

PRESIDENT'S REPORT



JOHN ROACH
President

Working Together for our Members

First of all, I hope everyone is doing well and having a good year. The last few years have been tough with Winter Storm Uri and the COVID pandemic. Both situations have left Texas' economy suffering from high inflation and continued supply chain issues. Through it all, Wharton County Electric Cooperative has always kept our priority on providing our members with reliable and economical electricity while maintaining superior service. WCEC focuses on strategic planning with the board and employees to seek new ways to provide better service and plan for the future.

I am pleased to say that due to the dedicated professionalism and knowledge of your Home Team at WCEC, the cooperative is financially sound and doing well. I feel that any challenges have been met with success and we have been able to adjust to changing times.

Looking to the future, the grid in Texas is changing. Here in our service territory, you can see an increase in solar panel and wind turbine construction. It's important to realize that while these power sources are renewable, they are also intermittent. If the wind doesn't blow and the sun doesn't shine, they do not produce power. More stable power sources such as natural gas plants rely on pipelines and tanker trucks to receive the fuel they need. This means the price of power fluctuates and reliability can suffer at times. Nuclear and coal generation plants are facilities that operate with their fuel source on site, always readily available.

As you can see, balancing what is best for the environment with what provides the most reliable power is a complicated issue. According to Real Clean Energy, many countries like Germany and Japan, are turning back to coal and nuclear power because they are more reliable and produce more power to supply their electric grids. While this may not be how Texas handles our situation, know that the board and employees of WCEC will work together to do all we can to represent our members' best interests.

I would personally like to thank my fellow board members and the employees of WCEC for a successful year and their dedication to moving the co-op into the future. We look forward to seeing everyone at the Annual Meeting of Members.

MANAGER'S REPORT



GARY RAYBON
General Manager/CEO

Happy Birthday, WCEC!

February 3, 2023, marked the 85th anniversary of the founding of Wharton County Electric Cooperative. On that day, a group of dedicated Wharton County citizens gathered together and formed what has grown into a vibrant and integral part of the communities that we serve.

Through good times and bad, WCEC has remained true to our mission of providing economical and reliable power for our member-owners. Our financial policy is to set rates that minimize margins (profits) but make just enough to keep our bankers happy. We continuously invest in improving and maintaining our power lines. Our oldest records show that in the co-op's early years, the average power cost for WCEC members was \$0.065/kWh. If you were to increase that \$0.065 for inflation, WCEC members would now be paying \$1.23/kWh rather than the average cost of power for 2022 which was \$0.112/kWh. As a non-profit organization, our members have over \$46 million in allocated equity in the co-op, and WCEC has paid back over \$6.1 million to our members.

In 2022, the average WCEC member experienced 2.9 hours of outages out of 8,760 total hours in the year. That means we kept the lights on an average of 99.96689% of the time. I have always said if the public knew how many things could go wrong out on the line, they would be surprised at how often the power is actually on. WCEC's extremely low outage hours are a result of the Board authorizing expenditures for maintenance and upgrades, and our line crew and engineering departments' tireless dedication to working for the betterment of the WCEC members.

After three years of weather-related declines, 2022 was a record-setting sales year for WCEC. Sales were up 12% compared to 2021 and up 14% compared to ten years ago. In 2022, we saw an increase in our wholesale power cost which was a direct result of nationwide spikes in fuel prices. We were able to somewhat mitigate these increases through our power supplier South Texas Electric Cooperative's diversified power portfolio, including natural gas, lignite, wind, solar, and hydro.

In closing, thank you for entrusting the Board of Directors, myself, and your WCEC Home Team with this unique organization. We never take this trust for granted. We live by the phrase, "Owned by those we serve."

And if you ever need me, please give me a call.