

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

James Stauffer
Chairman

Kevin States
Vice Chairman

Cindy Bigelow
Secretary

Robert Holmes
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Leroy Barnes
PREA Director

James Stauffer
Allegheny Director

Mervin Brumbaugh
Gregory Henry
Linda McMath
Joanne Whitsel

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



Snipe and extension cords. What's the connection?

By Doug Roles, *Manager of Member Services*

IN ONE way or another, I've worked in print journalism for — well, for a few years now. Somehow, in all that time I've never become familiar with the term “snipe” as it relates to printing. I've heard of the wading bird by that name as well as the fool's errand of trying to catch that same bird in a sack.

To snipe can also mean you're doing precision shooting or scoring a goal from a great distance, as in ice hockey. But the snipe I want to draw your attention to is the triangular graphic on the cover of this magazine. That's a snipe, according to the *Penn Lines* graphic design team. (Who knew?) And it's telling you that this month's edition has something extra.

In addition to a feature on our 2016 annual meeting (Pages 14B – 14D), this edition of *Penn Lines* — as the cover snipe says — also contains the 2015 Annual Report (Pages 14E – 14H). This is the first time the co-op has included an annual report as part of its *Penn Lines* pages.


In the past, we provided the annual report as part of our black-and-white, bi-monthly co-op newsletter. When the co-op discontinued that publication, *Valley News*, another means of delivery had to be found. Including extra pages as part of the May edition of *Penn Lines* gives readers a full-color report right next to news from the annual meeting. We hope you find this delivery format timely, convenient and informative.

A copy of the annual report (along with a \$15 bill credit and a free extension cord) was also given to members who attended the annual meeting in

April. The report serves as a snapshot of your business, Valley REC. We hope you can tell from the charts, graphs and other information that the co-op is meeting its mission of providing safe, reliable electric service at the lowest possible price.

The three biggest expenses for the co-op are the wholesale purchase of power, operations and maintenance, and tree trimming along power lines. On a very basic level, these three items encompass our entire mission. As a distribution cooperative, we get power from generation sources (through Allegheny Electric Cooperative, Inc.) and move it to our members' homes, farms and businesses. You could think of the co-op as a giant extension cord: We connect you to the power you rely on for your quality of life. OK, it's a bit more complex than that, as the financial report shows, but we're proud to make that connection for you and to keep electricity moving through the “cord.”

Since May is *National Electrical Safety Month*, here's one more thing about extension cords — the small ones. Think safety when using them. They can come in handy, but Electrical Safety Foundation International reports they cause 3,300 home fires a year. Avoid running them under rugs or through doorways where they can get pinched. Remember to inspect your cords for cracked coating, bare wires or any other damage.

You inspect the small cords, and we'll keep an eye on the rest — the wholesale power supply, operations and maintenance, and tree trimming, and that's no snipe hunt. 

Valley REC members elect three directors during 2016 annual meeting

Co-op relies on local employees, technology to boost service reliability

By Doug Roles

Manager of Member Services

VALLEY Rural Electric Cooperative members re-elected three incumbent directors to the co-op board during their April 8 annual meeting. Valley REC board Chairman James Stauffer of McVeytown, Mifflin County, presided over the evening meeting and explained how the co-op continues to use the latest technology and equipment to increase service reliability.

The business meeting drew a crowd of more than 900 members and guests to the Huntingdon Area High School auditorium. The 497 voting members in attendance cast ballots to fill three seats on the nine-person board of directors that represents the cooperative's more than 22,000 consumers.

In February, nominating meetings were held in three of the co-op's nine director districts. Members nominated in each of those meetings stood for election during the annual meeting. Those elected to three-year terms on the board are: Greg Henry of Hustontown, 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. Harry O'Donnell of Shade Gap also ran for the District 8 seat.

Stauffer said the co-op continues to invest in equipment, training and technology to reduce the average amount of time members go without power each year. He reported the co-op has purchased two bucket trucks in the past year and plans to purchase



PHOTO BY DOUG ROLES

ELECTION RESULTS: Valley Rural Electric Cooperative President & CEO Rich Bauer, left, and Valley REC board Chairman James Stauffer, right, offer congratulations to re-elected incumbent directors, from left: Cindy Bigelow, Greg Henry and Linda McMath, during the co-op's annual meeting held April 8 at Huntingdon Area High School. The directors were elected to three-year terms on the co-op's board.

another in the coming year. Each vehicle comes with a price tag of more than \$200,000. Stauffer also reported that Valley REC spent nearly \$2 million for tree trimming in 2015 as part of an aggressive five-year vegetation management cycle.

