

Valley Rural Electric Cooperative, Inc.

Valley News

May | June 2009

Volume 66 | Issue 3

ANNUAL REPORT 2008



VALLEY RURAL ELECTRIC COOPERATIVE, INC.

LETTER FROM THE *President*



It is indeed my pleasure to report on the status of your electric cooperative. I consider it an honor and privilege to have been selected by your board of directors to succeed Edward Dezich as president and CEO of Valley Rural Electric.

This report will highlight the cooperative's achievements during 2008. Thanks to Ed's leadership and the hard work and dedication of your employees, Valley continues on a successful path of maintaining a strong financial position while providing its members with reliable service at reasonable rates.

Our search for a new location for the Huntingdon district operations ended in May 2008 when we purchased the former Shaner Energy building at the intersection of Fairgrounds and Station roads south of Huntingdon. A 12,000 square-foot truck garage/warehouse was added to the site. The district office is now more centralized within its service territory and our line crews have easy access to two main travel arteries, routes 22 and 26 (south). The old facility along Standing Stone Road will be sold.

Keeping trees properly trimmed along Valley's 2,900 miles of electric distribution line represents one of our most challenging and costly maintenance programs. More than 61 percent (\$1,536,000) of our 2008 maintenance budget was spent on tree trimming. Valley's five-year right-of-way maintenance cycle helps the co-op minimize costly and inconvenient outages and allows our distribution system to operate more efficiently because energy losses are reduced. In fact, we estimate that this program saves members more than \$350,000 annually in wholesale power costs.

A complete distribution system inventory project began in 2008. It is expected to take between 18 months and two years to complete and will provide our personnel with an accurate, electronic database as well as digitized maps of Valley's system. To compliment this new mapping system, our employees who design, upgrade and expand our power line paths will soon use an electronic, automated staking system. This will dramatically streamline our record-keeping processes.

Cooperative personnel completed work on several system improvement projects in 2008. The operating voltage for the lines between our Riverview Substation (along Route 103 near Mount Union) and our Three Springs Substation (on Route 994 between

Three Springs and Orbisonia) was upgraded from 12,500 to 25,000 volts. The higher voltage reduces line losses and doubles the load capacity, enhancing our ability to transfer load between the two subs in maintenance and outage situations.

Three-phase voltage regulator banks were installed at several locations on Valley's system. They improve voltage levels in the area during times of heavy electrical load or when load must be transferred between adjacent subs. The first bank is located at the intersection of routes 26 and 994 near Entriiken. The second is on a circuit in Blair County between our Sinking Valley and Frankstown subs, and the third is installed in Franklin County near Fannettsburg. Numerous other small-scale line improvement projects have also been completed throughout the co-op's eight-county service territory.

Total energy sales for 2008 were 275,252,759 kilowatt hours (kWh), up 1.2 percent from the previous year. However, even with this slight increase, sales have been relatively flat for the past four years. Unfortunately, our costs to upgrade, operate and maintain the co-op's electric distribution system have increased nearly 19 percent since 2005. Global demand has forced up costs for line materials and equipment. The current economic recession has eased skyrocketing prices somewhat, but we anticipate that the relief will be temporary.

We continually strive to control our costs by managing expenses and incorporating technology and efficiencies where possible. We are also committed to providing reliable service throughout our rural service territory. To ensure we continue to achieve this goal, system maintenance programs must be carried out and investments need to be made to rebuild and upgrade the system. While the decision was not an easy one, your board has chosen to implement a rate increase in July. Residential, seasonal and small commercial accounts will see a \$6 increase in the basic monthly charge. The base charge for medium and large commercial accounts will go up \$12. This is about a five percent increase for most members.

We at Valley Rural Electric work hard to anticipate any potential issues that could escalate the costs of energy and we try to minimize their impact on your electric bills. We have programs and services in place to help you use electricity more wisely. We're also here to listen to your concerns and answer any questions.

A handwritten signature in black ink that reads "Wayne F. Miller". The signature is written in a cursive, flowing style.

WAYNE F. MILLER, President & CEO

LETTER FROM THE *Chairman*



On behalf of your board of directors, I am pleased to give an account for the accomplishments and goals of the cooperative in 2008.

