

Making a difference



2017 Annual Report



Power Circuit
A supplement to Oklahoma Living
Volume 77 • Number 10 • October 2018



Corporate Profile

Verdigris Valley Electric Cooperative is:

- A distribution co-op providing electric service to residential, commercial and industrial consumers
- Headquartered in Collinsville, Oklahoma
- Incorporated October 24, 1938
- Serves 36,678 meters; is Oklahoma's third largest electric cooperative (based on the number of meters)
- Maintains 4,796 miles of electric line
- Serves members in Nowata, Osage, Rogers, Tulsa and Washington counties
- Ninety-six employees cover the co-op's more than 3,132-square-mile service territory daily
- WVEC has warehouse and maintenance facilities in Nowata and Bartlesville, Oklahoma
- A non-profit corporation wholly-owned by the members it serves
- Governed by a nine-member board of trustees who are elected by members residing in the districts they represent
- Trustee terms of office are for three years; three trustee positions are up for election each year

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.

POSTMASTER - send address changes to: Power Circuit, P.O. Box 219, Collinsville, OK 74021.

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On the Cover

WVEC's staff make a difference as they serve our members. Pictured are (from back left): Lead Maintenance Lineman Danny Lemke, Job Training & Loss Control Coordinator Bill Gillespie, Cashier Inez Wright, Construction Superintendent Boyd Schultheiss, Field Engineer Keith Delozier, Dispatcher Jan White, Executive Secretary/Communications Correspondent Kimberly Loffer, and Office Manager Carla Whitby.

PARTNERING WITH EDUCATION FOR A BRIGHTER FUTURE

School District	VVEC	KAMO	Total
Oklahoma Union	\$107,832.13	\$57,461.92	\$165,294.05
Oologah	100,388.61		100,388.61
Caney Valley	98,723.38	82,502.34	181,225.72
Owasso	96,559.10		96,559.10
Collinsville	74,124.86	44,217.39	118,342.25
Skiatook	67,355.82	39,630.09	106,985.91
Bowring	64,915.15		64,915.15
Nowata	59,858.25		59,858.25
Barnsdall	58,168.31	31,904.13	90,072.44
Dewey	56,479.22		56,479.22
Sequoyah	51,914.57		51,914.57
Sperry	46,725.83	655.33	47,381.16
Bartlesville	46,177.35		46,177.35
Copan	35,520.22		35,520.22
Justus	30,122.90		30,122.90
Avant	28,432.75	34,766.87	63,199.62
Foyil	26,813.50		26,813.50
Pawhuska	24,853.51	34,180.53	59,034.04
Claremore	23,271.22		23,271.22
South Coffeyville	23,146.98		23,146.98
Chelsea	22,206.81	379.40	22,586.21
Hominy	21,731.03	87,400.06	109,131.09
Sand Springs	20,135.52	29,765.69	49,901.21
Verdigris	14,951.47		14,951.47
Catoosa	14,161.10		14,161.10
Prue	12,916.08	8,726.21	21,642.29
Anderson	10,894.91		10,894.91
Tulsa	10,464.76		10,464.76
Osage Hills	6,682.19		6,682.19
Inola	4,240.67	11,485.49	15,726.16
Chouteau-Mazie	622.64	15,313.98	15,936.62
	\$1,260,390.84	\$478,389.43	\$1,738,780.27

GIVING BACK TO THE COMMUNITY

WVEC 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 distributed by the miles of electric line the co-op has in each school district. KAMO Power, WVEC's wholesale power supplier, also pays gross receipts taxes. In 2017, WVEC and KAMO Power together paid over \$1.7 million in taxes to area school systems.

STATEMENT OF NON-DISCRIMINATION

This institution is an equal opportunity provider and employer. If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call 866-632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to the U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D. C. 20250-9410, or by fax 202-690-7442 or e-mail at program.intake@usda.gov.

