

Verdigris Valley Electric Cooperative, Inc.

2013 ANNUAL REPORT



It's all about
SERVICE

PowerCircuit

A Supplement to Oklahoma Living

Volume 73 • Number 10 • October 2014

VVEC
VERDIGRIS VALLEY ELECTRIC COOPERATIVE, INC.

Giving back to the community

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 2013, VVEC and KAMO Power together paid over \$1.6 million in taxes to area school systems.

School District	VVEC	KAMO	Total
Oklahoma Union	\$100,653.70	\$40,526.04	\$141,179.74
Oologah	92,267.36		92,267.36
Caney Valley	91,591.18	89,262.75	180,853.93
Owasso	83,965.25		83,965.25
Collinsville	67,228.79	47,908.11	115,136.90
Skiatook	61,777.16	43,652.12	105,429.28
Bowring	60,404.68		60,404.68
Nowata	56,080.03		56,080.03
Barnsdall	54,182.81	34,725.85	88,908.66
Dewey	52,904.32		52,904.32
Sequoyah	47,869.39		47,869.39
Sperry	43,107.26		43,107.26
Bartlesville	42,948.85		42,948.85
Copan	33,023.36		33,023.36
Justus	27,478.91		27,478.91
Avant	26,212.64	37,889.59	64,102.23
Foyil	25,161.38		25,161.38
Pawhuska	23,017.38	37,324.64	60,342.02
South Coffeyville	21,657.13		21,657.13
Chelsea	20,694.89		20,694.89
Hominy	20,213.62	94,987.62	115,201.24
Claremore	20,009.65		20,009.65
Sand Springs	18,817.64	31,863.42	50,681.06
Verdigris	13,794.71		13,794.71
Catoosa	13,000.13		13,000.13
Prue	11,973.59	9,453.57	21,427.16
Anderson	9,980.22		9,980.22
Tulsa	9,688.67		9,688.67
Osage Hills	6,233.56		6,233.56
Inola	3,926.28	12,541.98	16,468.26
Chouteau-Mazie	691.45	14,538.15	15,229.60
	\$1,160,555.99	\$494,673.84	\$1,655,229.83

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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ONE THE COVER: (left to right)

Don Hutchinson, Right-of-Way Coordinator; Vivian Rabbit, Lead Consumer Services Representative; Boyd Schultheiss, Construction Foreman; Chub Brewer, Member Services Representative; Inez Wright, Cashier.

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 35,506 meters; is Oklahoma's third largest electric cooperative (based on the number of meters)
- Maintains 4,710 miles of electric line
- Serves members in Nowata, Osage, Rogers, Tulsa and Washington counties
- Ninety-four employees cover the co-op's more than 3,132-square mile service territory daily
- VVEC 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



It's Always Been About Service

Service is important; at Verdigris Valley Electric Cooperative it is our first priority.

When VVEC began more than 75 years ago, many people felt our first priority was to deliver desired electricity to areas not deemed profitable by investor-owned utilities. They weren't incorrect in that assumption.

But those early-day trustees and employees knew VVEC was about more than just electricity. It was about enhancing our members' way of life through service.

That remains our objective and our commitment today. We haven't wavered from delivering dependable, affordable electric service, but our emphasis continues to be on service.

Our operations and engineering personnel work daily to design, construct, and maintain the grid that delivers reliable electric power to your homes, neighborhoods, and businesses. They utilize advanced technology and equipment which allow them to meet their goals more efficiently. We have equipped our field personnel with iPads in their vehicles, and have implemented Two-Way Automated Communication System (TWACS) meters, which send signals over existing power lines directly to the co-op on a timely basis. These meters are the next step in the progression of meter technology. These employees utilize a paperless work order system that is vastly improved over the system we used for years.

We continue to be diligent in maintaining our rights-of-way in our ongoing commitment to delivering un-interrupted power. Rights-of-way that are clear of brush, shrubs, and trees not only help prevent outages throughout the year, and especially in severe weather, but are also safer, by reducing the possibility of fire.

