

Our Energy Our Future

2007 Annual Report

Verdigris Valley Electric Cooperative



Corporate Profile

Headquartered in Collinsville, Oklahoma, VVEC is a distribution electric cooperative. It was incorporated October 24, 1938. VVEC now provides electric service to residential, commercial and industrial consumers through 33,500 meters and more than 4,599 miles of electric line in portions of Nowata, Osage, Rogers, Tulsa and Washington counties in northeastern Oklahoma.

Among the 26 electric cooperatives operating in Oklahoma, Verdigris Valley Electric Cooperative is the third largest based on the number of meters served by the co-op. Ninety employees cover the Cooperative's more than 3,200-square mile service territory daily maintaining the electric system and providing consumer-oriented service. In addition to the headquarters facility, VVEC has warehouse and maintenance facilities located in Nowata and Bartlesville, Oklahoma.

VVEC is a non-profit corporation wholly-owned by the members it serves. It is governed by a nine-member board of trustees who are elected at district meetings by the members residing in those districts. Terms of office are for three years, with three trustee positions being 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 25, 2008 Annual Meeting marks the 70th time members of VVEC will gather to hear the accomplishments, activities and financial reports of the Cooperative's previous year.

Mission Statement

It is the mission of Verdigris Valley Electric Cooperative to provide adequate, abundant, central station electric service at the lowest possible cost, consistent with sound business practices to all members located in the Cooperative's service territory.

VVEC Power Circuit is published monthly by Verdigris Valley Electric Cooperative, Collinsville, Oklahoma (ISSN 10884378) 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 \$0.38 per month.

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Kay Rabbitt-Brower, Editor



Alice Houston
VEC General Manager

Our Energy Our Future

No matter what your politics, you will have to agree this presidential election is historic. The election of either candidate will be a first for America.

And no matter which candidate wins, the new administration is going to have to make our energy situation a priority because America is facing a huge energy challenge.

Experts tell us the cost of fuels used to make electricity has risen. The cost of natural gas has tripled since 2002, and has jumped 93 percent just since August 2007. The price of coal has risen also.

They also tell us that between now and 2030 consumer demand for electricity is expected to increase by 30 percent.

According to the North America Electricity Reliability Corporation (NERC), which oversees the reliability of the bulk power grid covering the U.S., electricity use nationwide will grow more than twice as fast as committed power generation resources over the next 10 years.

Unless additional power plants are brought into service quickly, NERC predicts many parts of the country could fall below targeted capacity margins within two to three years, setting the stage for frequent brownouts and blackouts.

Growing demand, skyrocketing power plant construction and fuel costs, and climate change policy constraints can catapult us into an energy crisis the likes of which could surpass even the oil crisis of the early 1970s.

There are those who say we can meet demand through efficiency and renewable energy. The reality is we need all the efficiency and renewable energy we can get, but that will not be enough.

America has to take action now to get the right policies in place so our electricity is affordable.

The solution is going to require a smart blend of traditional and new sources of energy, but additionally, new ways of moving that power around.

For example, to fully utilize the potential of renewable energy, at least 30,000 miles of high-voltage transmission lines will need to be constructed to move energy generated at remote wind farms and other facilities to urban load centers. This will cost billions and will

take time – possibly falling behind electricity demand and leaving some areas literally in the dark.

To avert an energy crisis, the federal government must exercise true leadership. Without that leadership – without a sound, responsible plan – government risks not only the reliability of our electric system, but literally the ability of many Americans to be able to afford to pay their electric bills.

Right now, members of Congress as well as state elected officials are hearing from lots of different interest groups who have ideas about how to address this challenge. No one is talking to consumers, however. We need a plan people can live with today while we deal with the energy problem of tomorrow.

To make things easy, we have a Web site that will send an E-mail for you. Go to www.ourenergy.coop and enter your address. There you'll be able to pose a series of questions to your representatives in Washington. We're kicking off this effort with a basic but critical question: What are they doing to make sure we'll have the power we need in the future?

You can help your elected officials and yourself by having this conversation.

The electric bill you save will be your own.

