

2008 Annual Report

Verdigris Valley Electric Cooperative



Power Circuit
Volume 68, Number 10
October 2009

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 33,846 meters and more than 4,637 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.

In Memoriam

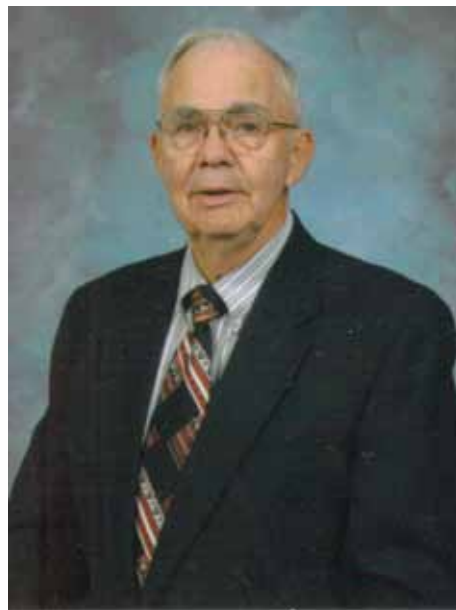
Ken Easterling

VVEC members and employees lost a good friend February 14, 2008 when trustee Ken Easterling passed away after battling lung cancer.

A VVEC member since 1954, he was elected to represent the members of district 5 in 1993. During his time on the board, his fellow trustees elected him to serve as president, vice-president, and secretary-treasurer. He was also elected to represent VVEC on the board of directors for the Oklahoma Association of Electric Cooperatives.

Ken completed the Certified Cooperative Director Program sponsored by the National Rural Electric Cooperative Association, and also received Board Leadership certification.

"Ken has been a dedicated and active trustee," says Vernon Lewis, then president of VVEC's board of trustees. "He put the membership first in any of our deliberations, and strongly supported not only VVEC, but the electric cooperative program in Oklahoma and throughout the nation. He became a good friend and



was a pleasure to work with."

"VVEC General Manager Alice Houston says, "He took his responsibilities as a trustee seriously. Ken worked hard to represent his fellow members well at both the local and state level. He was active on the board, and attended every board meeting from the time he was elected, until his illness advanced and prevented him from attending his last two meetings. We all enjoyed working with Ken."

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

Manager's Message

Energy Efficiency and Conservation are Important Now

In the early days of rural electric cooperatives, employees helped members learn how to get the most from the electricity they were using, and frequently, how to conserve electricity. Energy efficiency and conservation.

Most of us understand conservation occurs when we reduce total consumption of electricity, often achieved by simply turning off anything that consumes electricity when not needed. Energy efficiency occurs when we replace or upgrade the essentials in our lives (e.g., appliances, lighting, insulation), allowing us to realize the same benefit with less electricity.

Now, although cooperatives still want to keep electricity affordable, our motivation has broadened and expanded to keeping electricity reliable also.

Today, the cost of fuels used to generate electricity is steadily increasing each year, as is consumer demand. Experts tell us to anticipate a 30-percent increase in demand by 2030.

Those experts are also telling us 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, some predict many parts of the country could fall below targeted capacity margins within just a few

years, resulting in frequent brown-outs and blackouts. But meeting federal environmental mandates frequently makes the cost of constructing of those much-needed power plants prohibitive.

Growing demand, skyrocketing power plant construction and fuel costs, and climate change policy constraints can cause us to suffer an energy crisis like we have never experienced.

That is why we feel it is so important to act now. VVEC, through the Oklahoma Association of Electric Cooperatives which is our voice in the Oklahoma Legislature, KAMO Power and Associated Electric Cooperative, who provide our wholesale power, is working to have input on the creation of policies that will keep our electricity affordable for you. We are incorporating the use of renewable energy sources such as wind generation that provides reliable power at an economical price.

In other words, saving electricity now will both reduce your current utility bills and soften the blow against future power supply shortcomings. And being energy efficient doesn't mean being flat-out stingy with energy use. It means doing things in your home you normally would, but in a smarter way. Compact fluorescent light bulbs (CFLs) are a great example. By simply changing an



Alice Houston
VVEC General Manager

old incandescent bulb to a swirled CFL equivalent, you can get the same light while using 75 percent less electricity. That is why we are giving you these bulbs at annual meeting; to help you get started on energy efficiency in your home.

