




TOGETHER WE...



**Adams Electric  
Cooperative, Inc.**

A Touchstone Energy® Cooperative 

2010 ANNUAL REPORT

## OUR MISSION

PROVIDE RELIABLE POWER,  
PROVIDE AFFORDABLE POWER AND  
IMPROVE THE QUALITY OF RURAL LIFE.

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**ON THE FRONT COVER:** Journeymen First Class Jerry Ford, left, and Jay Kroeze, of the Gettysburg District, refresh their climbing skills in the co-op's overhead line training yard.

**ON THE BACK COVER:** (1) Shippensburg District Lead Lineman Roy Reeder, right, and Journeyman First Class Jon Fetter, second from right, perform a hotline safety demonstration for a group of Pleasant Hall Fire Company volunteers.

(2) Steve Rasmussen, Adams Electric CEO/general manager, center right, hands an automated external defibrillator purchased with escheats money to Earl Stovall, board vice chairman for Camp Eder. Also pictured are Skip Strayer, aide to state Sen. Rich Alloway (Adams, Franklin and York), front left, and state Rep. Dan Moul, (R-Adams), and six Camp Eder staff and board members.

(3) Lynn Holt, manager of Administrative/Member Services, left, explains the co-op's accounting, billing, and information technology responsibilities to a group of Business Education Partnership students who spent a week at Adams Electric in April 2011.



**JAY GROVE**  
PRESIDENT OF THE BOARD



**STEVE RASMUSSEN**  
CEO/GENERAL MANAGER

## 'TOGETHER WE SAVE' REMINDS US OF SUCCESS

In 2010, the "Together We Save" campaign was launched across the nation by Touchstone Energy, the national brand for electric cooperatives. This program again reminded us that the word "Together" best describes what has led to success at Adams Electric ever since the first lines were energized in May 1941.

It took people working together to form Adams Electric in the first place. It has taken many more people striving together ever since to keep the cooperative operating over the last 70 years. Working together toward common goals breeds success, and we have plenty of evidence of that just looking back over the past year.

One of those success stories is our "price to compare" for residential rates. Members would use price to compare when shopping for another electric generation supplier — if another supplier were available.

Even though we don't have another supplier to serve our members, price to compare also helps us compare our rates with those of neighboring utilities. It lets members know what they are saving by being an Adams Electric member. We are not surprised to find that our prices to compare are lower.

Another success story over the past year came in the area of rates. In November, we passed a rate increase that was much smaller than originally anticipated — a result of working together with our power supplier, Allegheny Electric Cooperative, to hold the line on costs. It was also due to the savings realized by our load management program. That program lowers the use of electricity during times when the use of power is peaking on the regional power grid. Load management is another success story of members working together with Adams Electric to control costs when electric use peaks in the summer and winter. If you are not part of that program, please contact us to join and lower your electric bill.

Some people wonder about the difference between being a member and being a customer. That difference could not be more plainly displayed than when Adams Electric retires patronage capital at the end of each year.

In 2010, current and former members together shared in a patronage capital retirement of close to \$2 million. Retirements have exceeded \$1 million since 1994. Adams Electric has been retiring patronage capital for 37 years now.

The difference between co-ops and investor-owned utilities is that members together share in annual margins through patronage capital and even special bill credits.

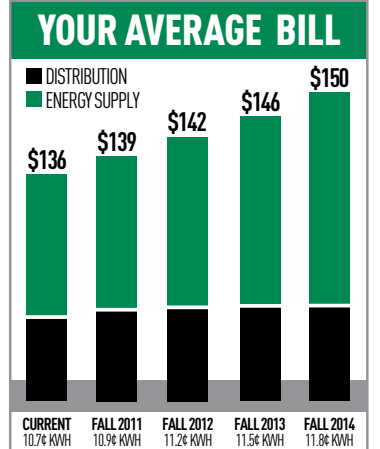
In November and December of last year, Allegheny Electric Cooperative experienced below budget wholesale power costs. It passed along those savings to its 14 electric cooperative owners in Pennsylvania and New Jersey, including Adams Electric. In turn, the Adams Electric board voted to pass along the savings to members as a special credit on the February 2011 bills. The board wanted to get the money back to members when they could use it the most.

When it comes to reliability, Adams Electric continues to take many positive steps together with its employees and vendors. The co-op has not cut back on clearing rights-of-way, checking poles, or patrolling overhead lines and equipment from the air. We will continue to do the important things to keep your power flowing. This includes upgrading equipment and software to better handle outages when they occur.

We are encouraged by what Adams Electric has accomplished by working together with its members, employees, local community leaders, legislators, and its state and national associated organizations over the last 70 years. Together we can face the challenges of tomorrow and together we can be assured that the successes will continue.

Jay Grove - President of the Board

Steve Rasmussen - CEO/General Manager



**RATES:** Focusing on the goal of keeping rates affordable, the co-op will meet the challenge of rising energy supply costs by phasing in any rate increases over several years, as needed.

