U.S. producers exported local production at a time when U.S. production was being curbed by government policy. Locally, gas prices see-sawed from the \$3.50 range to the \$5.50 range, some days exceeding \$6.00. These prices are compared to the \$2.50 to \$3.00 range just a short year ago. In much of the U.S., natural gas is the swing fuel for electric production.

We also noted a concern about coal plant retirements. This issue has been more costly in recent months than we imagined last October. The closure of Dolet Hills and Pirkey, which this Cooperative owns an interest in, has brought very high closing costs related to the burning of remaining fuel. While there are other longer-term closing costs left, nothing compared to the recent magnitude of the fuel costs we have seen.

Several times, it has been stated that the Winter Storm costs of 2021 would be spread out for years to come. Like nearly every energy provider in Texas, Upshur Rural Electric had to borrow significant funds to pay for the market gas and electricity purchased in those days. The prices we paid were multiples of times the cost of a normal day. Another cost of the Winter Storm, however, is market memory. A fearful memory that reared up in the power markets in January and February over concerns that the Texas grid would not handle the recent winter storms. The fears did not play out, just as most fears do not. But it allowed the gas and power markets to become volatile every time a looming weather report appeared. The power prices trended upward and downward with the volatility on any given day.

There were many other things we noted in the October letter that have and are still working through the business. For example, inflation effects generally are still very prevalent. Inflation is something everyone is feeling. From URECC's perspective, it shows up in fuel cost, steel, wood, and oil. In many cases, supply chains are also stretched to six and eight months. Labor and material prices have jumped 5% to 35% in the last eighteen months.

We see some light at the end of the proverbial tunnel. There is encouraging news that will take time to become apparent. The cost to retire Dolet Hills' fuel is complete. The cost to retire Pirkey's fuel will also be complete by this year's end. We have seen the natural gas markets settle in closer to our budgeted prices in recent weeks. These prices may be subject to current events in Europe and are worth watching. The Texas grid was able to stand up to the recent storms, and the memory should fade. Material supply timeframes are starting to relax.

There is more to the whole picture, for sure, but the volatility is starting to abate. In the end, energy prices will be higher than a few years ago. Costs to operate have risen at a staggering pace. However, the loss of volatility in the energy business would be a welcomed reprieve. So would the loss of government intervention – but we don't see that abating. Historic shifts to new resources while abandoning existing ones is creating an unprecedented shortage of electric supply. The U.S. may struggle for years with reliable and resilient power supply.

As always, there is more to do. We work diligently to control energy costs. We work tirelessly to improve the electric grid. And we strive to modernize our systems to meet the changes that keep rolling our way.

Best Regards,

Rob Walker  
CEO

A handwritten signature in dark ink, appearing to read 'Rob Walker'.

# 2023 Annual Meeting Details

The 2023 URECC Annual Meeting will be presented in video form this year. To view the Annual Meeting video presentation, you will need to go to the following web address and enter the password listed below.