Our consumer services team is always focusing on service to you through convenience. Because of that you can now apply for electric service and sign-up for other services online. We offer a variety of ways to pay your bill, including the PaySite™ kiosks stationed throughout our system, the Pay*As*You*Go pre-pay program – which more than 800 members are electing to use – and the new SmartHub program which allows you to not

only pay your bill conveniently, but to monitor your usage and manage your account. Our newly-designed Web site makes it easy to participate in a variety of our programs and services from either your desktop, laptop, iPad, or mobile device.

We offer energy audits so you can learn about the energy inefficiencies in your home and lifestyle, and ways to overcome them. We introduce you to high efficiency heating and air-conditioning systems, and appliances, and offer rebates to help make them affordable.

Because we are a cooperative and believe so strongly in service, we feel we have a special responsibility to support the communities we serve and call home. That means we strive to improve your quality of life by supporting our schools through our Adopt-A-School program. We work with our rural and volunteer fire departments through our Fire Department Grant Program, which will ultimately improve your area's ISO rating and reduce your house insurance, while improving the firefighters' ability to protect your loved ones and property. You can even conveniently pay your fire department or EMS dues along with your monthly electric bill. Through this service we support the participating fire departments by making it easier for them to collect their dues.

The most effective service we provide is one that is unique to cooperatives; that of electing representation to the board of trustees. As a co-op member you can serve on the board, or elect the person you want to serve as your trustee.

Each trustee is a member of VVEC who resides in the district he or she represents. That means any policies or procedures the board enacts will affect them the same way it affects you. You can be assured each trustee has the same interests and concerns you do, and brings them to the board table each month.

Whether it is a power outage or energy audit, a billing question or community event, we work hard to be of service to you each and every day. Serving you is our highest priority.



Minutes

VVEC 2013 Annual Meeting of Members Saturday, October 19, 2013

The 75th Annual Meeting of Members of Verdigris Valley Electric Cooperative, Incorporated was held at the Robson Performing Arts Center, Claremore, Oklahoma, on the 19th day of October, 2013 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 1,316. There were 316 members present.

Approved:

Dennis Lenox
President,
VVEC Board of Trustees

Vernon Lewis
Secretary,
VVEC Board of Trustees

Official Notice

2014 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 18, 2014 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 11th day of September 2014.

Vernon Lewis
Secretary, VVEC Board of Trustees

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.