We have put greater emphasis on energy audits that will help you find the energy weaknesses in your home, learn how your lifestyle affects your energy usage, and point out the benefit of energy-efficient appliances and practices. We also offer rebates for purchasing and installing those energy-efficient appliances.

Conservation and energy efficiency aren't new concepts. But the importance of these concepts and practices has increased in tandem with the importance of keeping your electric service reliable and affordable. Just as I can tell you the solutions are not going to be simple or easy, I can assure you VVEC, and its partners KAMO Power and Associated Electric, intend to be successful in finding those solutions.

Trustees, Manager and Corporate Counsel



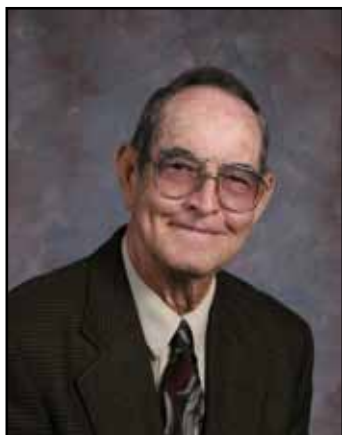
Buddy McCarty
President
District 9



Ken Howard
Vice-President
District 8



Dennis Lenox
Secretary-Treasurer
District 6



Carl Long
District 1
1927-2009



Jack Bogart
District 2



Vernon Lewis
District 3



John Hibdon
District 4



Jimmy Lambert
District 5



Chuck Huerter
District 7

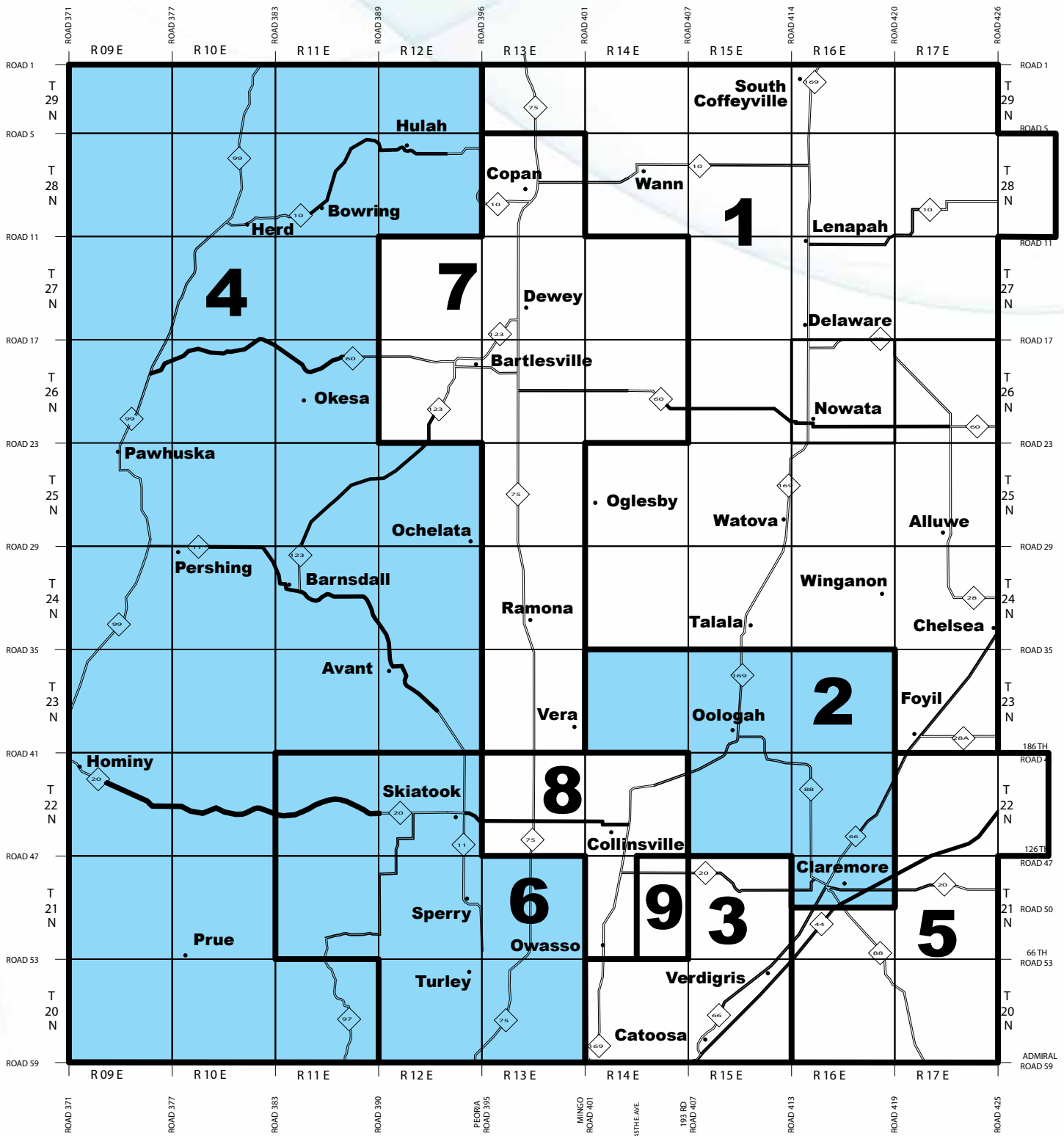


Alice Houston
General Manager



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 2, 4 and 6, as indicated on the above map. Any member

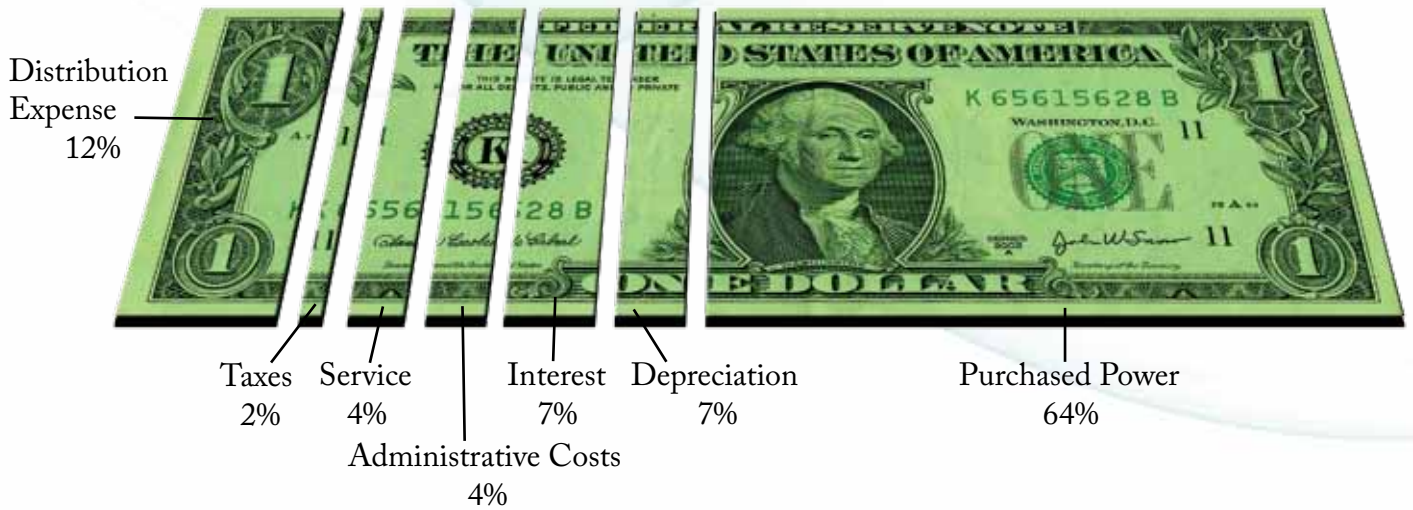
residing in these districts and meeting qualifications stipulated in the bylaws is eligible to seek election to the board. Anyone interested in becoming a candidate for trustee is encouraged to contact the general manager's office by calling (918) 371-2584.

