

ANNUAL REPORT 2020



VALLEY RURAL ELECTRIC COOPERATIVE, INC.

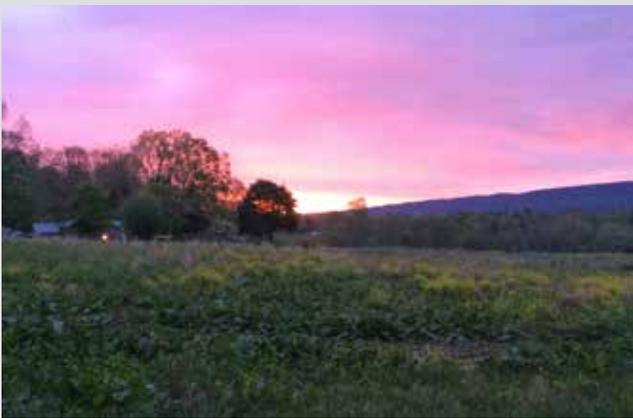
Valley Rural Electric Cooperative, Inc. *Incorporated Nov. 1, 1938*



Our mission: Valley Rural Electric Cooperative, Inc. is committed to providing reliable, efficient energy services and to improving quality of life throughout the region.

Blue sky overlooks a babbling brook at a Union Township farm in Huntingdon County

On the cover



Journeyman lineman Curt White snapped this photo in July 2017 in Oneida Township, Huntingdon County. Valley REC's crews were certainly glad to see the sunrise after a night of restoring outages caused by a thunderstorm.

Sadly, Curt had to face another kind of storm in the spring of 2020 when he was diagnosed with multiple myeloma. Our thoughts and prayers are with Curt and his family as he continues his recovery.



Co-op uses drive-through format for 2021 Annual Meeting due to COVID pandemic restrictions

A little more than a year ago, as the COVID-19 pandemic began sweeping the nation, Valley Rural Electric Cooperative's board of directors made the difficult decision to cancel the 2020 Annual Meeting. Continued concern about coronavirus spread curtailed many of the co-op's normal outreach events. Education programs for elementary school classes, civic groups and fire companies were canceled, as was Valley's 2020 charity golf tournament. The persistence of social distancing requirements and lockdowns caused the cancellation of the usual round of district nominating meetings, which would have been held in February.

Since planning for the annual meeting begins months ahead of the actual event, Valley's board had to look for creative ways to hold a member business meeting without unduly exposing Valley's consumers to COVID. The solution was this year's drive-through event at the Huntingdon County Fairgrounds.

Motoring through the 2021 Annual Meeting will allow co-op members to cast their ballot for board directors, receive this printed annual report, a \$25 bill credit and a gift, all while maintaining safety protocols. This drive-through event also keeps the co-op from running afoul of state limits on the size of indoor gatherings, something our usual event in the auditorium of the Huntingdon Area High School could not have done. We hope you find this drive-through event a safe and convenient solution and we invite you to contact us with any thoughts or concerns.

Executive Report

The past year has been one of change and challenge, for Valley Rural Electric Cooperative and businesses across the country. At the start of 2020, could anyone have foreseen the many ways COVID would impact our work and home routines? Normal activities, from staff meetings and assisting consumers in the office to sending kids to school and getting the groceries, took on an added layer of complexity. A year after the pandemic began, we're proud to tell you that your electric distribution co-op remains ready to meet your energy needs. Our talented employee team continues to keep safe, affordable and reliable electric service flowing to member homes, farms, businesses and churches.

To mitigate the COVID threat, we closed our offices to members and visitors for several weeks in the spring, in accordance with the state's red-yellow-green guidelines. We also periodically used a staggered work schedule to lessen chances of COVID spread among employees while ensuring adequate staffing to run our offices and stay prepared for emergencies. Our team continues to follow safety and social distancing protocols as we all look forward to life returning to normal.

Despite challenges, Valley REC had a solid year in 2020. Your co-op is on solid financial ground. Equity was at 48 percent of assets at the end of 2020, which is in line with our equity management plan. We returned more than \$2.2 million in patronage capital to eligible members and former members in December, our largest return ever. Over the years, we have returned more than \$31 million in patronage capital.

Again this past year, we were able to decrease our kilowatt-hour rate for members for one month (See story on Page 6). Valley's board of directors approved the purchased power adjustment for electricity used in December in hopes of providing members a COVID relief package from their electric cooperative right after the holidays.

