

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

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Robert Holmes
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Leroy Barnes
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James Stauffer
Allegheny Director

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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



Thinking safety as summer approaches

By Ethan DeVore, *Director of Member Services*

MAY IS typically one of the most enjoyable months of the year. The anticipation of summer and all the joys that come along with it slowly start to come to fruition as the sunny days and warm weather begin to creep up. Many of us start to come out of “hibernation” to light up the grill, sit by a campfire or maybe even work on our outside projects around the house. If you’re anything like me, you may even find it difficult to contain your excitement as all the hobbies that die down during the winter months come back to life. Despite all the excitement that May has to offer, it’s important that we keep in mind the potential dangers that exist even through the changing of the seasons.


Aside from the desirable weather, May is also National Electrical Safety Month. Valley Rural participates with cooperatives across the country to help provide electrical safety awareness. Educating the public about the dangers that exist with electricity is important in helping reduce the number of electrical accidents that occur each year. You may not think it, but the number of incidents that happen yearly is quite staggering.

In 2016, there were 475,500 structure fires reported in the U.S. alone, resulting in 2,950 deaths, 12,775 injuries and an astounding \$7.9 billion in property damage. According to the National Fire Protection Association, a residential fire was reported every 90 seconds. Many of those house fires are a result of improv-

erly used or outdated electrical equipment.

As a homeowner, it’s important to do annual checkups on all electrical appliances and devices in use in your household. Make sure your cords and wires aren’t balled up in what appears to be a rat’s nest. Think about getting rid of the old, outdated electronics and replacing them with newer, more reliable models. This not only may help save on your electric bill, but it also will likely lower the possibility of disasters.

Another thing to think about is making sure you understand your home’s electrical system. Along with the latest residential technologies comes an increased need for understanding the safety concerns associated with them. Installing solar panels, using electric vehicles, applying more electric gadgets in home — all of these things put a strain on your home’s system. Making sure your house is compatible with all these technologies is important to help negate the possibility of an accident resulting from the increased electrical load.

To raise awareness of the importance of electrical safety, Valley REC will be visiting local schools and businesses to conduct demonstrations related to power line and electrical safety. In addition, cooperative employees will be posting safety tips weekly on the company’s Facebook page. By encouraging and educating the public about electrical safety, we can all work to prevent electrical hazards, injuries, and even deaths. 

Valley REC members elect three directors during 2018 annual meeting



PHOTOS BY JOHN BOOKWALTER, JR.

DIRECTOR ELECTION: Valley Rural Electric Cooperative President & CEO Rich Bauer, right, congratulates the three elected incumbents to the board of directors, from the right, board Chairman James Stauffer, District 4 Director Joanne Whitsel, and District 6 Director Leroy Barnes, during the co-op's annual meeting held April 6 at Huntingdon Area High School. The directors were elected to three-year terms on the co-op's board.

By Ethan DeVore
Director of Member Services

VALLEY Rural Electric Cooperative members re-elected three incumbent directors to the co-op board during the annual meeting, held April 6 in the Huntingdon Area High School Auditorium.

The meeting drew a crowd of more than 800 members and guests. The 450 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: James Stauffer of McVeytown, Mifflin County, the District 2 incumbent; Joanne Whitsel of Mapleton Depot, Huntingdon County, the District 4 incumbent; and Leroy Barnes of Portage, Cambria County,

the District 6 incumbent. Stauffer ran unopposed while both Whitsel and Barnes ran opposed in each of their respective districts. Louis Mamakos of Three Springs, Huntingdon County, ran for District 4, while Joseph Apple of Duncanville, Blair County, ran for the District 6 director position.

To kick off the meeting, Huntingdon Area High School's Camerata performed the national anthem. Stauffer, Valley REC board chairman, presided over the business portion of the meeting. He spoke about the history of cooperatives and how their importance helps build a better world. He went on to describe how cooperatives are formed to face challenges met by communities.

"Whenever a community faces a need — a challenge to make life better — the cooperative model is there," Stauffer said. "Co-ops put people first and use innovation to meet member needs."

Stauffer noted there are 29,200 co-ops of all kinds across the United States,

while worldwide there are more than 1 billion co-op members. He said cooperatives take many forms, ranging from farmers banding together to get a fair price on supplies to credit unions delivering low fees and reasonable rates. The business model works for dairy farmers and small business owners, financial institutions, grocery stores, and electric companies like Valley Rural.

