

2012  
ANNUAL  
REPORT



# The Power of Ownership

**WVEC**  
VERDIGRIS VALLEY ELECTRIC COOPERATIVE, INC.

**PowerCircuit**  
A Supplement to Oklahoma Living

Volume 72 • Number 10  
October 2013

VVEC provides financial support to school systems in our service territory through the payment of gross receipts tax.

The 2 percent gross receipts tax is collected from members' monthly electric bills at the instruction of the Oklahoma Tax Commission. The amount

of tax is determined by the miles of electric line the co-op has in each school district.

KAMO Power, VVEC's wholesale power supplier, also pays gross receipts taxes. In 2012, VVEC and KAMO Power together paid over \$1.6 million in taxes to area school systems.



Teacher Holly Smith and students of Claremont Elementary School, Claremore. In 2012 our Adopt-A-School grant program assisted the school in purchasing books and resource materials to help improve students' reading skills. In the 20 years we have sponsored this program, more than \$88,000 has been donated to area schools to help educate our youth.

School District	VVEC	KAMO	Total
Oklahoma Union	\$99,011.91	\$39,141.06	\$138,152.97
Oologah	90,331.64		90,331.64
Caney Valley	90,051.30	86,212.20	176,263.50
Owasso	82,014.33		82,014.33
Collinsville	66,016.69	46,270.84	112,287.53
Skiatook	60,757.91	42,160.31	102,918.22
Bowring	59,430.27		59,430.27
Nowata	55,109.50		55,109.50
Barnsdall	53,180.27	33,539.09	86,719.36
Dewey	51,965.27		51,965.27
Claremore Sequoyah	47,082.66		47,082.66
Bartlesville	42,139.96		42,139.96
Sperry	42,134.99		42,134.99
Copan	32,487.18		32,487.18
Avant	27,023.60	36,594.71	27,023.60
Foyil	25,759.31		62,354.02
Pawuska	24,597.84	36,049.06	24,597.84
South Coffeyville	22,543.01		58,592.07
Justus	21,286.54		21,286.54
Chelsea	20,389.99		20,389.99
Hominy	19,894.07	91,741.41	111,635.48
Claremore	19,629.55		19,629.55
Sand Springs	18,515.44	30,774.48	49,289.92
Verdigris	13,472.98		13,472.98
Catoosa	12,833.60		12,833.60
Prue	11,780.60	9,130.49	20,911.09
Inola	9,792.39		9,792.39
Anderson	9,529.84		9,529.84
Tulsa	6,130.53		6,130.53
Osage Hills	3,866.45	12,113.36	15,979.81
Chouteau-Mazie	672.78	14,041.31	14,714.09
	<b>\$1,139,432.40</b>	<b>\$477,768.32</b>	<b>\$1,617,200.72</b>

## Power Circuit

Power Circuit is published monthly by Verdigris Valley Electric Cooperative, Collinsville, Oklahoma for its members in Tulsa, Rogers, Washington, Nowata and Osage counties. Periodical postage paid at Tulsa, Oklahoma and other additional mailing offices. Subscription price is \$0.21 per month.

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### On the cover

Captain Derek Hunt (left) and firefighter Dustin Ray of the Collinsville Rural Fire Department, which was one of the recipients of our Fire Department Grant program in 2012. Since this program began in 1993, over \$177,000 has been given to fire departments in our service territory for the purchase of life-saving devices, machinery, and equipment for the firefighters and their trucks.

## Corporate Profile

VVEC is a distribution electric cooperative providing electric service to residential, commercial and industrial consumers.

- Headquartered in Collinsville, Oklahoma,
- Incorporated October 24, 1938.
- 35,098 meters
- 4,694 miles of electric line
- Services Nowata, Osage, Rogers, Tulsa and Washington counties
- Oklahoma's third largest electrical cooperative based on the number of meters served.
- Ninety employees cover the Cooperative's more than 4,694-square mile service territory daily maintaining the electric system and providing consumer-oriented service.
- Warehouse and maintenance facilities located in Nowata and Bartlesville, Oklahoma.
- VVEC is a non-profit corporation wholly-owned by the members it serves.

### TRUSTEES

- Governed by a nine-member board of trustees who are elected at district meetings by the members residing in those districts.
- Office terms are for three years
- Three trustee positions elected each year

In addition, VVEC promotes the safe and economical use of electricity among the membership and participates in community and other activities that are in the interest of the membership and general public.

