

# TEXAS CO-OP POWER

## 2017 ANNUAL REPORT ANNUAL MEETING

**Friday, June 22, 2018**

Gonzales High School Special Events Center  
1801 N. Sarah DeWitt Drive | Gonzales, Texas

**REGISTRATION - 5:30 P.M.**

**BUSINESS MEETING - 7:00 P.M.**

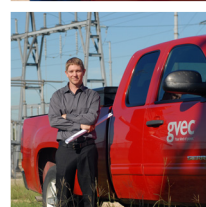
THE DIRECTOR-NOMINEES FROM EACH DISTRICT  
WHOSE NAMES WILL APPEAR ON THE ANNUAL  
MEETING BALLOT ARE:

Henry C. Schmidt, Jr. - District 3

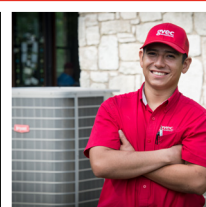
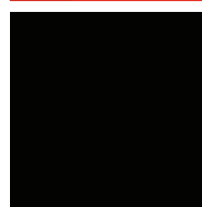
Joe A. Castilleja - District 6

Gary Birdwell - District 9

David Warzecha - District 11



**RESILIENT.  
DIVERSIFIED.  
STRONG.**



**AT THE 2018 GVEC ANNUAL  
MEETING, THE FOLLOWING  
WILL TAKE PLACE:**

- Quorum Verification
- Notice of the Meeting & Proof-of-Mailing
- Reading of the Minutes
- Election of Board of Directors
- Reports of the Officers & Directors
- Members to be Heard
- Adjournment

**GVEC Annual Meeting | June 22, 2018 | Gonzales, Texas**

**PLEASE NOTE:** To be accepted as a valid proxy, this proxy must be received no later than 5:00 p.m. on Friday, June 15, 2018. This proxy will be voted at the Annual Meeting to be held June 22, 2018.

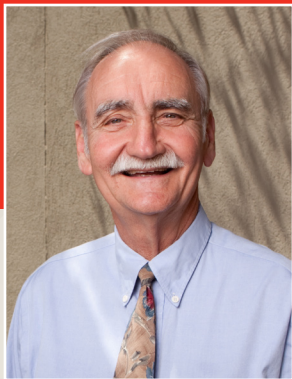
**Proxy Card Must Be Signed to Be Valid**

SIGNATURE

DATE

**GuadalupeValleyElectricCooperative, Inc.**

825 E. Sarah DeWitt Dr. | Gonzales, Texas 78629 | 800.223.4832



# PRESIDENT'S MESSAGE

Dear GVEC Member:

**YOUR VOTE IS IMPORTANT.** Please consider this my personal invitation for you to join us at the GVEC Annual Meeting on Friday, June 22, 2018, beginning at 7:00 p.m. (registration starts at 5:30 p.m.) at the Gonzales High School Special Events Center located at 1801 N. Sarah DeWitt Drive in Gonzales, Texas. Because you are a member of GVEC, you are entitled to participate in the election of directors and to vote on other agenda items at the Annual Meeting. In an effort to make voting more convenient for our membership, we have added a couple of new ways to make your vote count. Please see the instructions for all voting methods below. You may vote by using one of the following methods:

1. Vote in person by attending the meeting on June 22, 2018; or
2. If you are unable to attend in person, you may submit an Official Proxy in a number of ways.
  - (1) You may return the Official Proxy attached below.
  - (2) Using your account number (listed first) and passcode (listed second) under the barcode on the magazine's front cover, log into [www.directvote.net/gvec](http://www.directvote.net/gvec) to vote and submit your proxy electronically. Note that this information reads upside-down for printing purposes.
  - (3) If you have a current SmartHub account, you can sign into SmartHub and a Vote Now button will be visible on the Home page. You can click the Vote Now button and be sent directly to the electronic voting portal. By voting via Official Proxy, either in print or electronically, you are instructing the Board of Directors to allow Don Williams, or in his absence, another person selected by the Board of Directors, to cast your ballot for you. Your proxy will be received, validated, counted, and maintained by the General Manager or his designee, and will be held confidential. Proxies will not be seen

by, or reported to, any Director-Candidate except in aggregate number or to determine if (rather than how) a member has voted. If you vote by proxy (print or electronic), you may either:

- a) Direct that your vote be cast for all matters, in accordance with the following recommendations, by marking "yes" under section A) on the ballot. If so, your vote will be cast, as recommended by the Proxy Committee, for the following to be elected as directors: Henry C. Schmidt, Jr. (District 3), Joe A. Castilleja (District 6), Gary Birdwell (District 9), David Warzecha (District 11); or
- b) Direct that your vote be cast in each individual matter as indicated in section B).