He explained cooperatives are self-sustaining organizations controlled by their members and dedicated to a set of ideals called the "seven cooperative principles." Stauffer stated that the principles have helped electric cooperatives dating back to 1935 when President Franklin D. Roosevelt created the Rural Electrification Administration (more commonly known as REA) by executive order. Today, more than 900 electric co-ops in the U.S. bring electricity to 42 million people in 47 states.

"In the 1930s, nearly 90 percent of our rural ancestors were living in the dark," Stauffer explained. "Valley Rural

Electric's founding members — folks like you and me — met the challenge head on, bringing power, and hope, to rural America."

President & CEO Rich Bauer spoke to members about the cooperative's operations. He also discussed the benefits to members who change out their home's lightbulbs to all LED bulbs.

"An LED bulb uses as little as one-tenth the amount of electricity as a standard 60-watt lightbulb," Bauer said. "The cost savings by switching all of your home's 60-watt light bulbs to LED bulbs would likely pay for itself within the first year of use."

Bauer also informed members that Valley REC offers an umbrella department, Valley REC Energy Services (VRES). VRES offers a variety of services including small farm and residential electric services, HVAC offerings, Marathon water heater sales and installations, Bosch heat pump sales and installations, and Generac automatic home standby generator sales and installations. Through VRES, the co-op will also offer LED lightbulbs and continue to offer home energy audits.

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 electric load while the insulated appliance maintains water temperature. More than 5,400 Valley members participate in the program.

"We are always trying to find ways to help stabilize our power costs during times of peak demand," Bauer explained. "We offer these programs and services to help benefit our members while also stabilizing rates."

Bauer then introduced Mount Union Area High School senior Katrina Bliss, who talked about her participation in the 2017 Rural Electric Youth Tour to Washington, D.C., and asked qualifying students to consider taking part in the visit to the nation's capital. Each year, Valley Rural sponsors up to 18 students on the weeklong trip that enables them to meet lawmakers and learn about the cooperative business model.

The Werner Family Band of Mount Joy, Pa., performed gospel and bluegrass music. The group consists of four brothers — Gideon, Stephen, Silas, and Mark — and their father, Henry. First performing in 2014 at the Remington Ryde Festival, the band has since performed at bluegrass concerts, festivals,

church programs, retirement communities, senior groups, fundraisers and private events. In addition to playing together, the boys also enjoy entering individual instrument contests and have won awards for their playing.

Children who attended the annual meeting enjoyed games, refreshments, balloons and a presentation by Bliss, who also serves as the 2018 Huntingdon County Dairy Princess.

Distinguished guests in attendance included state Reps. Judy Ward (R-Blair) and Rich Irvin (R-Huntingdon); Huntingdon County Commissioners Scott Walls, Jeff Thomas, and Mark Sather; and Stephanie Okuniewski and Michael Crawford, Pennsylvania Rural Electric Association.

Four members — Linda Allison and Hershel Fink of Williamsburg, along with Brian Ankney and Cody Hockenberry of Huntingdon — each won a \$75 co-op gift certificate. John Welch Jr. of Mount Union received a \$250 co-op gift certificate. Members in attendance received a \$15 credit on their electric bills and a 25-foot, triple-tap extension cord.

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 Rural Electric energized its first lines Nov. 17, 1939. ☀



ABOVE: Valley REC electrician Tyi McCartney, right, speaks with John Stutz of James Creek about Valley REC Energy Services offerings. LEFT: Linemen Matt Fagan and Trevor Eichelberger speak with members about what it's like being a lineman. RIGHT: Logan Booher shows member Martha Miner, Martinsburg, some of the tools used by linemen while out on the job.



Annual Meeting 2018

Snapshots



LEFT: The Werner Family Band featuring from left, Stephen, Silas, Gideon, Henry, and Mark Werner, plays a mixture of traditional and gospel bluegrass music at the Valley REC 2018 annual meeting.



ABOVE: Katrina Bliss, Huntingdon County Dairy Princess, greets members in the lobby with a cheese and pretzel snack to promote the state's dairy industry.



TOP LEFT: Huntingdon Area High School's Camerata, led by the school's choral director, Nin Hiles, performs the national anthem to kick off the annual meeting.