The October 19, 2013 Annual Meeting marks the 75th time members of VVEC will gather to hear the accomplishments, activities and financial reports of the Cooperative's previous year.

Alice Houston  
VVEC General Manager



## The Power of Ownership

It is the cornerstone in the foundation of the cooperative form of business. It is what distinguishes cooperatives from other business enterprises, and it is what makes those we serve our top priority.

Verdigris Valley may be the name of this business, but the cooperative is yours. Anyone who receives electric service from VVEC becomes an owner and a consumer, not a customer. You and more than 26,000 others residing or doing business in five counties, own a portion of this utility, which exists to provide the electricity that powers your life.

Being an owner matters. Being responsible to you, and not a group of distant investors, has been our purpose since VVEC began in 1938. As you know, we exist to provide you with safe, reliable, and affordable electric service, and doing so in a way that raises the quality of life for you and your communities. Because VVEC operates on a not-for-profit basis, we have no need to increase revenues above what is required to operate the business in a financially sound manner. This allows us a freedom not experienced by other forms of business, and allows us to keep our focus on serving you.

Your board of trustees, which is comprised of nine of your fellow VVEC owners, meets monthly to provide multi-faceted leadership in determining policies and procedures. They understand the effects of each of those policies and procedures, because they will experience them just as will you. As an owner of this cooperative, you have the privilege and responsibility of voting for your representative on the board.

Due to the trustees' diligence and commitment, your cooperative is on solid financial footing, with operating revenue and patronage capital of over \$62 million. Through the guidance of your trustees, and the increase in margins due partly to the extreme temperatures last summer, the board feels it is appropriate to return \$1 million in capital credits to you this year. That is twice the amount we have returned in the past few years. As an owner, you are entitled to share in the co-op's good fortune, and receive a return on your investment.

As an owner and consumer, you are the entity we have in mind when we design and implement new programs and procedures. Our new Pay•As•You•Go program makes it easier for you to tailor your payments to your individual situation. Instead of paying one bill once a month, you can now purchase as much electricity as you want and purchase it whenever it is convenient. Pay Site kiosks are currently in four

locations throughout our service territory, and plans call for more to be available in the future. For new members, agreeing to participate in this program can alleviate the burden of paying a deposit. New members or members moving to a new location can also apply for electric service online now.

In 2012 we installed Two-Way Automated Communication System (TWACS) meters throughout the service territory. This state-of-the-art technology sends signals over existing power lines from the meters directly to the co-op, providing low-cost, highly-reliable, two-way communication. These meters replaced the TURTLE meters which were out-dated and

We will be utilizing available technology when we register your attendance electronically at annual meeting this month. We will reduce the amount of time you spend standing in line at the registration desk as we scan the bar code on the electric bill you bring with you. You can then spend more time enjoying the benefits of co-op ownership at annual meeting.

In addition to these new services, we continue to offer appliance rebates, energy audits, surge suppressors, and the iMap weather alert program.

Each day 90 employees come to work with the intention of meeting the mission of your cooperative through innovation, commitment to community, accountability and integrity. You



Carlton Howard, a VVEC owner since 1962.

needing to be replaced. This is the next step in the progression of meter technology.

We recognize that education and safety are important to you. That is why each year we partner with area schools and fire departments to help them meet their missions of educating our youth and protecting your families, homes and property. Since the Adopt-A-School and Fire Department Grant programs began in 1993, over \$265,000 has been donated to help them purchase supplies, teaching aids, various equipment, and life-saving devices.

Through the Co-op Connections Card program you reap the benefit of co-op ownership here in Green Country, throughout Oklahoma, and across the country.

can be confident the decisions made by your board of trustees and management team are in the best interest of you, your cooperative, and your community. It is neighbor looking out for neighbor.

Born of a deep commitment to build something that would enhance and improve the lives of residents in Nowata, Osage, Rogers, Tulsa and Washington counties, Verdigris Valley Electric Cooperative began. The passion and determination of those early day members, who worked hard to bring electric power to this area 75 years ago, is no less apparent today.

Membership matters, ownership matters, because you matter to your cooperative.

Lineman Adam Prickett serves the needs of another group of VVEC owners; the businesses and shops at Garrett Creek, Owasso.



## Minutes

### VVEC 2012 Annual Meeting of Members Saturday, October 13, 2012

The 74th Annual Meeting of Members of Verdigris Valley Electric Cooperative, Incorporated was held at the at the Bartlesville Community Center, Bartlesville, Oklahoma, on the 13th day of October 2012, at 11:00 a.m. after due and proper notice to the members as required by the bylaws of the Cooperative.

