

Annual Meeting Agenda

Scenic Territory Slides - 6:30 p.m.

National Anthem, Pledge of Allegiance - 7 p.m.

Invocation

Roll call

Minutes

Introduction of Candidates & Election

Report of the Treasurer

Report of the President

Report of the Chairman

Old Business

New Business

Entertainment - Steve & Annie Chapman

Election Results

Door Prizes

Adjournment/Collection of Bill Credit Stubs

Entertainment Steve and Annie Chapman

Authors and recording artists Steve and Annie Chapman are the entertainment for the 2016 annual meeting. Steve and Annie have penned numerous inspirational songs and books. They have performed at more than 2,500 churches across the country and have appeared on radio and TV broadcasts including Focus on the Family and The 700 Club. The Dove Award winning musicians reside near Nashville, Tenn.



Executive Report

On behalf of Valley Rural Electric Cooperative it's our privilege to provide you this information about the co-op's operational and financial health. The past year has been one of strengthening our bottom line while investing in system improvements and promoting co-op programs and services. The co-op's board and employees continue to work hard to accomplish Valley's mission of providing reliable, efficient energy services and improving the quality of life throughout the region.

As a member, you have the privilege of being a part-owner of a financially sound utility. We've been able to maintain a strong percentage of member equity as recommended in our equity management plan. At the end of the calendar year 2015, co-op equity was at 42 percent of assets. As proof of our solid financial position, more than \$856,000 in patronage capital was returned last year to eligible members and former members of the co-op. Nearly \$22 million has been given back over the years and we plan to continue that course in the foreseeable future.

You may remember that last year we announced the co-op had departed from its traditional position as a borrower through the U.S. Department of Agriculture's Rural Utilities Service loan program in favor of working with National Rural Utilities Cooperative Financing Corporation (CFC), a cooperative that serves other cooperatives by providing financing. The decision was made to help safeguard the financial health of the co-op in the years to come and is working well for Valley REC.

The co-op's largest outlay in 2015 was to Allegheny Electric Cooperative for the purchase of the energy that runs our homes, farms and businesses. Allegheny is governed by a board comprised of a member from each of the 13 electric co-ops in Pennsylvania and one in New Jersey. Valley members and the members of those 13 sister co-ops are fortunate to have a level of control over their electric generation, since Allegheny owns 10 percent of the Susquehanna Steam Electric Station (a nuclear plant near Berwick, Pa.) and has sole ownership of the hydroelectric plant at Lake Raystown. Additionally, Allegheny has a long-term contract with the New York Power Authority for the purchase of electricity generated by hydro plants on the Niagara and St. Lawrence rivers.

These sources provide about 70 percent of our energy. We have to purchase the other 30 percent, through Allegheny, on the open market. The price of the 30 percent can far exceed that of our own sources. This makes our demand response program more important than ever. If you already participate in this effort, thank you on behalf of the coop. If not, please see the information on the bottom of the next page to see if it could be right for you. Participating members receive a \$100 bill credit while helping to stabilize the co-op's wholesale power bill.

Other than the purchase of power (52 percent of the 2015 budget), most of our revenue goes toward maintaining and upgrading our electric distribution system. Our total investment in upgrades to the utility plant and line extensions in 2015 totaled \$4.5 million. Keeping trees trimmed along nearly 2,750 miles of line is our largest maintenance expense. Last year, we spent more than \$1.6 million to maintain 403 miles of rights-of-way. We adhere to a five-year rotation for vegetation management. This has proven to reduce costs associated with outage restoration.

James R. Stauffer

JAMES R. STAUFFER

CHAIRMAN OF THE BOARD



JAMES R. STAUFFER Chairman of the Board



RICHARD S. BAUER President & CEO

In the past year the co-op has made a number of improvements to the distribution system. Valley's crews built five miles of new line and made several upgrades to the existing system. A new switch assembly was installed at the Frankstown substation in Blair County, replacing equipment that was original to the sub. New wiring was also installed on the lower voltage side of that station. Additionally, work is continuing on replacement of our aging substation at Reeds Gap, Juniata County, to improve system reliability. The new substation is being built just east of the existing sub.

