

Valley Rural Electric Cooperative, Inc.

A Touchstone Energy® Cooperative 



One of 14 electric cooperatives
serving Pennsylvania and New Jersey

Valley Rural Electric Cooperative, Inc.

10700 Fairgrounds Road
P.O. Box 477
Huntingdon, PA 16652-0477
814-643-2650
1-800-432-0680
www.valleyrec.com

BOARD OF DIRECTORS

James Stauffer
Chairman

Kevin States
Vice Chairman

Cindy Bigelow
Secretary

Robert Holmes
Treasurer

Leroy Barnes
PREA Director

James Stauffer
Allegheny Director

Gregory Henry
Randall Huntsman
Linda McMath
Joanne Whitsel

Corporate Office Hours
Monday - Thursday
7 a.m. - 5:30 p.m.

Huntingdon/Martinsburg/Shade Gap
Office Hours
Monday - Thursday
7 a.m. - 5:30 p.m.

Outages & Emergencies
1-800-432-0680

Guest Column



Your co-op, your safety resource

By Doug Roles, *Vice President, Member Services*

WE ALL depend on electricity to power our lives, but accidents can happen when electricity is improperly used. May is Electrical Safety Month and a good time to take a moment to reflect on the importance of safety.

Did you know that, according to the Electrical Safety Foundation International (ESFI), thousands of people in the U.S. are critically injured as a result of electrical fires, accidents, and electrocution in their own homes each year? Can that number ever drop into the hundreds, the tens or even to zero? That's more than I can say. But what I can tell you is that Valley Rural Electric is committed to the safety of our employees, our members and the public.

There are a number of ways we promote safety. For instance, April and May are two of the months when we make most of our safety presentations to elementary school students. We use our energized tabletop Safety City demo to walk students through a typical neighborhood and alert them to electrical hazards in their homes, along streets and in their backyards. We quiz the students on some basic electrical terms, ask them how they use electricity and, hopefully, provide some safety tips that will stay with them for life.

Another resource we offer is the "Safety" tab on our website, www.valleyrec.com. Here you'll find information on substation and generator safety. We also warn you of the hazards

of downed wires. And we remind you that both adults and children need to remember to never fly kites, remote control airplanes, drones, or balloons near power lines. And if you get something stuck in a power line, call us to get it for you. Never enter a substation.

It is no accident that safety is a top priority on the job at the co-op. Valley REC is committed to a culture of safety that is integral to our daily operations. In fact, your co-op is part of the Rural Electric Safety Achievement Program (RESAP) that follows specific guidelines and protocols for electrical safety that are considered leading practices. Our lineworkers are required to wear personal protective equipment. This includes special, fire-resistant clothing that will self-extinguish, limiting potential injuries from burns and sparks. Insulated and rubber gloves are worn in tandem to protect from electrical shock. Our safety team is one of our greatest internal safety resources, regularly discussing important safety issues pertaining to work within the building as well as out in the field.

Of all our safety resources, probably the greatest one for members is the co-op's phone number (800-432-0680). If you have a safety question or see damaged equipment or a downed line, please do not hesitate to contact us immediately. It could be that a quick response prevents another ESFI statistic. 

Valley REC members elect three directors during 2017 annual meeting

CEO announces electrical services arm of consumer-owned business

By Doug Roles

Vice President, Member Services

Valley Rural Electric Cooperative members re-elected three incumbent directors to the co-op board during the 2017 annual meeting held April 7 at Huntingdon Area High School. Co-op leaders also announced the launch of a new electrical services arm of the consumer-owned business.

The meeting drew a crowd of more than 700 members and guests. The 406 voting members in attendance cast ballots to fill three seats on the nine-person board of directors that represents the cooperative's more than 23,000 consumers.

In February, nominating meetings were held in three of the co-op's nine director districts. Members nominated in each of those meetings stood for election during the annual meeting. Those elected to three-year terms on the board are: Randall Huntsman of Martinsburg, Blair County, the District 1 incumbent; Kevin States of Heston, Huntingdon County, the District 3 incumbent; and Robert Holmes of Huntingdon, Huntingdon County, the District 5 incumbent. All three nominees ran unopposed.