Making a difference

At VVEC, we are committed to making a difference in your life. It has been our goal since the co-op's beginning in 1938. When our founders joined together to bring electricity to northeast Oklahoma, they did so to improve the quality of life for rural residents.

Today, we are still making a difference—although it looks different than it did nearly 80 years ago: we volunteer in the community; we invest in area youth by funding FFA programs and scholarships for Washington Youth Tour and Energy Camp; we support local educators through our Adopt-A-School grant program; and we foster community safety by offering grants to rural fire departments.

We also work behind-the-scenes to make a difference in ways you might not notice. For example, in 2017, VVEC added the Park Meadows Substation and transferred more than 1,200 members to this substation from two other substations. These members are now a few miles closer to their power supply, which ultimately improves reliability. With the addition of Park Meadows, VVEC now maintains 22 substations in its service area.

In 2017 and thus far in 2018, VVEC has changed out 4,611 poles that were deemed structurally deficient by our pole inspection contractor. We have upgraded over 14 miles of feeder line in various locations to carry more load. The co-op is beginning work on another 15 miles of line in various locations.

The co-op cleared 275 miles of line through VVEC's right-of-way maintenance program. As of August 2018, 140 miles of additional line have been cleared. Maintaining a clear right-of-way—the area beneath and around power lines—ensures there's an operational safety zone between power lines and any trees or vegetation. It also ensures the area is accessible in case a line crew needs to perform repairs or maintenance. Clearing the right-of-way is critical to keeping our members' power on.

We added fiber communications to protective devices in the substations allowing the co-op to analyze faults on feeder lines from the office to restore outages more quickly. We also installed 12,330 remote disconnect meters. Nearly a third of all our services can be

remotely disconnected and reconnected. This saves thousands of miles and hundreds of man hours yearly for service linemen disconnecting and reconnecting meters.

In order to better serve our members, we assign substations to maintenance linemen and service linemen for their normal daily work. This gives them the responsibility of maintenance, repairs and service requests within a specific area. This also keeps the linemen in a general area during normal working hours to respond to outages and emergencies. We also ensure outage and emergency response times are as short as possible by requiring all members of the maintenance department (including superintendent, lead maintenance lineman, maintenance linemen and service linemen) to live within a 15-mile radius of the office they report to daily.

In 2017, we updated our outage-tracking system to be 100 percent electronic. Outages taken by phone anywhere in our office or through our after-hours dispatch center are entered directly into our outage system. Members' comments and outage notes are all electronic, ensuring they don't get lost. Outages entered via the SmartHub smartphone or web app are sent directly to the outage system with no input required of our office staff. This is by far the most efficient way to enter an outage. Outages can be entered and updated by field crews. Each field crew now has hand-held devices that are connected directly to our Outage Management System so they can see the latest outage details, who is working on a specific outage, and the location of other crews in the area, enhancing safety. Our maps in the office and field show the locations of all field crew via an automated vehicle location.

We continue to offer various, convenient bill-pay options to our members. The SmartHub app allows members to make payments from a smartphone or device for free. Members can sign up for paperless billing through SmartHub. In addition, SmartHub gives members access to their electric account, customer service, and outage reporting. Members can choose to receive notifications by email or text. The Pay As You Go Prepaid program is an alternative to regular



VVEC General Manager Alice Houston

billing. It allows new and existing members to pay for electricity before it is used. The Prepaid program helps consumers understand the importance of conserving energy. In addition, PaySite Kiosks are located throughout VVEC's service territory for convenience. A Kiosk is also in the lobby of the VVEC headquarters available 24/7. The addition of Prepaid and the Kiosk payment has not only lowered our write-off dollar amount but has given the consumer much more flexibility to make their payments at locations convenient to them.

Beginning in January 2012, VVEC started collecting monthly dues for VVEC members who were served by their rural fire department or EMS. VVEC currently provides billing as a service for 11 area fire/EMS departments. VVEC charges nothing to participate in the service and collects and forwards the dues collected to the fire or EMS department once a month.