Like myself, you have the privilege of being a member (and 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 calendar year 2008, co-op equity was at 41.4 percent of assets. The extensive retail rate study that was performed about two years ago was based on a 10-year financial plan, which helped us determine an ideal equity range for the co-op.

As we have done each year for more than two decades, the cooperative plans to return capital credits to its members in 2009. However, there will be two significant changes to note regarding the distribution of this money.

First, the board has decided that, in order to better manage cash flow and save thousands of dollars in interest expenses, capital credits will now be returned at the end of the year instead of in April. After careful consideration, it was determined that this method would result in the most significant savings for the cooperative. Also, by applying capital credits in December, we hope to help offset the higher bills you typically experience around the holidays.

Secondly, the money will appear as a bill credit on your primary electric account. Of course, former members will still receive a check. This change will help the cooperative save greatly on processing time and postage costs.

The financial stability of our co-op shows in our ability to retire capital credits, support operations and maintain equity while satisfying the requirements of our lenders -- the Rural Utilities Service and the National Rural Utilities Cooperative Finance Corporation.

I mentioned in my report last year that board members and co-op management staff had conducted a strategic planning session geared toward key goals for the next several years. Implementing new and updated technologies was one of those goals.

There are now several technology projects underway that should significantly improve the way we do business.

We have already begun to plan for updating our present load management system, which is used to turn off electric water heaters during periods of peak demand. The new equipment will allow the co-op to take advantage of the latest innovations in demand-side management. Demand response is an important resource to use in controlling electric rates because it reduces the need for new generating capacity and cuts down on costly demand charges. We will offer more details on the upcoming load management project through the co-op's website and publications.

Another goal was to provide more efficient ways for members to report meter readings. Members can now key in meter readings via the co-op website (www.valleyrec.com) or by using a touch-tone phone. These two features help us bridge the gap until we begin integrating an automated meter reading system in the years ahead that will eliminate the need to turn in readings.

Speaking of website features, by the end of 2009, we plan to include online bill payment options and access to account history. The site already offers an online energy audit program where visitors can get energy efficiency information tailored specifically to their homes.

Your directors are responsible for the oversight of a corporation with a total utility plant of nearly \$81 million. That's why we place an emphasis on training and development. All directors have obtained Credentialed Cooperative Director Certification. In addition, three directors have received NRECA Board Leadership Certification.

Co-op employees hold themselves to a high standard as well. In fact, thanks to their commitment, the co-op recently earned an "excellent" rating during safety re-accreditation from the National Rural Electric Cooperative Association.

In conclusion, your board is confident that the co-op is in a healthy financial position. We take very seriously our responsibility to continue that record of success. Thank you for allowing us to serve.

A handwritten signature in cursive script that reads "James R. Stauffer".

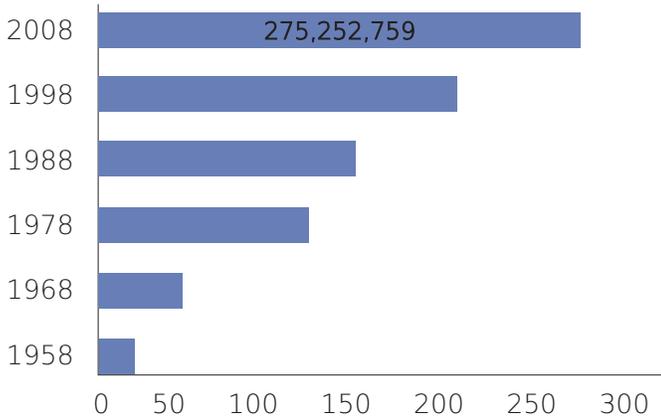
JAMES R. STAUFFER, Chairman of the Board