Trustees, Manager and Corporate Counsel



Vernon Lewis
President
District 3



Buddy McCarty
Vice-President
District 9



Ken Howard
Secretary-Treasurer
District 8



Carl Long
District 1



Jack Bogart
District 2



John Hibdon
District 4



Jim Lambert
District 5



Dennis Lenox
District 6



Chuck Huerter
District 7

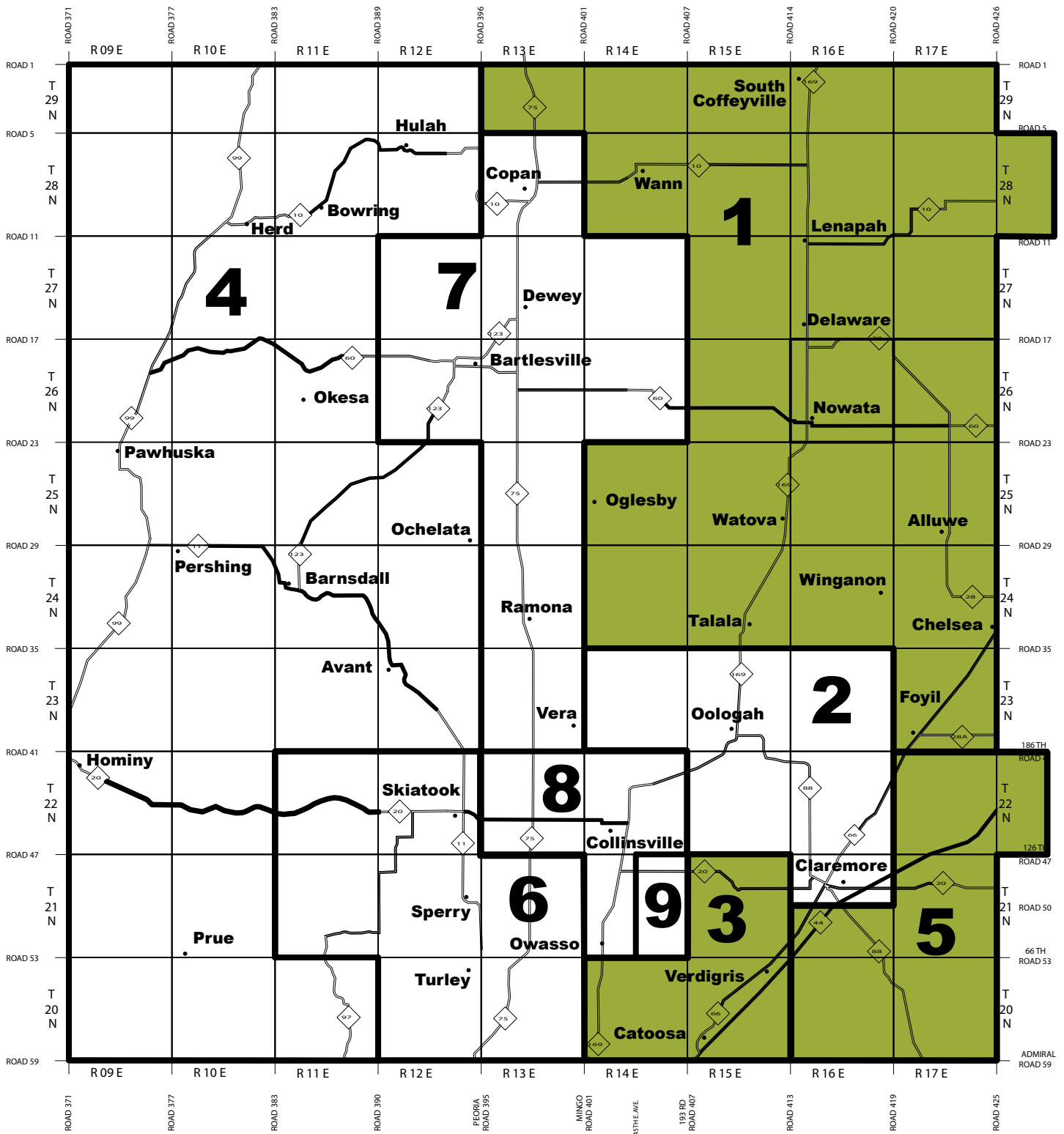


Alice Houston
General Manager



Stephen Riley
Corporate Counsel

VVEC Service Area and Board Districts



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 1, 3 and 5, 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. Anyone interested in becoming a candidate for trustee is encouraged to contact the general manager's office by calling (918) 371-2584.

