

Verdigris Valley Electric Cooperative, Inc.

2014 ANNUAL REPORT



Powering The Future

PowerCircuit

A Supplement to Oklahoma Living

Volume 74 • Number 10 • October 2015





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 35,882 meters; is Oklahoma’s third largest electric cooperative (based on the number of meters)
- Maintains 4,731 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
- 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

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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ONE THE COVER: (Top to bottom) Troy Lamb, Josh Jackson, Chance Stephenson and Clifton White.

Partnering With Education For A Brighter Future

SCHOOL DISTRICT	VVEC	KAMO	TOTAL
Oklahoma Union	\$104,326.20	\$40,093.28	\$144,419.48
Oologah	95,600.45		95,600.45
Caney Valley	95,006.85	88,272.28	183,279.13
Owasso	88,223.37		88,223.37
Collinsville	69,882.93	47,880.91	117,763.84
Skiatook	64,406.97	43,036.93	107,443.90
Bowring	62,551.13		62,551.13
Nowata	57,831.92		57,831.92
Barnsdall	56,189.53	34,466.80	90,656.33
Dewey	54,818.49		54,818.49
Sequoyah	49,608.43		49,608.43
Sperry	44,819.36		44,819.36
Bartlesville	44,527.20		44,527.20
Copan	34,246.75		34,246.75
Justus	28,469.11		28,469.11
Avant	27,203.67	37,522.23	64,725.90
Foyil	26,028.07		26,028.07
Pawhuska	24,031.79	36,888.79	60,920.58
South Coffeyville	22,455.83		22,455.83
Chelsea	21,400.55		21,400.55
Hominy	20,955.22	94,420.41	115,375.63
Claremore	20,865.82		20,865.82
Sand Springs	19,473.48	32,119.33	51,592.81
Verdigris	14,284.62		14,284.62
Catoosa	13,522.52		13,522.52
Prue	12,431.51	9,427.14	21,858.65
Anderson	10,411.96		10,411.96
Tulsa	10,047.70		10,047.70
Osage Hills	6,449.56		6,449.56
Inola	4,058.79	12,408.05	16,466.84
Chouteau-Mazie	720.69	16,544.07	17,264.76
	\$1,204,850.47	\$493,080.22	\$1,697,930.69

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 distributed 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 2014, VVEC and KAMO Power together paid over \$1.6 million in taxes to area school systems.



ENERGY CAMP

Cameron Harizal & McKinzie Horsley, 8th graders from Owasso, attended the 2015 Youth Power Energy Camp where they served as delegates from VVEC.



VVEC: Powering the Needs of Future Generations

For more than 75 years, Verdigris Valley Electric Cooperative has been delivering safe, dependable and economical electric service to its member-owners who reside or conduct business in all or parts of five counties in northeast Oklahoma. It's well-known that one of the key differences between the cooperative business model and other business enterprise models is direct participation by those who own – and receive service from – a cooperative. That's what makes VVEC so special.

As member-owners, your opinions matter to us. Many of the programs and services that VVEC provides today were formulated based on the needs of our collective membership. In the early days of your cooperative, this meant extending electric lines to the most remote areas of our service territory. It became a vital part of our cooperative's mission to serve all who chose to live and work within our designated area of service. Members – both young and old – became a part of our cooperative family.

That part of our mission is ongoing. New homes and businesses continue to be built as your cooperative grows; last year, more than 585 new services were connected to VVEC lines. With every new service added, the assets of your cooperative also grow. For the first time in its 77 year history, the total utility plant investments of VVEC collectively grew to more than \$151 million. You are part of one of the largest and fastest-growing electric cooperatives in the state.

Rather than dwelling on the past or addressing the current programs and services that your cooperative provides, I'd like to focus on the future, and the importance of VVEC when it comes to satisfying the needs of future generations.

Electricity, I believe, will always be in demand to power an ever-growing list of convenience items for future generations. But where will that power come from?

Over the course of this past year, you may have read in our Power Circuit newsletter or noted articles on our VVEC.com website about the Environmental Protection Agency's (EPA's) "Clean Power Plan." A final version of the Clean Power Plan was announced by the Obama Administration and the EPA on August 3rd. Even in its 'final' form, there are many questions that remain to be answered about the impact of the Plan on utility customers nationwide – and, of course, on future generations of VVEC member-owners.