A highlight of 2020 was the addition of the Path Valley substation to our distribution system. We energized the new facility, in Peters Township, Franklin County, in October. The new substation replaces the aging Metal substation, also along Route 75, in Metal Township and enhances service reliability for members along Route 75 and in the Cowan's Gap area of Fulton County.

The new site is much closer to its delivery point than the Metal substation is to its power supply. The shorter distance lessens the likelihood of a private power company service disruption to the substation.

COVID-19 work restrictions delayed the project about four months. The substation was built at just below \$1 million. Initial projections showed the price tag could range as high as \$2 million, but the co-op looked for cost-saving measures throughout the project and used its own crews for much of the work, as opposed to hiring it out. Equipment at the Metal facility will be used as a switching station, to further assist with system reliability.

On tap for this year is replacement of the aging wooden-frame Atkinson Mills substation, in Wayne Township, Mifflin County. It will be replaced this summer by an all-metal structure. In 2022, we plan to relocate and rebuild the Sinking Valley substation, in Tyrone Township, Blair County.

In 2020, members continued to stabilize future wholesale power costs by shifting summertime use to early mornings and evenings and participating in our demand response program. If you're already enrolled in the program, thank you. If not, please take a moment to review program information on Page 3 or contact the co-op.

We are continuing our aggressive approach to vegetation management. In 2020, we trimmed nearly 500 miles of rights-of-way. Our approach ensures our rights-of-way are trimmed entirely in a five-year span to lessen the likelihood of tree-related outages.

Keeping your electric bills affordable while providing the best possible service requires balance and foresight. Making it happen is our commitment to members.



JAMES R. STAUFFER
Chairman of the Board



RICHARD S. BAUER
President & CEO

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

A handwritten signature in cursive script that reads "R. S. Bauer".

Products, Programs and Services

Youth Tour

Each year, Valley REC sponsors local high school juniors 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! Shown here is Valley's group of students who participated in the 2019 Youth Tour event. COVID-19 restrictions canceled the 2020 and 2021 events.



Zach, Eric & Tyi

We specialize in small electrical jobs.

Prompt service. Free quotes.

- **Electrical service upgrades and repairs**
- **Lighting and LED upgrades**
- **Emergency back-up power**
- **Water heater installation**
- **Prompt & free quotes**
- **Emergency call-out available**

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.



Community Service Grant Program

Valley Rural Electric Cooperative debuted its Community Service Grant Program at the 2015 annual meeting and has since awarded more than \$300,000 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.



Valley Rural Electric Cooperative, Huntingdon, was set in motion by a group of determined farmers around Martinsburg in southeastern Blair County. The cooperative was incorporated on Nov. 1, 1938 and received its first loan in March 1939. Under the first manager, Floyd Bush, the first 250 miles of line were built and a substation was constructed at Williamsburg. Lines were first energized on Nov. 17, 1939.

Products, Programs and Services



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.



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.

Load Management

Pennsylvania and New Jersey electric co-ops launched the Coordinated Load Management System in 1986. This demand response network, whose participants include nearly 25 percent of the cooperatives' residential consumers, currently boasts the capability to reduce about 8-10 percent of the entire cooperative system's peak load. Since the program's inception, this has resulted in power cost savings of more than \$106 million statewide for cooperative members.



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

Demand response units temporarily cut 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.