2008 *Financial Report*

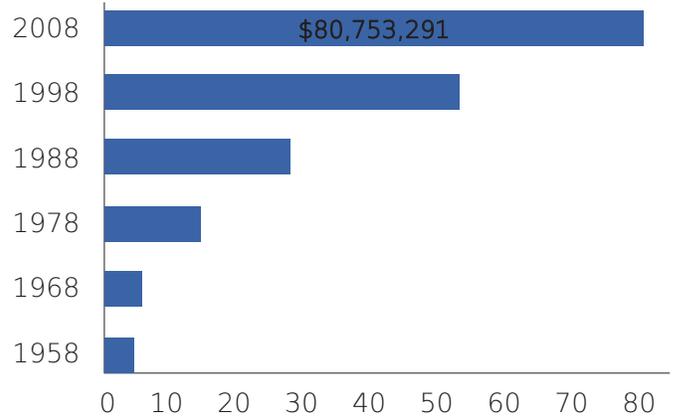
Statement of Operations		2008	2007
Income			
Sale of Electricity		\$28,617,324	\$27,196,631
Interest Income		122,495	206,086
Other		1,081,609	1,361,514
TOTAL INCOME		29,821,428	28,764,231
Expenses			
Power Purchased		17,109,398	16,801,277
Operations & Maintenance		3,504,356	3,200,741
Member Acct. & Service		1,272,571	1,170,842
Administrative & General		2,349,067	2,225,622
Depreciation & Amortization		2,194,404	2,029,606
Taxes		42,838	35,537
Interest Expense		1,721,232	1,556,109
TOTAL EXPENSES		28,193,866	27,019,734
NET MARGINS		\$ 1,627,562	\$ 1,744,497
Balance Sheet		2008	2007
Assets			
Electric Plant (less depreciation)		\$57,486,742	\$54,628,032
Investments		7,657,272	6,866,225
General Fund Cash & Working Capital		1,960,799	968,721
Accounts Receivable		511,343	707,054
Materials & Supplies		617,092	637,024
Payments Made in Advance		85,836	88,921
Other Current & Deferred Assets		2,041,346	1,962,157
TOTAL ASSETS		70,360,430	65,858,134
Equity			
Patronage Capital		25,725,393	24,987,617
Other Equities		3,516,813	3,573,861
TOTAL EQUITIES		29,242,206	28,561,478
Liabilities			
Long-term Debt		33,063,896	30,031,327
Notes Payable		749,000	0
Accounts Payable		2,706,771	2,648,400
Member Deposits		372,667	373,222
Other Current & Accrued Liabilities		3,407,593	3,416,885
Deferred Credits (energy prepayments)		818,297	826,822
TOTAL LIABILITIES		41,118,224	37,296,656
TOTAL EQUITIES & LIABILITIES		\$70,360,430	\$65,858,134

2008 *Financial Report*

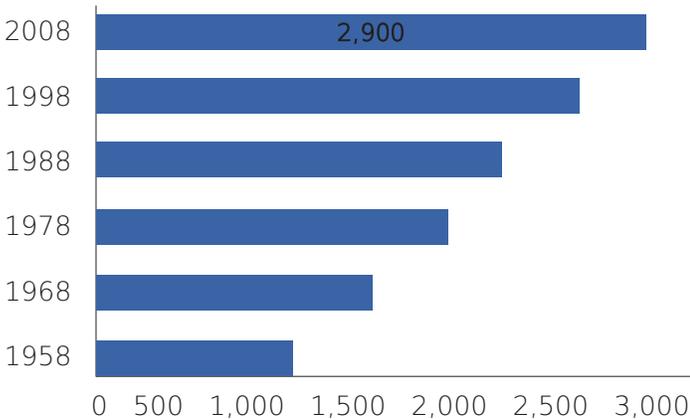
Kilowatt-hours sold (in millions)