Consolidated Balance Sheet

Comparative Statistics of Operation

	<u>2007</u>	<u>2006</u>
Assets		
<i>What we own</i>		
Electric Plant	\$109,688,873	
Less Depreciation	31,783,107	\$77,905,766
Cash & Cash Equivalents		635,168
Investments		13,371,749
Accounts Receivable		13,586,008
Materials & Supplies		1,760,601
Prepayment, Other Accrued Assets & Deferred Debits		1,621,489
	TOTAL	\$108,880,781
Liabilities		
<i>What we owe</i>		
Line of Credit		2,000,000
Long Term Debt		\$53,720,451
Consumer Deposits		2,115,866
Accounts Payable		13,726,379
Deferred Credits		- 0 -
Other Liabilities		2,399,676
<i>Equities</i>		
Membership Fees		839,810
Patronage Capital, Other Equities		34,078,599
	TOTAL	\$108,880,781
<i>What we received</i>		
Operating Revenue and Patronage Capital	\$43,537,038	\$40,445,289
Expenses		
<i>How it was spent</i>		
Cost of Purchased Power	26,006,818	24,063,300
Distribution Expense - Operations	1,595,488	1,528,652
Maintenance Expense	3,989,087	3,553,843
Consumer Accounts Expense	1,818,223	1,641,106
Customer Service & Information Expenses	284,244	340,717
Administration & General Expenses	1,983,026	1,826,034
Depreciation & Amortization	3,310,417	3,121,708
Taxes	837,385	791,981
Interest Expenses - Long Term Debt	2,693,517	2,649,847
Total Cost of Electric Service	\$42,518,205	\$39,517,188
Our Margins		
<i>What we have left</i>		
Operating Margins & Patronage Capital	\$1,018,833	\$928,101
Non-Operating Margins	198,556	225,449
Other Capital Credits & Patronage Dividends	702,789	696,075
Extraordinary Item	<1,036,761 >	
Total Operating and Non-Operating Margins	\$883,417	\$1,849,625

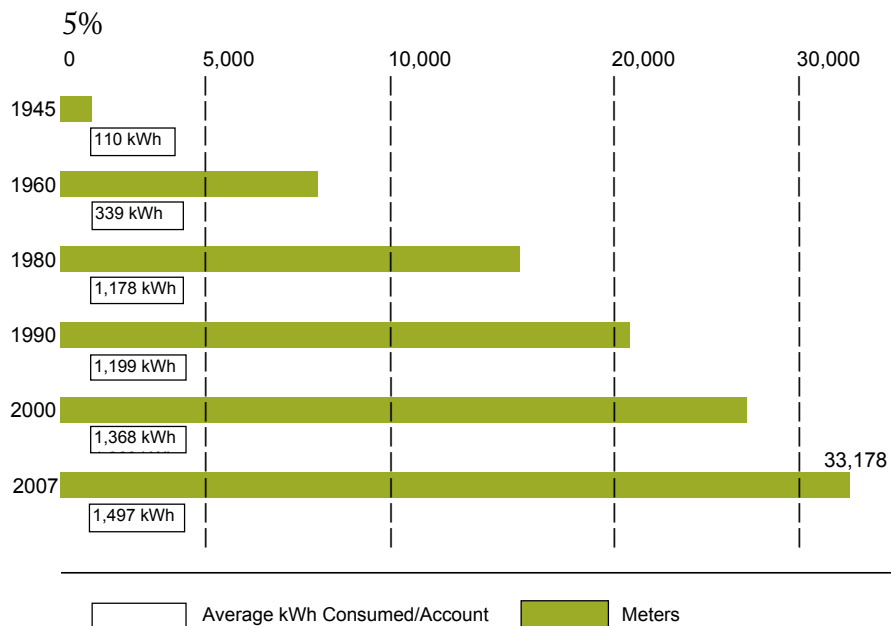
The books and financial statements of Verdigris Valley Electric Cooperative, Inc. are audited each year as of December 31. An audit for the year ended December 31, 2007 has been completed by the firm of Briscoe, Burke, & Grigsby, LLP, Certified Public Accountants, Tulsa, Oklahoma.