Safety programs



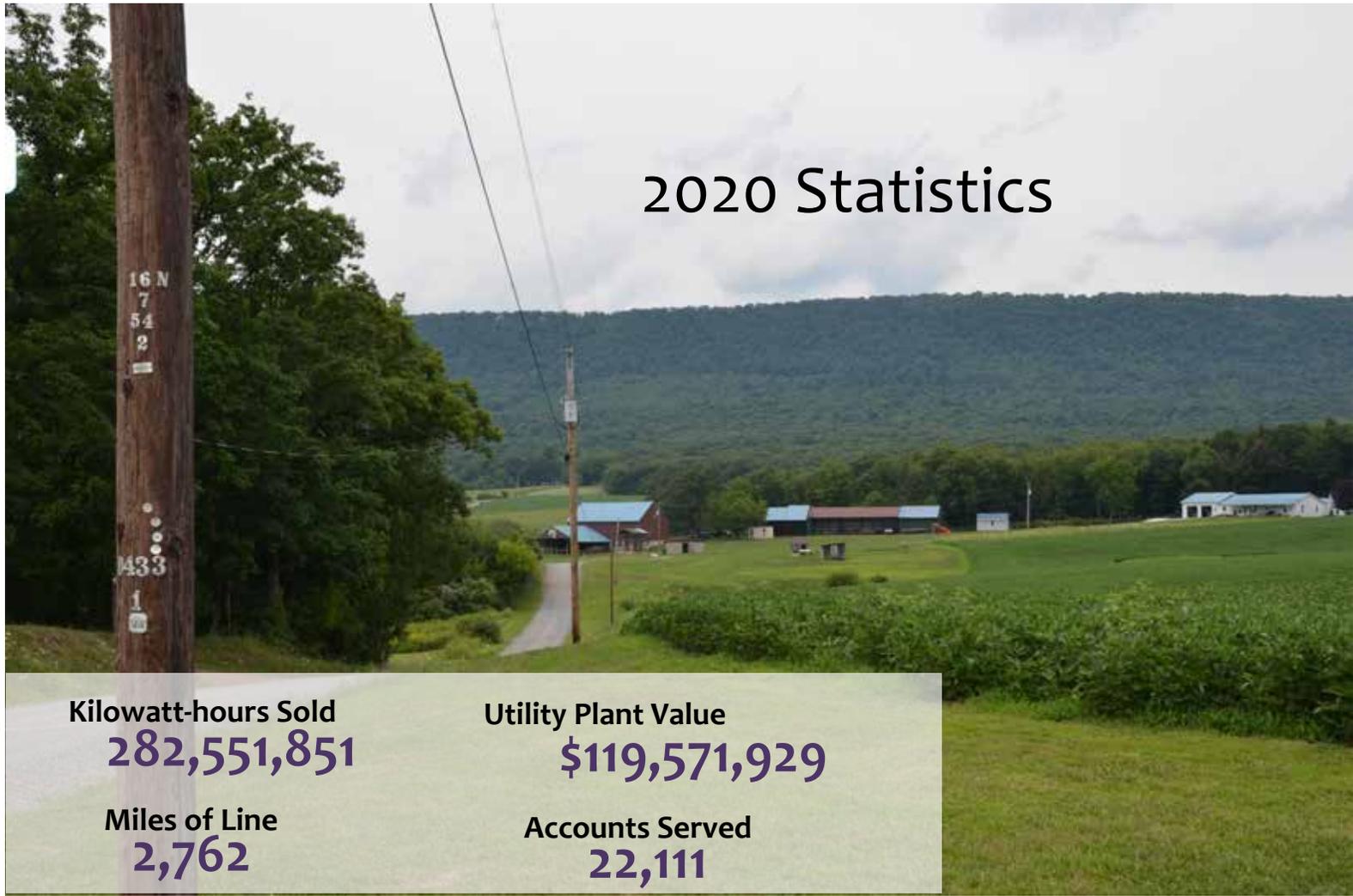
Valley REC offers education programs to students and civic groups within the co-op's service territory. Presentations focus on electrical safety, energy efficiency and co-op careers.



2020 Financial Report

Statement of Operations		2020	2019
Income			
Operating Revenue		37,060,281	36,754,443
Interest Income		51,915	52,409
Other non-operating income		1,438,316	868,140
TOTAL INCOME		38,550,512	37,674,992
Expenses			
Cost of Power Purchased		17,237,166	17,977,215
Operations & Maintenance		5,384,087	5,292,985
Member Acct. & Service		1,257,769	1,431,762
Administrative & General		4,117,490	3,859,666
Depreciation & Amortization		4,174,375	4,074,784
Taxes		59,057	59,646
Interest Expense		1,669,161	1,711,644
Other Deductions		107,586	105,940
TOTAL EXPENSES		34,006,691	34,513,642
Net margins		4,543,821	3,161,350
Balance Sheet		2020	2019
Assets			
Electric plant (less depreciation)		75,280,170	74,591,992
Investments		11,222,365	10,232,266
General Fund Cash & Working Capital		798,355	535,093
Accounts Receivable		2,993,180	3,571,792
Materials & Supplies		553,369	442,501
Payments made in advance		108,714	110,094
Other current & deferred assets		2,907,684	3,168,327
TOTAL ASSETS		93,863,837	92,652,065
Equities			
Patronage Capital and Margins		30,517,550	30,117,719
Other equities		15,189,242	12,908,530
TOTAL EQUITIES		45,706,792	43,026,249
Liabilities			
Long-Term Debt		39,230,456	37,246,527
Notes Payable		0	0
Accounts Payable		1,697,339	2,382,294
Member Deposit		474,475	452,470
Other current & accrued liabilities		4,745,739	7,296,155
Deferred credits and Regulatory Liabilities		2,009,036	2,248,370
TOTAL LIABILITIES		48,157,045	49,625,816
TOTAL EQUITIES & LIABILITIES		93,863,837	92,652,065

