

Valley Rural Electric Cooperative, Inc.

A Touchstone Energy® Cooperative 



One of 14 electric cooperatives
serving Pennsylvania and New Jersey

Valley Rural Electric Cooperative, Inc.

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1-800-432-0680
www.valleyrec.com

BOARD OF DIRECTORS

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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



May brings increase in work load

By Doug Roles, *Vice President, Member Services*

MAY is a busy month with home-improvement projects, garden work, proms, graduations and many opportunities for outdoor recreation. This month is often one of the busiest for Valley Rural Electric Cooperative, too. Here are some of the things we're working on:

Electrical Safety Month

May is National Electrical Safety Month and our biggest month for safety presentations. In the coming weeks, we'll be visiting a variety of agencies — including elementary schools and fire companies — to talk about safety around overhead and underground power lines and equipment. We use a tabletop display and a mobile hot line demo. Call our member services department if you are interested in scheduling a presentation for your civic group or club.

May can mean spring storms and severe weather. If a storm brings down a power line on your property, do not go near the power line. Assume the downed line is energized and dangerous and don't try to move it. We recognize you may be eager to clear your property of limbs or other debris near the downed line, but please wait until after a co-op crew or emergency officials have confirmed it is safe to do so.

Our biggest cost-saving program


In preparation for summer peak load periods, we're contacting members who participate in our demand response program but have a demand response

unit (DRU) that has stopped communicating with us. If you have a DRU on your water heater and think that it may have been disconnected from its power supply — due to wiring work, purchasing a new water heater or other home improvement projects — please call us (800-432-0680). We'll send out a technician to make sure your DRU is connected and ready to help reduce periods of peak load. Leveling off those peaks is the No. 1 thing we can do to help stabilize future wholesale power costs.

If you aren't participating in the program and have a storage tank water heater, give us a call. You could be eligible for a \$100 bill credit for participating.

Aerial patrol and pole inspection

We're also planning our annual helicopter inspection of our rights-of-way as well as our yearly pole inspection. A pilot from Pine Bottom Aviation Services, LLC of Martinsburg will give us a bird's-eye view of lines and equipment. The flyover, which begins in June, allows Valley REC staff to plan future improvement projects and right-of-way maintenance. The pole inspection by Osmose Utility Service, Inc. will begin in July. It verifies the stability of utility poles. It requires inspectors to access Valley REC rights-of-way.

As always, we appreciate the cooperation of members in all these important programs. If your May is a busy one, we're right there with you. Let's keep it safe and productive together. 

Valley REC members elect three directors during 2019 annual meeting

Board president promotes inclusion of nuclear power in alternative energy act

By Doug Roles

Vice President, Member Services

VALLEY Rural Electric Cooperative members re-elected three incumbent directors to the co-op board during the April 5 annual meeting, held at Huntingdon Area High School. Co-op leaders also informed members about the importance of nuclear power in Pennsylvania and explained a number of co-op programs and services.

The meeting drew a crowd of more than 800 members and guests. The voting members in attendance cast ballots to fill three seats on the nine-person board of directors that represents the utility'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 were: Greg Henry of Hometown, Fulton County, the District 7 incumbent; Linda McMath of Shade Gap, Huntingdon County, the District 8 incumbent; and Cindy Bigelow of Williamsburg, Blair County, the District 9 incumbent. All three were unopposed on the ballot.

Valley REC Board Chairman James Stauffer of McVeytown, Mifflin County, presided over the business meeting and explained the co-op's viewpoint on the debate over adding Pennsylvania's nuclear power to the state's 2004 Alternative Energy Portfolio Standards Act. He said premature closing of nuclear plants would be bad for Pennsylvania's economy and environment.

"Electric co-ops in Pennsylvania are concerned that not giving nuclear equal footing in the energy markets now could



PHOTO BY DOUG ROLES

ELECTION RESULTS: Valley Rural Electric Cooperative Board Chairman James Stauffer, right, and Valley REC President & CEO Rich Bauer, left, offer congratulations to elected incumbent directors, from left, Linda McMath, Cindy Bigelow, and Greg Henry.

lead to higher electric rates down the road," Stauffer said. "If nuclear plants close, natural gas will likely fill the gap, but replacing nuclear with more natural gas means the market becomes less competitive and less diverse."