Our national trade association, the National Rural Electric Cooperative Association, has gone on record with testimony before Congress opposing many parts of the Clean Power Plan. More than any rule currently on the books, the Clean Power Plan would allow the EPA to fundamentally alter the way that electricity is generated, and the way that Americans use electricity. The board and management team at VVEC do not believe that is the EPA's job.

As a part of our core mission, we at VVEC work diligently to make electricity affordable for every member-owner-consumer. At VVEC, and at electric cooperatives nationwide, we have a proven record of both supporting the environment and following a true 'all-of-the-above' energy policy that has provided affordable and reliable electricity to our members. As such, we will continue to advocate for generating fuel sources that include not only renewables like wind, solar and hydro power, but also for economical fuels like natural gas, which is abundant in Oklahoma.

Since 1938, VVEC has provided safe, affordable and reliable electricity to citizens in Nowata, Osage, Rogers, Tulsa and Washington counties, and with it, economic opportunities that meet the needs of future generations.

We plan to keep it that way.

MINUTES

VVEC 2014 Annual Meeting of Members Saturday, October 18, 2014

The 76th Annual Meeting of Members of Verdigris Valley Electric Cooperative, Incorporated was held at the Robson Performing Arts Center, Claremore, Oklahoma, on the 18th day of October, 2014 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 1,352. There were 267 members present.

Approved:

Dennis Lenox
President,
VVEC Board of Trustees

Vernon Lewis
Secretary,
VVEC Board of Trustees

OFFICIAL NOTICE

2015 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 10, 2015 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 10th day of September 2015.

