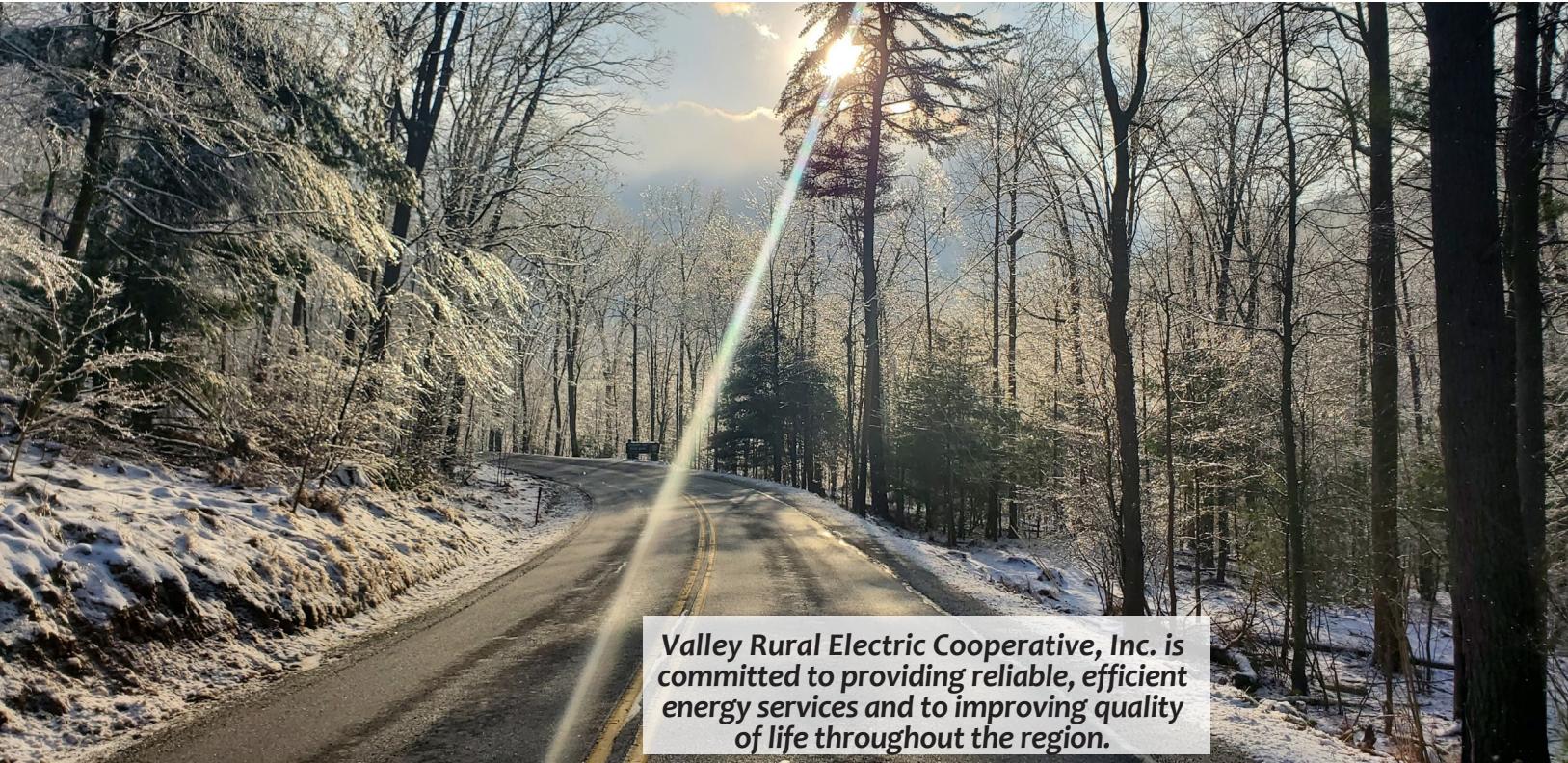


2019 ANNUAL REPORT



VALLEY RURAL ELECTRIC COOPERATIVE, INC.

Our Mission



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

Valley REC's coordination engineer, Eric Henchey, snapped this photo near Cowan's Gap State Park shortly after a December 2019 snowstorm.

Valley Rural Electric leaders cancel 2020 Annual Meeting as precaution against coronavirus spread

Leaders of Valley Rural Electric Cooperative announced on March 16, 2020 the cancellation of the April 3 annual meeting of co-op members due to the COVID-19 pandemic. The move was a precaution against possible spread of the coronavirus during what would have been a three-hour event that brings about 900 attendees into close proximity.