He added, "If the bulk of your electricity in the future is from natural gas power plants and the cost of gas goes up, so will the price of your electricity."

Nuclear energy provides 93 percent of the carbon-free electricity in the



PHOTO BY DOUG ROLES

ANNUAL MEETING: Valley Rural Electric Cooperative members arrive at Huntingdon Area High School on April 5 to participate in the co-op's 2019 annual meeting. Members attending received a four-pack of LED lightbulbs and a \$20 bill credit.

state. 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 hydro 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.

Valley REC President & CEO Rich Bauer reminded members that Valley REC Energy Services (VRES) offers residential and farm-related electrical service and repairs. The electrical services arm of the business was launched in 2017 to assist residents who need a quick turnaround on electrical upgrades or have small projects that may not be a good fit for larger local electrical contractors.

“Very often our lineworkers will have someone ask about a small repair or upgrade, such as wiring a panel box or fixing a light switch,” Bauer said. “That’s the type of work VRES specializes in, not larger electrical jobs such as wiring an entire house.”

The VRES umbrella of services features sales and installation of Marathon water heaters, Generac whole-house propane generators and Generlink switches for portable generators. Through VRES, the co-op also offers LED lightbulbs.

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. Participants receive a one-time \$100 bill credit. More than 5,000 Valley members participate in the program.

“Participating in this program is the No. 1 thing members can do to help stabilize the co-op’s wholesale power bill,” Bauer said.

Huntingdon Area High School senior Olivia Wilson talked about her participation in the 2018 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 REC sponsors a group of students from local school districts on the weeklong trip that enables them to meet lawmakers and learn about the cooperative business model.

Country music artist Josh Gallagher performed several fan favorites. Gallagher, from Cresson, was a finalist on NBC’s “The Voice” during the show’s 11th season. On March 15, he released a self-titled, six-song EP.

Distinguished guests in attendance included state Sen. Judy Ward; state Reps. Rich Irvin and John Hershey; Huntingdon County Commissioners Jeff Thomas, Scott Walls and Mark Sather; Juniata County Commissioner Mark Partner; and Peter Fitzgerald, director of communications and mem-

ber services for the Pennsylvania Rural Electric Association.

Pennsylvania Dairy Princess Brooke Emery and Alternate Dairy Princess Kara Stultz presented a children’s program. Assisting them were Dairy Maids Shelly Bliss and Kelly Bliss and Dairy Miss Rylee Stultz.

Four memberships won a \$100 bill credit. They were: Brian and Susan Gormley of Chalfont; Carl and Cathy Kurnas of Todd; Vickie and Gary Grove of McVeytown; and David Drayer of Three Springs. David Slates of Roaring Spring won a \$200 credit. All members in attendance received a \$20 credit on their electric bills and a four-pack of LED lightbulbs. 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. 🌞



PHOTO BY DOUG ROLES

EDUCATIONAL DISPLAYS: Valley REC Energy Specialist Travis Kuhstos, right, talks with co-op members Cheryl and Pete Prince of York County about the electric use of various types of lightbulbs. The Princes have a cabin on Valley’s lines in Juniata Township, Huntingdon County.

Annual Meeting 2019 *Snapshots*



PHOTO BY PETER FITZGERALD

Huntingdon Area High School senior Olivia Wilson talks about her experience on the 2018 Youth Tour to Washington, D.C. Each year, electric co-ops across the country sponsor high school juniors on the weeklong educational trip to the nation's capital.



PHOTO BY DOUG ROLES

Pennsylvania Dairy Princess Brooke Emery (center) and Alternate Dairy Princess Kara Stultz, second from right, presented a children's program. Assisting them were, from left, Dairy Maids Shelly Bliss and Kelly Bliss and Dairy Miss Rylee Stultz.



PHOTO BY DOUG ROLES

Above: Donald Smith of Belleville, Mifflin County, accepts a cheese & pretzel snack from Pennsylvania Dairy Princess Brooke Emery, who is also the Huntingdon County princess. Smith represented the Kish Rod & Gun Club membership. Below: Valley REC members receive an update on their cooperative.



PHOTO BY DOUG ROLES



PHOTO BY DOUG ROLES

Country music artist Josh Gallagher performs for Valley members following the business meeting. He was a finalist on season 11 of NBC's "The Voice."