"It takes a lot of planning and, sometimes, some large capital outlays to meet the co-op's mission of providing safe, reliable electric service at the best possible price," Stauffer said. "The best tool we have for providing great service is our employees — local residents who know the area and work from offices located within our communities."

Stauffer said the co-op's board is committed to maintaining district offices in Huntingdon, Martinsburg and Shade Gap. He said the co-op is outgrowing its Martinsburg District office and will explore options including renovating the building and moving to another location in that area.

Valley REC President & CEO Rich Bauer reported the co-op has nearly

completed construction of a new substation in Reeds Gap, Juniata County, that replaces the existing substation. He said the work is part of a larger project to increase voltage in electric lines in the area to increase reliability.

Bauer also reported Valley REC's Community Service Grant Program has distributed nearly \$81,000 to civic and community groups and to members struggling to pay their electric bills since the launch of the program at the 2015 annual meeting. The program makes grants available in three categories: energy assistance, education, and civic/community programs. Grants of \$500 to \$1,000 are available.

The program offers funds to 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. The initiative is funded through unclaimed capital credits, margins

from the not-for-profit business that can't be returned to members and former members due to death or relocation. Applications are available at all co-op locations or on the co-op's website, www.valleyrec.com.

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 in an effort to shed load, while the insulated appliance maintains water temperature. More than 4,300 co-op members participate in the program.

"Participating in the demand response program is the single biggest thing members can do to help stabilize the co-op's wholesale power bill," Bauer said.

Mount Union Area High School senior Heidi Bliss talked about her participation in the 2015 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 up to 18 students on the weeklong trip that enables them to meet lawmakers and learn about the cooperative business model.

Authors and recording artists Steve and Annie Chapman performed following the speakers' remarks and election. Steve and Annie have written numerous inspirational songs and books. They have performed at more than 2,500 churches across the country and have appeared on radio and TV broadcasts including Focus on the Family and The 700 Club.

Valley REC board Treasurer Robert Holmes gave the invocation. Kate Thurston-Griswold, a member of the Huntingdon Area High School choral group, performed the National Anthem and led the audience in the Pledge of Allegiance.

Distinguished guests in attendance included state Sen. John Eichelberger, state Reps. Rich Irvin and Judy Ward,



PHOTO BY DOUG ROLES

2016 ELECTION: Valley REC members hold out their ballots for collection during the 2016 annual meeting. More than 900 members and guests attended the event. This year's business meeting and election of directors drew 497 memberships.

Huntingdon County Commissioners Jeff Thomas and Scott Walls, and Pennsylvania Rural Electric Association Public Affairs/Member Services Specialist Stephanie Okuniewski.

Children who attended the annual meeting enjoyed games, refreshments, balloons and a presentation by 2016 Huntingdon County Dairy Princess Alternate Katie Anderson of Three Springs.

Four memberships — Kelly Ewing and Randall Carper, both of Huntingdon; Robert and Debra Miller of Petersburg; and Elmer and Hannah Yoder of Williamsburg — each won a \$75 co-op gift certificate, and William and Deborah Hoover of Tyrone received a \$250 co-op gift certificate. Members in attendance received a \$15 credit on their electric bills and an extension cord.

In addition, cooperative staff collected for proper disposal spent compact fluorescent lightbulbs that members brought with them.

Valley Rural Electric is a member-owned cooperative providing electric service to consumers in eight counties of south-central Pennsylvania, including Bedford, Blair, Centre, Franklin, Fulton, Huntingdon, Juniata and Mifflin. Incorporated in November 1938, Valley REC energized its first lines Nov. 17, 1939. ⚡



PHOTO BY BEN GORMAN

2016 REPORT: Valley Rural Electric Cooperative President & CEO Rich Bauer, at podium, speaks to co-op members about the importance of the demand response program during the 2016 annual meeting. The program offers members \$100 bill credits for having demand response units placed on their water heaters. Valley REC board Chairman Jim Stauffer, seated, spoke to members about how the co-op uses technology and an aggressive tree-trimming schedule to lessen the frequency and duration of outages.