| | | 2008 | 2007 |
|--------------------------|--|----------------------|----------------------|
| Assets | | | |
| <i>What we own</i> | Electric Plant | \$113,966,416 | |
| | Less Depreciation | 32,381,396 | \$81,585,020 |
| | Cash & Cash Equivalents | | 84,721 |
| | Investments | | 14,373,703 |
| | Accounts Receivable | | 17,726,156 |
| | Materials & Supplies | | 1,123,346 |
| | Prepayment, Other Accrued Assets & Deferred Debits | | 1,694,539 |
| | | TOTAL | \$116,587,485 |
| Liabilities | | | |
| <i>What we owe</i> | Line of Credit | | 8,000,000 |
| | Long Term Debt | | \$62,402,478 |
| | Consumer Deposits | | 2,353,428 |
| | Accounts Payable | | 5,716,022 |
| | Deferred Credits | | - 0 - |
| | Other Liabilities | | 1,804,839 |
| <i>Equities</i> | Membership Fees | | 878,095 |
| | Patronage Capital, Other Equities | | 35,432,623 |
| | TOTAL | \$116,587,485 | |
| | | 2008 | 2007 |
| <i>What we received</i> | Operating Revenue and Patronage Capital | \$50,491,844 | \$43,537,038 |
| | Expenses | | |
| <i>How it was spent</i> | Cost of Purchased Power | 31,923,469 | 26,006,818 |
| | Distribution Expense - Operations | 1,527,382 | 1,595,488 |
| | Maintenance Expense | 4,625,339 | 3,989,087 |
| | Consumer Accounts Expense | 1,932,401 | 1,818,223 |
| | Customer Service & Information Expenses | 210,280 | 284,244 |
| | Administration & General Expenses | 2,020,870 | 1,983,026 |
| | Depreciation & Amortization | 3,387,493 | 3,310,417 |
| | Taxes | 963,375 | 837,385 |
| | Interest Expenses - Long Term Debt | 3,011,163 | 2,693,517 |
| | Other Interest & Deductions | 551,800 | - 0 - |
| | Total Cost of Electric Service | \$50,153,572 | \$42,518,205 |
| Our Margins | | | |
| <i>What we have left</i> | Operating Margins & Patronage Capital | \$338,272 | \$1,018,833 |
| | Non-Operating Margins | 502,066 | 198,556 |
| | Other Capital Credits & Patronage Dividends | 1,415,832 | 702,789 |
| | Extraordinary Item | - 0 - | <1,036,761 > |
| | Total Operating and Non-Operating Margins | \$2,256,170 | \$883,417 |

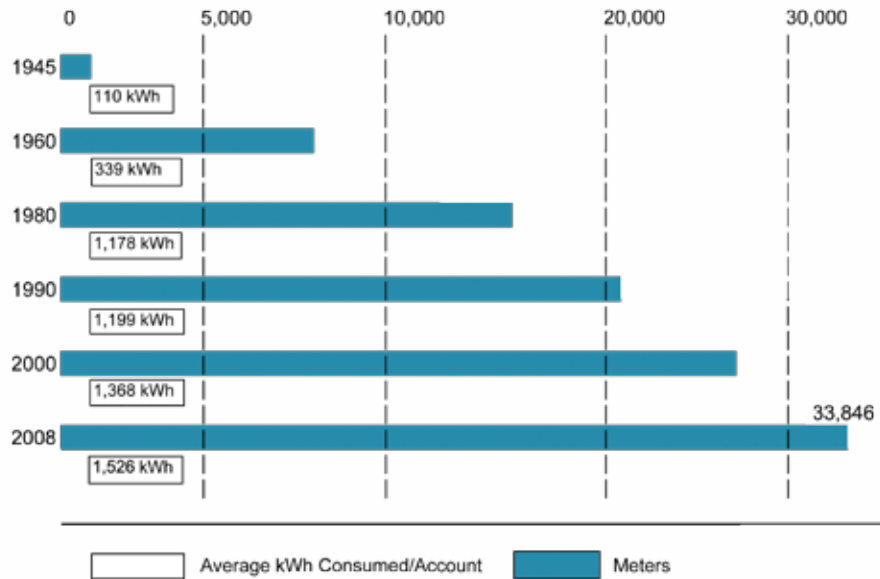
The books and financial statements of Verdigris Valley Electric Cooperative, Inc. are audited each year as of December 31. An audit for the year ended December 31, 2008 has been completed by the firm of Briscoe, Burke, & Grigsby, LLP, Certified Public Accountants, Tulsa, Oklahoma.