Valley REC President & CEO Rich Bauer announced that Valley REC Energy Services (VRES) will offer residential and farm-related electrical service and repairs. He said the new co-op offering will benefit residents who need a quick turnaround on electrical upgrades.

"Our linemen frequently run into situations where residents are having



ELECTION: Valley Rural Electric Cooperative board Chairman James Stauffer, left, and Valley REC President & CEO Rich Bauer, right, offer congratulations to re-elected incumbent directors, from left, Robert Holmes, Randall Huntsman and Kevin States, during the co-op's annual meeting April 7 at Huntingdon Area High School. The directors were elected to three-year terms on the co-op's board.

trouble finding an electrician to do a small job or make a repair on very short notice," Bauer said. "Our new team of skilled electricians can help meet this need in the community, without competing with local electricians for larger commercial projects."

The VRES umbrella of services will also feature sales and installation of Bosch air-source heat pumps and Marathon water heaters. Bauer said these energy-efficient units offer value to members and are a great fit for the co-op's load management efforts. Through VRES, the co-op will also offer LED lightbulbs and continue to offer home energy audits.

Valley REC Board Chairman James Stauffer of McVeytown, Mifflin County, presided over the business meeting and explained how the co-op's sources of electricity continue to be a good mix for consumers. Valley and its 13 sister co-ops in Pennsylvania and New Jersey, through their wholesale provider — Allegheny Electric Cooperative, Inc.,

in Harrisburg — have a 10 percent ownership in the Susquehanna Steam Electric Station, a nuclear plant in Luzerne County. Allegheny also owns the William F. Matson Generating Station — the hydroelectric plant at Raystown Lake — and has long-term contracts with the New York Power Authority for hydropower generated on the Niagara and St. Lawrence rivers.

"These carbon-free sources make up nearly 70 percent of our power supply," Stauffer said. "We're in a very good position. Our blend of power sources is a good fit for Valley Rural Electric today, just as it has been for many years."

Stauffer said the rapid growth of solar and other renewable energy sources has led consumers and policymakers in some U.S. communities to expect their electric utilities to soon achieve a 100 percent renewables portfolio. He said attaining that goal raises complex questions about cost and reliability because solar and wind generation, despite advances in technology, still cannot meet

baseload power demands for utilities. Renewable generation systems large enough to entirely meet the needs of consumers would be many times more expensive and have a much larger land footprint than nuclear plants, or coal- or gas-fired plants.

“Pennsylvania’s co-op members, including Valley members, enjoy low and stable generation rates due to the investments we’ve made in our own generation assets and generation secured through long-term commitments,” Stauffer said. “Valley’s board of directors will continue to do its part to ensure that the co-op fulfills its mission to deliver safe, reliable power at the lowest possible cost.”

Also during the meeting, Bauer 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. More than 4,700 Valley members participate in the program.

“This program enables members to help stabilize the co-op’s wholesale power bill,” Bauer said.

Mount Union Area High School senior Leah Hildebrand and Claysburg-Kimmel senior Nick Mauro talked about their participation in the 2016 Rural Electric Youth Tour to Washington, D.C., and asked qualifying students to consider taking part in the educational visit to the nation’s capital. Each year, Valley REC sponsors up to 18 students on the weeklong trip that enables them to meet lawmakers and learn about the cooperative business model.

Mount Union native Brianna Sheeder performed country and gospel favorites. She has been performing since the age of 5 at various venues throughout Pennsylvania and Maryland. From 2014

until 2016, she was a member of Chris Woodward and Shindiggin’, a country band from central Pennsylvania, and had the opportunity to open for national artists such as the Eli Young Band, Montgomery Gentry, Jason Michael Carroll,

Frankie Ballard, Eric Paslay, and more.

The 2017 Huntingdon County Dairy Princess, Katie Anderson, was joined by local vocalist Leah Miller in performing the National Anthem.