Annual meeting 2016 snapshots



Valley REC Energy Specialist Travis Kuhstos speaks with a member prior to the start of the 2016 annual meeting. PHOTO BY BEN GORMAN



PHOTO BY DOUG ROLES

William Hoover of Tyrone, left, receives a \$250 co-op gift certificate during a drawing at the close of the meeting. Members Kelly Ewing and Randall Carper, both of Huntingdon; Robert and Debra Miller of Petersburg; and Elmer Yoder of Williamsburg each won a \$75 co-op gift certificate. All members in attendance received a \$15 credit on their electric bills and an extension cord.



Left: Co-op employees are easy to spot in orange corporate polo shirts. Below: Huntingdon County Alternate Dairy Princess Katie Anderson, center, promotes healthy snacks with the help of Dairy Misses MacKenzie Coffman, left, and Katerina Coffman. PHOTOS BY BEN GORMAN



Singer-songwriters Steve and Annie Chapman entertain the crowd with a number of musical favorites and a video montage about the early years of their career as speakers and musicians. PHOTO BY BEN GORMAN



PHOTO BY DOUG ROLES

Tellers hurry out of the auditorium with ballot boxes after members finish voting. Election results were announced at the conclusion of the meeting.

2015 ANNUAL REPORT

On behalf of Valley Rural Electric Cooperative it's our privilege to provide you this information about the co-op's operational and financial health. The past year has been one of strengthening our bottom line while investing in system improvements and promoting co-op programs and services. The co-op's board and employees continue to work hard to accomplish Valley's mission of providing reliable, efficient energy services and improving the quality of life throughout the region.

As a member, you have the privilege of being a part-owner of a financially sound cooperative. We've been able to maintain a strong percentage of member equity as recommended in our equity management plan. At the end of the calendar year 2015, co-op equity was at 42 percent of assets. As proof of our solid financial position, more than \$856,000 in patronage capital was returned last year to eligible members and former members of the co-op. Nearly \$22 million has been given back over the years, and we plan to continue that course in the foreseeable future.

You may remember that last year we announced the co-op had departed from its traditional position as a borrower through the U.S. Department of Agriculture's Rural Utilities Service loan program in favor of working with National Rural Utilities Cooperative Financing Corporation (CFC), a cooperative that serves other cooperatives by providing financing. The decision was made to help safeguard the financial health of the co-op in the years to come, and it is working well for Valley REC.

The co-op's largest outlay in 2015 was to Allegheny Electric Cooperative, Inc. (Allegheny) for the purchase of the energy that runs our homes, farms and businesses. 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 our energy. We have to purchase the other 30 percent, through Allegheny, on the open market. The price of the 30 percent can far exceed that of our own sources. This makes our demand response program more important than ever. If you already participate in this effort, thank you on behalf of the co-op. If not, 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 to stabilize the co-op's wholesale power bill.

Other than the purchase of power (52 percent of the 2015 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 2015 was \$4.5 million. Keeping trees trimmed along nearly 2,750 miles of line is our largest maintenance expense. Last year, we spent more than \$1.6 million to maintain 403 miles of rights-of-way. We adhere to a five-year rotation for vegetation management. This has proven to reduce costs associated with outage restoration.



JAMES R. STAUFFER
Chairman of the Board



RICHARD S. BAUER
President & CEO

In the past year, the co-op has made a number of improvements to the distribution system. Valley's crews built five miles of new line and made several upgrades to the existing system. A new switch assembly was installed at the Frankstown Substation in Blair County, replacing equipment that was original to the substation. New wiring was also installed on the lower voltage side of that station. Additionally, work is continuing on replacement of our aging substation at Reeds Gap, Juniata County, to improve system reliability. The new substation is being built just east of the existing substation.

We continue to use technology to improve efficiency in the field and in co-op offices. Training on our digital outage management system (OMS) has been ongoing since the launch of the program in 2013. More tablet computers have been provided to office workers and line crews alike. These devices allow us to stay "plugged in" even when on the go. Lineworkers and staking engineers have system data at their fingertips on the job site and operations staffers can get real-time outage information any time, day or night. This computerized system uses our automated metering infrastructure, complete system inventory and upgraded phone system to provide the digital capability to more quickly pinpoint the scope and location of an outage. Real-time mapping of outages has enabled our operations team to mount a more efficient response to service disruptions. We're using technology to do more without increasing staffing and labor costs.