**THE ANNUAL MEETING VIDEO WILL BE AVAILABLE BEGINNING April 6th.**

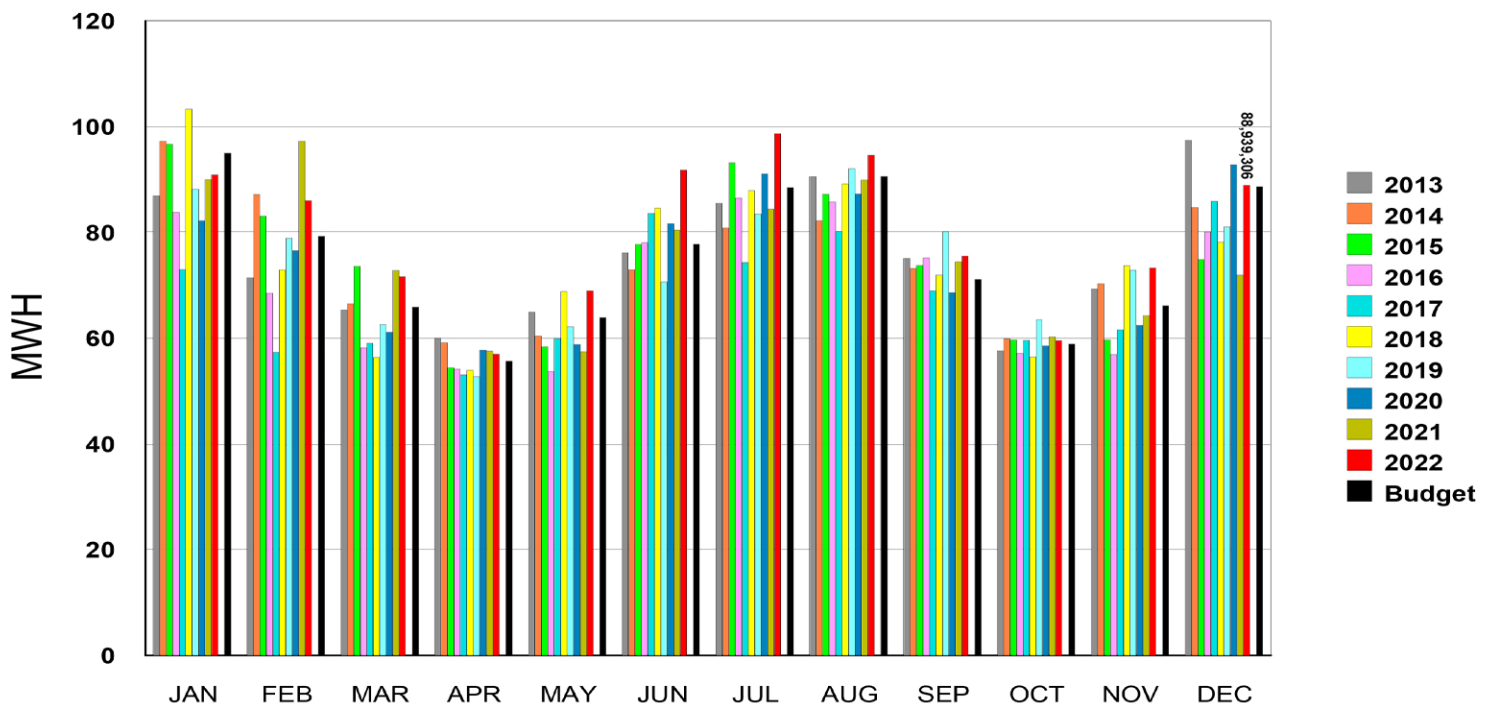
**<https://vimeo.com/urecc/2023AnnualMeeting>**  
**password: URECCMember**

You will be able to watch the entire Annual Meeting video at your leisure. By returning your URECC ballot you received earlier this year, you are an active participant in this year's Annual Meeting. The graphs and reports in the following pages will be included within the speeches in the video if you would like to follow along as the details are discussed.

Members may also participate in the annual meeting by submitting questions to our CEO and by registering for prizes to be awarded by drawing. You will find a form on the front address page you may detach and mail to URECC, or you may submit your question/drawing entry online at [URECC.coop/AnnualMeeting](http://URECC.coop/AnnualMeeting) by **March 22nd**.