These are all ways that VVEC continues its eight-decade-long commitment to making a difference in the lives of our members and our local community. It's a tradition we are proud to keep by providing safe, reliable, and affordable electricity to our members.

MINUTES

VVEC 2017 Annual Meeting of Members

Saturday, October 14, 2017

The 79th Annual Meeting of Members of Verdigris Valley Electric Cooperative, Incorporated was held at the Robson Performing Arts Center, Claremore, Oklahoma, on the 14th day of October, 2017 at 11 a.m. after due and proper notice to the members as required by the bylaws of the Cooperative.

John Hibdon, Trustee, 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 1401. There were 256 members present.

Approved:

Jim Brackett
President
VVEC Board of Trustees

Jack Bogart
Secretary
VVEC Board of Trustees

OFFICIAL NOTICE

2018 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 13, 2018 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 13th day of September 2018.

Jack Bogart
Secretary
VVEC Board of Trustees

MAKING A DIFFERENCE



VVEC's construction and maintenance linemen make a difference daily as they maintain power lines and infrastructure; when outages occur, they work around-the-clock to restore power for our members as safely and quickly as possible.

SERVICE AREA & BOARD DISTRICTS

Board of Trustees



District 1

Jim Brackett
720-4531



District 2

Jack Bogart
371-9587



District 3

Vernon Lewis
521-5461



District 4

John Hibdon
847-2320



District 5

Jimmy Lambert
760-7029



District 6

Dennis Lenox
289-5961



District 7

Chuck Huerter
333-3107



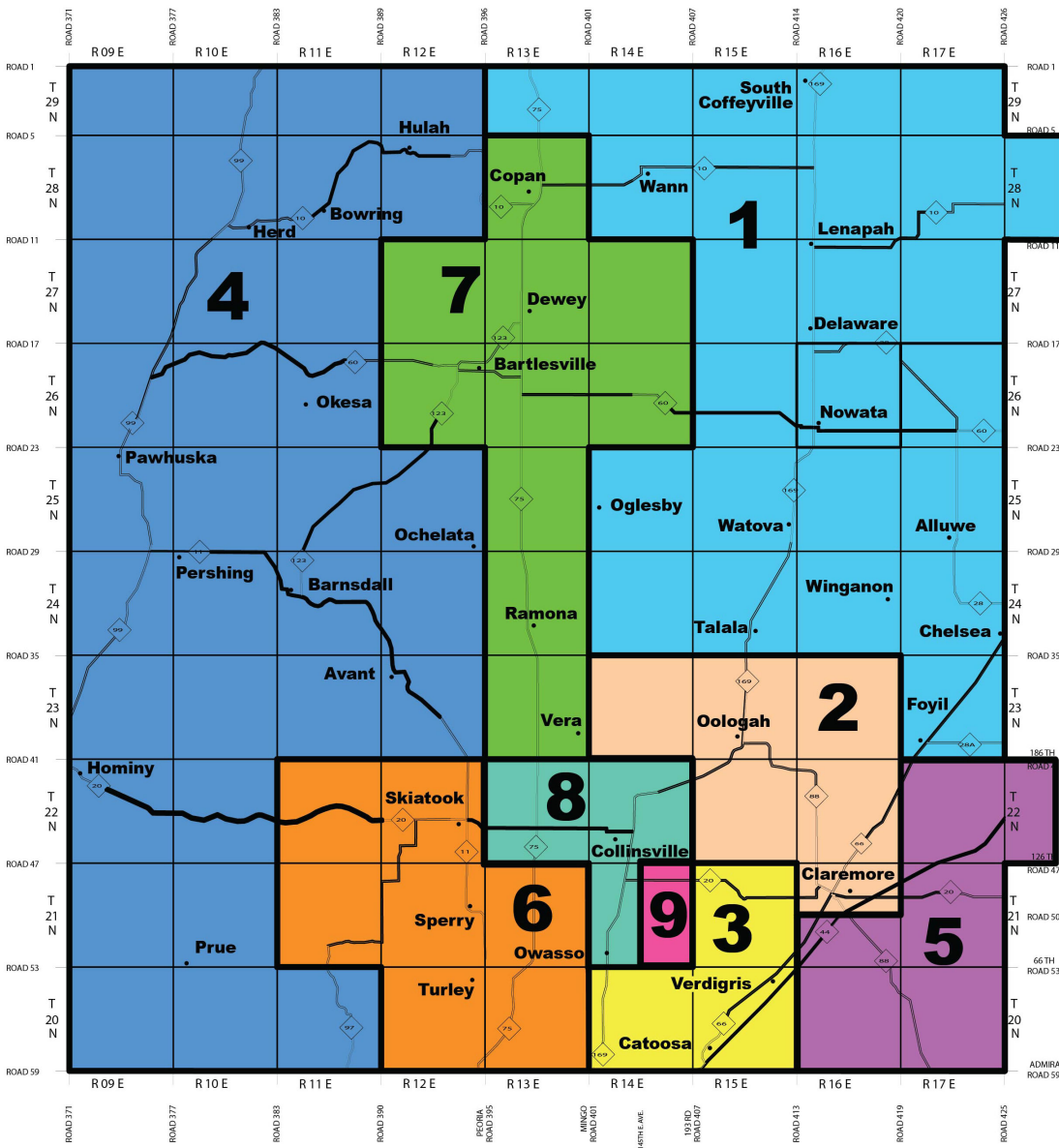
District 8

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 October and November for Districts 2, 4 and 6, as indicated on the map to the left. 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	\$172,200,519	
Less Depreciation	44,065,447	\$128,135,072
Cash & Cash Equivalents		118,748
Investments		33,468,060
Accounts Receivable		6,254,691
Materials & Supplies		892,505
Prepayment, Other Accrued Assets & Deferred Debits		2,427,092

What We Own

TOTAL \$171,296,168

Liabilities

Line of Credit	1,750,000
Long Term Debt	88,999,070
Consumer Deposits	3,358,061
Accounts Payable	6,351,233
Deferred Credits	625,979
Other Liabilities	3,100,527

