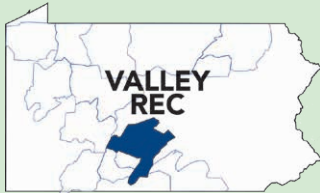


Valley Rural Electric Cooperative, Inc.

A Touchstone Energy® Cooperative 



One of 14 electric cooperatives serving Pennsylvania and New Jersey

VALLEY RURAL ELECTRIC COOPERATIVE, INC.

10700 Fairgrounds Road
P.O. Box 477
Huntingdon, PA 16652-0477
814-643-2650
1-800-432-0680
www.valleyrec.com

BOARD OF DIRECTORS

James Stauffer
Chairman
Allegheny Director

Leroy Barnes
Vice Chairman
PREA Director

Cindy Bigelow
Secretary

Randall Huntsman
Treasurer

Gregory Henry
Linda McMath
Kenneth Soder
Kevin States
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

COOPERATIVE CONNECTION

Executive Report

PROVIDING SAFE, AFFORDABLE AND RELIABLE electric service remains the top priority of Valley Rural Electric Cooperative (REC), just as it has been for the past 87 years. The co-op's board of directors and employee team are committed to this purpose even as we navigate a very volatile time in the electric utility industry.

We're pleased to report the co-op is on sound financial footing. At the end of 2025, equity, or member ownership of the organization, was at 51.8% of assets, which is in line with our equity management plan. We returned more than \$2.4 million in patronage capital to eligible members and former members in December 2025, which follows the December 2024 return of \$2.6 million. Over the years, we have returned nearly \$43.5 million in patronage capital.

The co-op's largest outlay is to Allegheny Electric Cooperative, Inc. (Allegheny) for the purchase of electricity. Valley REC and its 12 sister cooperatives in Pennsylvania — plus one in New Jersey — own approximately 65% of our energy supply through Allegheny in Harrisburg. The remaining 35% must be purchased on the open market, where prices are much more volatile.

In 2025, the co-op spent more than \$25 million on power, about 56% of the budget. Due to dramatic increases in wholesale power costs (which include generation and transmission costs as well as capacity charges), the board of directors approved an increase of 1 cent per kilowatt-hour in summer 2025. To keep pace with continued rising generation and transmission costs, passed on to us from Allegheny, Valley's board approved an additional 1.05-cent increase in February 2026. This is a true pass-through from Allegheny to our members.

Increasing demand, driven largely by data centers and the electrification of vehicles, and declining supply, due to the closing of coal and nuclear plants and older natural gas plants, have caused an imbalance, which makes wholesale electricity costs volatile and expensive.

Within PJM Interconnection, the grid that serves consumers in the Mid-Atlantic region, capacity charges (the premium paid for the total amount of electricity our system might use during a peak period) jumped by more than 800% in the 2025-2026 delivery period. That was followed by an additional 22% increase in the most recent auction.

We continue to ask our members to lend a hand in stabilizing future wholesale power costs by shifting summertime electricity 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 contact the co-op by calling 814-643-2650 or emailing memberservices@valleyrec.com.

In 2025, we continued to improve system reliability and power quality. We rebuilt the 46-kilovolt delivery point at the Puzzletown substation in western Blair County. The project included replacing an aging substation recloser with a newer, more advanced breaker. The substation project was Valley's sixth substation project since 2016, and it followed the 2024 construction of a new Three Springs substation in southern Huntingdon County. That project replaced the last 1950s-era substation still in operation on our system, which includes 23 substations.

Also in 2025, we wrapped up a multi-year sectionalizing effort. The installation of additional cut-out fuses and reclosers isolates faults and limits the number of members impacted by any one outage.

The co-op's operations personnel will continue working across the system to replace aging aluminum-steel wire with all aluminum wire, which is more corrosion resistant. Replacement of deteriorating poles identified during inspection will be ongoing as well.