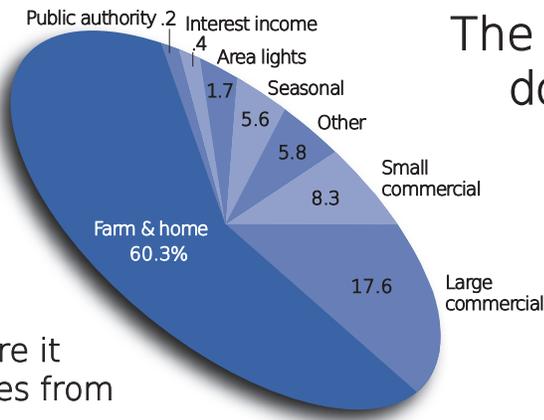
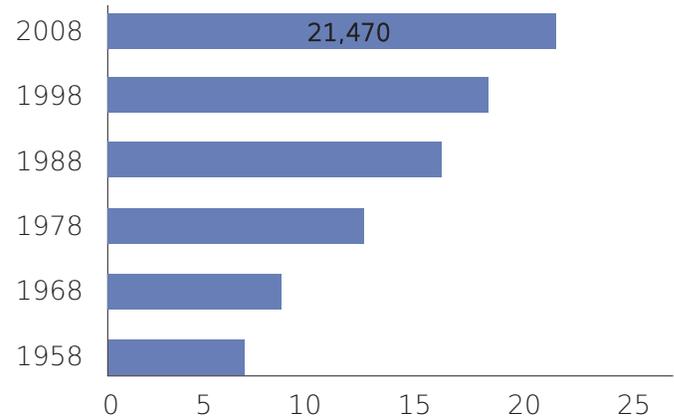
Utility plant (in millions)



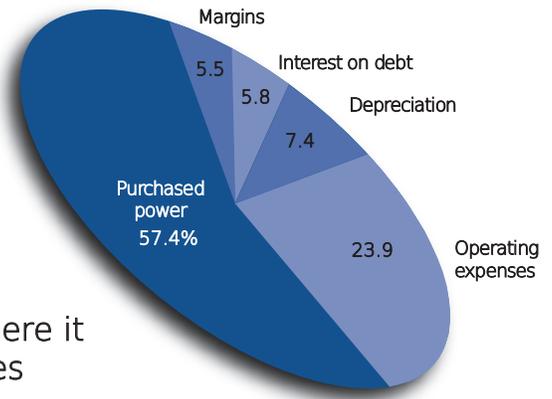
Miles of line



Accounts served (in thousands)



The co-op dollar



Where it comes from

Where it goes

THE

Trading Post

Classified Advertising



Co-op members may submit ads via e-mail at valleynewsads@valleyrec.com; by phone at 800/432-0680; by fax at 814/643-1678; or by mail at Valley REC, PO Box 477, Huntingdon, PA 16652-0477. There is no charge for this service. If consumers wish to continue running particular ads, they are required to resubmit the information on a bimonthly basis. The deadline for submission is the 25th day of the month prior to the issue months. Submissions are viewable on the co-op's website at www.valleyrec.com. Items published are printed at the request of our members. The co-op does not endorse, recommend or assume any responsibility for the products or services advertised.

Real Estate

Huntingdon, Seven Pts. area - 2BR, 2 bath home, private, wooded, paved drive. Granite countertops, stainless appliances, new flooring, solid oak doors & lots more. See pictures and info at www.owners.com/ATJ9274. Asking \$299,900. 814/644-1436. Shown to pre-approved buyers only. Will work with buyer's agent.

House w/ 3 BR, 3 bath on 8 acres. 2-car garage w/ loft, 2 ponds, mtn. view, lots of wildlife, trout stream nearby, borders state game lands. Blacklog Valley Rd., Huntingdon Co., \$329,000. 814/542-8388.

New 27'x 24' 2-story log cabin on 10+ wooded acres. "Antler Lodge" dormer, deck, double-pane windows, small pond, secluded, private drive. Minutes to state game lands, state forest, trout streams & Juniata River. Excellent hunting/fishing, \$125,000. 717/734-3730.

1-acre lot (business or commercial), Rt. 22, Alexandria - Underground utilities, 2 wells, sewage tank & sand mound permit. Also avail.: 2-room, 12'x 24' office bldg. w/ occupancy permit. 814/669-9592 or 669-4355.

McVeytown - 3-acre wooded building lot, close to Juniata River, already perked, good bldg. site, \$29,800. Owner financing avail. 717/994-4806 or 734-3275.

Office/retail rental - Rt. 22 Ardenheim fronting hwy., 400 sq. ft. of office space w/restroom, \$275 per month plus electric. 814/643-3775 or 599-4284.

8.1 wooded acres, ridge-top property, beautiful views, several bldg. sites, excellent wildlife, nice timber, \$48,000. 814/251-5834.