TOP RIGHT: Winners of this year's bill credit drawing are, from left: John Welch Jr. of Mount Union, \$250; Linda Allison won the \$75 bill credit on behalf of C&M Alliance Church; Brian Ankney of Huntingdon, \$75; Hershel Fink of Williamsburg, \$75; and Cody Hockenberry of Huntingdon, \$75.



BOTTOM LEFT: Harry Chappell of Hollidaysburg, left, is greeted by Valley REC employees Judy Post, center, and Lisa Carper, right, as he registers to attend the event.

Executive Report

Valley Rural Electric Cooperative was established to satisfy a need that existed for rural residents to attain safe and reliable electric services. After 79 years of business, the needs of the co-op's members remain the top priority. This was demonstrated throughout the year in 2017 during severe weather events. After extreme weather conditions struck in May, the system received a lot of damage that required countless hours of costly repairs and replacements. Dedicated linemen and employees worked tirelessly with one primary goal: getting the co-op members' power back on. Despite these weather setbacks, your cooperative continued to push forward, living up to its mission of providing reliable and efficient energy services. In addition, the co-op continued to develop programs and services to help improve the quality of life throughout the region.

Last year, Valley REC introduced Valley REC Energy Services (VRES). The VRES umbrella was originally formed to help provide members with residential and farm-related electrical services. This idea developed after the cooperative listened to the voices of its members. Several calls were received by co-op employees from members requesting local electrician services. Many explained they could not find electricians and in some cases, couldn't get electricians to come in a timely manner. Now, Valley REC offers a team of skilled electricians that will cater to those needs that were requested by you, the member. These electricians are on call and can be there to help you rain or shine, day or night.

Aside from residential and farm-related electrical services such as wiring a panel box, installing a new service, or other electrical upgrades, VRES also provides a range of other services. Being added to that list of services most recently is the sale and installation of Generac automatic home standby generators. These generators have a very reliable transfer switch that doesn't allow feedback on utility lines. Since implementing the generator sales and installations services in June 2017, VRES has sold over \$100,000 in generators alone.

Other VRES offerings include the sale and installation of Bosch air-source heat pumps. Having one of these units installed on Valley's system benefits both you (the consumer) and the cooperative. The heat pumps pull just a single amp at startup, which benefits Valley's system by helping improve load stability. The consumer benefits by experiencing the ultra-efficient heating and cooling technology provided by units that are rated at the top of the industry. Along with the Bosch heat pumps, VRES will continue to provide installation of Marathon water heaters sold through the co-op.

In addition to the success of the VRES department, the co-op is able to report good news to its membership once again. As a part-owner of the cooperative, you are part of a financially sound utility. At the end of the calendar year in 2017, co-op equity was at 44.8 percent of assets. Patronage capital returned more than \$960,000 last year to eligible members and former members. In total, the co-op has given back more than an astounding \$25 million in patronage capital over the years with plans to continue this success for years to come.

The largest outlay in 2017 was to Allegheny Electric Cooperative for the purchase of the energy that runs homes, farms and businesses located within the co-op's service territory. 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 Valley's energy. The other



JAMES R. STAUFFER
Chairman of the Board



RICHARD S. BAUER
President & CEO

30 percent, through Allegheny, is purchased on the open market. The price of that 30 percent can far exceed that of the co-op's own sources. To help stabilize the costs associated with the open market energy being purchased, Valley offers a demand response program. If you already participate in this program, thank you on behalf of your co-op. To learn more about the program, 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 stabilize the co-op's wholesale power bill.

Other than the purchase of power (50.7 percent of the 2017 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 2017 totaled \$4.5 million. Keeping trees trimmed along nearly 2,754 miles of line is our largest maintenance expense. Last year, we spent more than \$1.7 million to maintain 456 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.

The year 2017 was also a year of system improvements. The co-op began performing conversion work at the Reeds Gap Substation, converting the entire east feeder from 15kv to 25kv. A conversion project was also done on part of the west feeder on our Dell Substation in the Cassville area, Cass Township. A two-way feed was built on part of the distribution system that is fed from our Harrisonville Substation, to better assist the cooperative when backfeeds are needed to be performed in the southern portion of Fulton County. Lastly, a potential project is being looked at in Franklin County to relocate our Metal Substation to enhance service reliability in the area. All these projects carry the same goal, which is improving reliability for members.