*Ken Howard, Secretary-Treasurer
VVEC Board of Trustees*

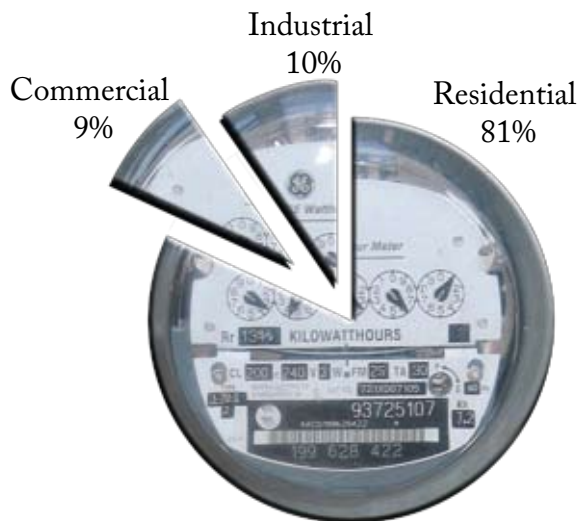
Use of Power



Historical Accounting of Meters



Power Use by Type of Account



Consolidated Cooperative Summary of 2006

	2006	2007
Number of Meters	32,377	33,178
Peak Demand (kW)	177,075	174,776
Date and Time of Peak	August 6, 6 p.m.	August 12, 6 p.m.
Total Energy Sales (kWh)	582,618,792	595,989,553
Total Plant Value	\$94,693,938	\$108,880,781
New Plant	\$7,208,877	\$7,427,596
Total Revenues	\$40,445,289	\$43,537,038
Operating Margins	\$928,101	\$1,018,833
Total Taxes Paid	\$791,981	\$837,385
Long-Term Debt in Percent of Plant	48.97%	47.15%
Times Interest Earned Ratio (TIER)	1.73	1.33

VVEC and KAMO Pay More than \$1 Million in Taxes to Area Schools

At VVEC, we realize the value of a good education.

That is why we provide financial support to school systems in our service territory through the payment of gross receipts taxes.

Each year we pay those taxes based on the miles of electric line we have in each school district.

In 2007, VVEC paid more than \$794,457.

KAMO Power, our wholesale power supplier, also pays gross receipts taxes. Coupled with the taxes VVEC paid, over \$1 million in taxes was paid to school systems in our area. This money is used by schools to purchase needed equipment, supplies and study aids.

Most people think because electric cooperatives are non-profit, we don't pay taxes. But that's not true.

Cooperatives don't pay income tax, but we still pay several taxes businesses are required to pay. We feel contributing to the education of our youth is an important benefit of our tax dollars. We view it as an investment in our service territory and in our future.

The accompanying chart shows the approximate amounts VVEC and KAMO Power paid each school district in our service territory in 2007.

2006 Gross Receipts Tax by Amount

School District	VVEC	KAMO	Total
Oklahoma Union	\$70,492.06	\$19,302.71	\$89,794.77
Caney Valley	\$63,755.63	\$51,014.31	\$114,769.94
Oologah	\$62,189.78		\$62,189.78
Owasso	\$53,587.76		\$53,587.76
Collinsville	\$44,038.31	\$39,294.80	\$83,333.11
Skiatook	\$42,092.10	\$27,575.31	\$69,667.41
Bowring	\$41,529.79		\$41,529.79
Nowata	\$39,129.50		\$39,129.50
Barnsdall	\$37,723.39	\$35,847.89	\$73,571.28
Dewey	\$36,482.02	\$11,030.12	\$47,512.14
Claremore Sequoyah	\$32,823.51		\$32,823.51
Bartlesville	\$29,299.69		\$29,299.69
Sperry	\$29,051.15		\$29,051.15
Copan	\$23,102.70		\$23,102.70
Justus	\$19,018.31		\$19,018.31
Avant	\$18,179.38	\$22,060.24	\$40,239.62
Foyil	\$17,589.83		\$17,589.83
Pawhuska	\$16,212.57	\$20,681.48	\$36,894.05
South Coffeyville	\$15,279.62		\$15,279.62
Chelsea	\$14,595.02		\$14,595.02
Hominy	\$13,993.01	\$112,507.23	\$126,500.24
Claremore	\$13,492.30		\$13,492.30
Sand Springs	\$13,211.07	\$12,408.89	\$25,619.96
Verdigris	\$9,336.00		\$9,336.00
Catoosa	\$9,010.69		\$9,010.69
Prue	\$8,228.09		\$8,228.09
Tulsa	\$6,910.23		\$6,910.23
Anderson	\$6,658.12	\$4,136.30	\$10,794.42
Osage Hills	\$4,299.69		\$4,299.69
Inola	\$2,681.39	\$9,651.36	\$12,332.75
Chouteau-Mazie	\$465.28		\$465.28
Delaware	\$0.00	\$8,272.59	\$8,272.59
Total Tax Remitted	\$794,457.99	\$373,783.23	\$1,168,241.22