Again, we hope you will join us in Gonzales on June 22. But, if that's not possible, VOTE BY PROXY TODAY. We've enclosed a postage-paid envelope for your convenience in returning your print proxy, but remember that you can also vote online using our electronic proxy available at [www.directvote.net/gvec](http://www.directvote.net/gvec), or through the SmartHub portal. Memberships in the name of non-natural persons (i.e., churches, businesses, civic clubs, etc.) must be voted by proxy.

It's simple and your voice will be heard.

Sincerely,

Lewis Borgfeld  
President

DETACH HERE IF YOU ARE RETURNING YOUR PROXY CARD

## OFFICIAL PROXY

☒ Please mark votes as in this example.

- ☐ A) Yes, cast my vote in accordance with the recommendations as described in section a) of the attached letter regarding the Election of Directors; or,
- B) Cast my vote for each Director-Candidate as follows:

**District 3**  
Director  
Election

☐ Henry C.  
Schmidt, Jr.

**District 6**  
Director  
Election

☐ Joe A.  
Castilleja

**District 9**  
Director  
Election

☐ Gary  
Birdwell

**District 11**  
Director  
Election

☐ David  
Warzecha

\*Because these candidates for director are running unopposed, the Proxy Committee Recommendation and the candidate listed for each district is the same.

**PROXY CARD MUST BE SIGNED ON THE BACK TO BE VALID**



**Henry C. Schmidt, Jr.**

*District 3*

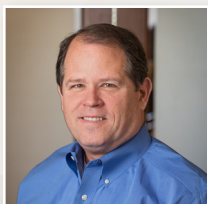
District 3 is represented by Henry C. Schmidt, Jr., who has served GVEC members since 2000. He graduated from Gonzales High School and holds an Associate of Applied Science degree in Business Management. Schmidt, along with his brother and mother, is an owner of Schmidt and Sons, Inc., a fuel and lubricants distributor. He is also an owner in Apache Express Care and Hesco Maintenance Company, and raises registered Brangus cattle with his wife, Debbie, and son, H.C., on their ranch in northeast Gonzales County. Schmidt has also served his community as a Gonzales Volunteer Fire Department firefighter and a Gonzales County reserve deputy sheriff.



**Joe A. Castilleja**

*District 6*

District 6 is represented by Joe A. Castilleja, who was appointed to the Board in March 2017. Born and raised in New Braunfels, Joe is a career banker and serves as a Sr. Vice President at Frost Bank. Joe believes in serving the community and his extensive involvement includes: past chair of the Greater New Braunfels Chamber; Wurstfest Board of Directors; Executive Board of the Greater New Braunfels Chamber; Volunteers in Medicine Board of Directors; City Strategic Planning Committee; Hispanic Mural Project chair; Facilities Committee chair for NBISD, 2018 City Bond Advisory Committee and previous 2013 City Bond Advisory Committee member; Zoning Board of Adjustment member; vice chair of Planning and Zoning; Board of Hope Hospice; and member of Gruene United Methodist Church, where he serves on the Finance Committee. He is a graduate of New Braunfels High School and Southwest Texas State University (now Texas State University) and lives in New Braunfels with his family.



**Gary Birdwell**

*District 9*

Gary Birdwell was nominated in 2018 to represent District 9. He holds an MBA in Marketing from the University of the Incarnate Word as well as a BBA in Human Resources from Stephen F. Austin State University. With over 34 years of insurance and leadership experience, Mr. Birdwell is currently the Senior Vice President of Service & Operations for SWBC's Employee Benefits Consulting Group. In addition to his extensive professional experience, Gary Birdwell is also an active member of the community and has had several leadership roles on various boards and organizations such as the University of the Incarnate Word Development Board and the Northeast YMCA Board of Management. Gary Birdwell and his wife, Diane, have three daughters and they currently reside in Schertz.