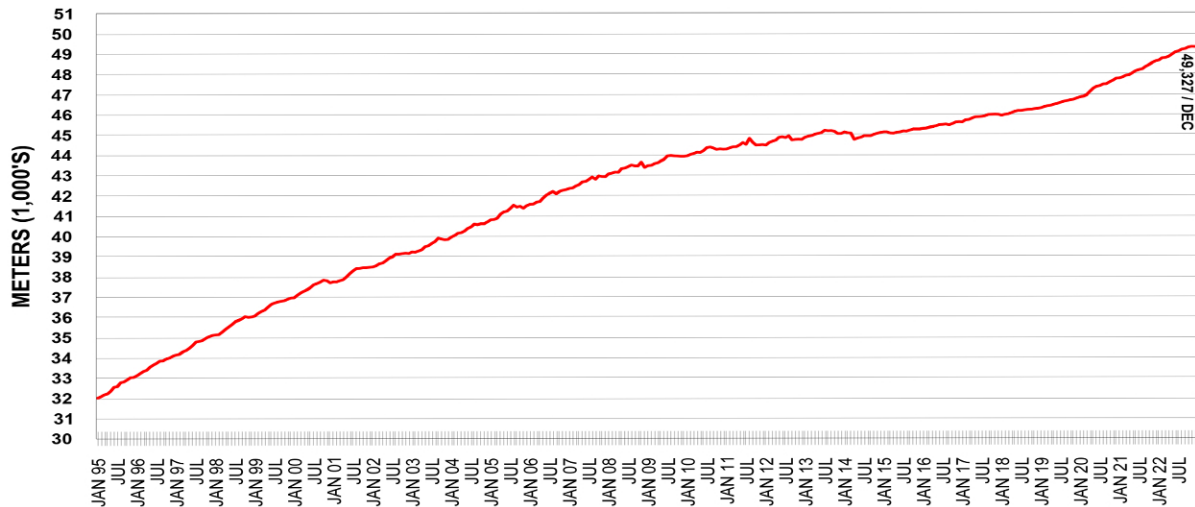
## 2022 kWh Sales

### UPSHUR RURAL ELECTRIC COOPERATIVE KWH SALES BY MONTH

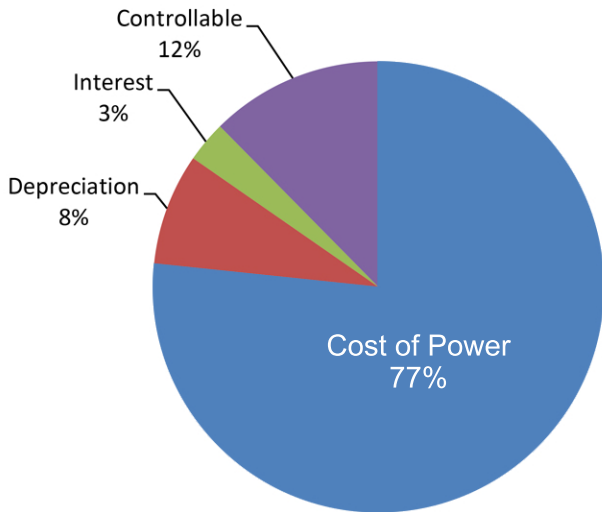




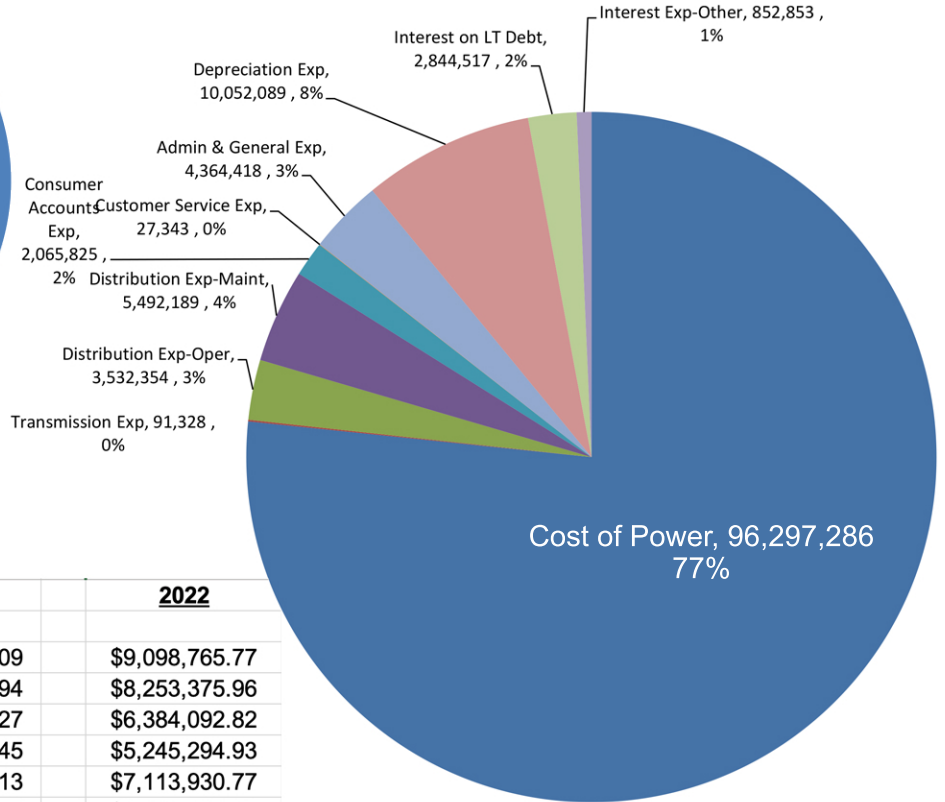
# UPSHUR RURAL ELECTRIC COOPERATIVE NUMBER OF METERS BY MONTH