Distinguished guests in attendance included state Sen. John Eichelberger; state Rep. Rich Irvin; Huntingdon County Commissioners Jeff Thomas and Mark Sather; and Kathy Hackleman, senior editor of *Penn Lines* magazine.

Children who attended the annual meeting enjoyed games, refreshments, balloons and a presentation by Anderson, who also serves as a state alternate dairy princess.

Four members — Percy Dysard of Huntingdon, Nancy McCreary of East Freedom, Debra Kurtz of Huntingdon, and Jenny Singer of Mount Union — each won a \$75 co-op gift certificate, and Daniel Falotico of Hustontown received a \$250 co-op gift certificate. Members in attendance received a \$15 credit on their electric bills and a compact flashlight kit.

In addition, cooperative staff collected for proper disposal spent compact fluorescent lightbulbs that members brought with them.

Valley Rural Electric is a member-owned cooperative providing electric service to consumers in eight counties of south-central Pennsylvania, including Bedford, Blair, Centre, Franklin, Fulton, Huntingdon, Juniata and Mifflin. Incorporated in November 1938, Valley REC energized its first lines Nov. 17, 1939. ☀



ABOVE: Zach Yohn, left, an electrician with Valley REC Energy Services (VRES), speaks to James Brown of Oneida Township, Huntingdon County. At right: VRES offers sales and installation of Bosch heat pumps and Marathon water heaters. VRES electricians can provide prompt quotes for residential and farm-related projects and repairs. The co-op’s 2017 annual meeting marked the official launch of the new energy services arm of Valley Rural Electric Cooperative.

Annual Meeting 2017

Snapshots



Winners of this year's bill credit drawing are, from left: Percy Dysard of Huntingdon, \$75; Daniel Falotico of Hustontown, \$250; Nancy McCreary of East Freedom, \$75; Linda Banks of Henderson Township (accepting for Debra Kurtz of Huntingdon), \$75; and Jenny Singer of Mount Union, \$75.



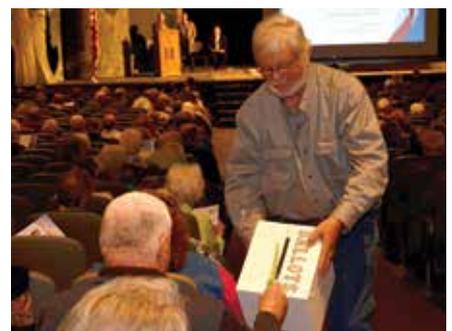
Above: Valley REC Energy Specialist Travis Kuhstos talks to members William and Elizabeth White about types of insulation. Below: Brianna Sheeder performs country classics for the crowd.



Youth Tour students Nick Mauro and Leah Hildebrand, second and third from left, respectively, pause for a photo with Valley REC employees Pam DeVore and Mike Lansberry after speaking to the audience about their tour experiences last summer.



Huntingdon County Dairy Princess Katie Anderson, center, Dairy Miss Addie Brower, left, and Dairy Maid Katerina Coffman offer cheese snacks to visitors to promote the state's dairy industry. Right: Valley REC member Terry Hess collects a ballot during the director election.



2016 ANNUAL REPORT

Valley Rural Electric Cooperative was founded to meet the need of rural residents for central station electric service. As the co-op has grown, the needs of members have remained at the forefront. Valley has introduced a variety of programs and technologies over the years to improve service reliability and improve quality of life. These have ranged from promoting new electric appliances in the early days to making it possible to pay your bill using your smartphone today.

Now, we are proud to announce the launch of a new enterprise for the co-op – Valley REC Energy Services (VRES). This new venture continues the co-op's tradition of understanding the needs of our consumers and offering a product or service to meet those needs. VRES will provide residential and farm-related electrical services. On many occasions, residents have asked our line crews for recommendations when they needed a quick turnaround on small electric repairs. Often, there is a long wait to get local electricians out to these smaller jobs because larger projects take priority. Now, we're offering our own team of skilled electricians to provide prompt service when you need a panel box wired, new service installed or other electrical upgrades.