Jimmy Lambert
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



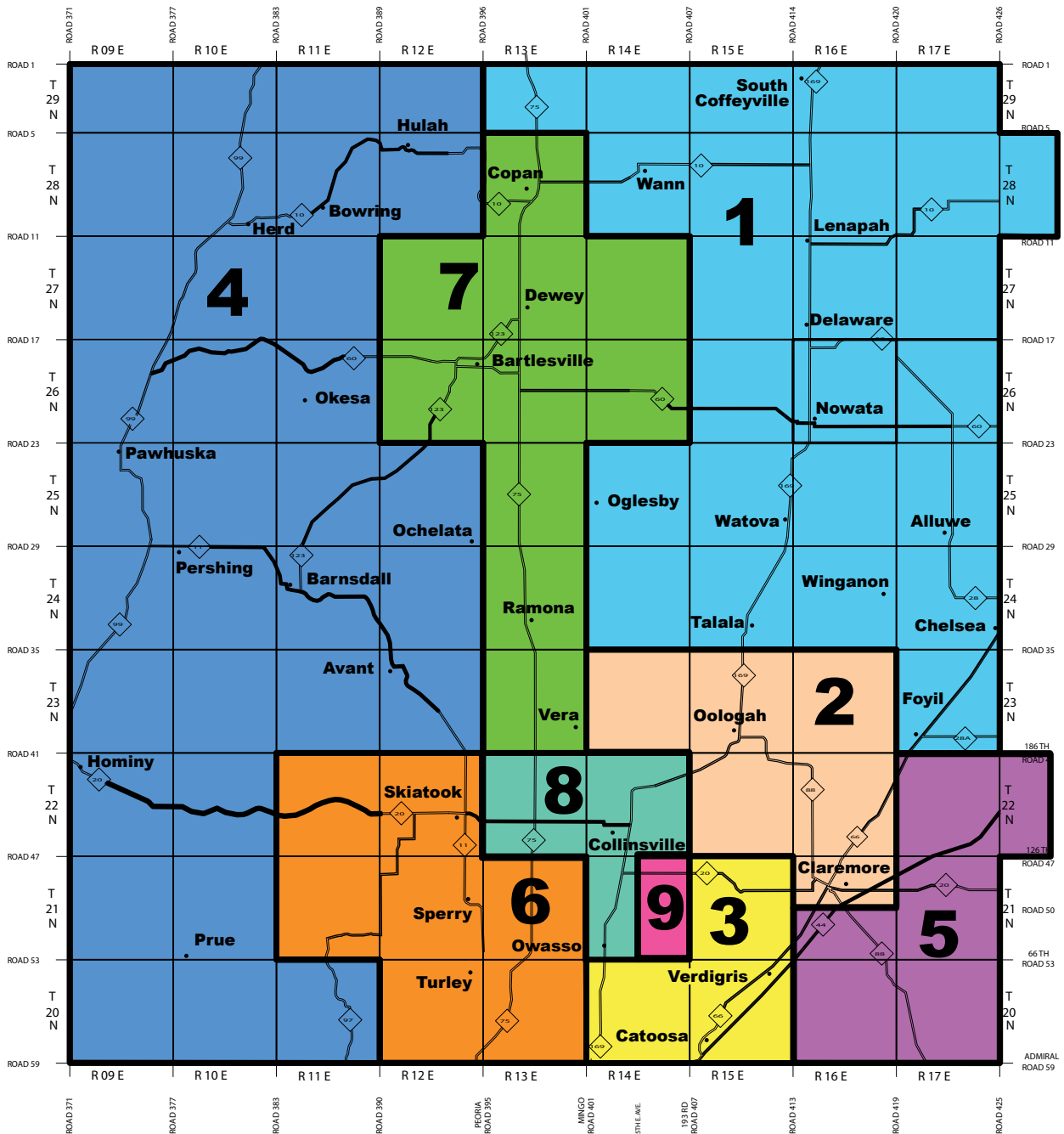
Alice Houston
General
Manager



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.

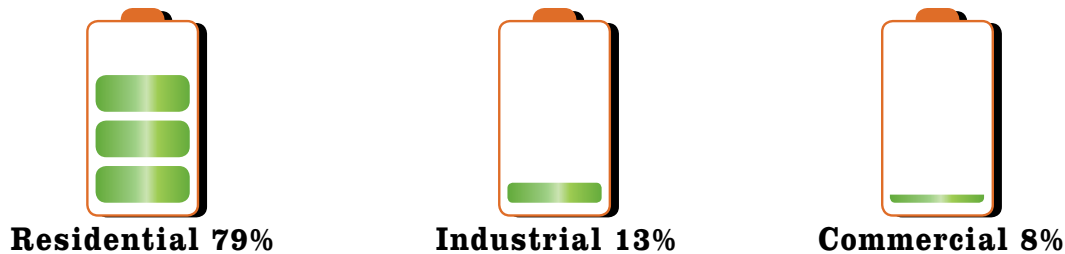
District meetings will be held in October for districts 2, 4 and 6, as indicated on the above map. Any member residing in these districts and meeting qualifications stipulated in the bylaws is eligible to seek election to the board.