The decision was made out of an abundance of caution and concern for the members and guests who attend. The meeting was to be held at Huntingdon Area High School.

"The health and safety of our members and employees is our top priority," said James Stauffer, chairman of Valley REC's board of directors. "Of particular concern is that a large percentage of those who attend our meeting are older members who are in an age group the Center for Disease Control and Prevention says is at

increased risk from the coronavirus."

The annual meeting is held for election of board directors and to provide members an update on their not-for-profit electric distribution business. Valley REC members are being informed of the cancellation through automated phone calls and through the co-op's website and Facebook page.

"We're disappointed that we won't have a gathering of members this April, but we have to weigh our long history of annual meetings against the safety concerns this illness presents," said Valley REC President & CEO Rich Bauer. "This year we had no contested races, so the three incumbent directors will continue to serve on the board."

Valley's service territory is comprised of nine director districts, with one member from each district serving on the co-op board. Each February, the co-op hosts three district meetings, at

local fire halls or community centers, and members make nominations for board candidates. The nominees then stand for election to three-year terms at the annual meeting. Election is done by ballot by the members present.

The nominated incumbents are: Randall Huntsman of Martinsburg, Blair County, District 1; Kevin States of Hesston, Huntingdon County, District 3; and Robert Holmes of Huntingdon, Huntingdon County, District 5.

Biographical information about each of the nominees is listed on Page 7 of this report.

Valley Rural Electric is a member-owned cooperative providing electric service to more than 22,000 consumers in eight counties of south-central Pennsylvania, including Bedford, Blair, Centre, Franklin, Fulton, Huntingdon, Juniata and Mifflin. The co-op was incorporated Nov. 1, 1938 and energized its first lines a year later.

Executive Report

Our members played key role in strong 2019

On behalf of Valley Rural Electric Cooperative's board of directors and staff, we're proud to provide this annual report and privileged to inform you that your co-op is continuing a tradition of service which began with our incorporation on Nov. 1, 1938. A lot has changed since the first poles were set, but Valley's purpose remains the same - empowering members by safely, reliably and affordably providing power to your homes, farms and businesses and improving quality of life throughout our region.

Valley REC had an outstanding year in 2019. The biggest highlight is that wholesale power costs came in \$1.1 million lower than anticipated. This windfall led Valley's board of directors to approve a one-time kilowatt-hour rate reduction. It was applied to electricity members used in the month of November and cut the kilowatt-hour rate in half.

Several factors contributed to our banner year. The Susquehanna Steam Electric Station – a nuclear plant in Berwick, Pa., that provides Valley REC with 60 percent of its wholesale power – operated with just 16 down days in 2019. Additionally, Valley REC members helped contain capacity charges by lessening their electric use during peak demand periods, when the co-op pays the most for wholesale power.

Shifting summertime use to early mornings and evenings and participating in our demand response program are the best things you can do to help stabilize the co-op's wholesale power costs. 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.

Your co-op is in good financial shape. Equity was at 45 percent of assets at the end of 2019, which is in line with our equity management plan. We returned more than \$1.4 million in patronage capital to eligible members and former members in December. Over the years, we have returned nearly \$29 million in patronage capital. Our margins go back to members, not stockholders.

Equally important to the financial health of the co-op is the performance of our electric distribution system. To further increase reliability, we are embarking on two substation replacement projects this year with another planned for 2021. The Metal substation, in Metal Township, Franklin County, will be replaced this spring by the new Path Valley substation. It will be located closer to a private power company supply point, lessening the likelihood of a substation outage there. The aging wooden-frame Atkinson Mills substation, in Wayne Township, Mifflin County, will be replaced this summer by an all-metal structure. And next year we will relocate and rebuild the Sinking Valley substation, in Tyrone Township, Blair County.

We are also continuing our aggressive approach to vegetation management. In 2019, we trimmed 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.

Through innovation and dedication, we are working to keep your electric bills affordable while providing the best possible service. Our employees are tasked with the day-to-day work of carrying out the board's mission of safeguarding the financial health of the co-op while maintaining the distribution system. And we'd like to thank them for their hard work. They're truly people you can count on.



JAMES R. STAUFFER
Chairman of the Board



RICHARD S. BAUER
President & CEO

James R. Stauffer

R.S. Bauer

Our 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.



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 \$270,000 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.