VRES will also offer sales and installation of Bosch air-source heat pumps. Rated at the top of the industry, these units pull just 1 amp on start-up. When members opt for such energy-efficient appliances, the co-op benefits through greater load stability, and consumers benefit through ultra-efficient heating and cooling technology.

Our VRES umbrella of energy service also includes sales and installation of Marathon water heaters and the sale of LED lightbulbs. And we will continue to offer home energy audits and sell smart surge protectors, as we have done for years.

In addition to announcing this new bundle of products and services, we also have the privilege to report that you are part-owner of a financially sound utility. At the end of the calendar year 2016, co-op equity was at 43 percent of assets. As proof of our solid financial position, more than \$903,000 in patronage capital was returned last year to eligible members and former members of the co-op. Nearly \$24 million has been given back over the years, and we plan to continue that course in the foreseeable future. In 2016, Valley's board of directors put in place a new capital credits management plan. Long-range planning for disbursement of capital credits allows the co-op to have a more stable cash flow while continuing to ensure members get back a share of their patronage capital through a model that rewards both years of membership and kilowatt-hour use.

The co-op's largest outlay in 2016 was to Allegheny Electric Cooperative, Inc. (Allegheny), 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 69 percent of our energy. We have to purchase the other 31 percent through Allegheny on the open market. The price of the 31 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 co-op. 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.



JAMES R. STAUFFER
Chairman of the Board



RICHARD S. BAUER
President & CEO

Other than the purchase of power (52 percent of the 2016 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 2016 was \$3.8 million. Keeping trees trimmed along nearly 2,754 miles of line is our largest maintenance expense. Last year, we spent more than \$1.6 million to maintain 453 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.

Making improvements to our distribution system continues to be a priority. Last fall, we completed construction of a new Reeds Gap Substation in Juniata County. We also upgraded to three-phase the feeders from the Harrisonville Substation in Fulton County. We completed replacement of aging primary underground service at the Claysburg Industrial Park in Blair County. And we are continuing conversion work at the Dell Substation in Huntingdon County to increase voltage from 7,200 to 14,400 volts. All this work has the same goal — improving reliability for members.

To continue to put the co-op in the best position to serve members, we are building a new facility to house the Martinsburg District offices and equipment. We have outgrown our building and have selected a new site about two miles from the current location. It's our hope that in next year's report, we can tell you our Martinsburg folks are settled into a new building that better serves them and you.

Valley continues to use technology to improve efficiency in the field and in co-op offices. A few years ago, we introduced iPads to our crews to replace paper service orders. As with any new technology, there was an initial learning curve, but our lineworkers and staking engineers are getting quite comfortable with having system data at their fingertips at job sites. Through our digital metering and outage management system, our operations staff now receives real-time outage information any time, day or night. This information literally is power because it speeds outage restoration times.

In the midst of new technologies and services, new construction and system improvements, we haven't forgotten our co-op principle of commitment to community. Please take a moment to review the next page for some of the ways the co-op supports our communities while we continue to work more efficiently to meet the needs of more than 23,000 accounts. Our goal is to continue to provide reliable, efficient energy services to you, the members, and to improve the quality of life throughout the region.

James R. Stauffer

Rich Bauer

Products, Programs and Services

Scholarships

Valley REC awards up to 15 \$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.



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.

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 to 85 percent are available on prescriptions at participating pharmacies. The average discount for our members is 47 percent. Show the card and save the next time you're shopping. For a full list of participating businesses, visit www.valleyrec.com.



SmartHub

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 bills 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/debit card or check) and at co-op offices.



Load Management

Cooperatives believe 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 cooperative's residential consumers, currently boasts the capability to reduce about 8 to 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 \$135 million for Pennsylvania and New Jersey cooperative members.