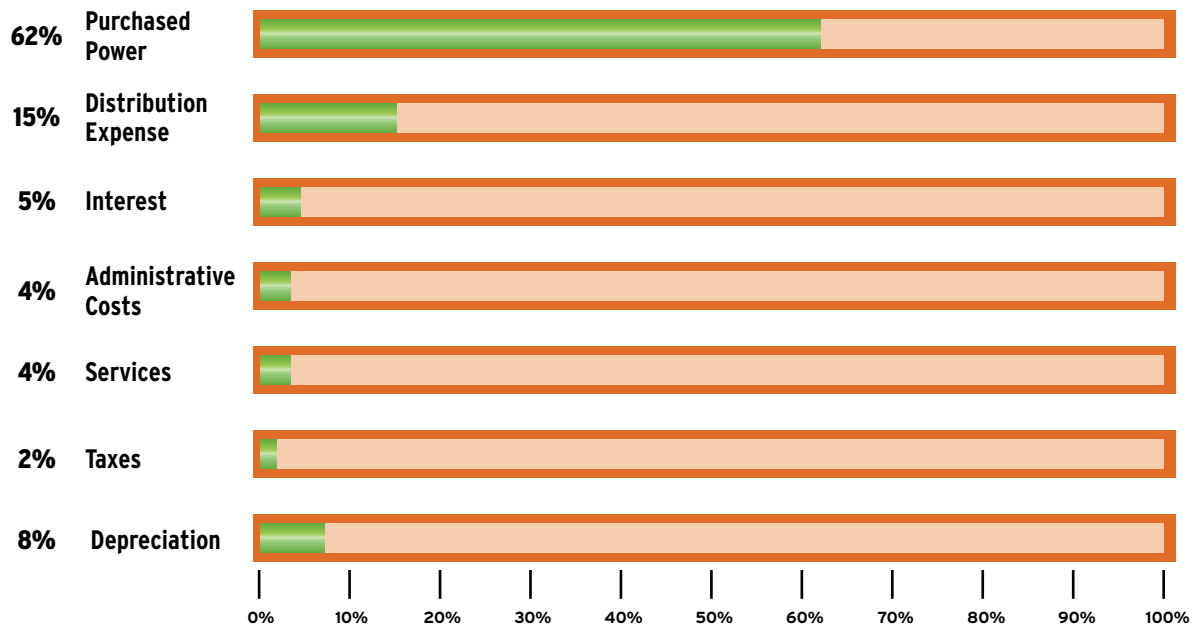
CONSOLIDATED BALANCE SHEET

Assets			
What We Own	Electric Plant	\$151,856,544	
	Less Depreciation	39,418,228	\$112,438,316
	Cash & Cash Equivalents		126,026
	Investments		27,624,751
	Accounts Receivable		6,882,568
	Materials & Supplies		843,017
	Prepayment, Other Accrued Assets & Deferred Debits		3,843,325
TOTAL			\$151,758,003
Liabilities			
What we owe	Line of Credit		\$3,000,000
	Long Term Debt		77,989,787
	Consumer Deposits		3,284,995
	Accounts Payable		4,932,883
	Deferred Credits		398,918
Other Liabilities		2,853,846	
Equities	Membership Fees		822,715
	Patronage Capital, Other Equities		58,474,859
TOTAL			\$151,758,003

POWER USE BY TYPE OF ACCOUNT



COST OF POWER



COMPARATIVE STATISTICS OF OPERATION

What We Received		2014	2013
	Operating Revenue and Patronage Capital	\$64,732,099	\$63,856,208
	Expenses		
	Cost of Purchased Power	40,408,599	40,310,838
	Distribution Expense - Operations	2,898,866	2,521,507
	Maintenance Expense	7,122,498	6,757,916
	Consumer Accounts Expense	1,958,212	2,220,757
	Customer Service & Information Expenses	357,065	271,649
	Administration & General Expenses	2,689,369	2,608,590
	Depreciation & Amortization	5,028,062	4,792,591
	Taxes	1,257,852	1,239,508
How It Was Spent	Interest Expenses - Long Term Debt	2,927,029	2,836,784
	Other Interest & Deductions	14,188	3,902
	Total Cost of Electric Service	\$64,661,740	\$63,564,042
	Our Margins		
	Operating Margins & Patronage Capital	70,359	292,166
	Non-Operating Margins	215,661	(847,942)
What We Have Left	Other Capital Credits & Patronage Dividends	2,895,729	2,288,651
	Extraordinary Item	- 0 -	- 0 -
	Total Operating & Non-Operating Margins	\$3,181,749	\$1,732,875

CONSOLIDATED COOPERATIVE SUMMARY OF 2014

	2014	2013
Number of Meters	35,882	35,506
Peak Demand (kW)	178,777	177,040
Date and Time of Peak	08/24/2014 @ 5 pm	08/31/2013 @ 5 p.m.
Total Energy Sales (kWh)	682,221,195	673,907,779
Total Asset Value	151,359,085	143,073,869
New Plant	10,979,103	11,574,487
Total Revenues	64,732,099	63,856,208
Operating Margins	70,359	292,166
Total Taxes Paid	1,257,852	1,239,508
Long-Term Debt as Percent of Plant	49.29%	48.36%
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, 2014 has been completed by the firm of Briscoe, Burke, & Grigsby, LLP, Certified Public Accountants, Tulsa, Oklahoma.

Jimmy Lambert,
Secretary-Treasurer, VVEC Board of Trustees

ANNUAL MEETING SCHEDULE OF EVENTS



Saturday, October 10, 2015
Robson Performing Arts Center,
101 E. Stuart Roosa, Claremore

9:00 a.m.
 Member Registration
 Coffee and Donuts
 Registration gifts -
 VVEC cap,
 ladies tote bag
 and a pot holder

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 10, 2015 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)