2020 Statistics



Kilowatt-hours Sold
282,551,851

Utility Plant Value
\$119,571,929

Miles of Line
2,762

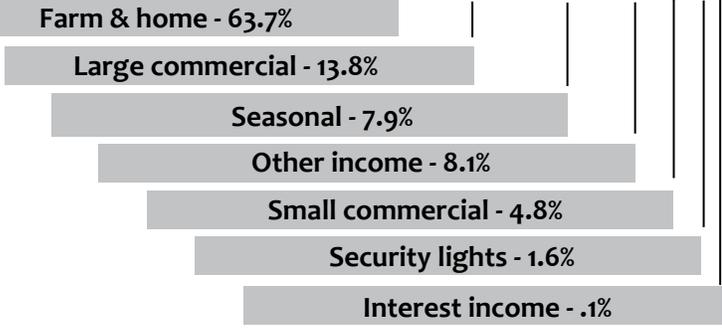
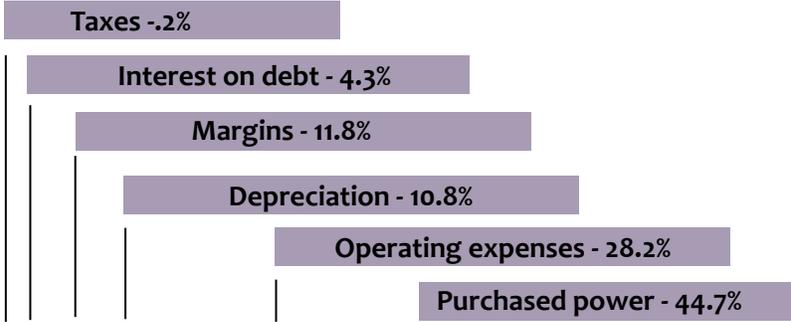
Accounts Served
22,111

A lush soybean field basks in midsummer heat in Licking Creek Township, Fulton County.

The Co-op Dollar

Where It Comes From

Where It Goes





Substation project completed

Valley Rural Electric Cooperative energized a new substation in the southern portion of its service territory in October 2020. The new Path Valley substation (above) will boost system reliability for co-op members along Route 75 in western Franklin County and in the Cowan's Gap area of Fulton County. The Atkinson Mills substation, in Wayne Township, Mifflin County, is to be rebuilt over summer 2021 while plans are in the works to replace the aging Sinking Valley substation, in Tyrone Township, Blair County in 2022.

Valley REC board decreases kilowatt-hour rate, returns capital credits

For the second year in a row, Valley Rural Electric Cooperative reduced the rate members paid for one month's electricity. The bill Valley members received in January 2021 reflected a three-cent cut in the kilowatt-hour rate for electricity used in December 2020.

Valley Rural Electric's board of directors approved the purchased power adjustment at its December board meeting. The move saved the co-op's membership about \$800,000, right after the holidays. The reduction was possible due to lower-than-anticipated wholesale power costs through 2020 and was spurred on by the co-op's concern for members as the coronavirus pandemic continues.

"We wanted this to be our COVID relief package," said Valley REC President & CEO Rich Bauer. "We

know how challenging the year has been for some of our membership."

As a not-for-profit utility, Valley REC returns margins to member-owners. Members' December billing (for energy used in November 2020) included the annual capital credit return. Valley returned \$2.2 million in patronage capital in 2020, the highest amount ever.

Valley REC's kilowatt-hour rate is 9.95 cents. A kilowatt-hour is enough energy to power a 100-watt lightbulb for 10 hours. A typical household uses about 1,000 kwh per month.

The Valley REC board approved a purchased power adjustment for the energy consumers used in November 2019. That purchased power adjustment cut the kilowatt-hour rate by five cents and amounted to nearly \$1 million.