Valley REC is continuing its commitment to community by awarding grant funds through our Community Service Grant Program. Since the launch of this program at last year's annual meeting, Valley REC has provided \$75,000 in grant funding to members struggling with their electric bills and to civic and community groups working to improve the quality of life in our region. (See information on the next page.) We also continue to offer Brighter Future scholarships and to sponsor high school students on the National Rural Electric Youth Tour to Washington, D.C.

Clearly the co-op is accomplishing its mission of providing great service and improving quality of life in our area. None of this would be possible without you, the member.

A handwritten signature in black ink that reads "James R. Stauffer".

JAMES R. STAUFFER
CHAIRMAN OF THE BOARD

A handwritten signature in black ink that reads "Rich Bauer".

RICHARD S. BAUER
PRESIDENT & CEO

PROGRAMS AND SERVICES

Scholarships

Valley REC awards up to 25 \$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 scholarship programs as well. Visit the Scholarships page at www.valleyrec.com for more information.



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 to 85 percent are available on prescriptions at participating pharmacies. The average discount for our members was 47 percent. Show the card and save the next time you're shopping. For a full list of participating businesses, visit www.valleyrec.com.



Community Service Grant Program

Valley Rural Electric Cooperative debuted its Community Service Grant Program one year ago at the 2015 annual meeting and has since awarded \$75,000 in funding. The new 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.



Load Management

Cooperatives believe the cleanest kilowatt-hour is the one that is never generated. Holding to this principle, Pennsylvania and New Jersey electric co-ops launched the Coordinated Load Management System in 1986. This demand response network, whose participants include nearly 25 percent of the cooperatives' residential consumers, currently boasts the capability to reduce about 8-10 percent of the entire

cooperative system's peak load. Since the program's inception, this has resulted in power cost savings of more than \$127 million statewide for cooperative members.

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

SmartHub

Valley REC offers the new 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 bill 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 or 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 in 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 above is Valley's group of students who participated in the 2015 event.

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 right) 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.



Education

Valley REC offers educational programs to students in school districts within the co-op's service territory. Presentations focus on electrical safety and energy efficiency as well as co-op careers.

Other Offerings

CFL disposal (offered at all co-op office locations)