Wanted

White Mtn. ice cream freezer, 20 qts. or larger; may be interested in other smaller-sized ones. 717/372-7118 or email mark-sipes@yahoo.com

Buying old cars, trucks, motors, tractors for restoration. Also looking for a good enclosed car trailer. 717/734-3730.

Contractor w/ experience repairing old log cabins. 717/691-8609.

Carpenter &/or wood worker, references required. 814/447-3630 or email galleriofwood@innernet.net

Autos/Trucks

1972 Ford Thunderbird 2-door, white w/ black vinyl top, white leather seats in good cond. Best offer. 814/669-4979.

1989 Dodge Daytona car, blue, needs motor. Has new tires & some other new parts. Asking \$500 OBO. 814/542-2749. Leave message if no answer.

Recreational

25' Checkmate Convincor I/O, 454 Chevy bored & stroked to 496 w/ less than 10 hrs. on new engine, Cuddy Cabin, galvanized trailer, lots of extras, \$16,000 OBO. 717/899-6938.

1997 Maxium/2300 SR open bow 5.7 Mercruiser V-8 inboard-outboard boat. One owner, used only on Raystown Lake, always serviced/stored at Shy Beaver, Raystown. No trailer. Asking \$8,500 OBO. 717/975-2573 or 580-6899.

Loadrite boat trailer, galvanized, roller-style, single-axle, 4,400 lb. GVW, for 18-22' boat, 16" tires, spare tire w/ mount, bearing

buddies, winch & cable, tongue jack, safety chains, clean title, very good cond., \$575. 814/669-4413. Please leave message if no answer. Can send photos via email.

Gamefisher 14' flat-bottom boat in good cond. Selling the boat w/ a trailer. Trailer needs a little work. Also included: Johnson trolling motor, 2 folding seats, wooden oars & 3 life vests. Asking \$500 for all. Any questions or for more information, call 814/641-9442. Ask for Richard.

1989 Larson boat, 17-1/2' w/ trailer; red, white & blue; seats 7; in pretty good shape; lots of extras included (skis, life jackets, ropes, tubes). In-board motor, Mercury 3.0, has been redone. Asking \$3,500. 814/542-2749. Leave message if no answer.

1996 Chaparral boat, model 2335 SS, Cuddy Cabin, Mercruiser 5.7 V8, Bravo 3 out-drive. Lots of options, one owner, includes a dual-axle trailer. Boat has been used in Raystown Lake exclusively. Everything is in exc. cond. Asking \$12,900. I can send pictures via email. Call 717/766-9411 or 254-9933 after 5 p.m.

Vacation Rentals

Raystown Lake Cottage - Just a quarter mile from the water, this little cottage has a great view. We provide a nicely equipped kitchen. Very clean and in a private setting; towels and linens provided. Visit www.coffeeuncottage.com or call 814/251-1303. Just bring your food and relax or go boating, fishing or hunting.

Livestock/Pets

Small, square bales, alfalfa/grass mix hay, \$2 each. 9-yr.-old reg. quarter horse brood mare, excellent bloodline. 717/734-3730.

Alpacas & alpaca products for sale at Terrace Mtn. Alpaca near Calvin. Come visit our friendly, huggable show-quality alpacas. Store hours are Friday 10 a.m.-5 p.m., Saturday 10 a.m.-4 p.m. or call 814/643-2854 for any other day. www.terracemountainalpacas.com

Pets for sale - AKC-reg. Weimaraner puppies, home-raised, mother & father on premises, will be ready June 1. 814/658-2122.

Yearling cattle for sale, reg. Red Angus bulls, reg. Polled Hereford bulls & heifers, Black Baldy heifers. Twin Ponds Farm, McVeytown. 717/899-7787 or 348-1594.

Tools/Equipment

NH 479 haybine, very good cond., \$2,200 OBO. NH 276 hay baler with NH 58 thrower, \$2,250 OBO. Call 717/734-3415 evenings or leave message.

Cub Cadet 127 for parts; mower deck, front blade, wheel weights, rear hitch; engine runs. 814/643-2042.

1250 Cub Cadet for parts, no engine, hydrostatic rear mower deck. 814/643-2042.

International 424 gas tractor, partially restored, \$4,200. 4' pull-type disc for International tractor, \$150. 717/987-3991.