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

Valley REC Energy Services

Valley Rural Electric is proud to offer a range of energy solutions through Valley REC Energy Services. Have an electrical upgrade that needs to be done? We can help. We offer prompt service and quotes.



We also offer sales and installation of Bosch air-source heat pumps and Marathon water heaters. Bosch units draw just one amp on start-up, making them a great fit for your home and the co-op's load management program. Marathon is the last water heater you'll ever buy because it has a lifetime guarantee! We also offer home energy audits and sell LED lightbulbs.

Community Service Grant Program

Valley Rural Electric Cooperative debuted its Community Service Grant Program at the 2015 annual meeting and has since awarded \$130,000 in funding. This initiative offers grants to co-op members who are 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.

Youth Tour



Each year, Valley REC sponsors local high school juniors and seniors on the national Rural Electric Youth Tour to 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. This is Valley's group of students who participated in the 2016 event.

tank water heater. The rebate is \$2 per gallon for tanks from 50 to 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, but you're doing your part for energy efficiency.

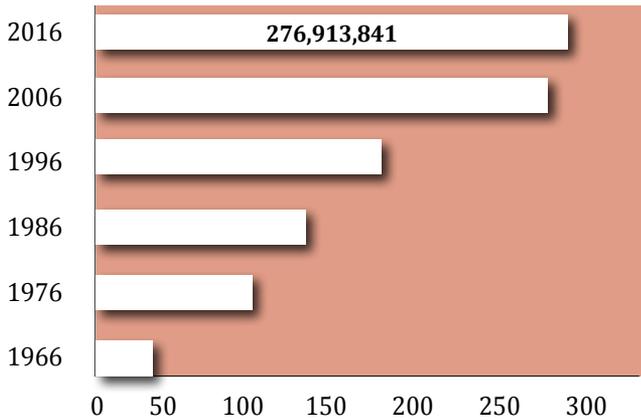


2016 Financial Report

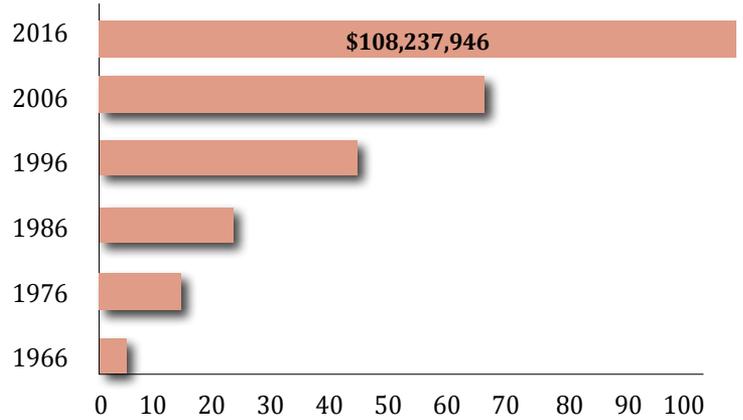
Statement of Operations		2016	2015
Income			
Operating Revenue		\$35,473,591	\$35,504,468
Interest Income		61,582	63,623
Other Non-operating Income		632,523	604,322
TOTAL INCOME		36,167,696	36,172,413
Expenses			
Cost of Power Purchased		18,854,068	18,794,896
Operations & Maintenance		4,825,067	4,633,687
Member Account & Service		1,249,876	1,293,845
Administrative & General		3,319,095	3,399,789
Depreciation & Amortization		3,746,523	3,702,556
Taxes		45,274	44,501
Interest Expense		1,951,566	1,909,390
TOTAL EXPENSES		33,991,469	33,778,664
NET MARGINS		\$2,176,227	\$2,393,749
Balance Sheet		2016	2015
Assets			
Electric Plant (less depreciation)		\$72,262,043	\$72,130,189
Investments		9,527,587	9,131,259
General Fund Cash & Working Capital		342,002	245,003
Accounts Receivable		3,514,328	3,360,563
Materials & Supplies		473,682	554,576
Payments Made in Advance		29,119	30,716
Other Current & Deferred Assets		3,909,015	4,165,186
TOTAL ASSETS		90,057,776	89,617,492
Equities			
Patronage Capital and Margins		30,097,969	30,287,488
Other Equities		9,204,871	7,111,678
TOTAL EQUITIES		\$39,302,840	\$37,399,166
Liabilities			
Long-Term Debt		42,553,738	43,821,227
Notes Payable		1,482,465	1,383,485
Accounts Payable		2,018,351	1,827,321
Member Deposit		379,000	345,621
Other Current & Accrued Liabilities		3,879,062	4,399,560
Deferred Credits and Regulatory Liabilities		442,320	441,112
TOTAL LIABILITIES		50,754,936	52,218,326
TOTAL EQUITIES & LIABILITIES		\$90,057,776	\$89,617,492