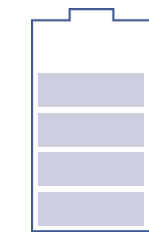
What We Owe

Membership Fees	860,175
Patronage Capital, Other Equities	66,251,123

Equities

TOTAL \$171,296,168

Power Use by Type of Account



Residential 81%

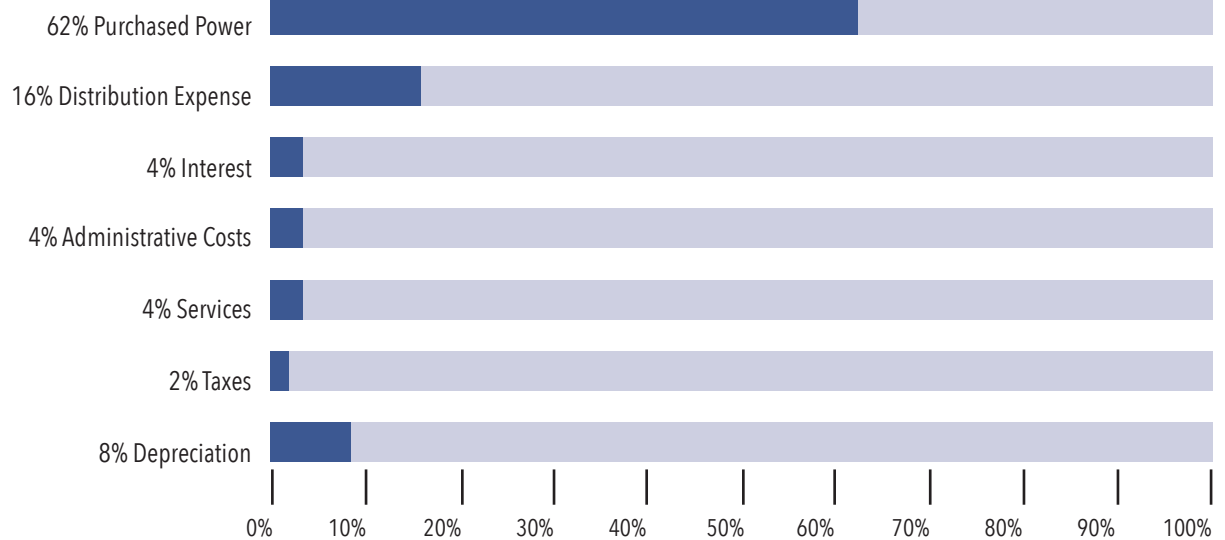


Industrial 12%



Commercial 7%

Cost of Power



COMPARATIVE STATISTICS OF OPERATION

		2017	2016
What We Received	Operating Revenue and Patronage Capital	\$67,410,447	\$69,171,979
	Expenses		
	Cost of Purchased Power	41,132,268	42,790,198
	Distribution Expense - Operations	3,201,971	2,803,613
	Maintenance Expense	7,618,027	7,233,634
	Consumer Accounts Expense	2,465,221	2,446,695
	Customer Service & Information Expenses	225,710	228,026
	Administration & General Expenses	2,864,641	4,227,122
	Depreciation & Amortization	5,586,451	5,383,897
	Taxes	1,311,918	1,345,443
	Interest Expenses - Long Term Debt	2,646,215	2,656,987
How It Was Spent	Other Interest & Deductions	30,089	9,490
Total Cost of Electric Service		\$67,082,511	\$69,125,105
	Our Margins		
	Operating Margins & Patronage Capital	327,936	46,874
	Non-Operating Margins	353,492	213,641
	Other Capital Credits & Patronage Dividends	2,975,990	2,411,171
What We Have Left	Extraordinary Item	- 0 -	- 0 -
Total Operating & Non-Operating Margins		\$3,657,418	\$2,671,686

CONSOLIDATED COOPERATIVE SUMMARY OF 2017

	2017	2016
Number of Meters	36,678	36,351
Peak Demand (kW)	181,758	186,584
Date and Time of Peak	07/22/2017 @ 5 pm	07/24/2016 @ 6 pm
Total Energy Sales (kWh)	617,314,412	650,933,062
Total Asset Value	171,296,168	163,639,897
New Plant	12,180,198	10,154,314
Total Revenues	67,410,447	69,171,979
Operating Margins	327,936	46,874
Total Taxes Paid	1,311,918	1,345,443
Long-Term Debt as Percent of Plant	49.72%	50.12%
Times Interest Earned Ratio (TIER)	2.38	2.55

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, 2017 has been completed by the firm of Briscoe, Burke, & Grigsby, LLP, Certified Public Accountants, Tulsa, Oklahoma.

Jack Bogart
Secretary-Treasurer, WVEC Board of Trustees

ANNUAL MEETING SCHEDULE OF EVENTS

Saturday, October 13, 2018

Robson Performing Arts Center
101 E. Stuart Roosa Dr., Claremore

- 9:00 a.m.**
Member registration
Coffee & donuts
Registration gifts - VVEC cap
& ice cream scoop
- 9:00 a.m. - 10:45 a.m.**
Live entertainment - Paul Bogart
- 10:00 a.m. - 11:00 a.m.**
Free hot dogs, chips & soft drinks
- 11:00 a.m.**
Registration closes
Business session opens
Prize drawings
Adjourn



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 _____ who is a member or officer of said organization, is hereby designated official representative by

_____ to vote at the Annual Meeting of Members of Verdigris Valley Electric Cooperative, Inc., to be held on October 13, 2018, 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; the 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)

(Corporate Seal)

(Secretary)