**David Warzecha**

*District 11*

David Warzecha, representing District 11, has served as a GVEC Board director since 1993. Previously he served as a director for DeWitt Electric Cooperative for eight years and held the office of secretary/treasurer. A businessman and rancher, Warzecha has lived in Dewitt County for more than 60 years. He attended Lindenau and Westhoff schools, graduated from Cuero High School, attended Texas A&M University and received an associate degree from Victoria College.



Detach Card Here

**Bring this card  
to the Annual  
Meeting for a  
chance to win  
great prizes!**





**RESILIENT.  
DIVERSIFIED.  
STRONG.**



↑ Detach Card Here ↓

# REGISTRATION CARD

Please bring this card with you to register for the Annual Meeting and to be eligible for door prizes.



INTERNET | ELECTRIC | HOME





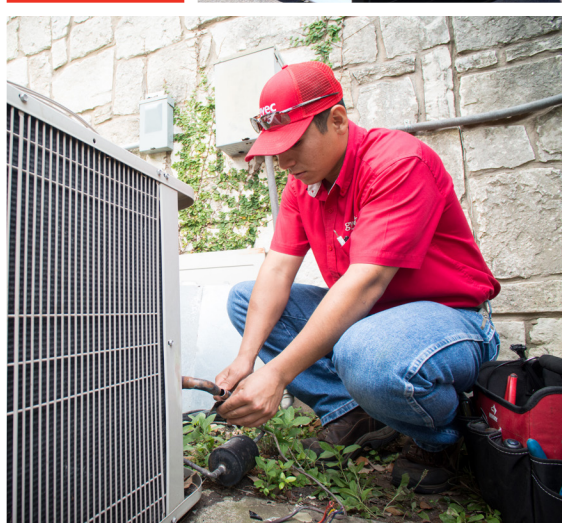
INTERNET | ELECTRIC | HOME



service



315  
employees



average tenure >9 years

team



community



# 2017 ANNUAL REPORT

## RESILIENT. DIVERSIFIED. STRONG.

“RESILIENT. DIVERSIFIED. STRONG.” These capture the combined attributes of our employees and organization that made it a successful year for GVEC members.



# An Extraordinary Year

While the future of GVEC is brighter today than ever before, we feel it is important to start by acknowledging that 2017 was one of the most challenging years that we can remember in our time with the Cooperative. From the tragic loss of two beloved employees, to our decision to discontinue appliance sales and service by GVEC Home; to the unprecedented destruction brought by Hurricane Harvey; to the Sutherland Springs Church massacre, where friends and family were affected, it was just tough. In 2017, our employees joined together to get through much adversity and still managed to meet the goals set forth. **“Resilient. Diversified. Strong.”** These capture the combined attributes of our employees and organization that made 2017 a successful year for GVEC members.



## Message from the President and General Manager

Hurricane Harvey was the largest natural disaster GVEC has faced in its 79-year history. While we’ve had some close calls, in our experience, nothing has impacted our members and employees more. August 25–30, 2017, will forever be a historical time for this Cooperative.

For years, we’ve been prepared with an emergency operations plan for facing catastrophic conditions. Drills have been run, meetings have taken place and procedures documented. We were as prepared as we could be for an event of this magnitude, but what amazed us even more than the storm was the teamwork and support that transpired throughout those five days. We cannot say enough good things about the members and employees of GVEC who showed outstanding patience and character through it all. The old saying “stronger together” was never more evident than during this event.