## Controllable vs Fixed - 2022

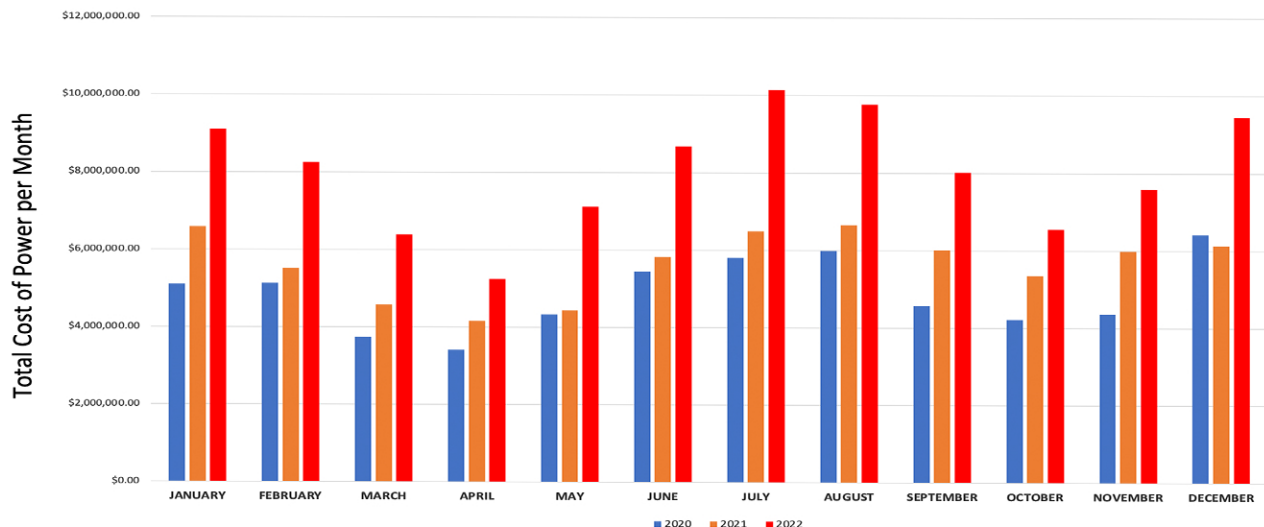


## Total Cost of Service - 2022



	2020	2021	2022	
JANUARY	\$5,100,302.21	\$6,590,503.09	\$9,098,765.77	
FEBRUARY	\$5,124,183.73	\$5,512,439.94	\$8,253,375.96	
MARCH	\$3,739,396.52	\$4,582,907.27	\$6,384,092.82	
APRIL	\$3,406,473.08	\$4,161,115.45	\$5,245,294.93	
MAY	\$4,336,807.37	\$4,429,200.13	\$7,113,930.77	
JUNE	\$5,441,327.47	\$5,814,934.04	\$8,678,413.24	
JULY	\$5,803,638.20	\$6,487,387.28	\$10,140,243.10	
AUGUST	\$5,989,479.68	\$6,659,356.82	\$9,774,389.46	
SEPTEMBER	\$4,579,904.08	\$6,016,366.93	\$8,013,458.82	
OCTOBER	\$4,222,107.86	\$5,356,287.41	\$6,553,569.48	
NOVEMBER	\$4,373,081.67	\$5,982,742.62	\$7,593,948.84	
DECEMBER	\$6,422,284.12	\$6,130,095.86	\$9,447,803.75	
<b>TOTAL</b>	<b>\$58,538,985.99</b>	<b>\$67,723,336.84</b>	<b>\$96,297,286.94</b>	
			<b>\$28,573,950.10</b>	<b>Increase in power cost \$</b>
			<b>42%</b>	<b>Increase over last year %</b>