# TOGETHER WE... **SAVE**

## CO-OP RETURNS NEARLY \$2 MILLION IN PATRONAGE CAPITAL

Adams Electric reinvested in its members in December 2010 when the co-op returned patronage capital credits to more than 36,000 current and former co-op members for the 37th consecutive year.

The 2010 retirement of \$1,966,000 raises the total amount returned to members to \$27.3 million.

The retirements have exceeded \$1 million each year since 1994. As a non-profit cooperative, Adams Electric uses patronage capital from its members to qualify for loans to upgrade and expand its electric distribution system.

As financial conditions permit, the co-op retires a portion of that patronage capital based on each member's electricity use.

To view a list of unclaimed patronage capital, visit [www.adamsec.coop](http://www.adamsec.coop).

## MEMBERS RECEIVE SPECIAL CREDIT ON BILLS

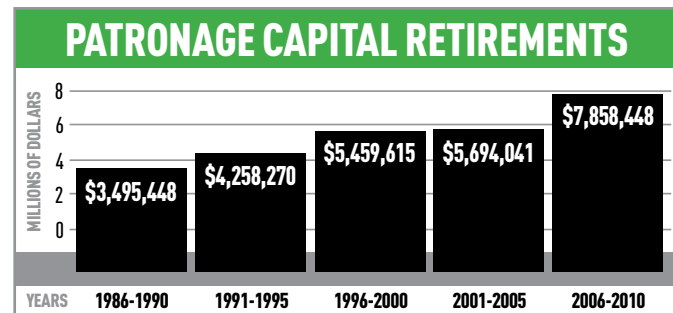
In January 2011, the Adams Electric board of directors approved passing along to co-op members a \$793,000 credit that the co-op received at the end of 2010 from Allegheny Electric Cooperative, its generation and transmission supplier.

The credit appeared on the February 2011 bills for all active member accounts. The amount was based on each member's electricity use during 2010. Credits ranged from just pennies per account up to \$9,800 for the largest electricity user. The average residential member saw a credit of about \$23.

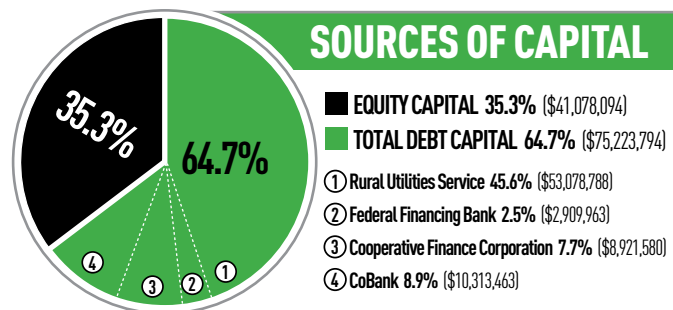
"Since Adams Electric is already in great financial shape, and electricity use has been high this past winter, the board decided to pass along the savings to our members," said Steve Rasmussen, Adams Electric CEO/general manager. "The board wanted to get the money back into members' hands when they could use it most."



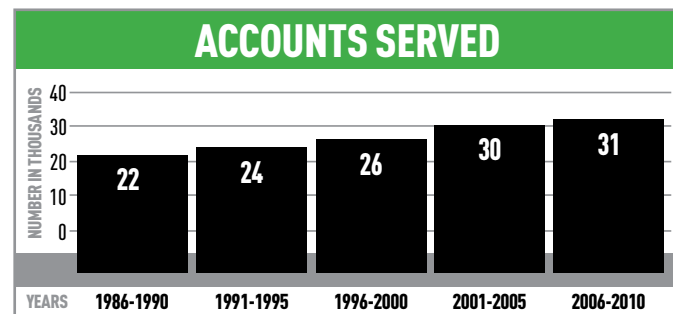
**SCHOLARSHIP WINNERS:** The cooperative uses unclaimed patronage capital to fund scholarships for high school seniors and adults. In August 2010, Gettysburg District adult scholarship winners were recognized by Director Tom Harbaugh, second from left. They are, from left: Diane Link, of Littlestown, who is working toward a bachelor's degree in health care administration online through Baker College; Amy Trout, of Gettysburg, who is earning a Pennsylvania Instructional Level I certification in secondary English at Wilson College; and Ursula Schreffler, of Dillsburg, who is earning a master of divinity degree and ordination at the Lutheran Theological Seminary in Gettysburg.