We continue to use technology to improve efficiency, in the field and in co-op offices. Training on our digital outage management system (OMS) has been ongoing since the launch of the program in 2013. More tablet computers have been provided to office workers and line crews alike. These devices allow us to stay "plugged in" even when on the go. Line workers and staking engineers have system data at their fingertips on the job site and operations staffers can get real-time outage information anytime, day or night. This computerized system uses our automated metering infrastructure, complete system inventory and upgraded phone system to provide the digital capability to more quickly pinpoint the scope and location of an outage. Real-time mapping of outages has enabled our operations team to mount a more efficient response to service disruptions. We're using technology to do more without increasing staffing and labor costs.

Valley REC is continuing its commitment to community by awarding grant funds through our Community Service Grant Program. Since the launch of this program at last year's annual meeting, Valley REC has provided \$75,000 in grant funding to members struggling with their electric bills and to civic and community groups working to improve the quality of life in our region. (See information on the next page.) We also continue to offer Brighter Future scholarships and to sponsor high school students on the National Rural Electric Youth Tour to Washington, D.C.

Clearly the co-op is accomplishing its mission of providing great service and improving quality of life in our area. None of this would be possible without you, the member. Thank you for attending Annual Meeting 2016.

RICHARD S. BAUER PRESIDENT & CEO

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Programs and Services

Scholarships

Valley REC awards up to 25 \$1,000 scholarships each year to eligible students who apply for



the Brighter Future Scholarship Program. This initiative is funded by unclaimed capital credits refunds that previously had to be turned over to the state treasury. Thanks to the efforts of the co-op's political advocates, these funds can now be kept in our local communities. The Pennsylvania Rural Electric Association offers two different scholarship programs as well. Visit the Scholarships page at www.valleyrec. **com** for more information.

Co-op Connections Card

Valley REC members can take advantage of the Co-op Connections Card program. The card offers discounts from businesses in our communities and across the country. Discounts of 10-85 percent are available on prescriptions at participating pharmacies. The average discount for our members was



Co-op Connections* Card

Valley Rural Electric Cooperative, Inc.

47 percent. Show the card and save the next time you're shopping. For a full list of participating businesses, visit www.valleyrec.com.

Community Service Grant Program

Valley Rural Electric Cooperative debuted its Community Service Grant Program one year ago, at the 2015 annual meeting, and has since awarded \$75,000 in funding. The new initiative offers grants to co-op members experiencing financial hardship, to service organizations such as fire and ambulance companies and to educators who need support materials to teach blocks of instruction related to electricity or the cooperative business model.



Individuals or groups filling out applications will select one of three categories: energy assistance, education or civic/ community programs. Grants of \$500 to \$1,000 are available.

The initiative is funded through unclaimed capital credits, margins that can't be returned to members and former members due to death or relocation.

Load Management

Cooperatives believe that the cleanest kilowatt-hour is the one that is never generated. Holding to this principle, Pennsylvania and New Jersey electric co-ops launched the Coordinated Load Management System in 1986. This demand response network, whose participants include nearly 25 percent of the cooperatives' residential consumers, currently boasts the capability to reduce about 8-10 percent of the entire

cooperative system's peak load. Since the program's inception, this has resulted in power cost savings of more than \$106 million statewide for cooperative members.

Valley Rural Electric Cooperative members who agree to participate in this worthwhile efficiency program receive a onetime \$100 credit on their electric bills. For participating in the demand response program, they are also eligible for a rebate on the

Smart Hub

Valley REC offers the new SmartHub online payment service, which allows members to sign up for electric service, access account history and pay electric bills online. Members can use the service to have the amount of their monthly electric bill deducted automatically

from a checking or savings account or credit card. SmartHub also enables members to receive alerts using their mobile devices. Click or tap on the "View & Pay My Bill" tab on the website. Members may also pay by phone using a credit or debit card or check and at co-op offices.