Valley REC members have helped contain costs by lessening their electric use during peak demand periods, when the co-op pays the most for wholesale power. Valley members who participate in the co-op's demand response program allow the co-op to temporarily shut off power to water heaters during periods of peak use, decreasing wholesale costs. Participants should not be inconvenienced, since water heaters are well-insulated and can be shut off for several hours with minimal heat loss. Program participants receive a \$100 bill credit.

Additionally, shifting summertime use of large appliances – like ovens or swimming pool pumps – to early mornings and evenings lessens overall demand when electricity is the most expensive.

2021 Board Candidates

DISTRICT 2

A 1978 graduate of Kishacoquillas High School, Jim Stauffer owns and operates a 60-acre dairy farm with a herd of 150 milking cows and 90 replacement heifers. He farms a total of 170 acres and ships his milk through Dairy Farms of America Cooperative.

Jim was employed for 10 years as manager of Brookland Mills, a retail livestock feed and fuel oil delivery service in McVeytown. Prior to that time, he worked as a truck driver for a fertilizer plant in the Belleville area.

Jim and his wife, Carol, attend Ferguson Valley Brethren in Christ Church.

Jim and Carol have three grown married children, twins Ben and Brittney, and their younger sibling, Josh; and six grandchildren. The Stauffer's have been married for 40 years.

A native of Belleville, Jim has been a member of Valley REC since 1993 and has served on the co-op board of directors since 1997. He held the office of vice chairman for two years and currently serves as chairman of the board. He also serves as Valley's director on the Allegheny Electric Cooperative Board.

Jim's name will appear on the ballot for District 2.



James Stauffer
175 Aultz Lane
McVeytown, PA 17051

DISTRICT 4

Joanne has been a Valley REC member since 1971. She retired from serving as director of the Crossroads Pregnancy Center, a faith-based and life-affirming service with offices in Huntingdon, Mifflin and Juniata counties.

She also served as jury commissioner for the Huntingdon County Court of Common Pleas for 14 years. For the past seven years, she has served the court as tipstaff. Joanne graduated from Captain Jack (now Mount Union Area) High School in 1964, then completed a cosmetology program at Penn State Beauty Academy, State College. She worked as a self-employed hairdresser for 20 years.

A native of Wayne Township, Mifflin County, she likes to stay active and, when time permits, enjoys painting and drawing. Five years ago, Joanne and her sister started an antique consignment business. They have a booth at the Duncansville Antique Depot, Blair County.

Joanne is a member of Cornelius Chapel Methodist Church and also attends Beech Run Brethren Church, both in Hares Valley. Joanne enjoys spending time with her extended family. She and her late husband, Nelson, have three grown children, Jonelle, Nathan, and Jonathan.

Since joining the board of directors in 2015, Joanne has earned the credentialed cooperative director certificate, the board leadership certificate, and most recently the director's gold certificate, the highest honor for any director. Joanne completed these credits through the educational opportunities presented by National Rural Electric Cooperative Association.

Joanne's name will appear on the ballot for District 4.



Joanne Whitsel
7925 Windy Summit Lane
Mapleton Depot, PA 17052

DISTRICT 6

Leroy Barnes has successfully operated his family's dairy farm in partnership with his brother, Barry, since 1968. They currently milk 220 Holsteins and raise corn and alfalfa on approximately 700 acres of ground.

A 1966 graduate of Claysburg-Kimmel High School, Leroy holds an associate degree in computer management from the ICM School of Business in Pittsburgh.

Leroy is a member of the Mount Hope United Church of Christ in Blue Knob. He is a former member of the Blue Knob Fire Company and served three years as a director for Long's Dairy, a milk marketing cooperative in Tyrone. He currently serves as a director on the Allied Milk Producers board.

In his free time, Leroy enjoys hunting.

Leroy has three grown children and six grandchildren. A native of Blue Knob, Leroy has been a member of Valley REC for more than 33 years. He has served on the co-op board for 21 years, including as vice chairman, and is currently the co-op's representative on the Pennsylvania Rural Electric Association board.

Leroy's name will appear on the ballot for District 6.