Ms. Alice Houston, General Manager, announced there was not a quorum of members registered for the meeting and no official business could be conducted. The number of members required for a quorum was 1,289. There were 255 members present.

Approved:

Ken Howard  
President,  
VVEC Board of Trustees

Dennis Lenox  
Secretary,  
VVEC Board of Trustees

## Official Notice

### 2013 Annual Meeting of Members Verdigris Valley Electric Cooperative, Inc.

The Annual Meeting of Members of Verdigris Valley Electric Cooperative, Incorporated will be held Saturday, October 19, 2013 at the Robson Performing Arts Center, 101 E. Stuart Roosa, Claremore, Oklahoma. If a quorum is present, action will be taken on the following matters:

1. Reading of the minutes
2. Reports of Officers, Trustees and Committees
3. All other business which may properly come before the meeting or any adjournment thereof.

Dated this 12th day of September 2013.

Vernon Lewis  
Secretary, VVEC Board of Trustees

## Statement of Non-Discrimination

Verdigris Valley Electric Cooperative, Incorporated is the recipient of Federal financial assistance from the Rural Development Utilities Programs, an agency of the United States Department of Agriculture, and is subject to the provision of Title VI of the Civil Rights Act of 1964, as amended, Section 504 of the Rehabilitation Act of 1973, as amended, the Age Discrimination Act of 1975, as amended, the Americans with Disabilities Act, and the rules and regulations of the United States Department of Agriculture, which provide that no person in the United States on the basis of race, color, national origin, age, disability or handicap shall be excluded from participation in, admission to, access to, denied the benefits of, or otherwise be subjected to discrimination under any of this organization's programs or activities.

The person responsible for coordinating this organization's non-discrimination compliance efforts is Clyde Willard, director of finance. Any individual, or specific class of individuals, who feels this organization has subjected them to discrimination may obtain further information about the statutes and regulations listed above from and/or file a written complaint with this organization; or the Secretary, United States Department of Agriculture, Washington, D.C. 20250; or the Administrator, Rural Development Utilities Programs, Washington, D.C. 20250. Complaints must be filed within 180 days after the alleged discrimination. Confidentiality will be maintained to the extent possible.

# Service Area - Board Districts

## Board of Trustees



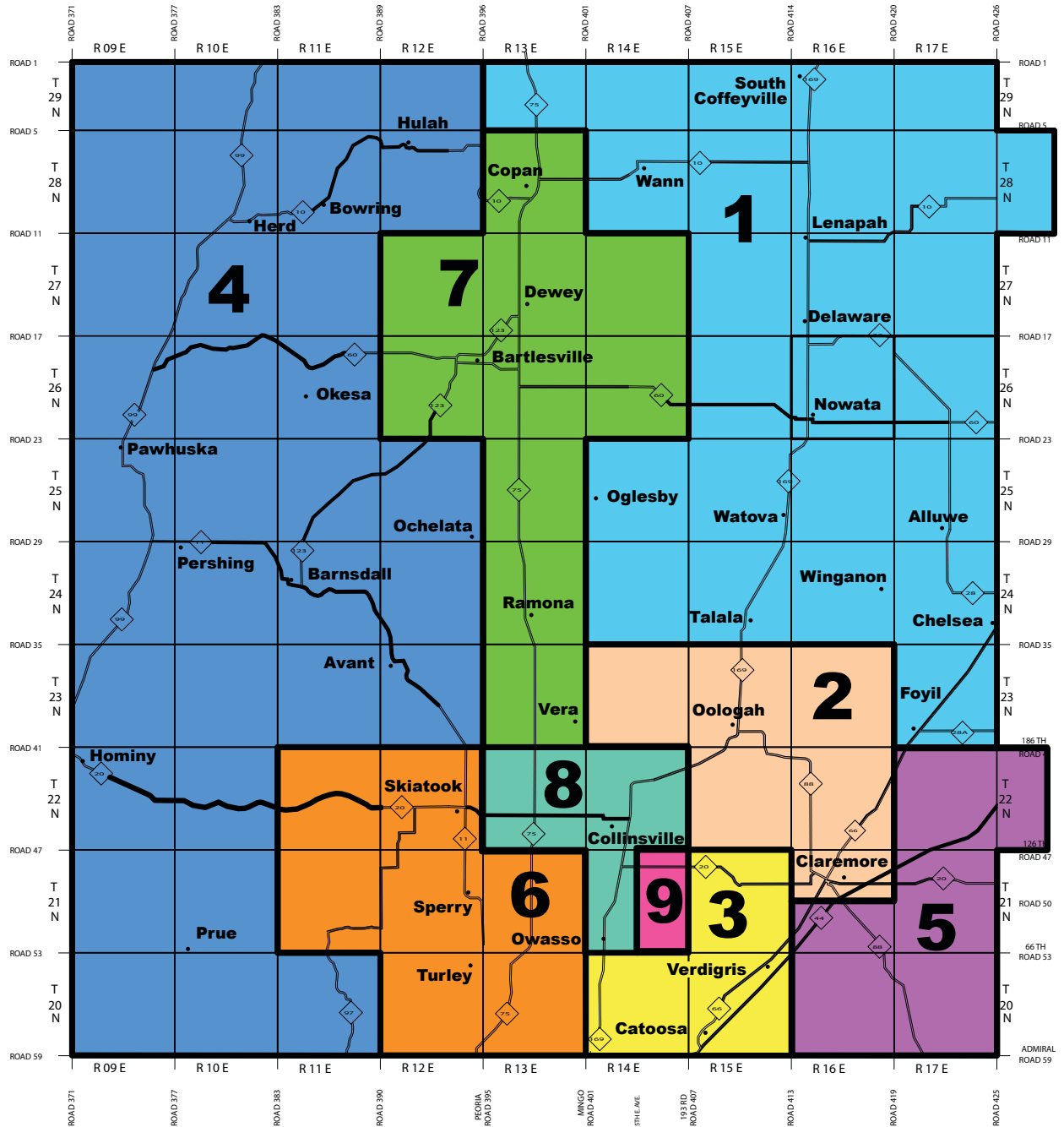
**District 1**  
**Jim Brackett**  
 720-4531