Youth Tour - Each year, Valley REC sponsors local high school juniors and seniors on the national Rural Electric Youth Tour in Washington, D.C. While on the fun-filled, all-expenses-paid trip, students tour national monuments, meet with members of Congress, visit the national zoo and more! Shown above is Valley's group of students who participated in the 2015 event.

purchase of a new electric storage tank water heater. The rebate is \$2 per gallon for tanks from 50-79 gallons and \$3 per gallon for tanks that hold 80 gallons or more. The tank's energy factor must be 0.9 or higher and the member must agree to participate in demand response.

Demand response units (like the one shown at right) work by temporarily cutting power to water heaters during periods of peak demand. Since the tanks are well-insulated, the water stays warm until the control period ends. Since the DRU can be programmed according



to family size, it should not inconvenience members. Ideally, you don't even realize it's there.

Education

Valley REC offers educational programs to students in school districts within the co-op's service territory. Presentations focus on electrical safety and energy efficiency as well as co-op careers.



Other Offerings

CFL disposal (offered at all co-op office

Members Helping Members assistance

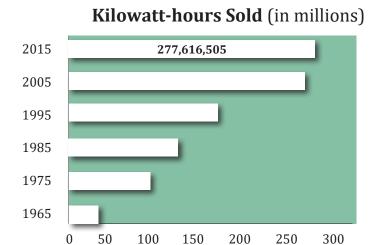
Smart surge protector sales

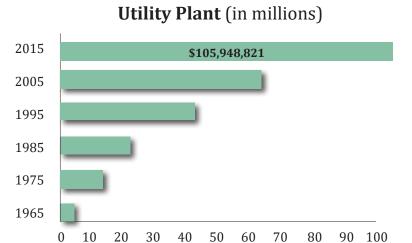
Member publications- Penn Lines

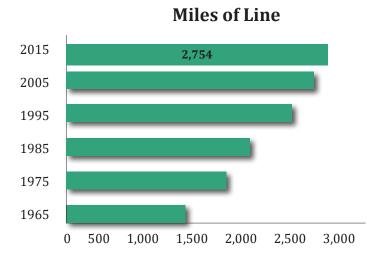
2015 Financial Report

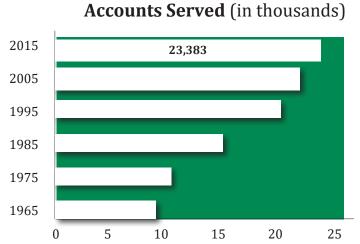
Statement of Onemations		2015	2014
Statement of Operations Income		2015	2014
income	Operating Devenue	35,504,468	24 022 272
	Operating Revenue Interest Income	63,623	34,833,273 288,615
	Other Non-operating Income	604,322	612,583
	Other Non-operating meonic	004,322	012,363
	TOTAL INCOME	36,172,413	35,734,471
Expenses			
1	Cost of Power Purchased	18,794,896	19,223,736
	Operations & Maintenance	4,633,687	4,205,303
	Member Accounts & Service	1,293,845	1,366,868
	Administrative & General	3,399,789	3,344,176
	Depreciation & Amortization	3,702,556	3,298,912
	Taxes	44,501	43,813
	Interest Expense	1,909,390	2,027,176
	TOTAL EXPENSES	33,778,664	33,509,984
NET MARGINS		2,393,749	2,224,487
Balance Sheet		2015	2014
Assets			
	Electric Plant (less depreciation)	72,130,189	71,326,636
	Investments	9,131,259	8,889,772
	General Fund Cash & Working Capital	245,003	337,626
	Accounts Receivable	3,360,563	3,772,680
	Materials & Supplies	554,576	564,908
	Payments Made in Advance	30,716	33,397
	Other Current & Deferred Assets	4,165,186	4,417,195
	TOTAL ASSETS	89,617,492	89,342,214
Equities			
	Patronage Capital and Margins	30,287,488	30,169,442
	Other Equities	7,111,678	5,586,948
	TOTAL EQUITIES	37,399,166	35,756,390
Liabilities			
	Long-term Debt	43,821,227	46,367,648
	Notes Payable	1,383,485	500,000
	Accounts Payable	1,827,321	1,762,583
	Member Deposits	345,621	331,804
	Other Current & Accrued Liabilities	4,399,560	4,178,467
	Deferred Credits and Regulatory Liabilities	441,112	445,322
	TOTAL LIABILITIES	52,218,326	53,585,824
	TOTAL EQUITIES & LIABILITYS	00 (17 400	00.242.214
	TOTAL EQUITIES & LIABILITIES	89,617,492	89,342,214