Leroy Barnes
445 Sarah Drive
Portage, PA 15946

Valley REC Directors & Employees

James Stauffer
Chairman
Allegheny Director

Kevin States
Vice Chairman

Cindy Bigelow
Secretary

Robert Holmes
Treasurer

Leroy Barnes
PREA Director

Joanne Whitsel

Randall Huntsman

Linda McMath

Greg Henry

Rich Bauer
President & CEO

Corporate

John Bookwalter Jr.
Terri Brumbaugh
Stephen Bruno
Lisa Carper
Ethan DeVore
Pam DeVore
Michelle Dreibelbis
Danielle Estep
Ben Gorman
Max Hetrick
Ashlee Hicks
Travis Kuhstos
Rikki Moyer
Doug Roles
Todd Ross
Melissa Shetrom

Shade Gap District

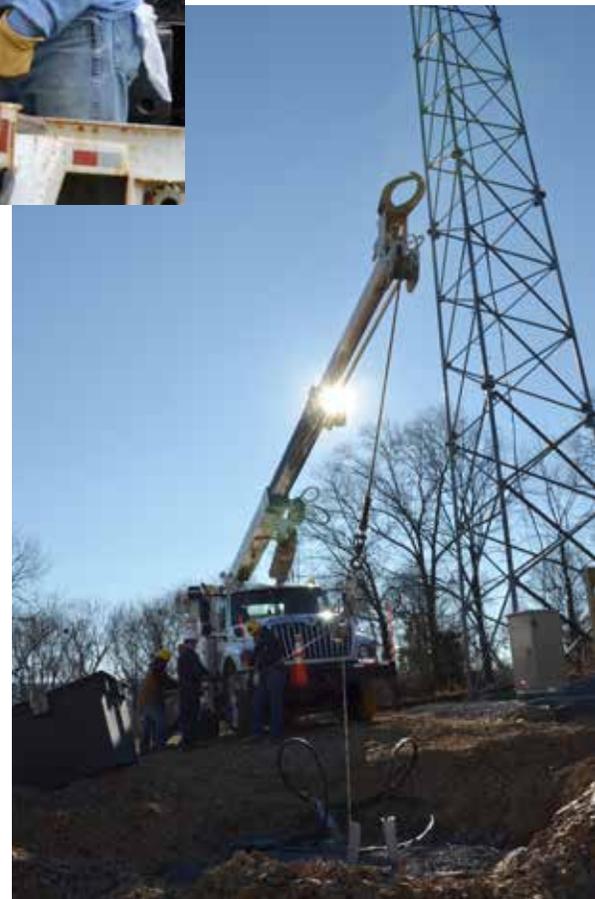
Logan Booher
Nancy Bucher
Wilmer Bucher Jr.
Brandon Clemens
Josh Gutshall
Patrick Lightner
Tricia Long
Tyi McCartney
Jonathan Shields
Ken Sipes
Mike Williams
Jason Wilson

Martinsburg District

Mike Lansberry
Bill Bogel
Greg Dilling
Ryan Dodson
Trevor Eichelberger
Matthew Fagan
Jason Hey
Kathy Luprek
Rob Shook
Brooke Stonerook
Zach Yohn

Huntingdon District

Matt Andrasi
Adam Atherton
Billy Ayers
Justin Berrier
Randy Boonie
Kevin Detwiler
John Fogelsonger
Seth Glover
Steve Gutshall
Alicia Henchey
Eric Henchey
Tyler Lingafelt
Chris Myers
Gina Norris
Brandon Shook
Richard Sunderland
Brook Thompson
Curt White
Eric Yingling



The Seven Cooperative Principles

- Democratic member control
- Member economic participation
- Autonomy and independence
- Voluntary and open membership
- Concern for community
- Continuing education
- Cooperation among cooperatives



REMEMBERING THOSE WHO HAVE LIFTED US UP

Join Touchstone Energy Cooperatives in celebrating
the power of human connections.



Touchstone Energy[®]
Cooperatives



Valley Rural Electric Cooperative, Inc.

® Your Touchstone Energy® Cooperative 

PO Box 477
Huntingdon, PA 16652-0477
814/643-2650
Toll-free 800/432-0680
Fax 814/643-1678

Corporate Office
10700 Fairgrounds Road
Huntingdon, PA 16652

Huntingdon District
10787 Station Road
Huntingdon, PA 16652

Martinsburg District
2585 Cove Mountain Road
Martinsburg, PA 16662

Shade Gap District
22140 Croghan Pike
Shade Gap, PA 17255

Learn how to save energy at www.valleyrec.com