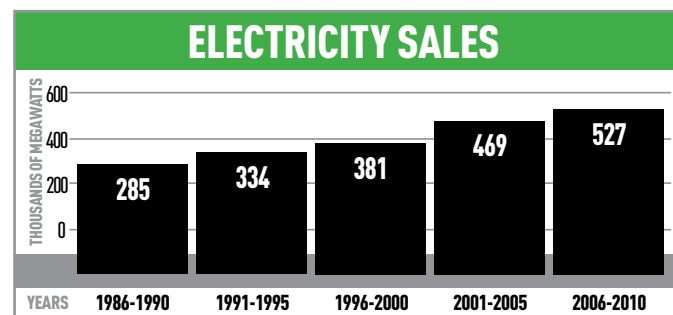
**RETIRED MARGINS:** Above is a chart showing the growth in patronage capital returns from 1986-2010 in 5-year increments.



**CAPITAL SOURCES:** Above is a chart showing the co-op's sources of capital at the end of 2010.



**MEMBER ACCOUNTS:** Above is a chart showing the number of member accounts the co-op has served between 1986 and 2010 in 5-year increments.



**ELECTRICITY SALES:** Above is a chart showing electricity sales by megawatt hours between 1986 and 2010 in 5-year increments.

# TOGETHER WE... **MAINTAIN**

## AERIAL PATROLS TAKE FLIGHT

In January 2011, the Co-op completed an aerial patrol of 815 miles of overhead lines. Only a few minor problems were reported.

Aerial patrol of co-op lines and equipment takes place each year, with each district getting a complete inspection by air once every three years. The other districts have critical lines checked at that time. The critical lines are defined as lines used in emergencies to backfeed power from other stations, enhancing restoration time during storms or other outages.

## IMPROVEMENT PROJECTS ABOUND

1. Fogelsanger and Smithdale roads, Shippensburg Borough, Cumberland and Franklin counties. Construction crews rebuilt 4.3 miles of three-phase line, connecting the Shippensburg Substation with the Pinola Substation to improve load transfer capabilities between stations.
2. Butter Road, Dover Township, York County. Co-op crews upgraded conductor along a 1.4-mile section of line, improving reliability and capacity in the area.
3. Shaffer's Church Road, Codorus Township, York County. Construction crews rebuilt 1.8 miles of three-phase line along Shaffer's Church Road, improving voltage and reliability in the area.
4. Dutton Road, Shrewsbury Township, York County. Construction crews rebuilt 1.3 miles of single-phase line near the Mason-Dixon Line, improving reliability and voltage conditions in the area.
5. Bollinger Road, Union Township, Adams County. Construction crews rebuilt 1.4 miles of single-phase line near Bollinger Road, south of Littlestown, improving reliability and voltage conditions in the area.

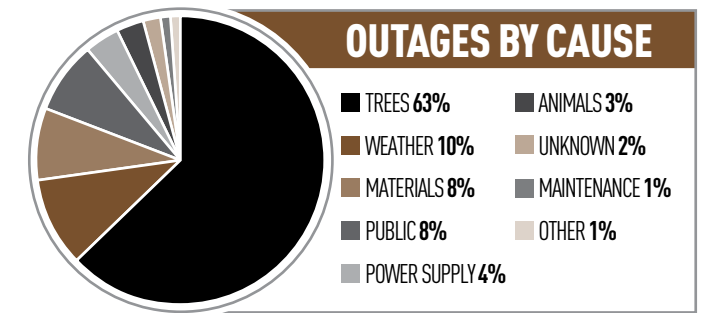
## RIGHTS-OF-WAY CLEARED

Crews cleared 417 miles of overhead right-of-way during 2010. This work continues to be one of the most costly maintenance programs the co-op undertakes, but also proves to be the one that pays the most dividends when completed on a regular basis. The program allows employees to get members back in service in a timely manner when an outage does occur. The program covers the entire system in five years. The work for 2011 will be in the areas of the Orrstown and Rossville substations, plus between the Valley and Fairfield substations.

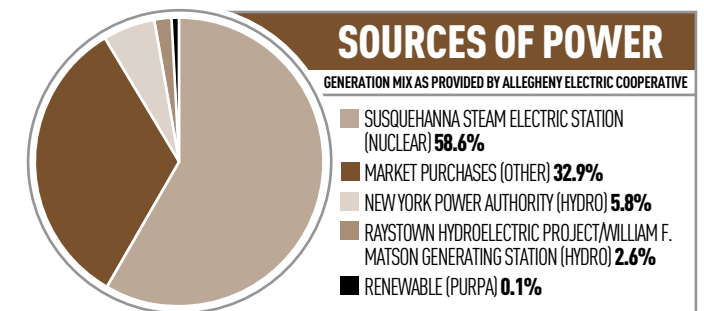
In an effort to help replace the cleared trees, the co-op participates in a modern tree care planting and pruning program. These practices have earned Adams Electric the National Arbor Day Foundation's Tree Line USA Utility designation for the third consecutive year.

## POLES PASS INSPECTION

During January 2011, Osmose, the co-op's pole inspection contractor, inspected 4,500 poles in the Parkville, Hanover and Winterstown metering points. The program provides an inspection of every pole on the co-op's system within a 10-year span. The assessment produced, a less than 1 percent rejection rate. The rejected poles were replaced by co-op line crews.