2015 Financial Report

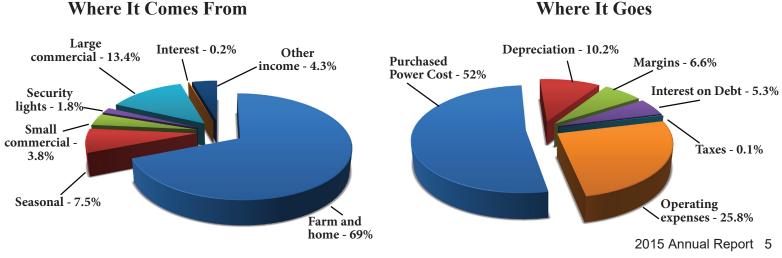








The Co-op Dollar



2016 Board Candidates

DISTRICT 7 Gregory M. Henry 599 Plum Hollow Road Hustontown, PA 17229

Greg Henry worked for Valley REC for 39 years. He joined Valley as a laborer in February



1969 and retired in February 2008 as manager of operations. He also worked as a lineman, a crew chief and manager of what was then the Hustontown-Shade Gap district.

Greg is a 1965 graduate of Forbes Road High School. He served in the U.S. Army from 1966 to 1968 as a repair specialist in the Quartermaster Corps. While working for Valley REC, he completed the management internship program.

A native of Fort Littleton, Greg is a director and past president of the Forbes Road Lions Club. He is a charter organization representative for Cub Scout Pack 47, Hustontown. He is a member of Clear Ridge United Methodist Church, where he serves as treasurer and is a member of the pastor-parish relationship committee and a delegate to annual conference. Additionally, Greg is a trustee for the Clear Ridge Cemetery Association and is active with the Clear Ridge Community Association that plans benefit events.

Greg and his wife, Erma, have three children, eight grandchildren and two great-grandchildren. He is 68 years old and enjoys hunting, bicycling and spending time with the grandkids. Greg is also an avid reader. He has been a Valley member since 1972. Greg's name will appear in the first position on the ballot for District 7.

DISTRICT 8



Linda J. McMath 12007 Sawmill Road Shade Gap, PA 17255

Currently Linda McMath serves as tipstaff for the Huntingdon County Court of Common Pleas. Linda retired in 2004 as a

reading specialist at Shade Gap Elementary School in the Southern Huntingdon County School District. She worked in education for 19 years, including 1-1/2 years in the Mifflin County School District. For 12 years she operated McMath School of Gymnastics in Shade Gap and was a Level 7 rated gymnastic judge. Linda and her husband, Tom, own and operate Avalon of Shade Mountain, a guest house

and event facility in Blairs Mills, Huntingdon County which they spent 14 years restoring. They also operated a family farm in Taylor Township, Fulton County, for 25 years, raising beef, crops and Christmas trees.

For the past six years, Linda has served on the Huntingdon County Children's Services Advisory Board. She has served seven years as a youth counselor at Tuscarora Catholic Summer Camp.

Linda is a 1965 graduate of Southern Huntingdon County High School and received her bachelor's degree in health and physical education from Slippery Rock University in 1970. She holds a master's degree in education (as a reading specialist) from Shippensburg University.