From the technological standpoint, your cooperative is staying very proactive. Valley spent the calendar year in 2017 improving communications and focusing on system security. The co-op also continues to benefit from the outage management system (OMS) that allows co-op employees to receive real-time outage information. Lineworkers out in the field now have system data with them wherever they may be with the deployment of iPads in 2015. The OMS system has greatly contributed to the increased efficiency in handling service disruptions. Looking toward the future, the co-op plans to continue leveraging these technologies to its advantage.

In closing, we'd like to remind you of one of the cooperative principles, "Commitment to community." Valley REC takes that principle very seriously. Please take a moment to review the next page and learn more about how your co-op supports local communities while it continues to constantly work toward better meeting the needs of more than 23,000 accounts. Thank you for attending the annual meeting in 2018.

JAMES R. STAUFFER
CHAIRMAN OF THE BOARD

RICHARD S. BAUER
PRESIDENT & CEO

Products, Programs and Services



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 done? We

can help. We offer prompt service and quotes.

We also offer sales and installation of Bosch air-source heat pumps, Generac automatic home standby generators, and Marathon water heaters. Bosch units draw just one amp on start-up, benefitting 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 Grant Service Program

Valley Rural Electric Cooperative debuted its Community Service Grant Program at the 2015 annual meeting and has since awarded over \$175,000 in funding. This 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.



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.

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 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 \$137 million statewide for 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 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 left) 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 unit can be programmed according to family size, it should not inconvenience members. Ideally, you don't even realize it's there.

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 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.



Smart Hub

Valley REC offers 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.



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! Valley's group of students who participated in the 2017 event are shown at left.

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.

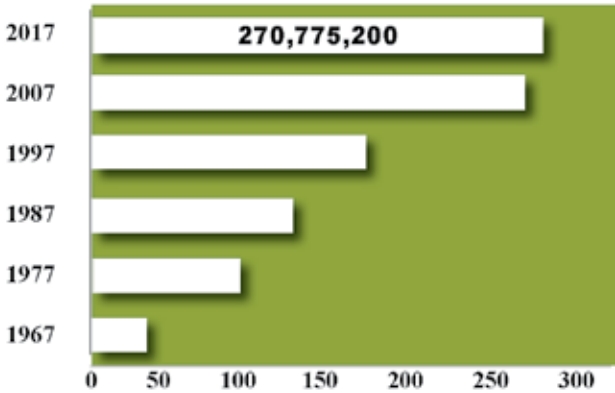


2017 Financial Report

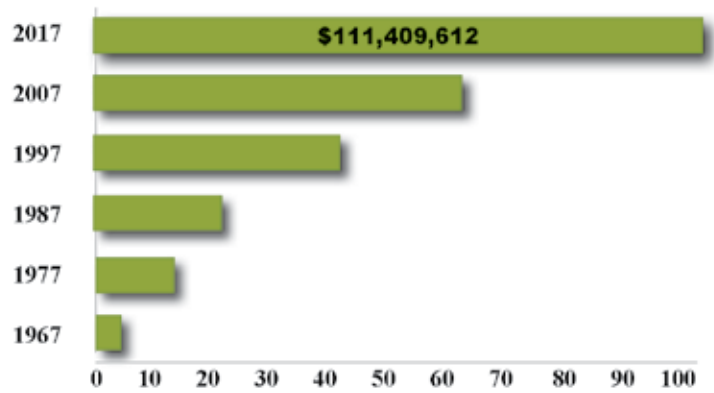
Statement of Operations		2017	2016
Income			
Operating Revenue		35,216,700	35,473,591
Interest Income		60,970	61,582
Other non-operating income		934,246	632,523
TOTAL INCOME		36,211,916	36,167,696
Expenses			
Cost of Power Purchased		18,352,264	18,854,068
Operations & Maintenance		5,253,886	4,825,067
Member Acct. & Service		1,250,277	1,249,876
Administrative & General		3,378,234	3,319,095
Depreciation & Amortization		4,025,305	3,746,523
Taxes		45,217	45,274
Interest Expense		1,922,204	1,951,566
TOTAL EXPENSES		34,227,387	33,991,469
NET MARGINS		1,984,529	2,176,227
Balance Sheet		2017	2016
Assets			
Electric plant (less depreciation)		72,447,930	72,262,043
Investments		9,916,979	9,527,587
General Fund Cash & Working Capital		255,084	342,002
Accounts Receivable		3,517,021	3,514,328
Materials & Supplies		409,392	473,682
Payments made in advance		30,890	29,119
Other current & deferred assets		3,662,223	3,909,015
TOTAL ASSETS		90,239,519	90,057,776
Equities			
Patronage Capital and Margins		31,122,115	30,097,969
Other equities		9,284,816	9,204,871
TOTAL EQUITIES		40,406,931	39,302,840
Liabilities			
Long-Term Debt		40,130,995	42,553,738
Notes Payable		3,181,035	1,482,465
Accounts Payable		2,095,702	2,018,351
Member Deposit		407,704	379,000
Other current & accrued liabilities		3,554,407	3,879,062
Deferred credits and Regulatory Liabilities		462,745	442,320
TOTAL LIABILITIES		49,832,588	50,754,936
TOTAL EQUITIES & LIABILITIES		90,239,519	90,057,776