2016 Financial Report

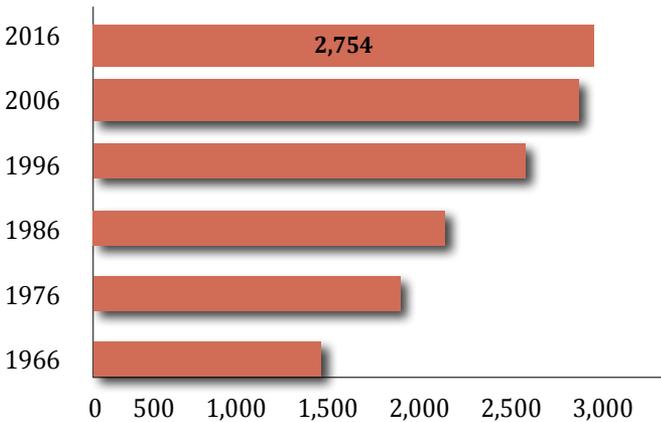
Kilowatt-hours Sold (in millions)



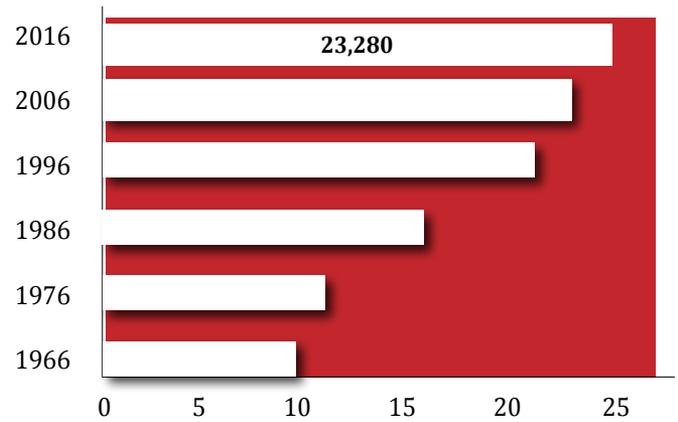
Utility Plant (in millions)



Miles of Line

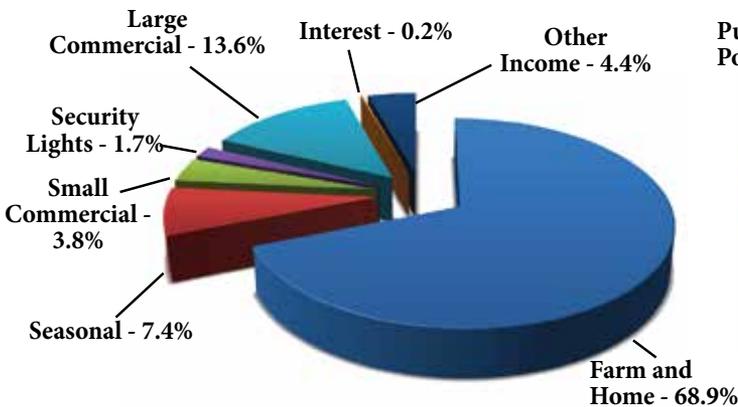


Accounts Served (in thousands)



The Co-op Dollar

Where It Comes From



Where It Goes