**OUTAGES BY CAUSE:** Above is a chart showing the percentage of outages and their causes in 2010.



**SOURCES OF POWER:** Above is a chart showing the co-op's sources of power in 2010.



**NEW TRUCK WITH LONG REACH:** A new Unit 30 in the York District has a reach of 55 to 60 feet. Due to many construction upgrades and higher poles, there is now a need to move from bucket trucks with shorter reaches to ones that can reach farther. This truck will allow the crews to complete any and all types of construction or maintenance work. The York crew pictured with the truck includes, front row from left, Rory Pearson, Cecil Knotts and Shawn Dehoff. Back row from left are Craig Mummert, Eric Altice and Vic Brammann.

## 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 member 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 which ends at the co-op's annual meeting each June.

**DIRECTORS:** In October 2010, the Adams Electric Cooperative board of directors symbolically plugged in to the regional power grid a new photovoltaic system located behind the co-op's headquarters building in Gettysburg. The photo includes, center, holding the plug: Board President Jay Grove of Shippensburg, left, and CEO/General Manager Steve Rasmussen. They are surrounded by board members, from left: Judy Queitzsch of New Freedom, Tom Harbaugh of East Berlin, Vice President Glenn Bange of Hanover, Bill Myers of Glennville, F. L. "Ray" Schwartz of Fairfield, Secretary Gene Herritt of Shippensburg, Treasurer Tom Knaub of Wellsville, and Dan Eisenhart of Newville.



## CREDENTIALS & ELECTIONS

Adams Electric's Credentials and Election Committee is an independent body of co-op members, which meets each year to certify candidates running for seats on the co-op's board of directors.

In 2011, the election process offered optional online voting, during the March primary (ballot position) election, and the general election in June. The online option is due to an "Electronic Documents" bylaw amendment in June 2010.

**2011 ELECTION COMMITTEE:** From left are Curtis Umpleby, Darlene Wherley, Richard White, Lynn Zeigler (Vice Chairman), Michael Rogers, Cynthia King (Chairman), David Frey, Lorena Cutshall (Secretary), George Fisanich, Enid Morhaleck and Marshall Fetter. Absent from the photo is William Chain, Jr.



## SCHOLARSHIP COMMITTEE

The Scholarship Committee is made up of nine Adams Electric members. This committee selects winners of the Adams Electric Cooperative Scholarship from applicants not attending one of 17 public high schools that award a co-op scholarship. The committee also selects winners of the co-op's adult scholarship. The committee meets at least twice in the spring and once in the summer to determine scholarship winners. A term is three years.

**2011 SCHOLARSHIP COMMITTEE:** Seated, from left, are Donald Lucas (Vice Chairman), John Kasarda (Chairman) and Joseph Brennan. Standing, from left, are Karen Baum, Randall Pletcher, David Rohr, Ruth Smith, Lorena Cutshall and Virginia Martin.



## MEMBER ADVISORY COMMITTEE

The Member Advisory Committee (MAC) is made up of 27 member volunteers (three from each director zone) and their spouses who meet at least twice a year. This committee acts as a sounding board and focus group for the board and management staff. A term is two calendar years, with a maximum of three consecutive terms (total of six years).

**2011 MEMBER ADVISORY COMMITTEE:** Members of the MAC Committee take part in a question and answer session following a hotline safety demonstration at the Gettysburg District truck garage in April.



**ALL TOGETHER NOW:** Employees gather behind the headquarters building, at the co-op's new solar array, for a group photo in April 2011.

## ADAMS ELECTRIC AMONG STATE'S TOP 25 MEDIUM COMPANIES

In 2010, Adams Electric placed 24th among medium-sized businesses in the "Best Places to Work in PA" competition, a statewide program designed to look for employers who provide enjoyable, safe and educational workplaces for employees to thrive.

Each year the program recognizes 50 medium-sized businesses with between 25 and 250 employees and 50 large-sized businesses with over 250 employees.

"Placing on this list tells our members a lot about the high level of reliability, service and safety they are provided by our highly experienced employees," said Steve Rasmussen, CEO/general manager of Adams Electric.

## PROMOTING HEALTHY LIFESTYLES

Adams Electric continued its quest to promote healthy lifestyles for its employees and their families in 2010. Using a Lifestyle Returns program, Adams Electric was able to continue a strong participation rate from its employees. The Lifestyle Returns program included: taking a pledge; completing an online personal profile, and completing wellness programs, including scheduling a preventative exam, and utilizing an online educational tool.

A Multiphasic Blood Screening (MBS) program also became part of the Adams Electric Wellness Program in 2010.

Moving forward, Adams Electric implemented a tobacco-free working environment effective Jan. 1, 2011.

Another change effective Jan. 1, was a switch in insurance carriers to Capital Blue Cross. The Wellness Program through Capital Blue Cross will continue to offer weight management, nutrition, and physical fitness programs to employees.