Linda and Tom have been married since 1969. They have four children and six grandchildren. The McMaths attend St. Mary's Catholic Church, Shade Gap, where Linda has served as secretary of the pastoral council for nine years. She enjoys sewing, horseback riding, refinishing furniture, refurbishing old houses and teaching her grandchildren how to

Linda is 68 years old and has been a Valley member since 1973. She has served one term on the co-op board of directors and has received both her Credentialed Cooperative Director Certificate and Board Leadership Certificate. She is working on Director Gold, the highest level of certification. Her name will appear in the first position on the ballot for District 8.

DISTRICT 8 Harry O'Donnell 21646 Shade Valley Road Shade Gap, PA 17255

Harry O'Donnell worked for Valley Rural Electric Cooperative for 38 years, holding a number

of positions before retiring from the co-op in 2010. He went to work for Valley REC a week after graduating from Southern Huntingdon County High School in 1971.

His first job was spraying herbicides on rights-of-way in what was then the co-op's Hustontown district. Harry became an equipment operator and then worked as a lineman in the Shade Gap district from 1980 to 1990 before becoming the outside operations supervisor for the Shade Gap district. Harry completed multiple safety trainings and also completed the co-op's supervisory training program.

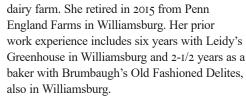
Harry has volunteered with the auxiliary of the Shade Gap Fire Co. for the past eight years. He lends a hand with dinners and operates the burger grill at the Shade Gap Picnic and especially enjoys making hoagies for fire company fundraisers.

Harry has been a member of the Cromwell Masonic Lodge No. 572 in Orbisonia for 26 years. He is a member of Calvary Independent Baptist Church in Saltillo.

Harry enjoys golf, travel and tinkering on the family farm. Harry and his wife, Trudy, have been married for 26 years. They have two daughters and five grandchildren. Harry, age 64, has been a Valley REC member since 1973. His name will appear in the second position on the ballot for District 8.

DISTRICT 9 Cindy D. Bigelow 2548 William Penn Hwy Williamsburg, PA 16693

A 61-year-old Williamsburg native, Cindy Bigelow owns a 180-acre



A 1972 graduate of Central High School in Martinsburg, Cindy is a member of several cooperatives, such as Land O' Lakes and the Pennsylvania Farm Bureau. She serves on the Blair County Dairy Promotion Committee and the Farmland Preservation Committee of Blair County, and is involved with the Williamsburg Community Farm Show. For the past four years she has served on the Huntingdon/Blair County Farm Service Agency Committee.

Cindy has been a member of the Bible Baptist Church of Tyrone for the past two years and was a member of Fairview Church of the Brethren in Williamsburg for 46 years, where she served as a deacon and a member of the church board. Her hobbies include making crafts, baking and collecting milk bottles.

Cindy and her late husband, Richard, were married 20 years. She has three children and five grandchildren. Cindy has been a Valley member since 1980. She has served four terms on the co-op board of directors. She currently serves as board secretary. She has received both the Credentialed Cooperative Director Certificate and the Board Leadership Certificate as well as the Director Gold certification. Cindy is running unopposed on the ballot for District 9.

2015 Annual Meeting Minutes

The annual meeting of the members of Valley Rural Electric Cooperative, Inc. was held in the auditorium of Huntingdon Area High School in Huntingdon, Pa. on April 10, 2015.

The business meeting was called to order at 7 p.m. by James R. Stauffer, chairman of the board of directors. A Touchstone Energy video of The National Anthem was played. The Pledge of Allegiance was recited and Director Robert Holmes offered the invocation.

The secretary reported that 447 voting members were present and that said members present in person constitute a quorum of the members of the cooperative.

Kim Kane, executive secretary to the president and CEO, was appointed recording secretary for the annual meeting.