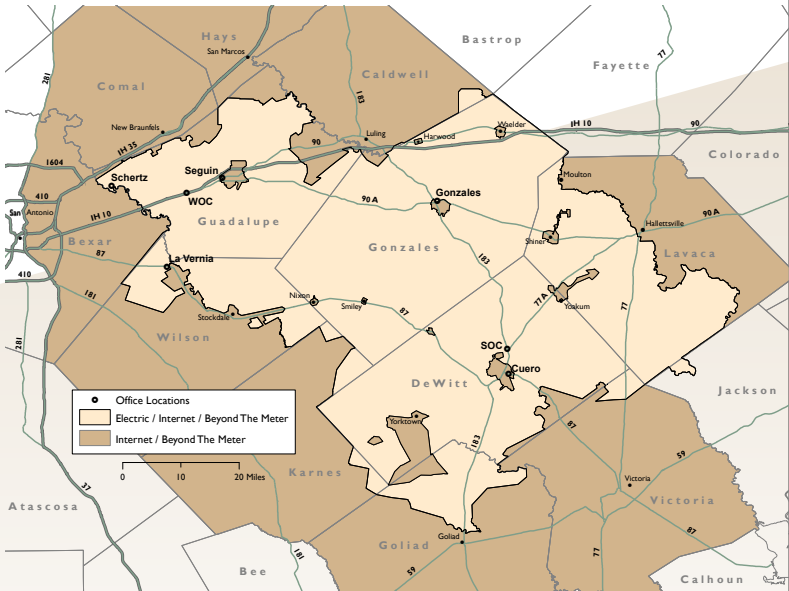
In the months following Harvey, we moved forward with discontinuing appliance sales and service through GVEC Home. It was a difficult decision, but a necessary one, as that portion of our business could no longer sustain itself primarily due to competition with larger box store prices. This gave way for the introduction of Electrician services alongside AC/Heating sales, maintenance, and 24/7 repair as well as Solar sales and installation. Business continues to build in all three of these areas. The shift from appliances has allowed us to focus on the services that, we believe, will more positively impact our customers and the overall business.

# Resilient. Diversified. Strong.

As GVEC Home transitioned its services, GVEC.net continued to expand Fiber to the Home Internet into new areas in Guadalupe, Comal and Wilson counties. We are now serving more than 10,000 customers through Fiber and Wireless services and continue to grow daily. To help our more rural members access higher speeds, future plans for Fiber expansion include select areas of Gonzales and DeWitt counties. However, just as in the early years of electricity, it will take time to build out infrastructure across the service area. Until then, we are continuing to increase Wireless speeds where possible. A highlight for 2017 was the introduction of E-rate Internet services, which allows for a government grant to subsidize (in part) bringing Fiber Internet to rural school systems. We look forward to the opportunity to support our local educators in the coming years through this program.

Adding to the momentum, GVEC was also among a handful of Texas organizations to launch a utility-scale community solar facility and program. Powered by the SunHub™ Generation Station, the SunHub Community Solar program allows members to purchase from 100 to 500 kilowatt-hour blocks of locally produced solar electricity. The facility serves as a milestone for the Cooperative as GVEC’s first renewable generation facility. We developed SunHub as a direct result of interest from GVEC members to invest in a program of this nature. This project helps GVEC better control transmission and distribution costs. SunHub is proof that we listen and implement feedback and technology when and where it aligns with our Cooperative values, the most important of which is tangible benefits for all members.

You may have heard us reiterate throughout the year that GVEC is not JUST a utility; we are a Cooperative that provides Electric, Internet and Beyond the Meter Services. What this means is that we pledge to honor our heritage of honestly doing our best for our member-owners. Our goals are to continually strengthen the Cooperative in member and community service. We want to remain resilient as a compassionate and high-achieving team, and diversify enough to quickly adapt to industry change, allowing us to fulfill the ever-evolving needs of those we serve. It is good to be a part of GVEC in these times. We hope you feel the same way and appreciate your support.



  
Lewis Borgfeld  
President

  
Darren Schauer  
General Manager and CEO



# Challenge Makes Us Resilient



Hurricane Harvey wasn't just any storm. Making landfall at 2 a.m. on Friday, August 25, between Port Aransas and Port O'Connor as a Category 4 storm, it was the first hurricane to strike Texas since Ike in 2005. Even before Harvey made landfall, GVEC put its emergency operations plan into place, which included such things as evaluating the number of crews needed to remove debris, restoring power and estimating the amount of damage the electric system might sustain. Poles, wire and other materials were brought into the area beforehand to make anticipated repairs as quickly as possible. Employees were called in, repair crews as well as office staff, knowing they'd be working round the clock until power was restored.

Harvey entered the GVEC service area early Saturday morning in Goliad County. By mid-afternoon, the hurricane caused 162 outages affecting 17,110 members.

Within the first 48 hours, power was restored for the majority of members despite high winds, torrential rains and flooding. The only time crews stopped was when their safety was compromised by winds in excess of 40 mph, damaged roads that prevented access to electric equipment and lack of light to perform extensive repairs. Restoration efforts for all except 21 members that had to wait until flood waters receded, took a total of five days, three of which occurred as Harvey actively swept through the entire service area.