**District 2**  
**Jack Bogart**  
 371-9587



**District 3**  
**Vernon Lewis**  
 341-5225



**District 4**  
**John Hibdon**  
 847-2320



**District 5**  
**Jimmy Lambert**  
 760-7029



**District 6**  
**Dennis Lenox**  
 396-1574



**District 7**  
**Chuck Huerter**  
 333-3107



**District 8**  
**Ken Howard**  
 724-9965



**District 9**  
**Buddy McCarty**  
 272-5134  
 or 272-5364



**Alice Houston**  
 General Manager



**Stephen Riley**  
 Corporate Counsel

VVEC bylaws provide for trustee elections following the annual meeting in a period no sooner than 14 days after the meeting and no later than 30 days. District meetings will be held in November for districts 7, 8 and 9, as indicated on the above map. Any member residing in these districts and meeting qualifications stipulated in the bylaws is eligible to seek election to the board.

## Consolidated Balance Sheet

### Assets

Electric Plant	\$136,192,382	
Less Depreciation	36,718,113	\$99,474,269
Cash & Cash Equivalents		2,476,095
Investments		23,350,305
Accounts Receivable		6,416,945
Materials & Supplies		932,265
Prepayment, Other Accrued Assets & Deferred Debits		1,101,626

### WHAT WE OWN

**TOTAL \$133,751,505**

### Liabilities

Line of Credit		-0-
Long Term Debt		\$71,815,720
Consumer Deposits		3,662,224
Accounts Payable		5,294,823
Deferred Credits		63,159
Other Liabilities		2,329,066