Old reel-type lawn mower, \$20. 814/447-3956 after 10 a.m.

2 HP Porter Cable router in case, \$100. Makita reciprocating saw w/ case, \$60. 10" Craftsman radial arm saw on stand, \$300. 48" 1/2 HP wood lathe on stand, \$150. Air brush, never used, \$25. 814/667-3519.

New Holland manure spreader #790, new chain & new sides. 814/259-3277.

New Holland hay bale stack liner #1010, repair or for parts. Call John at 814/447-5446. Leave name & number.

80 HP Bobcat skid loader, 7' bucket. Asking \$9,900 OBO. 814/447-3630 or email galleryofwood@innernet.net.

Miscellaneous

Four 4"x 8' turn posts, primed white, \$35 each. Dressmaker form, full figure, adjustable, never used, \$99. 814/695-2281.

Matthews Solocam classic bow w/ Matthews drop-away rest, 29" right-handed draw length. Bow is only 3 yrs. old, shoots great. Asking \$300. Wood burner w/ blower. Asking \$200. Any questions or for more information, call 814/641-9442. Ask for Richard.

Antique washing machine w/ copper tub, \$200. 814/447-3956 after 10 a.m.

Electric twin-sized adjust-a-bed, excellent cond. 814/658-3488.

Primitive & colonial wares, samplers, dolls, needfuls. www.colonialhomestead.net

Good used Home Interiors products. 814/259-3634.

3 solid cherry, natural-finished end/night tables, excellent cond., \$30 each or all for \$75. 6 120/240-volt electric baseboard heaters, \$20 each or all 6 for \$100. 2 cherry-finished ladder-back wicker seat chairs, excellent cond., \$20 each or \$35 for both. 2 wing-back rocker recliners, excellent cond., \$75 each or \$125 for pair. 125 cc 1976 Yamaha DT-1 Enduro bike, orig., complete & running, \$600. 814/667-3519.

1,200' of American chestnut wood for sale. 814/259-3277.

Prom dress, mauve-colored, size 12, only worn once, \$20. Microwave stand, \$25. Corner cupboard, \$100 OBO. 717/348-8012.

Maytag washer, white, works great, \$100. Electric hot water heater, \$50. 717/734-9932.

36" vanity & toilet, \$15 each. Free bathtub & bi-fold door. 814/643-6036.

Westinghouse oil furnace w/ AC unit, 18,000 Btu, metal ductwork & 275-gal. tank for \$300. 814/448-3709 or 304/274-3821.

Orig. Barbie dream house, pool, 2 vans & other Barbie items. 814/448-3709 or 304/274-3821.

Electric heat/AC forced-air combined unit, manufactured by Eubank, Model EA10, 230 volts, for mobile home (normally outside mounted). Chrysler Airtemp air conditioner, Model 1750 (normally used for casement-style windows). Vitamaster exercise bicycle, dual-action, model 56C. 814/695-4632.

2 very old brass & porcelain table lamps. 5'x7' air mattress, 8" thick. 814/658-2235.

Log lights, bird houses, bird houses w/ lights, wooden window frame w/ lights around & candle in middle, lawn deer, wooden tear-drop hearts & stars, round log bird houses w/ lights. Banks Woodcraft, Shirleysburg. 814/447-3173.

200 board ft. of craft wood (on pallet), \$120. Other wood avail. Locust posts, 7' sawn, \$6 each; 10' round, \$6 each. 814/447-3630 or email galleryofwood@innernet.net

Classified Ads

Blue davenport, opens to queen-sized bed, good mattress, clean. Asking \$100. Electric lift chair, brown tweed, good cond., clean, \$700 new. Asking \$100. Musical saw & case, like used on country-music TV. Let's talk price. Mandolin-banjo & case, Gibson, very old, has all strings & plays well. Let's talk price. Claysburg area. 814/239-2570.

Service

Stop by the Plowshare Produce farm stand in McAlevy's Fort Tuesdays & Fridays from 3:30-6:30 p.m., the last week of May through the first week of Nov. Or sign up for a weekly box of vegetables all season long! Call 814/667-2272 or visit www.plowshare-produce.com.