*Dennis Lenox, Secretary-Treasurer
VVEC Board of Trustees*

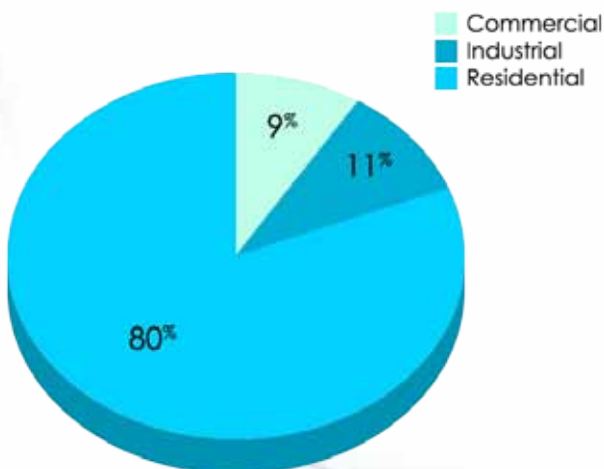
Use of Power



Historical Accounting of Meters



Power Use by Type of Account



Consolidated Cooperative Summary of 2008

| | 2008 | 2007 |
|------------------------------------|------------------|-------------------|
| Number of Meters | 33,846 | 33,178 |
| Peak Demand (kW) | 177,395 | 174,776 |
| Date and Time of Peak | August 3, 6 p.m. | August 12, 6 p.m. |
| Total Energy Sales (kWh) | 619,960,372 | 595,989,553 |
| Total Plant Value | \$116,587,485 | \$108,880,781 |
| New Plant | \$6,413,558 | \$7,427,596 |
| Total Revenues | \$50,491,844 | \$43,537,038 |
| Operating Margins | \$338,272 | \$1,018,833 |
| Total Taxes Paid | \$963,375 | \$837,385 |
| Long-Term Debt in Percent of Plant | 52.88% | 47.15% |
| Times Interest Earned Ratio (TIER) | 1.75 | 1.33 |

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

Being a good neighbor to the school systems in our service territory is important to us. That is why we are proud to provide financial support through the payment of gross receipts taxes.

Each year VVEC pays taxes based on the miles of electric line we have in each school district. In 2008, VVEC paid more than \$882,298.

KAMO Power, our wholesale power supplier, also pays gross receipts taxes. Coupled with the taxes VVEC paid, more than \$1.3 million in taxes were paid to school districts in our area. That money is used to purchase needed equipment, supplies and study aids which enhance the students' learning experience.

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 2008.

| 2008 Gross Receipts Tax by Amount | | | |
|--------------------------------------|---------------------|---------------------|-----------------------|
| School District | VVEC | KAMO | Total |
| Oklahoma Union | \$77,798.34 | \$23,245.24 | \$101,043.58 |
| Caney Valley | \$70,317.68 | \$61,433.84 | \$131,751.52 |
| Oologah | \$69,641.71 | | \$69,641.71 |
| Owasso | \$60,884.62 | | \$60,884.62 |
| Collinsville | \$49,876.95 | \$47,320.67 | \$97,197.62 |
| Skiatook | \$47,022.24 | \$33,207.48 | \$80,229.72 |
| Bowring | \$45,882.30 | | \$45,882.30 |
| Nowata | \$43,160.88 | | \$43,160.88 |
| Barnsdall | \$41,614.40 | \$43,169.73 | \$84,784.13 |
| Dewey | \$40,441.27 | \$13,282.99 | \$53,724.26 |
| Claremore Sequoyah | \$36,526.76 | | \$36,526.76 |
| Bartlesville | \$32,792.69 | | \$32,792.69 |
| Sperry | \$32,017.88 | | \$32,017.88 |
| Copan | \$25,402.48 | | \$25,402.48 |
| Justus | \$20,957.53 | | \$20,957.53 |
| Avant | \$20,025.64 | \$26,565.99 | \$46,591.63 |
| Foyil | \$19,428.48 | | \$19,428.48 |
| Pawhuska | \$17,786.33 | \$24,905.61 | \$42,691.94 |
| South Coffeyville | \$16,798.51 | | \$16,798.51 |
| Chelsea | \$16,054.64 | | \$16,054.64 |
| Hominy | \$15,509.19 | \$135,486.52 | \$150,995.71 |
| Claremore | \$15,128.61 | | \$15,128.61 |
| Sand Springs | \$14,579.44 | \$14,943.37 | \$29,522.81 |
| Verdigris | \$10,319.00 | | \$10,319.00 |
| Catoosa | \$9,959.98 | | \$9,959.98 |
| Prue | \$9,094.03 | | \$9,094.03 |
| Tulsa | \$7,579.54 | | \$7,579.54 |
| Anderson | \$7,450.95 | \$4,981.12 | \$12,432.07 |
| Osage Hills | \$4,773.21 | | \$4,773.21 |
| Inola | \$2,961.81 | \$11,622.62 | \$14,584.43 |
| Chouteau-Mazie | \$511.16 | | \$511.16 |
| Delaware | \$0.00 | \$9,962.24 | \$9,962.24 |
| Total Tax Remitted | \$882,298.25 | \$450,127.42 | \$1,332,425.67 |