President and CEO Rich Bauer introduced the distinguished guests who were in attendance. The guests included state Senator John Eichelberger; state Representatives Rich Irvin and Judy Ward; Huntingdon County Commissioners R. Dean Fluke, Gary O'Korn and Jeff Thomas; Pennsylvania Rural Electric Association Public Affairs/Member Services Specialist Stephanie Okuniewski and Peter Fitzgerald, editor of PREA's Penn Lines magazine.

A motion was made, seconded and passed to dispense with the reading of the minutes of the annual meeting held April 11, 2014 and to accept the minutes as printed in the 2014 Annual Report, a copy of which was given to each member present.

A motion was made, seconded and passed to dispense with the reading of the treasurer's report and to approve the report as printed in the 2014 Annual Report.

Cooperative Attorney David Ody supervised the nomination and election of directors. Attorney Ody stated that nominating meetings were held in each of the districts where directors were to be nominated for three-year terms. Those nominated were as follows: District #2, James Stauffer; District #4, Joanne Whitsel; District #6, Leroy

The ballots were then cast by the members, after which the ballot boxes were declared closed.

Chairman Stauffer informed members that the co-op board decided recently to have the Cooperative Finance Corporation – a cooperative that serves other cooperatives by providing financing – buy out Valley's federal Rural Utilities Service loan package. He said the move will save Valley \$7 million in interest and cut the repayment period from 35 years to 22, with little change to annual debt service. Stauffer said the change is noteworthy financially and from a historical perspective.

"Members won't notice this move in their day-to-day experience, but this decision will help safeguard the financial health of the co-op in the years to come," Stauffer said. "Twenty-five years ago, the business world we operated in was more consistent. In today's marketplace, we need to be more flexible. The move to CFC makes sense for us at this time."

During his presentation, President Bauer announced the launch of Valley REC's Community Service Grant Program. The new program makes grants available in three categories: energy assistance, education and civic/community programs. Grants of \$500 to \$1,000 are available.

The program offers funds to members experiencing financial hardship, to service organizations such as fire and ambulance companies and to educators who need support materials to teach blocks of instruction related to electricity or the cooperative business model.

The initiative is funded through unclaimed capital credits, margins from the not-for-profit business that can't be returned to members and former members due to death or relocation. Applications are available at all co-op locations or on the co-op's website, www. valleyrec.com

"Our new grant program provides another way for the co-op to be involved in our local communities," Bauer said. "The initiative makes good use of monies that cannot, by law, be used for construction or maintenance operations but can be used by the co-op for community outreach instead of being turned over to the state as unclaimed property."

Bauer also encouraged members to consider participating in the co-op's demand response program, which lessens the amount of electricity members use at times of peak demand, when the price the co-op pays for wholesale power is the greatest. Demand response units work by temporarily disconnecting power to water heaters, to shed load while the insulated appliance maintains water temperature. Nearly 4,000 co-op members participate in the program.

Taylor Boonie and Missy States, two students who participated in the 2014 Rural Electric Youth Tour to Washington D.C., talked about their experiences on the trip. Each year Valley REC sponsors up to 18 students on the week-long trip that enables students to meet lawmakers and learn about the cooperative business model.

Attorney Ody announced the results of the election. The following members received the highest number of votes and were elected to hold office until the 2018 Annual Meeting: District #2, James Stauffer; District #4, Joanne Whitsel; District #6, Leroy Barnes.

Chairman Stauffer introduced the evening's entertainment, Chris Collins, a John Denver tribute artist who was warmly received by members who attended the 2011 event. Born in the little town of Wind Lake, Chris grew up in the rolling hills and hardwood forests of southern Wisconsin. He didn't find his musical outlet until he picked up the guitar at the age of 17. He was a two-time regional finalist at the prestigious Kerrville Folk Festival and a finalist at the Wildflower Festival. He was also nominated for Album of the Year and Producer of the Year at the Texas Music Awards show for his album, Alberta Skies.

There was no old or new business to be discussed.

Four members – John Bush, Janice Hoover, Dorothy Berry and Beatrice Wiser – each won a \$75 co-op gift certificate and Cindy Comer won a \$250 co-op gift certificate. Members in attendance received a \$15 credit on their electric bills and a folding bag chair.