JAMES R. STAUFFER
CHAIRMAN OF THE BOARD



RICH BAUER
PRESIDENT & CEO

Continued on page 14D

2025 Financial Report

Statement of Operations

2024
2023
Income

Operating Revenue	47,687,831	43,159,367
Interest Income	52,544	51,713
Other Non-operating Income	1,966,128	2,257,802
TOTAL INCOME	49,706,503	45,468,881

Expenses

Cost of Power Purchased	25,850,143	22,064,396
Operations & Maintenance	7,051,879	6,930,804
Member Acct. & Service	1,560,052	1,496,089
Administrative & General	5,384,356	4,957,924
Depreciation & Amortization	4,771,364	4,620,341
Taxes	73,808	71,234
Interest Expense	1,775,124	1,740,227
Other Deductions	103,002	104,035
TOTAL EXPENSES	46,569,728	41,985,050
NET MARGINS	3,136,775	3,483,832

Balance Sheet
2025
2024
Assets

Electric Plant (Less Depreciation)	80,757,709	80,674,875
Investments	18,386,395	17,163,370
General Fund Cash & Working Capital	478,587	773,477
Accounts Receivable	5,342,538	5,064,578
Materials & Supplies	908,065	763,831
Payments Made in Advance	37,668	36,442
Other Current & Deferred Assets	1,677,734	1,916,136
TOTAL ASSETS	107,588,696	106,392,709

Equities

Patronage Capital and Margins	23,830,258	25,453,194
Other Equities	31,661,527	29,771,690
TOTAL EQUITIES	55,491,785	55,224,884

Liabilities

Long-Term Debt	37,777,657	40,124,673
Notes Payable	3,500,000	0
Accounts Payable	2,721,044	2,155,139
Member Deposit	515,230	515,245
Other Liabilities	6,066,696	5,397,859
Deferred Credits and Regulatory Liabilities	1,516,284	2,974,909
TOTAL LIABILITIES	52,096,911	51,167,825

TOTAL EQUITIES & LIABILITIES	107,588,696	106,392,709
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2025 Statistics

Kilowatt-hours Sold
297,211,988

Miles of Line
2,784

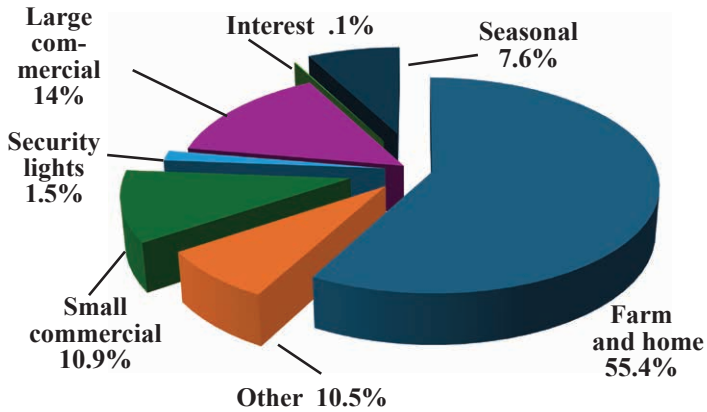
Utility Plant Value
\$138,673,743

Accounts Served
22,740

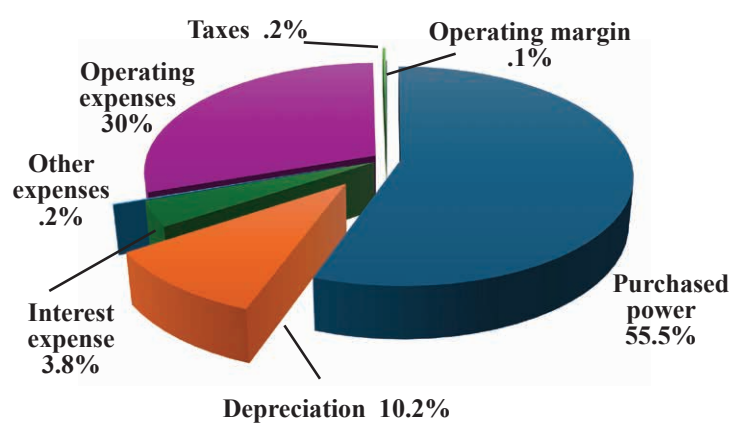
Valley REC territory is filled with tranquil settings such as this farm pond in Spruce Hill Township, Juniata County.

The Co-op Dollar

Where It Comes From

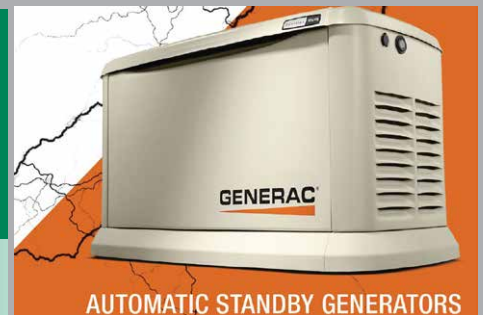


Where It Goes



Electrical services
Transfer switches
Water heaters
Generator sales
& service

Valley Rural Electric Cooperative's suite of energy services can help you save energy and make your home more comfortable.