Executive Report

NOVEMBER 2018 marked 80 years since the incorporation of Valley Rural Electric Cooperative as a member-owned electric distribution utility. The co-op was founded on a mission of providing safe, reliable and affordable power to members while improving the quality of life throughout our region. It's our pleasure to provide this annual report to you, the cooperative's members, and our privilege to inform you that Valley REC continues to meet its mission, thanks to the hard work and dedication of the co-op's employees and elected board members.

Each year, there is an abundance of information we want to share with you. We think it's appropriate for this benchmark year to start by reminding consumers that our cooperative continues to succeed in the face of an ever-changing, ever-challenging industry. Consider this: in 2016, 2017 and 2018, our membership grew by less than one-half a percent. In 2017, we sold 6 million fewer kilowatt-hours than in 2016. But in 2018, we sold 19 million more than we did in 2017, with nearly the same number of consumers. The reason for this dramatic difference can be summed up in one word: rain.

We are an extremely weather-dependent industry. An exceptionally rainy summer last year kept people indoors. Instead of enjoying evenings outside in the backyard, folks were indoors, using lights, televisions and other appliances, especially dehumidifiers.

Operating in an industry subject to such extremes can make budgeting a challenge. So, we're proud to report that your co-op is in good financial shape. Co-op equity was at 45 percent of assets at the end of 2018. Last year, we had our largest capital credits retirement ever. The co-op returned \$1,866,737 in patronage capital to eligible members and former members. Over the years, the co-op has given back more than \$26.5 million in capital credits returns. Our margins go back to members, not to stockholders. And we plan to continue capital credits returns in the years to come.

The largest outlay in 2018 was to Allegheny Electric Cooperative, Inc. (Allegheny) for the purchase of the energy that powers 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. Allegheny purchases the other 30 percent 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 (48.1 percent of the 2018 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 2018 totaled \$5.5 million. Keeping trees trimmed along nearly 2,760 miles of line is our largest maintenance expense. Last year, we spent \$2 million to maintain 440 miles of rights-of-way, paying special attention to removing ash trees because of the devastation from the emerald ash borer. We adhere to a five-year rotation for vegetation management. This has proven to reduce costs associated with outage restoration.

The year 2018 was also a year of system improvements. We upgraded equipment in substations across our service territory. In our Shade Gap



JAMES R. STAUFFER
Chairman of the Board



RICHARD S. BAUER
President & CEO

service district, work to convert the east feeder of the Reeds Gap Substation from 12 kilovolts to 25 kilovolts was completed in Spruce Hill Township, Juniata County, and is ongoing in Tuscarora and Beale townships. We also completed conversion work for the Dell Substation in Cass Township, Huntingdon County. In the Huntingdon District, we replaced deteriorating lines in Barree and Jackson townships, Huntingdon County, and are working on replacing power line in the Cold Springs Road area of Oneida Township. In our Martinsburg District, we completed replacement of primary underground wire in the Puzletown/Duncansville area. All these projects have the same goal, improving reliability for members.

The past year was one of successes and positive changes for Valley REC. Late last summer, in cooperation with Allegheny, we mailed four packs of 800-lumen LED lightbulbs (the equivalent of a 60-watt incandescent bulb) to all our members. We encouraged members to immediately swap out their old incandescent bulbs for the LEDs to immediately realize savings.

The co-op moved to new billing cycles earlier this year. The old method of billing all accounts on the first of the month inundated the consumer services department with bill-processing tasks. The new method of billing accounts by service area spreads out the workload and increases efficiency.

Valley REC Energy Services, the electrical services arm of the co-op, is now in its third year. Last year, VRES completed 110 electrical service calls, 26 water heater installations, 60 generator installations and maintenance calls, and 30 heat pump installations. The service specializes in small electrical jobs, including security lighting and breaker panel replacement. Our goal is to provide a service option in situations where electrical contractors may not want smaller jobs. And, if you have a power issue in the middle of the night, one of our three highly-qualified electricians can help.

We continued our commitment to community last year by awarding more than \$61,000 through our Community Service Grant Program. The program is funded through unclaimed capital credits, which Valley can use for energy assistance, civic projects and education. Sixty-six members received energy assistance through this program while 36 civic organizations benefitted.