Hawk Floor Covering "Shop at Home Service" - We bring the samples to you. Free estimates, 35 years exp. in carpet, vinyl, wood & ceramic. Call Benny at 814/542-3191.

Bat, bird & squirrel droppings in your attic can be a health hazard. With my specialized industrial vacuum machine, I can safely dispose of the problem. Call Darrin Fillman, wildlife specialist, 717/436-9391. We can also handle all of your other nuisance wildlife concerns. We remove bats, skunks, ground-hogs, squirrels, birds, snakes, raccoons, flying squirrels, etc. If it's a problem, we can solve it. Licensed & insured.

Crossbow trigger tuning - Hey crossbow owners: Reduce that pull weight & don't miss that next big buck. I'm doing trigger work on certain model crossbows. Shoot me an email or call for details. Mark-sipes@yahoo.com or 717/372-7118.

Property & home-sitting - I will watch your property, home & do light maintenance work while you're away or at home. 30-mile radius of McConnellsburg. I will supply you w/ several well-known references from the area. Call 717/372-7118m or email barryswoman50@yahoo.com

Buck Hollow Taxidermy - Orbisonia area. Professional taxidermy since 1990. Call Mike at 814/447-3744 or visit www.buckhol-lowtaxidermy.com

Yard & garden products - We sell composted manure, top soil & bark mulch. Delivery avail. 814/667-2376.

Noss Rut & Strut Gun Sales - New guns, orders 10% over cost! Buying used guns. Ammo, scopes, etc. 717/734-3730.

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Valley Rural Electric Cooperative, Inc.
 PO Box 477, Huntingdon, PA 16652-0477

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K. L. Myers Wind Power - We sell & install Skystream 3.7 wind turbine generators. W/ a 30% federal tax credit & possible state grants, now is the time to buy your own electric generating windmill. If your home or cabin gets a lot of wind, capitalize on it. The power company will purchase any excess generated power. Mounted on a 33' steel pole, the Skystream 3.7 will quietly generate free electricity as the wind blows. Minimum of 8 mph wind needed to operate. 814/658-2273 anytime. Leave a message.

Will do house cleaning & yard work. 814/259-3634.

Campsite rentals, Cassville - Daily or seasonal, full hook-up, 15 minutes from Lake Raystown, deli & country store within walking distance. 814/448-2825.

Book Construction - Excavation, clearing, roads, ponds, septic systems, foundations, prep sites for bldg., snowplowing, anti-skid. Fully insured, free estimates. 814/448-0186 or 599-6262.

Moore Hair - Where looking good is still affordable. 814/667-2221 for appt.

Frank's Backhoe Service - Offering digging in tight areas, septic & water line repair. Fully insured. Call 814/643-3343.

Antique clock repair & restoration. Call Richard Port. 814/643-1582.

K. L. Myers Heating & Cooling - Heat & cool your cabin or home for less w/ a Fujitsu ductless heat pump & central a/c system. Last year I heated & cooled my entire 2,000 sq. ft., well-insulated home with a Fujitsu system. We cook w/ gas & have a gas water heater & dryer. We keep our place warm in the winter & cool in the summer. I receive an annual electric bill, and it was \$909 for the entire year. That's my total annual consumption, not just my heating & cooling usage! This is the most economical system you can buy to keep your place comfortable all year long. With SEER numbers higher than 25, Fujitsu heat pumps are extremely efficient & are a fraction of the cost of a geothermal system. Visit www.noductwork.com for more information or call 814/658-2273 any time for a free estimate.

Moyer Floor Coverings - Established business since 1996 w/ over 25 years of flooring experience. We carry top brand flooring in carpet, vinyl, laminate & wood. We offer competitive prices on full installation or cash & carry. Spring & summer special - 2 rooms & a hall carpeted w/ pad & basic installation for \$799. Call us for more details at 814/696-3404 or visit us at 122 Claar Drive, Duncansville.

Valley News

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EDITORIAL STAFF**Executive Editor**

Luanne H. Eckenrode

Managing Editor/Art Director

Susan R. Penning

Publication inquiries:814/643-2650 or 800/432-0680
memberservices@valleyrec.com

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 Cooperative, Inc.**

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