Service Area - Board Districts

Board of Trustees



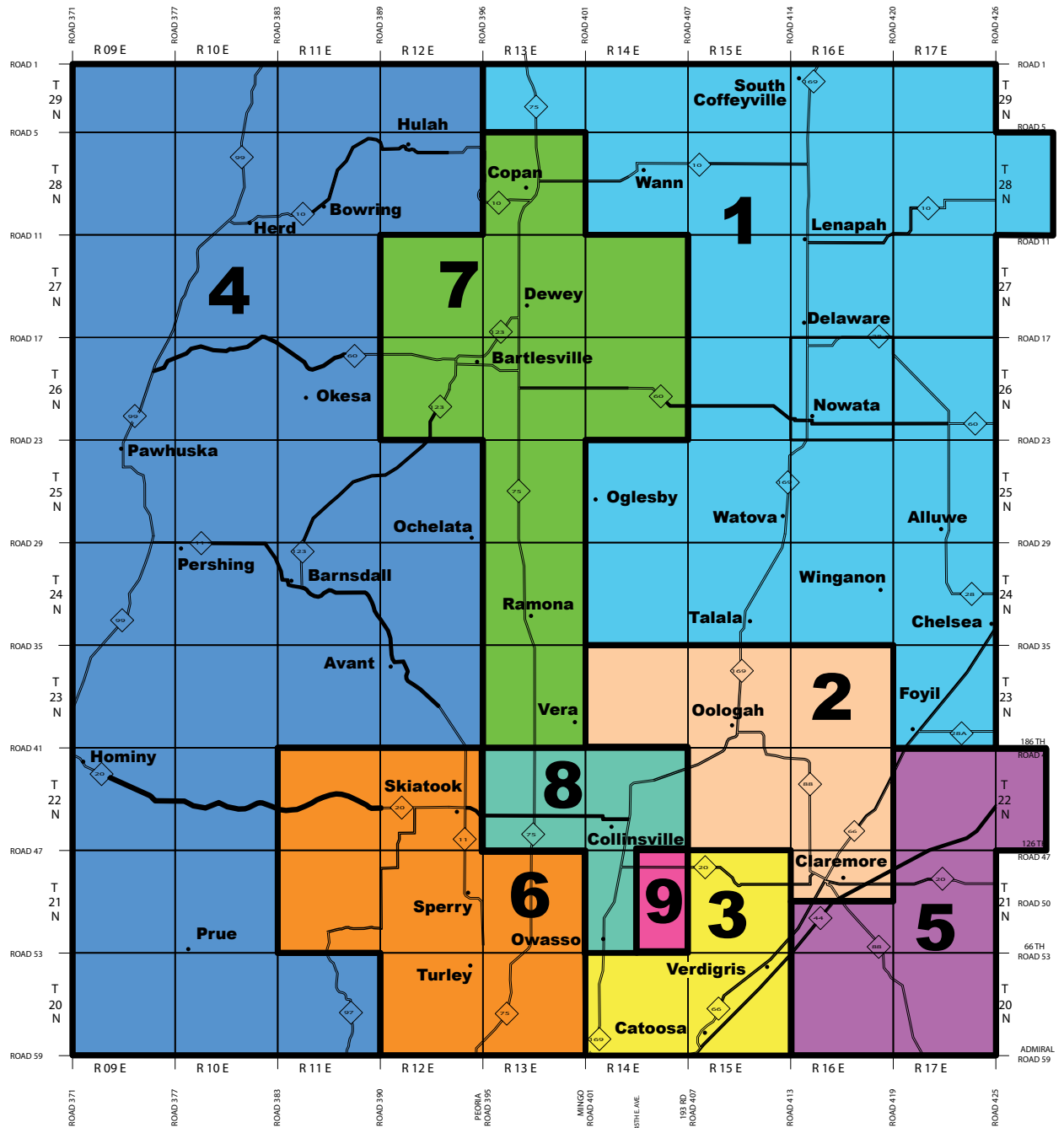
District 1
Jim Brackett
720-4531



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
289-5961



District 7
Chuck Huerter
333-3107



District 8
Ken Howard
371-4833



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 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.