Another 31 members were aided by the Members Helping Members program, which focuses on consumers experiencing unemployment. Additionally, we provided \$1,000 scholarships to 15 students through our Brighter Future Scholarship program and sponsored 15 high school juniors on the annual Youth Tour to Washington, D.C.

From operations and maintenance, to financial stewardship and being a good neighbor in our communities, for 80 years Valley REC has been steadfast in its mission. Our people make the difference and our members make it possible. Thank you for attending Annual Meeting 2019.

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 sell and install Generac automatic home stand-by generators and Marathon water heaters. Generac gives you peace of mind during an extended power outage. And Marathon is the last water heater you'll ever buy because it has a lifetime guarantee! We also offer GenerLink portable generator switches and home energy audits, and we 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 more than \$230,000 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, energy efficiency and 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 cooperative's 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 \$143.6 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



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



SmartHub

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 2018 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.



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.

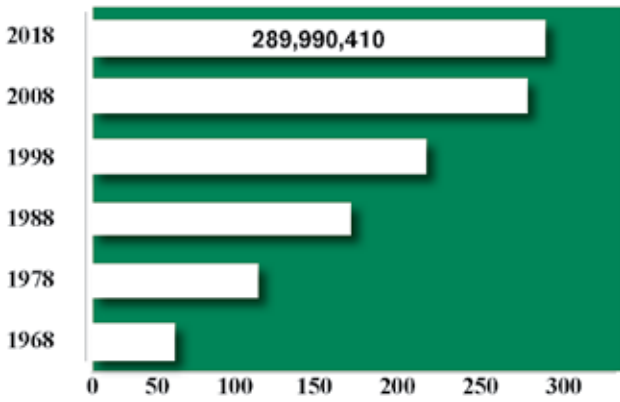
Demand response units (like the one shown at left) work by temporarily cutting power to water heaters during periods of peak demand. Since the tanks are well-insulated, the water stays warm until the control period ends. Since the DRU can be programmed according to family size, it should not inconvenience members. Ideally, you don't even realize it's there.

2018 Financial Report

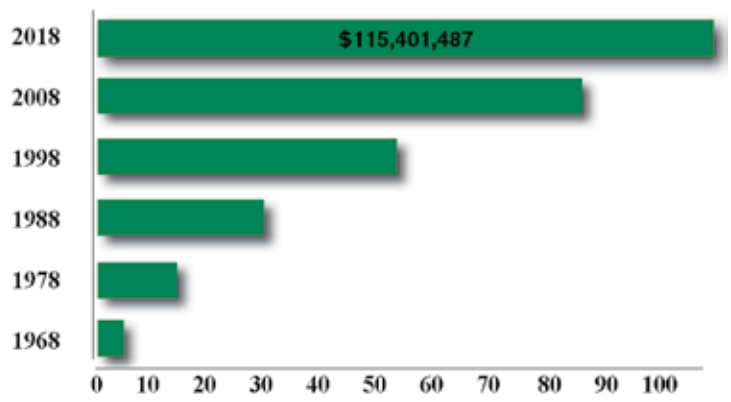
| Statement of Operations | 2018 | 2017 |
|---|-------------------|-------------------|
| Income | | |
| Operating Revenue | 36,960,495 | 35,216,700 |
| Interest Income | 52,243 | 60,970 |
| Other non-operating income | 631,638 | 934,246 |
| TOTAL INCOME | 37,644,376 | 36,211,916 |
| | | |
| Expenses | | |
| Cost of Power Purchased | 18,112,349 | 18,352,264 |
| Operations & Maintenance | 5,655,367 | 5,253,886 |
| Member Acct. & Service | 1,270,933 | 1,250,277 |
| Administrative & General | 4,285,476 | 3,378,234 |
| Depreciation & Amortization | 4,012,746 | 4,025,305 |
| Taxes | 48,229 | 45,217 |
| Interest Expense | 1,776,886 | 1,813,367 |
| Other Deductions | 115,213 | 108,837 |
| TOTAL EXPENSES | 35,277,199 | 34,227,387 |
| | | |
| Net Margins | 2,367,177 | 1,984,529 |
| | | |
| Balance Sheet | | |
| Assets | | |
| Electric plant (less depreciation) | 73,915,673 | 72,447,930 |
| Investments | 10,227,343 | 9,916,979 |
| General Fund Cash & Working Capital | 696,089 | 255,084 |
| Accounts Receivable | 3,209,618 | 3,517,021 |
| Materials & Supplies | 440,926 | 409,392 |
| Payments made in advance | 37,271 | 30,890 |
| Other current & deferred assets | 3,404,589 | 3,662,223 |
| TOTAL ASSETS | 91,931,509 | 90,239,519 |
| | | |
| Equities | | |
| Patronage Capital and Margins | 29,841,864 | 31,122,115 |
| Other equities | 11,127,896 | 9,284,816 |
| TOTAL EQUITIES | 40,969,760 | 40,406,931 |
| | | |
| Liabilities | | |
| Long-Term Debt | 37,631,652 | 40,130,995 |
| Notes Payable | 4,200,000 | 3,181,035 |
| Accounts Payable | 2,248,695 | 2,095,702 |
| Member Deposit | 434,169 | 407,704 |
| Other current & accrued liabilities | 4,251,320 | 3,554,407 |
| Deferred credits and Regulatory Liabilities | 2,195,913 | 462,745 |
| TOTAL LIABILITIES | 50,961,749 | 49,832,588 |
| | | |
| TOTAL EQUITIES & LIABILITIES | 91,931,509 | 90,239,519 |