## EMPLOYEE LIST \* AS OF APRIL 2011

**GETTYSBURG DISTRICT:** Brandon Beard, Eben Boehm, Dave Bolton, Mike Chamberlin, Edna Dettinburn, Trevor Eichelberger, Mike Feathers, Jerry Ford, Guy Gorman, Terry Hancock, Karen Harner, Wayne Huntsberry, Ricky Johns, Mike Johnson, Toni Juhl, Lori Kemper, Jay Kroeze, Alan Mains, Tom McMaster, Bryce Norton, Mitch Orchowski, Jill Rothhaupt, Wanda Spahr, Tony Spangler Sr., Phil Tate, Ann Wagman, Cathy Waltz and Mike Ward.

**HEADQUARTERS:** Vicki Allen, Renee Benner, Gloria Boll, Cindy Brant, Cindy Brodbeck, Rodger Brough, Becky Carey, Jeff Cramer, Tina Havens, Lisa Hertzog, Laura Koontz, Kornell Kuntz, Tony McCauslin, Kelly Murren, Kami Noel, Rich Ohler, Tasha Sanders, Dave Scheib, Brian Shearer, Joyce Shindledecker, Debbie Slothour, Jayme Smith, Kyle Smith, Rick Smith, Vicki Smith, Chad Thoman, Dina Topper, Jeff Turner, Georgie Wetmore, Lisa Willet, Dick Wojewodzki and Denny Wright.

**SHIPPENSBURG DISTRICT:** Brian Atherton, Terry Baer, Bill Collingsworth, Mark Cramer, April Dunlap, Jon Fetter, Randy Hoover, Roy Reeder, Marv Snyder, Sheila Tosten and Paul Wiles Sr.

**YORK DISTRICT:** Eric Altice, Vic Brammann, Jeff Burger, Shawn Dehoff, Michelle Druck-Mitchell, Brenda Fodor, Cecil Knotts Jr., Rex McRoberts, Craig Mummert, Rory Pearson, Rich Redding and Lynda Weidner.

### CO-OP MANAGEMENT:

Steve Rasmussen, CEO/General Manager; Dawn Bodenberg, Human Resources Manager; Joseph Cole, Finance/Corporate Services Vice President; Lynn Holt, Administrative/Member Services Manager; Duane Kanagy, Communications/Community Services Manager; Ronald Plank, Operations Vice President; George Taughinbaugh, Energy Use/Safety Manager; Scott Wehler, Engineering Vice President.

## MOVING BEYOND PAPER

Since the early 1930s, co-op's have charted their territories – poles, transformers and services – using paper “system maps.” Today, Adams Electric’s system consists of 50,000 poles, and nearly 3,100 miles of line that provide electricity to nearly 32,000 member accounts. In the early 2000s, Adams Electric converted to digital maps, which made updates easier. However, even these maps are based on the old paper layout.

Beginning in early 2010, the co-op’s engineers began converting the current digital system map to a more accurate “smart map.” Using county land-base data, aerial photography, and existing GPS coordinates, the co-op built a computer-generated model of the co-op’s distribution system. All entities of the map include not only exact GPS locations, but also data points that can be linked to other software programs.

Once the framework for the system was constructed, the co-op created database links that merged all of the existing data to the system map. The “smart map” was born, providing the co-op access to vital information through queries and reports generated from the mapping software. Couple the smart map with the co-ops automated staking program, and now any map change previously handled annually can be updated within just days of completion.

Moreover, with the automated mapping system now in place, the co-op is using Garmin GPS systems to access member accounts and utility pole locations. The coordinates of all co-op accounts and poles are loaded into a standard GPS, which allows co-op employees to navigate between locations much easier.

Another bonus of the new mapping system, vehicle-based laptops and automated vehicle locators are being deployed throughout 2011. Of 56 total locators to be installed, 18 will have 2-way communications with co-op dispatchers through a wi-fi connection at the vehicle, allowing information to flow to and from employees in real-time.

Overall, this new system helps to keep maps more up-to-date, as well as integrates other co-op software applications, such as outage management, and member account information – great resources as the co-op continues its move toward smarter, more efficient system maintenance.



**BIG BUSINESS:** Staff Engineer Jeff Turner, standing right, instructs the cooperative’s staking technicians on automated mapping programs being deployed this year.

## ALTERNATIVE ENERGY ON THE RISE

By April 2011, there were 80 residential members interconnected to co-op lines using alternative sources of energy such as solar and wind generation. This brings the total renewable generation capacity to 606 kilowatts (kw).

A 47 kilowatt photovoltaic project installed behind Adams Electric’s headquarters began generating energy in October 2010. As of April 2011, the co-op is seeing about 1,000 kwh per week on average from the new system.

A real-time report of the system’s performance can be viewed on the co-op’s website, [www.adamsec.coop](http://www.adamsec.coop).