Consolidated Balance Sheet

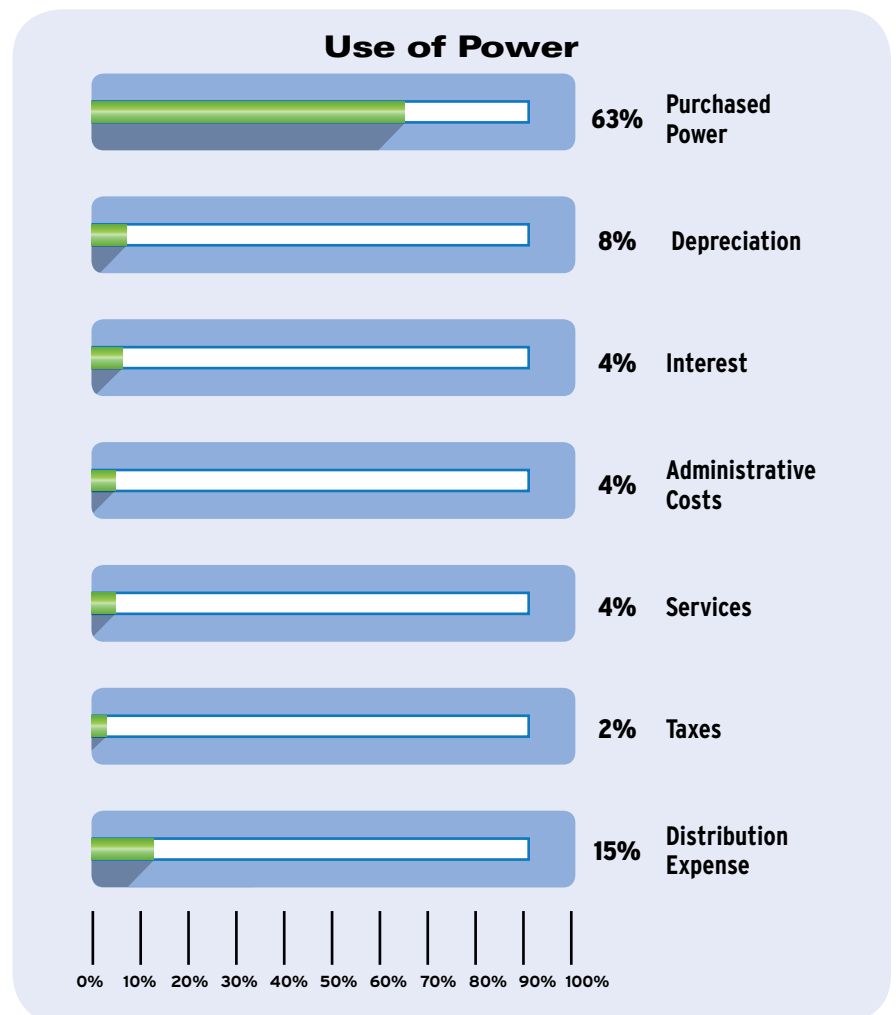
Assets			
	Electric Plant	\$143,997,057	
	Less Depreciation	38,471,667	105,525,390
	Cash & Cash Equivalents		112,470
	Investments		25,263,197
	Accounts Receivable		7,031,896
	Materials & Supplies		806,223
WHAT WE OWN	Prepayment, Other Accrued Assets & Deferred Debits		4,334,693
TOTAL			\$143,073,869
Liabilities			
	Line of Credit		\$2,000,000
	Long Term Debt		72,995,525
	Consumer Deposits		3,391,603
	Accounts Payable		5,275,628
WHAT WE OWE	Deferred Credits		- 0 -
	Other Liabilities		2,730,304
	Membership Fees		803,840
EQUITIES	Patronage Capital, Other Equities		55,876,969
TOTAL			\$143,073,869

Power Use by Type of Account


Residential 79%


Commercial 8%


Industrial 13%



Comparative Statistics Of Operation

WHAT WE RECEIVED		2012	2013
	Operating Revenue and Patronage Capital	\$62,076,293	\$63,856,208
	Expenses		
	Cost of Purchased Power	39,152,787	40,310,838
	Distribution Expense - Operations	2,201,432	2,521,507
	Maintenance Expense	6,247,377	6,757,916
	Consumer Accounts Expense	2,277,960	2,220,757
	Customer Service & Information Expenses	256,261	271,649
	Administration & General Expenses	2,471,105	2,608,590
	Depreciation & Amortization	4,277,575	4,792,591
	Taxes	1,204,434	1,239,508
HOW IT WAS SPENT	Interest Expenses - Long Term Debt	2,771,307	2,836,784
	Other Interest & Deductions	2,434	3,902
	Total Cost of Electric Service	\$60,862,672	\$63,564,042
	Our Margins		
	Operating Margins & Patronage Capital	1,213,621	292,166
	Non-Operating Margins	(661,271)	(847,942)
WHAT WE HAVE LEFT	Other Capital Credits & Patronage Dividends	2,467,498	2,288,651
	Extraordinary Item	-0-	- 0 -
	Total Operating & Non-Operating Margins	\$3,019,848	\$1,732,875