CO-OP MEMBERS RE-ELECT THREE DIRECTORS AT VALLEY REC ANNUAL MEETING

DOUG ROLES, VICE PRESIDENT, MEMBER SERVICES

Valley Rural Electric Cooperative (REC) members re-elected three directors to the cooperative's nine-member board during its annual meeting Friday, April 10. The meeting again followed a drive-thru format from 4 to 7 p.m. at the Huntingdon County Fairgrounds. This year's event drew 1,822 memberships.

Three seats on the co-op's board are open for election each year. Members elect directors to three-year terms through an at-large election, which means members attending the annual meeting from the co-op's nine director districts cast ballots to fill the three open seats. This year, seats were open in Districts 1, 3 and 5.

Randy Huntsman of Martinsburg will continue to serve as director for District 1, Kevin Sates of Hesston was re-elected to the District 3 seat and Ken Soder of Petersburg remains in the District 5 seat. Also appearing on the ballot for District 3 was Todd Gates of Saxton.

A new way to engage

Like many cooperatives, Valley REC held its annual meeting at a high school auditorium for many years. The COVID-19 pandemic forced co-ops across the country to find other formats, with some moving to a drive-thru format and others adopting online meetings. Valley REC moved to its drive-thru format in 2021 after the cancellation of the 2020 annual meeting.

"We continue to receive very positive comments about our drive-thru annual meeting," Valley REC President & CEO Rich Bauer says. "Many more of our members are able to participate this way and exercise the cooperative principle of 'Democratic Member Control.'"

Traffic entered the fairgrounds at the north and south ends of the property, as it did in 2025. In previous years, all traffic had entered at the north but that changed last year to increase traffic flow.

Members who attend the cooperative's district meetings each February nominate the members whose names appear on the annual meeting ballot each April. In 2021 and 2022, district nominating meetings were not held due to the pandemic. Instead, members were required to submit signature forms to have their name placed on the ballot. The co-op returned to its traditional fire hall dinner nominating meeting in 2023.

THREE INCUMBENT BOARD MEMBERS RE-ELECTED



Valley REC's corporate headquarters is across the road from the fairgrounds. Nearly all co-op employees were on hand to direct traffic, register members, distribute ballots and hand out free extension cords. Members who attended the meeting will also receive a \$20 bill credit.

Valley REC is a member-owned cooperative that provides electric service to nearly 22,500 consumer-member accounts in south-central Pennsylvania counties, including Bedford, Blair, Centre, Franklin, Fulton, Huntingdon, Juniata and Mifflin. Incorporated on Nov. 1, 1938, Valley REC energized its first lines on Nov. 17, 1939. 📍



FRIENDLY SERVICE: Jason Wilson, left, a crew leader from the Shade Gap District, collects a ballot from a member as Billy Ayers, right, the co-op's warehouse materials manager, hands out this year's gift, a 15-foot extension cord.

EXECUTIVE REPORT

Continued from page 14A

Additionally, we are continuing our aggressive approach to vegetation management. In 2025, we trimmed 457 miles of rights of way. Our approach ensures our rights of way are trimmed entirely in a five-year time span to lessen the likelihood of tree-related outages. We believe right-of-way clearing has been a major contributor to our reliability statistics. Last year, we averaged 1.5 outages per member. We're pretty proud of that considering the terrain we serve.

Following the co-op principle of "Cooperation Among Cooperatives," we sent a four-man construction crew to our sister co-op, REA Energy, in mid-March 2025 after a

storm left thousands without power in Indiana County. Following the co-op principles of "Education, Training and Information" and "Concern for Community," we continue to offer safety and energy-efficiency presentations to schools and civic groups. We invite you to contact the co-op for more information on these programs.

We also invite you to contact the co-op with any general questions you might have. Be assured, the dedicated employees and board members of Valley REC are working diligently to improve efficiency and control costs to provide you with safe, affordable, and reliable power. 📍

James R. Stauffer

R. L. Bauer