2017 Financial Report

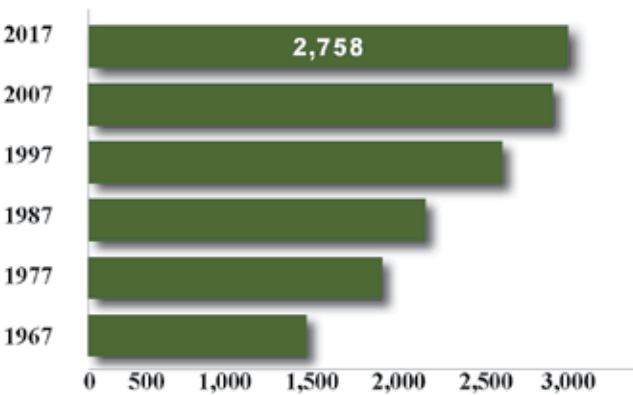
Kilowatt-hours Sold (in millions)



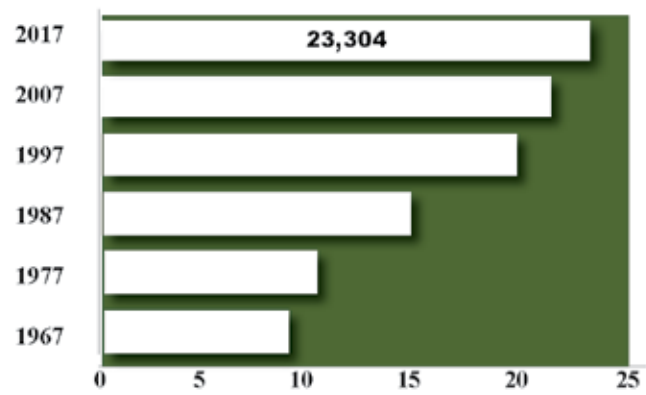
Utility Plant (in millions)



Miles of Line

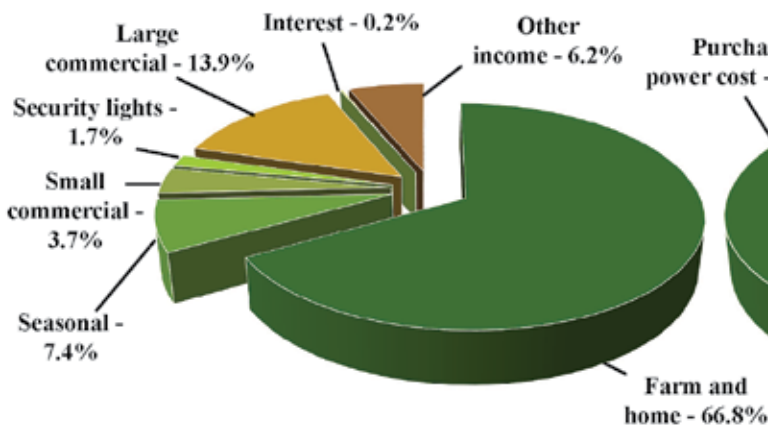


Accounts Served (in thousands)



The Co-op Dollar

Where It Comes From



Where It Goes