2018 Financial Report

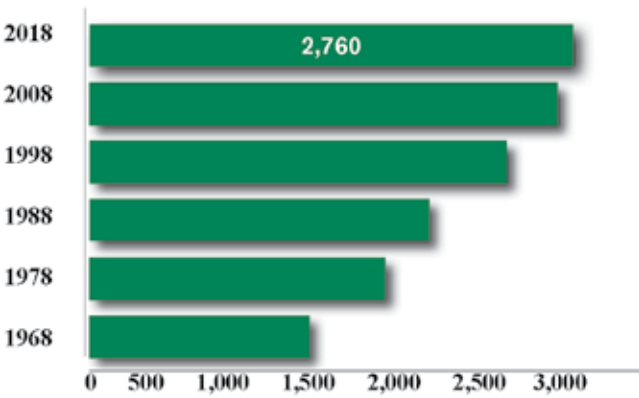
Kilowatt-hours Sold (in millions)



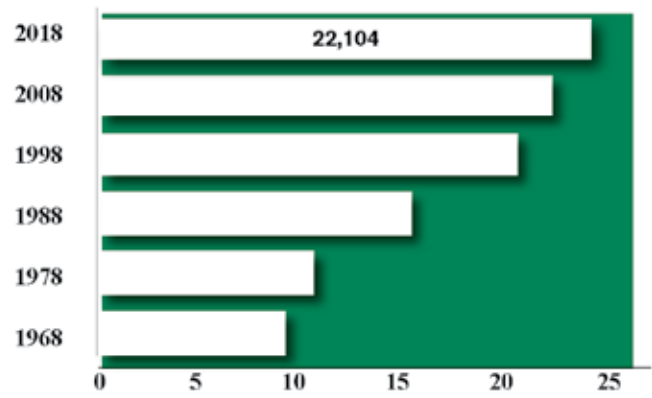
Utility Plant (in millions)



Miles of Line

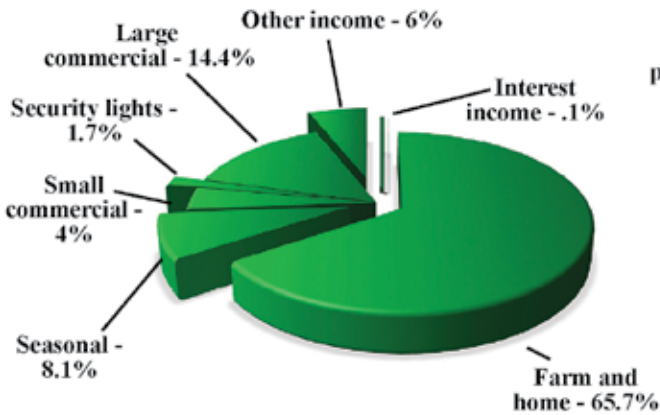


Accounts Served (in thousands)



The Co-op Dollar

Where It Comes From



Where It Goes