Members Helping Members assistance program

Smart surge protector sales

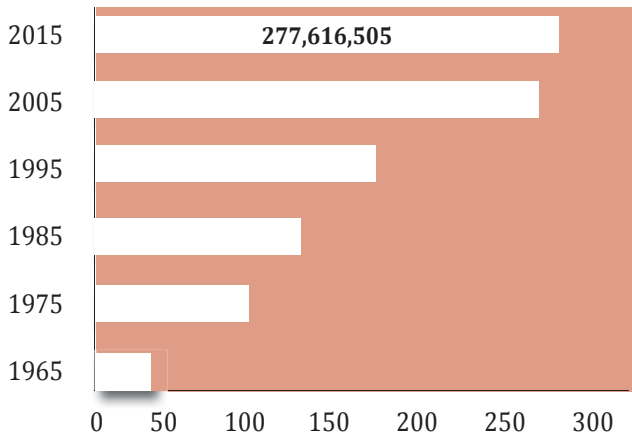
Member publications — *Penn Lines*

2015 Financial Report

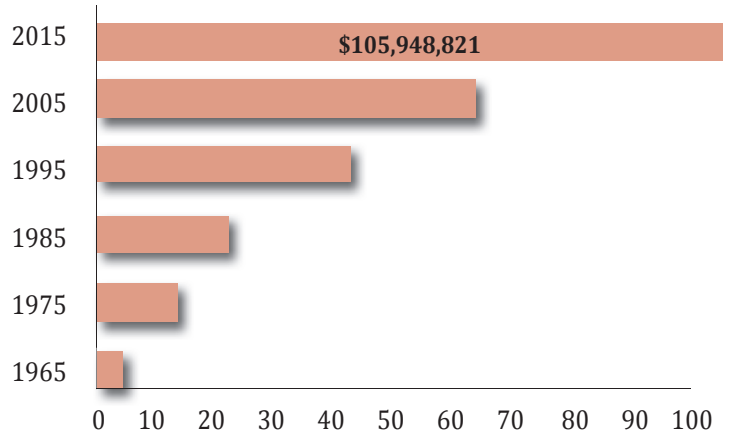
Statement of Operations		2015	2014
Income			
	Operating Revenue	35,504,468	34,833,273
	Interest Income	63,623	288,615
	Other Non-operating Income	604,322	612,583
	TOTAL INCOME	36,172,413	35,734,471
Expenses			
	Cost of Power Purchased	18,794,896	19,223,736
	Operations & Maintenance	4,633,687	4,205,303
	Member Accounts & Service	1,293,845	1,366,868
	Administrative & General	3,399,789	3,344,176
	Depreciation & Amortization	3,702,556	3,298,912
	Taxes	44,501	43,813
	Interest Expense	1,909,390	2,027,176
	TOTAL EXPENSES	33,778,664	33,509,984
NET MARGINS		2,393,749	2,224,487
Balance Sheet		2015	2014
Assets			
	Electric Plant (less depreciation)	72,130,189	71,326,636
	Investments	9,131,259	8,889,772
	General Fund Cash & Working Capital	245,003	337,626
	Accounts Receivable	3,360,563	3,772,680
	Materials & Supplies	554,576	564,908
	Payments Made in Advance	30,716	33,397
	Other Current & Deferred Assets	4,165,186	4,417,195
	TOTAL ASSETS	89,617,492	89,342,214
Equities			
	Patronage Capital and Margins	30,287,488	30,169,442
	Other Equities	7,111,678	5,586,948
	TOTAL EQUITIES	37,399,166	35,756,390
Liabilities			
	Long-term Debt	43,821,227	46,367,648
	Notes Payable	1,383,485	500,000
	Accounts Payable	1,827,321	1,762,583
	Member Deposits	345,621	331,804
	Other Current & Accrued Liabilities	4,399,560	4,178,467
	Deferred Credits and Regulatory Liabilities	441,112	445,322
	TOTAL LIABILITIES	52,218,326	53,585,824
TOTAL EQUITIES & LIABILITIES		89,617,492	89,342,214

2015 Financial Report

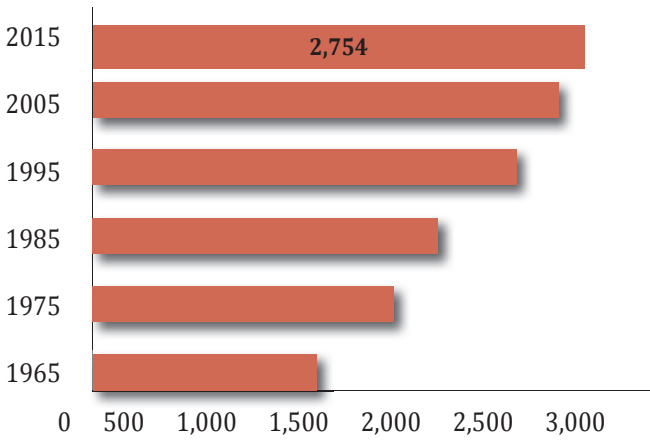
Kilowatt-hours Sold (in millions)



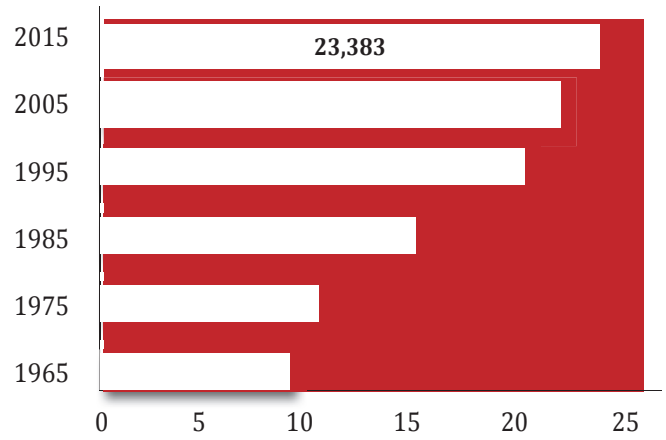
Utility Plant (in millions)



Miles of Line



Accounts Served (in thousands)



Where It Comes From

The Co-op Dollar

Where It Goes