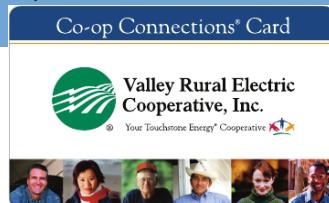
Valley Rural Electric Cooperative, Huntingdon, was set in motion by a group of determined farmers around Martinsburg in southeastern Blair County. The cooperative was incorporated on Nov. 1, 1938 and received its first loan in March 1939. Under the first manager, Floyd Bush, the first 250 miles of line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

Our 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.



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.



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](http://valleyrec.com) for more information.

Safety programs



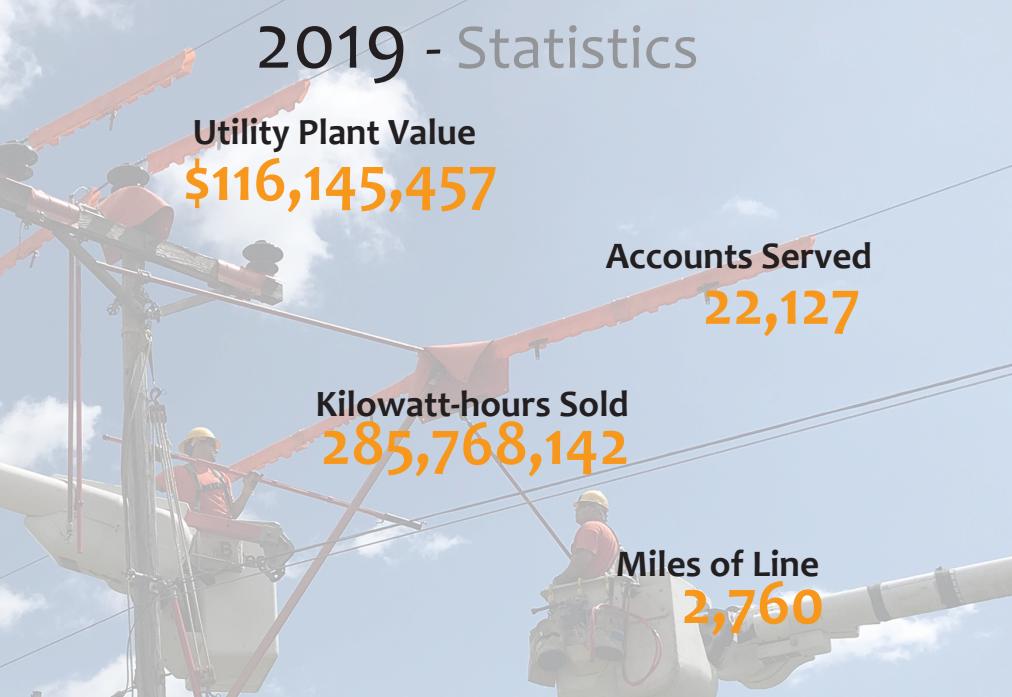
Valley REC offers education programs to students and civic groups within the co-op's service territory. Presentations focus on electrical safety, energy efficiency and co-op careers.