## LOAD CONTROL EXPANDS

In early 2011, the co-op sought volunteers who would allow a load control switch to be installed on their heat pumps or central air conditioners – at no cost to them. The effort is helping curb high summer energy costs during June, July and August.

The switch, which is part of Adams Electric’s 25-year-old load management system, helps stabilize rates, and reduces pollution from power plants that operate during peak periods. The program relies heavily on members who allow load control switches to control their water heaters and now heat pumps and central air units.

The new switch cycles the compressor on the controlled heat pumps or central air units on and off throughout the hottest weekday afternoons. During this time, the fan on the units continues to run to help maximize comfort.

Volunteers for this program help the co-op save thousands of dollars each year in avoided power purchases. In addition, each participant receives a \$30 incentive, paid as a \$10 bill credit for June, July and August electricity use.

Adams Electric is also continuing its thermostat pilot program this summer, adjusting the temperature in selected homes on hot weekday afternoons with special meters and thermostats (only for homes with single thermostat controls).

To-date, 32 members have volunteered for the thermostat control pilot program and 136 members are participating in the cycling of air conditioners and heat pumps.

In addition, the co-op is continuing a program started in 2010 to change-out the 1,000 controlled meters and 9,000 load control switches with two-way communication smart switches. This project is expected to wrap up by the end of 2011.



**TAKING CONTROL:** Director Dan Eisenhart explains the co-op’s controlled metering program to new State Representative Stephen Bloom (R-199).

## CO-OP HAS FUNDS AVAILABLE FOR COMMUNITY PROJECT LOANS

Adams Electric has a Community Development (CD) Fund for qualified community projects throughout its four-county service territory.

The fund was created to improve areas served by the co-op through community projects that have a focus of creating or improving public safety, economic conditions, health, education, and other community-type services. Public and non-profit organizations are eligible to apply.

Through December 2010, there were 10 revolving fund loans underwritten. Six loans totaling \$771,000 were funded exclusively from the CD Fund. The co-op’s CD Fund and a Pennsylvania Rural Electric Community Assistance Fund jointly funded the remaining four loans, totaling \$172,000.

The low interest loans are distributed on a first-come, first-served basis, and those applying must pass credit tests and meet security requirements.

COMMUNITY DEVELOPMENT FUND LOANS AS OF 12-31-10	
LOAN RECIPIENT	LOAN PURPOSE
1. BENDERSVILLE VOLUNTEER *	KITCHEN EQUIPMENT
2. PLEASANT HALL VOLUNTEER *	PUMPER TRUCK
3. ARENDSVILLE COMMUNITY *	LADDER TRUCK
4. BUCHANAN VALLEY COMMUNITY *	PUMPER TRUCK
5. NORTH HOPEWELL-WINTERS *	PUMPER TRUCK
6. ADAMS COUNTY HISTORICAL SOCIETY	LAND ACQUISITION & SITE PREP
7. BIGLERVILLE HOSE & TRUCK *	HAZ-MAT TRUCK
8. ARENDSVILLE COMMUNITY *	PUMPER TRUCK
9. “SAVES”** **	KITCHEN EQUIPMENT
10. BIGLERVILLE HOSE & TRUCK *	AMBULANCE

\* Local Fire Companies

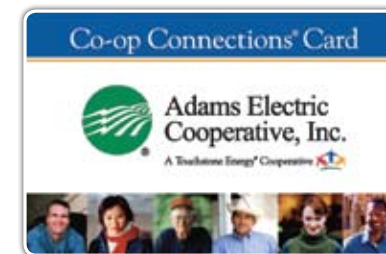
\*\* Southeastern Adams Volunteer Emergency Services

## CO-OP CONNECTIONS MAKES CENTS

As of April 2011, there are 151 local businesses participating in the Co-op Connections program. To see a list of the businesses and discounts, go to [www.adamsec.coop](http://www.adamsec.coop) and click on the Co-op Connections card on the homepage.

Since February 2010, Adams Electric’s Co-op Connections cardholders filled 3,540 prescriptions, and saved a total of \$50,174.85 through the cards’ Pharmacy program.

The cooperative continues to look for businesses interested in offering discounts to members in Adams, Cumberland, Franklin and York counties. Call 888/232-6732 for an application or more information.



## NEWVILLE STUDENT NAMED NATIONAL YOUTH SPOKESMAN

In early March, Big Springs High School senior Travis Gilbert addressed more than 8,000 attendees at the National Rural Electric Cooperative Association (NRECA) annual meeting in Orlando, Fla.



Sponsored by Adams Electric, Gilbert was selected as the Pennsylvania youth delegate during his attendance on Youth Tour, where he gathered in Washington, D.C. with a group of more than 1,500 high school students from 45 states. The Youth Tour students visit with members of Congress, attend educational seminars, and visit historic landmarks. Students from each state participating in the Youth Tour select a representative to the National Youth Leadership Council (YLC). These delegates attend a week long conference, also held in Washington, where a national spokesperson is selected to address attendees at the national conference and the subsequent years’ Youth Tour delegates.