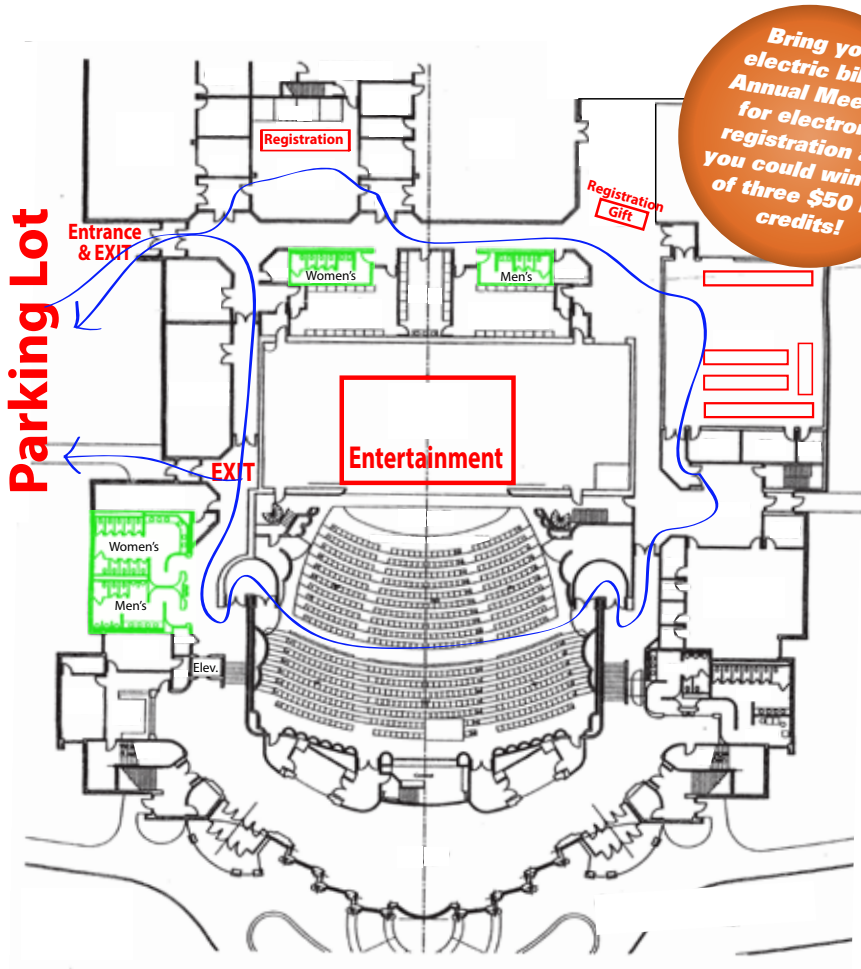
Consolidated Cooperative Summary of 2013

	2012	2013
Number of Meters	35,098	35,506
Peak Demand (kW)	202,123	177,040
Date and Time of Peak	08/2/2012 @ 6 p.m.	08/31/2013 @ 5 p.m.
Total Energy Sales (kWh)	652,640,466	673,907,779
Total Asset Value	133,751,505	143,073,869
New Plant	13,418,091	11,574,487
Total Revenues	62,076,293	63,856,208
Operating Margins	1,213,621	292,166
Total Taxes Paid	1,204,434	1,239,508
Long-Term Debt as Percent of Plant	50.57%	51.95%
Times Interest Earned Ratio (TIER)	2.09	1.61

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, 2013 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



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

Saturday, October 18, 2014
Robson Performing Arts Center,
101 E. Stuart Roosa, Claremore

9:00 a.m.
 Member Registration
 Coffee and Donuts
 Registration gifts -
 VVEC cap and a
 13" blue serving spoon

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

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 18, 2014 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)

(Corporate Seal) _____
 (Secretary)