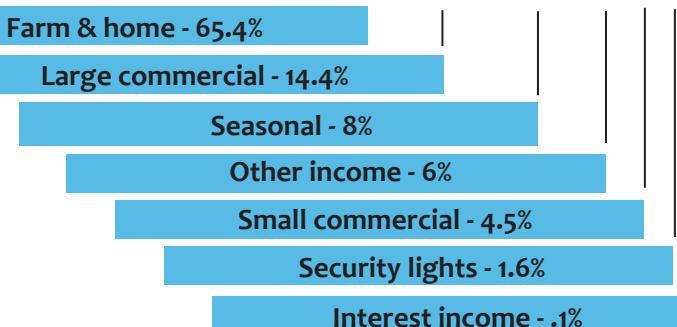
2019 Financial Report

Statement of Operations	2019	2018
Income		
Operating revenue	36,754,443	36,960,495
Interest Income	52,409	52,243
Other non-operating income	868,140	631,638
TOTAL INCOME	37,674,992	37,644,376
Expenses		
Cost of power purchased	17,977,215	18,112,349
Operations & maintenance	5,292,985	5,655,367
Member accounts & service	1,431,762	1,270,933
Administrative & general	3,859,666	4,285,476
Depreciation & amortization	4,074,784	4,012,746
Taxes	59,646	48,229
Interest expense	1,711,644	1,776,886
Other deductions	105,940	115,213
TOTAL EXPENSES	34,513,642	35,277,199
NET MARGINS	3,161,350	2,367,177
Balance Sheet		
Assets		
Electric plant (less depreciation)	74,591,992	73,915,673
Investments	10,232,266	10,227,343
General fund cash & working capital	535,093	696,089
Accounts receivable	3,571,792	3,209,618
Materials & supplies	442,501	440,926
Payments made in advance	110,094	37,271
Other current & deferred assets	3,168,327	3,404,589
TOTAL ASSETS	92,652,065	91,931,509
Equities		
Patronage capital and margins	30,117,719	29,841,864
Other equities	12,908,530	11,127,896
TOTAL EQUITIES	43,026,249	40,969,760
Liabilities		
Long-term debt	37,246,527	37,631,652
Notes payable	0	4,200,000
Accounts payable	2,382,294	2,248,695
Member deposit	452,470	434,169
Other current & accrued liabilities	7,296,155	4,251,320
Deferred credits and regulatory liabilities	2,248,370	2,195,913
TOTAL LIABILITIES	49,625,816	50,961,749
TOTAL EQUITIES & LIABILITIES	92,652,065	91,931,509

2019 - Statistics



Where It Comes From



The Co-op Dollar

Where It Goes

Taxes -.2%

Interest on debt - 4.5%

Margins - 8.4%

Depreciation - 10.8%

Operating expenses - 28.4%

Purchased power - 47.7%



2019 Annual Meeting Minutes

The Annual Meeting of the members of Valley Rural Electric Cooperative, Inc. was held in the auditorium of Huntingdon Area High School in Huntingdon, Pa. on April 5, 2019.

The business meeting was called to order at 7 p.m. by James R. Stauffer, chairman of the board of directors. Entertainer Josh Gallagher performed the National Anthem and Chairman Stauffer led the audience in the Pledge of Allegiance and offered the invocation.

The board secretary reported that more than 500 voting members were present and said members present in person constituted a quorum of the members of the cooperative.

Kim Kane, executive secretary to the president and CEO, was appointed recording secretary for the Annual Meeting.

President and CEO Rich Bauer introduced the distinguished guests who were in attendance. The guests included state Senator Judy Ward; state Representatives Rich Irvin and John Hershey; Huntingdon County Commissioners Mark Sather, Scott Walls and Jeff Thomas; Juniata County Commissioner Mark Partner; and Pete Fitzgerald, director of communications and member services for Pennsylvania Rural Electric Association.

A motion was made, seconded and passed to dispense with the reading of the minutes of the Annual Meeting held April 6, 2018 and to accept the minutes as printed in the 2018 Annual Report, a copy of which was given to each member present.

A motion was made, seconded and passed to dispense with the reading of the treasurer's report and to approve the report as printed in the 2018 Annual Report.

Cooperative Attorney David Ody supervised the election of directors. Attorney Ody stated that nominating meetings were held in each of the districts where directors were to be nominated for three-year terms. Those nominated were as follows: District 7, Greg Henry; District 8, Linda McMath; and District 9, Cindy Bigelow.

Since all Directors were running unopposed, Attorney Ody declared the three incumbents re-elected and dispensed with the election and ballot counting.

Chairman Stauffer 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.

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 lead to higher electric rates down the road. 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.

If the bulk of electricity in the future is from natural gas power plants and the cost of gas goes up, so will the price of electricity. Nuclear energy provides 93 percent of the carbon-free electricity in the state. Valley and its 13 sister co-ops in Pennsylvania and New Jersey, through their wholesale provider – Allegheny Electric Cooperative 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.

Bauer stated that very often our line workers will have someone ask about a small repair or upgrade, such as wiring a panel box or fixing a light switch. 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.

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 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 number one thing members can do to help stabilize the co-op's wholesale power bill.

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 week-long trip that enables them to meet lawmakers and learn about the cooperative business model.

Chairman Stauffer introduced the evening's entertainment. Country music artist Josh Gallagher performed several fan favorites. Gallagher, from Cresson, was a finalist on NBC's The Voice in the show's 11th season. On March 15, he released a self-titled six-song EP.

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.

There was no old or new business to be discussed.

Four memberships – Brian & Susan Gormley, Carl & Cathy Kurnas, Vickie & Gary Grove and David Drayer – each won a \$100 co-op bill credit and David Slates received a \$200 co-op bill credit. Members in attendance received a \$20 credit on their electric bill and a 4-pack of LED lightbulbs.