Gilbert, the son of members Cathy and John Gilbert of Newville, plans to attend Hood College in Frederick, Md., in the fall of 2011 with the goal of becoming a high school history and English teacher.



**FUTURE CO-OP LINEMAN:** Lead Lineman Jay Kroeze poses with fourth grader Robert Spangler during a Career Day presentation at Lincoln Elementary School in Gettysburg, Adams County. Adams Electric has several programs to support youth and youth-related activities throughout its service territory, including Envirothons and Youth Tour.

## COMPARISON OF CALENDAR YEAR 2010 AND 2009 DATA

### CONSOLIDATED STATEMENTS OF OPERATIONS

	2010	2009
<b>OPERATING REVENUES</b>		
ELECTRIC SALES REVENUE	\$55,142,191	\$49,821,644
OTHER ELECTRIC REVENUE	1,176,600	1,062,722
<b>TOTAL OPERATING REVENUES</b>	<b>\$56,318,791</b>	<b>\$50,884,366</b>
<b>OPERATING EXPENSES</b>		
ENERGY SUPPLY	\$33,338,760	\$30,818,838
VARIABLE EXPENSES	12,879,628	11,539,877
DEPRECIATION	3,452,762	3,369,903
INTEREST ON LONG-TERM DEBT	3,485,204	3,430,129
<b>TOTAL OPERATING EXPENSES</b>	<b>\$53,156,354</b>	<b>\$49,158,747</b>
<b>MARGINS</b>		
OPERATING MARGIN	\$3,162,437	\$1,725,619
NON-OPERATING MARGIN	1,959,434	1,616,975
<b>TOTAL MARGINS</b>	<b>\$5,121,871</b>	<b>\$3,342,594</b>

### CONSOLIDATED BALANCE SHEETS

	2010	2009
<b>ASSETS</b>		
NET UTILITY PLANT INVESTMENTS	\$95,985,215	\$92,820,266
OTHER LONG-TERM INVESTMENTS	17,435,014	16,746,548
CASH AND TEMPORARY INVESTMENTS	3,240,334	2,256,463
ACCOUNTS RECEIVABLE	8,206,405	6,988,466
MATERIALS AND SUPPLIES	836,016	895,933
OTHER ASSETS	370,628	439,150
<b>TOTAL ASSETS</b>	<b>\$126,073,612</b>	<b>\$120,146,826</b>
<b>LIABILITIES AND EQUITY</b>		
LONG-TERM DEBT	\$75,223,794	\$73,392,588
CONSUMER DEPOSITS	615,586	590,001
ACCOUNTS PAYABLE	4,126,708	4,487,629
OTHER LIABILITIES	4,529,430	3,144,189
OPERATING RESERVES	500,000	400,000
MEMBER EQUITY	41,078,094	38,132,419
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$126,073,612</b>	<b>\$120,146,826</b>

### CONSOLIDATED STATEMENTS OF MEMBER PATRONAGE CAPITAL & EQUITY

	2010	2009
<b>PATRONAGE CAPITAL</b>		
PRE-REFUND PATRONAGE CAPITAL	\$38,931,642	\$35,477,096
REFUND AMOUNT TO MEMBERS	-1,965,998	-1,651,762
YEAR-END PATRONAGE CAPITAL	\$36,965,644	\$33,825,334
MEMBERSHIPS AND OTHER EQUITIES	4,112,450	4,307,085
<b>TOTAL MEMBER EQUITY</b>	<b>\$41,078,094</b>	<b>\$38,132,419</b>

## COMPARISON OF CALENDAR YEAR 2010 AND 2009 DATA

### CONSOLIDATED STATEMENTS OF OPERATIONS

Calendar year 2010 and 2009 Statements of Operations are based on the consolidation of operations for both Adams Electric Cooperative, Inc. (Adams Electric) and its wholly-owned subsidiary, Adams Utility Services Company (AUSCO), in accordance with generally accepted accounting principles. AUSCO holds a 46 percent ownership interest in Mid-Atlantic Cooperative Solutions, Inc., which is a multi-fuel distribution business operating as "Aero Energy," primarily in the states of Pennsylvania, Maryland and Delaware. Adams Electric and Aero Energy started operations in 1940 and 1929, respectively, and provide both electric and non-electric services to cooperative members.