Employee of the Year

Mary Ann King

Mary Ann King is a favorite of both the members and her fellow employees.

During her almost 40-year career at VVEC, she worked in the billing and member services departments. Because of her genuine personality, quick humor and sincere smile, she makes friends with many members, resulting in many of them asking for her by name when calling the co-op with questions about their bills or co-op programs and services.

Mary Ann is best known for sharing her talents in the kitchen. She wrote a helpful hints and household news column in the newsletter, which evolved into a monthly recipe column. The recipes are usually from her own file, and she frequently shares her own tips and suggestions, and personal stories about many of them.

Through her column, members feel they are stepping into Mary Ann's kitchen to share a recipe with a friend.

The Employee of the Year award recipient is selected by a vote of the entire VVEC work force.



2007 Milestones and Achievements

Trustees vote to return \$500,000 in capital credits to members.

Co-op is accredited by the NRECA safety accreditation program after earning a score of 95.

A new Co-op Power Plus Visa® credit card is offered to the membership.

First rate increase in 20 years is implemented. The increase is slight – about \$3 a month for most residential consumers.

Board accepts staff's recommendation of changes

to Terms and Conditions of Service charges and fees.

Three area fire departments – Ocheleta, Hulah and Boulanger – are recipients of the co-op's annual Rural Fire Department Grant Program.

Bryce Evans and Michael Harvey of Owasso are winners of annual Youth Tour program. Runners up include Ashton Williams, Owasso, and Aimee Vue, Collinsville.

Jessica Hunt is VVEC's delegate to YouthPower Energy Camp.

Linemen Logan Wells, Adam Prickett, Robert Cornett and Jeff Jones earn journeyman certification.

Co-op donates five weather radios to Nowata Public Schools.

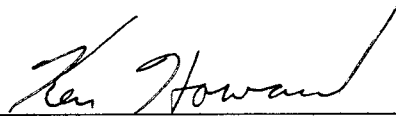
Official Notice

2008 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 25, 2008 at the Claremore Community Center, Claremore, Oklahoma. If a quorum is present, action will be taken on the following matters:

1. Reading of 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 11th day of September 2008.



Ken Howard
Secretary, VVEC Board of Trustees

Minutes

VVEC 2006 Annual Meeting of Members Saturday, October 20, 2007

The 69th Annual Meeting of Members of Verdigris Valley Electric Cooperative, Incorporated was held in the Claremore Community Center, Claremore, State of Oklahoma, on the 20th day of October 2007, 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 1,240. There were 341 members present.

Approved:



Ken Howard
Secretary, VVEC Board of Trustees

Vernon Lewis
President, 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 and office services. 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.

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.

Organization Certificate

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 25, 2008 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)

Verdigris Valley Electric Cooperative

70th Annual Meeting of Members

Schedule of Events

Saturday, October 25 Claremore Community Center
2301 N. Sioux

- 9:00 a.m. Member Registration
Registration Gifts –
A pair of matching serving spoons,
CFL light bulbs, and VVEC caps
Coffee and Donuts
- 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
Prize Drawings
Adjourn



Photo courtesy of Mane Imaging

Popular Country Entertainer
Paul Bogart