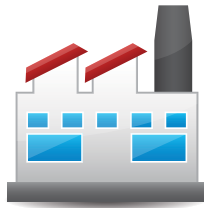
### WHAT WE OWE

Membership Fees		795,600
Patronage Capital and Other Equities		49,790,913

### EQUITIES

**TOTAL \$133,751,505**

### Power Use by Type of Account



*Industrial 13%*

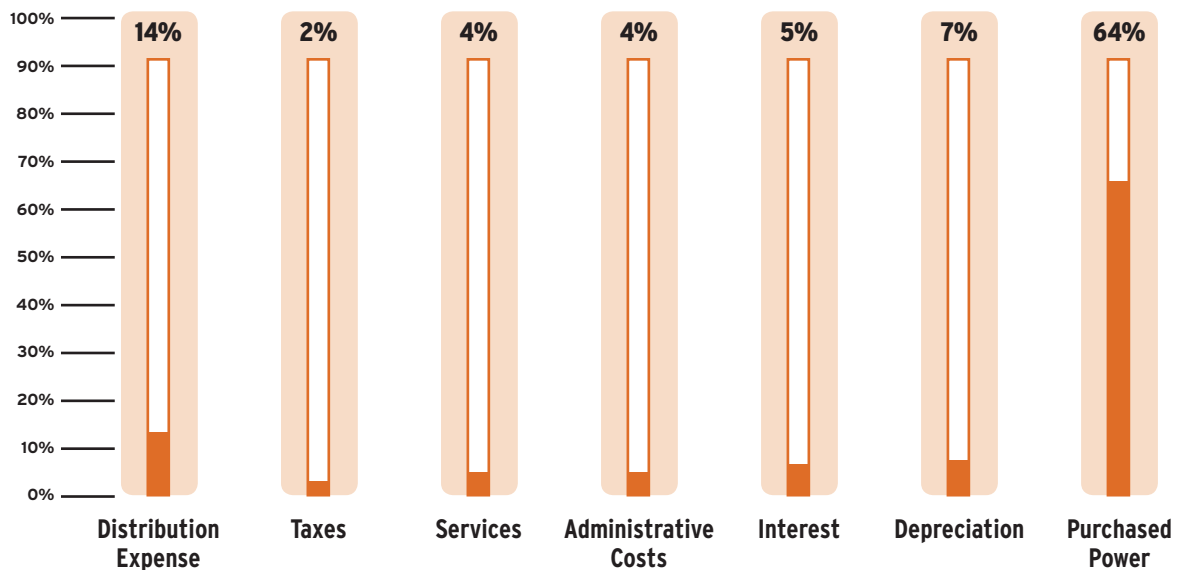


*Commercial 8%*



*Residential 79%*

### Use of Power



## Comparative Statistics Of Operation

WHAT WE RECEIVED		2011	2012
	Operating Revenue and Patronage Capital	\$61,665,023	\$62,076,293
	<b>Expenses</b>		
	Cost of Purchased Power	39,550,916	39,152,787
	Distribution Expense - Operations	1,836,522	2,201,432
	Maintenance Expense	6,186,887	6,247,377
	Consumer Accounts Expense	2,312,125	2,277,960
	Customer Service & Information Expenses	199,506	256,261
	Administration & General Expenses	2,246,521	2,471,105
	Depreciation & Amortization	3,853,015	4,277,575
	Taxes	1,194,167	1,204,434
HOW IT WAS SPENT	Interest Expenses - Long Term Debt	2,835,612	2,771,307
	Other Interest & Deductions	-0-	2434
<b>Total Cost of Electric Service</b>		<b>\$60,215,271</b>	<b>\$60,862,672</b>
	<b>Our Margins</b>		
	Operating Margins & Patronage Capital	1,449,752	1,213,621
	Non-Operating Margins	273,977	(661,271)
WHAT WE HAVE LEFT	Other Capital Credits & Patronage Dividends	2,479,095	2,467,498
	Extraordinary Item	-0-	-0-
<b>Total Operating &amp; Non-Operating Margins</b>		<b>\$4,202,824</b>	<b>\$3,019,848</b>