**OPERATING REVENUE** rose \$5,434,425 or 10.7 percent as a result of matching 10.7 percent increases in electric sales revenue of \$5,320,547 and other electric revenue of \$113,878. The electric sales revenue increase reflected both a 3.8 percent increase in member electricity use and retail rate increases as implemented in the fourth quarters of 2009 and 2010 to recover projected energy supply cost increases. Other electric revenue rose due to a higher combined level of electric pole attachment fees paid by telecommunication entities and miscellaneous electric service fees paid by Adams Electric members. While the entire electric distribution industry is generally experiencing rising energy supply and distribution service costs, Adams Electric's average residential rate remains among the lowest of the Pennsylvania distribution utilities. Residential and farm members consume 81 percent of Adams Electric's total electricity sales as its service territory continues to experience a below average level of commercial and industrial sales.

**OPERATING EXPENSE** rose \$3,997,607 or 8.1 percent due to differing increases in: (1) energy supply cost of \$2,519,922 or 8.2 percent; (2) variable expense of \$1,339,751 or 11.6 percent as consistent with preventative maintenance programs, storm repairs, reliability improvements, other organizational needs, and annual inflationary effects on purchased goods and services; (3) depreciation expense of \$82,859 or 2.5 percent as associated with the differing types of new utility plant improvements; and (4) interest expense of \$55,075 or 1.6 percent as Adams Electric took advantage of the recent multi-year recession and post-recession period to lock-in low interest rates while continuing to fund new utility plant additions. Adams Electric's long-term fixed interest rates average 4.5 percent and limit interest rate risk to future member electric bills.

**TOTAL MARGIN** increased \$1,779,277 to \$5,121,871 due to increases in both the Operating Margin of \$1,436,818 from the above operating activities and Non-Operating Margin of \$342,459. The Non-Operating Margin benefitted from income increases from AUSCO of \$90,624, other various associated organizations, and other invested funds. Both the attained operating and total margins allow Adams Electric to maintain compliance with existing loan agreements and allow it to qualify for future long-term loans for financing electric plant investments. This ongoing process allows the carrying costs of utility plant investments with long economic lives to be recovered via future member electric service rates.

### CONSOLIDATED BALANCE SHEETS

The Balance Sheets for both 2010 and 2009 are on a consolidated basis to include the ownership effects of both Adams Electric and its subsidiary, AUSCO.

**TOTAL ASSETS** rose \$5,926,786 or 4.9 percent due to the interaction of various asset group increases and decreases, namely: (1) increases in net utility plant investments of \$3,164,949 for new member service installations and ongoing electric system reliability improvements, minus prior plant retirements and depreciation; (2) increases in other long-term investments of \$688,466, mostly from Adams Electric's wholesale power cooperative (Allegheny Electric Cooperative), AUSCO, and other associated organizations that assist Adams Electric in achieving economies of scale in providing service to members; (3) increases in cash and temporary investments of \$983,871 due to higher operating margins and other cash flow variables; (4) increases in accounts receivable of \$1,217,939, as consistent with higher year-end electric sales; (5) decreases in seasonal materials and supplies of \$59,917 due to year-end activity levels; and (6) decreases in other assets of \$68,522 in various small asset classes.

**TOTAL LIABILITIES** rose \$2,981,111 or 3.6 percent as a result of the interactions of: (1) a net increase in long-term debt of \$1,831,206 as scheduled principal repayments partially offset new loan advances for multi-year financing purposes; (2) increases of \$25,585 in consumer deposits from new members and existing members to meet credit requirements; (3) decreases in accounts payable of \$360,921 due to lower year-end activity levels; (4) increases in accrued liabilities of \$1,385,241, mostly for the \$792,850 rate refund approved for members in February 2011; and (5) an increase of \$100,000 to the storm damage operating reserves.

**TOTAL MEMBER EQUITY** grew \$2,945,675 or 7.7 percent to \$41,078,094 as the 2010 total margin addition to equity exceeded the 37th consecutive annual patronage capital retirement of equity to members. The year-end 2010 member equity level rose to 32.6 percent of the total consolidated assets of both Adams Electric and its wholly-owned subsidiary. AUSCO's combined equity contribution is now 11.1 percent of the consolidated equity via direct retained earnings and other indirect Adams Electric services income over the past 13 years.

### CONSOLIDATED STATEMENTS OF MEMBER PATRONAGE CAPITAL & EQUITY

**PATRONAGE CAPITAL** outstanding at year-end 2010 was \$36,965,644 after a retirement of \$1,965,998 to members in December 2010, compared to a retirement of \$1,651,762 at prior year-end. The two retirements averaged 5 percent and 4.7 percent, respectively, of the pre-retirement patronage capital balances. Other member equity was \$4,112,450, consisting of refundable membership fees and unallocated equities representing non-cash margins. The combined Total Member Equity was \$41,078,094 at year-end 2010.

Complete audited financial statements are available from Adams Electric Cooperative, Inc.'s headquarters. The independent audit of 2010 and 2009 financials was completed by the certified public accountant firm of Adams, Jenkins & Cheatham, Midlothian, Va.

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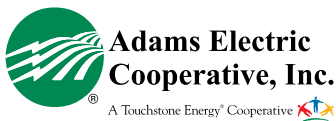
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