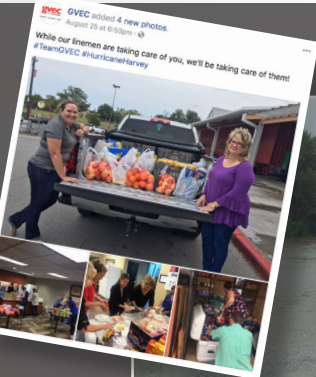
From sundown to sunrise, managers and staff overseeing operations continued to work. They needed to analyze huge amounts of data, ranging from weather and roadway stats to electric system analytics, to formulate the next day's strategy so resources could be used as efficiently as possible.

As the eye of Harvey swept through the GVEC service area, Customer Service Representatives answered up to six times as many calls as a typical day. Communications employees posted 24/7 on social media to keep members informed, and countless others worked tirelessly to plan, organize, shop, cook, wash clothes, babysit and even prepare make-shift beds for rest.

**During Harvey, there was no separation of jobs. Each individual willingly did his or her part as long as there were members or co-workers in need.**

Once the rain and winds moved on and electricity was restored, Harvey's effects lingered for GVEC.net customers as well. Linemen quickly teamed up with Internet Installers and went straight to work restoring over 600 accounts in just about one week's time.

During Harvey, there was no separation of jobs. Each individual willingly did his or her part as long as there were members or co-workers in need.



# RESILIENT

**Resilience Propels Reliability**

Working with an Emergency Disaster Plan and practice drills helped us prepare for the unprecedented effects of Hurricane Harvey. However, having a strong electric system in place built to withstand these types of conditions any day was key to that success. While we continue to embrace tried and true methods for optimal performance, we also make it best practice to test new technologies emerging in the marketplace and, where there are benefits, incorporate them into our operations for the best results.

It takes a well-planned and maintained transmission and distribution system to efficiently and effectively provide power to the 81,879 homes and businesses who rely on GVEC every minute of every day. It is a responsibility that is never taken lightly at the Cooperative.



GVEC uses drones to efficiently inspect lines as well as physically inaccessible spaces such as the flooded areas after Hurricane Harvey.

## Inspection, Maintenance and System Improvement Projects

With over 146 distribution circuits in place and continued growth in customers and electric demand, constant inspection, maintenance and improvement projects are important to maintaining high levels of performance. In 2017, that scope of work included:

- ▶ Inspection of 11,863 poles
- ▶ Replacement of 586 rejected poles
- ▶ Maintenance of 824 miles of right-of-way



## Building the Nopal Substation

The Nopal Substation was energized in July 2017. The addition of this facility will increase reliability and efficiency, and support existing load that was previously being fed out of Cheapside, Nixon, Smiley and Yorktown substations, as well as support oil and gas loads that continue to develop in that part of our service territory.

In addition to serving electric load in this region, we also constructed a 180' communications tower (pictured above) for installation of GVEC.net Wireless Internet service.

## Grading Our Performance

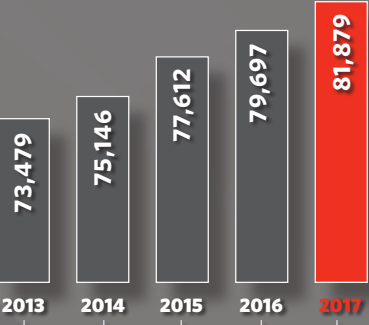
Though we want our members to be informed of the steps we take to ensure reliability, at the end of the day, we also know the official grade of our service is simply keeping the lights on. For this reason, GVEC grades its performance through a series of benchmarks called CAIDI, SAIDI and SAIFI. Overall, GVEC exceeded its benchmarks in all but CAIDI, which fell short due to a higher number of weather related outages in the first quarter of 2017.