## URECC Monthly Power Costs





*On the go and in control. Manage your account 24/7.*  
**Download the URECC SmartHub App today!**



**Secretary - Treasurer's Financial Report  
December 31, 2022**

**ASSETS - WHAT WE OWN**

NET UTILITY PLANT		\$	201,756,943
CURRENT & ACCRUED ASSETS			
Cash in Banks	\$	801,262	
Accounts Receivable	\$	15,252,628	
Materials & Supplies	\$	4,036,349	
Prepayments	\$	854,333	
Other Property & Investments	\$	39,388,721	
Other Current & Accrued Assets	\$	16,989	
Deferred Debits	\$	70,906	
TOTAL CURRENT AND ACCRUED ASSETS		\$	60,421,188
<b>TOTAL ASSETS</b>		\$	<b>262,178,131</b>

**LIABILITIES - WHAT WE OWE**

LONG-TERM OBLIGATION TO RUS	\$	-	
LONG-TERM OBLIGATION TO NRUCFC	\$	84,824,930	
TOTAL LONG-TERM DEBT		\$	84,824,930
ACCUMULATED PROVISIONS FOR			
Obligations Under Capital Leases-Non Current	\$	524,731	
Post-Retirement Benefits Other Than Pensions	\$	3,723,761	
		\$	4,248,492
CURRENT LIABILITIES & DEFERRED CREDITS			
Notes & Accounts Payable	\$	36,681,779	
Consumer Deposits	\$	3,510,118	
Other Accrued Liabilities	\$	6,086,468	
Deferred Credits	\$	804,668	
TOTAL CURRENT LIABILITIES AND DEFERRED CREDITS		\$	47,083,033
<b>TOTAL LIABILITIES</b>		\$	<b>136,156,455</b>

**EQUITIES**

Patronage Capital	\$	115,829,536	
Non-Operating Margins	\$	2,064,510	
Other Margins and Equities	\$	7,127,630	
<b>TOTAL EQUITIES</b>		\$	<b>126,021,676</b>
<b>TOTAL LIABILITIES AND EQUITIES</b>		\$	<b>262,178,131</b>

**To the Members of Upshur Rural Electric Cooperative**

At the time of the printing of this URECC Annual Meeting booklet, the audit of the balance sheet for the year ending December 31, 2022, had not been completed. The audit is being conducted by

Knucklols, Duvall, Hallom & Company, P.C  
Certified Public Accountants  
Marshall, Texas

The financial audit for the year 2022 will be completed by the Annual Meeting date of April 6, 2023. The audit statement will be available for active members of Upshur Rural Electric Cooperative Corporation upon request at the business offices of Upshur Rural Electric Cooperative.







### **The Upshur Rural Electric Cooperative Board of Directors**

Front Row, Left to Right: **Mr. Rex Youngblood** - *Asst. Secretary/Treasurer*,  
**Mr. Alan Branham** - *Vice President*, **Mr. Frankie B. King** - *President*  
Second Row, Left to Right: **Mr. J.P. Abernathy**, **Dr. Charles Whiteside**,  
**Mrs. Sherry Morgan** - *Treasurer/Secretary*, **Mr. Jonathan Hunt**,  
**Mr. Henry Jackson**, **Mr. Cody Newman**

**CEO - Robert A. Walker, Jr.**

**Certified Public Accountants - Knuckols, Duvall, Hallum & Company**

**Attorney - Nichols & Nichols, P.C.**

### **Upshur Rural Electric Cooperative Corporation**

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