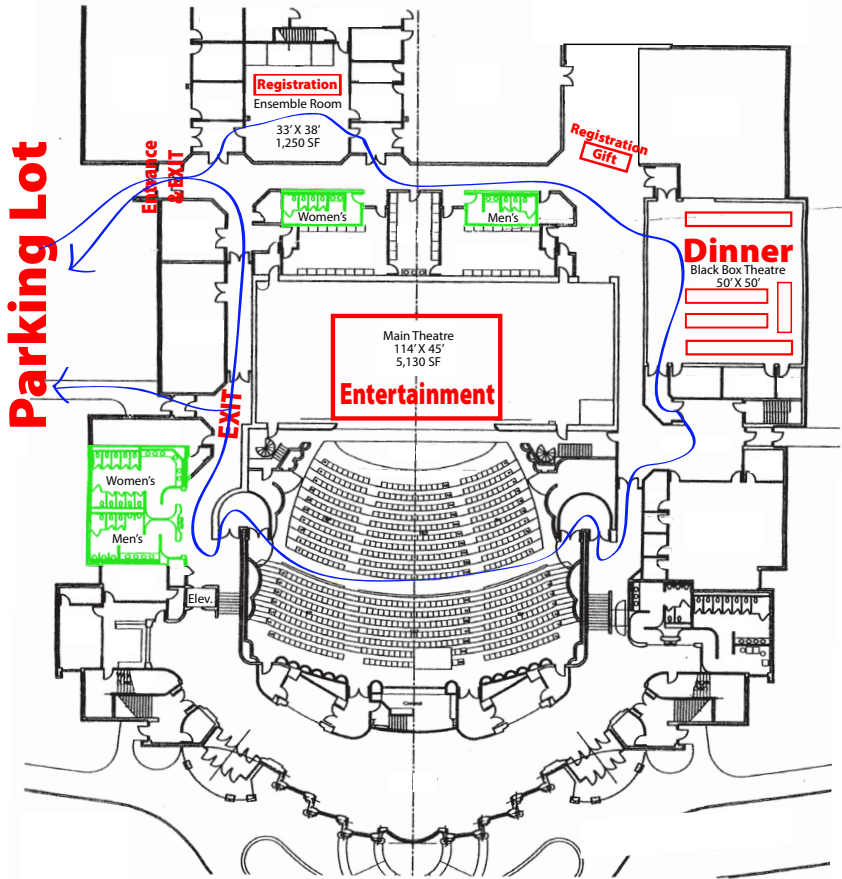
## Consolidated Cooperative Summary of 2012

	2011	2012
<b>Number of Meters</b>	34,856	35,098
<b>Peak Demand (kW)</b>	198,031	202,123
<b>Date and Time of Peak</b>	08/2/2011 @ 6 p.m.	08/2/2012 @ 6 p.m.
<b>Total Energy Sales (kWh)</b>	672,055,015	652,640,466
<b>Total Asset Value</b>	122,852,188	133,751,505
<b>New Plant</b>	6,614,524	13,418,091
<b>Total Revenues</b>	61,665,023	62,076,293
<b>Operating Margins</b>	1,449,752	1,213,621
<b>Total Taxes Paid</b>	1,194,167	1,204,434
<b>Long-Term Debt as Percent of Plant</b>	49.04%	50.57%
<b>Times Interest Earned Ratio (TIER)</b>	2.48	2.09

The books and financial statements of Verdigris Valley Electric Cooperative, Inc. are audited each year as of December 31. An audit for the year ended December 31, 2012 has been completed by the firm of Briscoe, Burke, & Grigsby, LLP, Certified Public Accountants, Tulsa, Oklahoma.

Vernon Lewis  
Secretary-Treasurer, VVEC Board of Trustees

## Annual Meeting Schedule of Events



**Saturday, October 19, 2013**  
**Robson Performing Arts Center,**  
**101 E. Stuart Roosa, Claremore**

**9:00 a.m.**  
 Member Registration  
 Coffee and Donuts  
 Registration gifts -  
 VVEC cap and a blue trunk organizer  
 75th Anniversary gifts

**9:00 - 10:45**  
 Live Entertainment  
 Paul Bogart

**10:30 - 12:00**  
 Free Hot Dogs, Chips  
 and Soft Drinks

**11:00**  
 Registration Closes  
 Business Session Opens  
 Prize Drawings  
 Adjourn

Bring your electric bill to Annual Meeting for electronic registration  
 and you could win one of three \$50 bill credits!

## Organization Certificate

### Organizations Must Present Official Registration Form

In order to be included in the Annual Meeting quorum count and to be eligible to vote, all commercial accounts, schools, churches, public buildings, and towns holding a membership with Verdigris Valley Electric Cooperative, must present an ORGANIZATION CERTIFICATE. Such organizations are encouraged to use the accompanying registration form.

This form indicates the bearer to be the official voting representative of the organization. The form must be completed in full and presented by the bearer at the time of registration at Annual Meeting.

BE IT RESOLVED THAT \_\_\_\_\_ (Person's name typed or written in ink)  
 who is a member or officer of said organization, is hereby designated the official representative by

\_\_\_\_\_ (Name of organization) to vote at the Annual Meeting of Members of Verdigris Valley Electric Cooperative, Inc., to be held October 19, 2013 and any adjournments thereof held within thirty (30) days of said date, on all matters which at said meeting of members may properly come before them; to action of said representative and all that he or she may do in this behalf is hereby ratified and confirmed as the act of

\_\_\_\_\_  
 (Name of organization)

\_\_\_\_\_  
 (President)

\_\_\_\_\_  
 (Secretary)

(Corporate Seal)