A motion was made, seconded and passed to adjourn the meeting.

2020 Board Candidates

DISTRICT 1

Randy works as an animal nutritionist with Renaissance Nutrition in Roaring Spring. Additionally, he is a crops manager with Kulp Family Dairy in Martinsburg and a bookkeeper for Hilecrest Farm, Tyrone.

A 1977 Central High School graduate, Randy and his family owned and operated a dairy farm, PA Fair Valley Farms, for more than 30 years. He also served on the North Woodbury Board of Township Supervisors for 24 years.

Randy has a wealth of co-op experience. He is a member of the following cooperatives: Land O'Lakes, Pennsylvania Farm Bureau, Select Sire Power, Ag Choice Farm Credit and Bedford Farm Bureau.

He has also served on various boards of directors, including the boards of Blair County Farm Bureau, Blair County Holstein Club and Professional Dairy Managers of Pennsylvania.

Randy and his wife, Karen, are members of Martinsburg Grace Brethren Church where he serves as an elder and a deacon.

In his free time, Randy enjoys touring the country on a Harley Davidson motorcycle, hunting and spending time with family. He and Karen are the parents of three grown children, two sons and a daughter. They have two grandchildren and two more on the way this summer.

Randy is 60 years old. He has been a Valley member since 2007 and has served on the Valley REC board since July 2016. He is running unopposed on the ballot for District 1.



Randall Huntsman
194 Fair Valley Road
Martinsburg, PA 16662

DISTRICT 3

A 58-year-old native of Hesston, Huntingdon County, Kevin States works on his family's 200-acre dairy farm with 60 milking cows and another 80 head of young stock. The operation utilizes the services of Land O'Lakes cooperative and Bedford Farm Bureau Cooperative in addition to Valley Rural Electric.

Kevin is a 1979 graduate of Huntingdon Area High School. He is a past member of the National Holstein Association and a member of the Pennsylvania Farm Bureau. He was formerly involved with the Huntingdon County 4-H dairy and beef clubs and was a member of the Rural Electric Youth Tour delegation in 1978.

The States farm has received electric service from Valley REC since 1952; Kevin has been a member of the cooperative since 1982. He has served on the co-op's board of directors since 1999 and has held the position of vice chairman for the past five years. Additionally, Kevin held the office of secretary for 10 years. He has previously attained the Gold Level director certification, the highest level of training for electric co-op directors.

Kevin and his wife Sarah were married in 1996. Kevin has one son, one daughter, one stepson, three grandsons and two granddaughters. In his free time, he follows NASCAR racing.

Kevin is running unopposed on the ballot for District 3.



Kevin R. States
12817 Redstone Ridge Rd
Hesston, PA 16647

DISTRICT 5

Bob Holmes was principal at Huntingdon Area High School for 19 years, and was assistant principal for five years prior. From 1997 through 1999, he served as acting superintendent for the Southern Huntingdon and Huntingdon Area School Districts.

A graduate of Turtle Creek High School, Bob obtained bachelor's and master's degrees in education from Bucknell University. He also earned 40 graduate credits in educational administration at Penn State. During his tenure in the U.S. Army Reserves, Bob attained the rank of captain.

Bob is an active member of Community Chapel of Hesston. He is a past president of the Huntingdon County chapter of the Pennsylvania Association of School Retirees.

Bob is 84 years old. He was married to his late wife Barbara for 57 years. They are the parents of four children and have seven grandchildren and five great-grandchildren.

Bob has been a Valley member since 1969. He has served on the co-op board for eight terms and held the office of secretary for one year. He serves as the board treasurer and represented Valley REC on the board of Allegheny Electric Cooperative for 13 years.

Bob is running unopposed on the ballot for District 5.



Robert Holmes
4684 Cold Springs Road
Huntingdon, PA 16652

Our People

Employees

Directors

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 De Vore
Michelle Dreibelbis
Danielle Estep
Ben Gorman
Max Hetrick
Travis Kuhstos
Rikki Moyer
Judy Post
Doug Roles
Todd Ross
Melissa Shetrom

Shade Gap District

Logan Booher
Mark 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
Barb Moyer
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



Our Principles

Democratic member control
Member economic participation
Autonomy and independence

Voluntary and open membership
Concern for community
Continuing education

Cooperation among cooperatives



INFORMATION YOU CAN TRUST

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Shade Gap District
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Shade Gap, PA 17255

Learn how to save energy at www.valleyrec.com