2008 Milestones and Achievements



Employee of the Year

Bill Cooper

During the co-op Christmas party and awards dinner, it was announced service lineman Bill Cooper had been selected as employee of the year.

Bill began his employment with VVEC in March 1975 on a construction crew. He remained in construction for several years before moving into the area of line maintenance. He then accepted his current position.

“Bill is a conscientious employee, dedicated to doing a good job,” says his supervisor Randy Riddle. “He is dependable, adheres strongly to safety practices, and is just an enjoyable person to work with.”

When not working, Bill follows college football, and is a strong supporter of the University of Oklahoma Sooners.

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

Redesigned Web site comes online.

VVEC donates three weather radios to Foyil Public Schools.

Associated Electric Cooperative increases the price VVEC pays for power, beginning a gradual increase to 1¢ per kiloWatt hour.

Long-time trustee Ken Easterling passes away in February. He represented members in District 5 since 1993.

Co-op works to meet FEMA requirements which will enable VVEC to be re-imbursed for a large percentage of the expenses associated with the devastating December 2007 ice storm.

Accounting firm of Briscoe, Burke & Grigsby reports on the completed 2007 audit, saying “VVEC continues to be in sound financial shape.”

VVEC Trustee Carl Long is elected president of KAMO Board of Trustees.

Board appoints Collinsville business owner and Tiawah resident Jimmy Lambert to fill the vacancy created by the death of Ken Easterling.

Adopt-A-School program awards grants to Foyil Elementary School, Cindy Garrett’s Pre-K class at Jane Phillips Elementary School in Bartlesville, Bowring Elementary & Jr. High, and Claremont Elementary School Science Lab in Claremore.

New substation is built near Oologah to increase the reliability of service in that area.

Monthly membership newsletter *VVEC Power Circuit* changes design.

South Coffeyville 8th graders Jessica Foreman and Lisbeth Haddox attend YouthPower Energy Camp.

Grants are awarded to Sperry, Rock, Collinsville Rural, Barnsdall and Alluwe fire departments from VVEC’s Rural Fire Department Grant program.

Trustees vote to return \$500,000 in Capital Credits to members.

Sara Collins and Kendall Kurth, students at Oologah-Talala High School, enjoy a week in Washington, D.C. as winners of the co-op’s annual Youth Tour program.

Nine months after the devastating ice storm, VVEC is still cleaning up from the damage.

Official Notice

2009 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 24, 2009 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 9th day of September 2009.



Dennis Lenox
Secretary, VVEC Board of Trustees

Minutes

VVEC 2008 Annual Meeting of Members Saturday, October 25, 2008

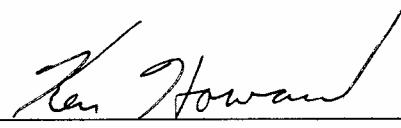
The 70th Annual Meeting of Members of Verdigris Valley Electric Cooperative, Incorporated was held in the Claremore Community Center, Claremore, State of Oklahoma, on the 25th day of October 2008, at 11:00 a.m. after due and proper notice to the members as required by the bylaws of the Cooperative.

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 1,263. There were 379 members present.

Approved:



Vernon Lewis
President, VVEC Board of Trustees



Ken Howard
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.

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 24, 2009 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

71st Annual Meeting of Members

Schedule of Events

Saturday, October 24 Claremore Community Center
2301 N. Sioux

- 9:00 a.m. **Member Registration**
Registration Gifts –
One dozen CFL light bulbs
and a VVEC cap
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