A motion was made, seconded and passed to adjourn the meeting.

Valley Rural Electric Cooperative, Huntingdon, was set in motion by a group of determined farmers around Martinsburg in southeastern Blair County. The cooperative was incoporated in 1938 and received its first loan in March, 1939. Under the first manager, Floyd Bush, the first 250 miles of line were built and one substation at Williamsburg was constructed. Lines were first energized on November 17, 1939.

Cooperative Directors & Employees



Corporate Office

John Bookwalter Jr. **Nancy Bucher** Lisa Carper Terri Cohenour **Ethan DeVore** Pam DeVore Michelle Dreibelbis Luanne Eckenrode Danielle Estep Ben Gorman Max Hetrick Kim Kane **Travis Kuhstos** Rikki Moyer **Judy Post Doug Roles Todd Ross Melissa Shetrom**

Employees

Huntingdon District

Matt Andrasi **Bill Ayers** Justin Berrier Logan Booher **Randy Boonie** Kevin Detwiler John Fogelsonger **Steve Gutshall Eric Henchey Dave Huntsman** Mike Lansberry **Craig Morrison** Chris Myers **Gina Norris** Nancy Rife Jeff Ruby Alicia Stoner **Richard Sunderland Brook Thompson Curt White**

Martinsburg District

Bill Bogel

Jason Hey

Bill Kreider **Kathy Luprek**

Barb Moyer

Mike Shawley **Rob Shook**

Greg Dilling

Ryan Dodson Trevor Eichelberger

Shade Gap District

Adam Atherton Mark Booher Wilmer Bucher Jr. **Boyd Gelvin** Patrick Lightner Tricia Long Jonathan Shields **Ken Sipes** Mike Williams Jason Wilson Ivy Lee Yohn

Directors

James Stauffer Chairman **Allegheny Director**

Kevin States Vice Chairman

Cindy Bigelow Secretary

Robert Holmes Treasurer

Leroy Barnes PREA Director

Joanne Whitsel

Mervin Brumbaugh

Linda McMath

Greg Henry

Rich Bauer **President & CEO**







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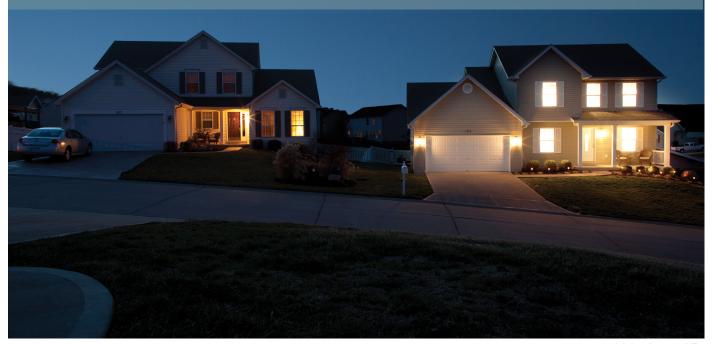
When you save energy, it helps our entire

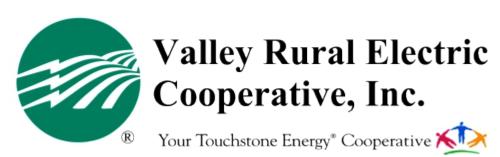
co-op lower its costs. Find out what you can

do at TogetherWeSave.com, and spread

the word throughout your co-op.

SOMETIMES KEEPING UP WITH THE JONESES IS ABOUT KEEPING YOUR ELECTRIC BILLS DOWN.





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Corporate Office 10700 Fairgrounds Road Huntingdon, PA 16652 **Huntingdon District** 10787 Station Road Huntingdon, PA 16652 **Martinsburg District** 721 W. Allegheny Street Martinsburg, PA 16662 **Shade Gap District** 22140 Croghan Pike Shade Gap, PA 17255