## OUTAGE TRACKING

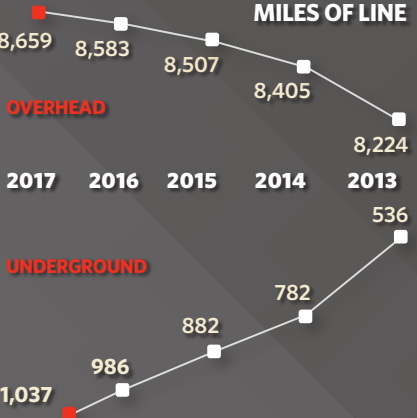
\*YTD numbers exclude Hurricane Harvey outages. National standards allow for removing outages occurring with more than 10% of the electric system down for more than 24-hours due to a natural disaster.

	2017	BENCHMARK
<b>SAIFI</b> Avg. # of interruptions	1.21	1.47
<b>SAIDI</b> Avg. time of power outage	1:34	1:37
<b>CAIDI</b> Avg. time of restoration	1:18	1:06

## TOTAL METERS



## MILES OF LINE





## Diversity Increases Our Value

GVEC is not JUST a utility, we are a Cooperative providing Electric, Internet and Beyond the Meter Services.

The unique Cooperative business model defines integrity in all we do, yet gives us the infrastructure and capabilities to deliver much more than electricity. We purposely build diversity into the products and services we offer as well as into our operations. Doing so keeps us adaptable to the changing needs of our members and communities, as well as the mandates of the multiple industries we represent. The more diverse we can be as an organization, the more valuable we will be to you.

### Dual Purpose Delivery Infrastructure Provides Opportunities

The delivery infrastructure for GVEC has been transitioning over the last several years from one that was traditionally utilized for delivery of electricity, to one that also includes high-speed communication assets that serve many different purposes.

Used primarily to serve Internet customers, communicate strategically to field equipment and receive large amounts of meter data for billing, the infrastructures have merged into one. The convergence of electric and Internet solutions is providing the capacity for a more intelligent grid that can be monitored and controlled in near real-time.

### Expanding Fiber Breeds New Services

Critical to building a more intelligent grid is the expansion of Fiber infrastructure. GVEC now has a Fiber backbone supporting communications between our five offices and substations, which allows for faster and more accurate data transfer. As an additional benefit, GVEC.net is able to leverage the assets of GVEC to expand Fiber to the Home, the fastest Internet speeds in the world, to new residential and commercial areas. In 2017, Fiber service became available in select areas of Cibolo, La Vernia, Marion, New Braunfels, Seguin and Gonzales.

### Increasing Wireless Speeds Enhances Customer Experience

In 2017, we began evaluating our ability to offer higher speed Wireless plans powered by the newest technologies available. This led to the



As part of our on-going efforts to make doing business with us easy, GVEC.net introduced a new website featuring online troubleshooting and a service availability map.

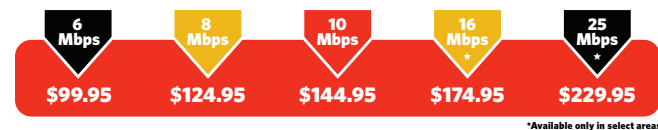
introduction of new 16 and 25 megabit speeds in certain markets, followed by a complete overhaul of our existing speed plans and prices to stay competitive with the current market and offer greater value to our customers:

- Speeds of 16 megabits and 25 megabits were introduced in the areas of Hickory Forest (Seguin), Nopal, Schumannsville, Wilson (La Vernia), New Berlin, Stagecoach (Seguin) and Sutherland Springs.
- In April 2018, GVEC.net introduced an entirely new set of Residential, Small Business and Enterprise speed plans:

#### Residential Plans



#### Small Business Plans



#### Enterprise Plans

For large organizations, our Enterprise plans allow for customized levels of service to meet their unique needs. By offering a direct connection to us through DIA (Direct Internet Access), we provide one of the purest and most reliable forms of Internet access.



### Better Data Through Metering Technology

Infrastructure is just part of the puzzle when we are working to continually strengthen our electric system. The type of meters we use also contribute to the speed and accuracy of collecting data for viewing usage through the SmartHub portal, billing, remote identification and troubleshooting of outages. We began deploying upgraded Aclara I-210 and KV2c advanced meters in June 2017 and completed approximately 17,700 of the 80,000 total. The project is scheduled to be ongoing through year end 2020.

### Generating and Serving Community Solar

In December 2017, GVEC brought the SunHub™ Generation Station online, the Co-op's first ever renewable generation asset and community solar project. The two-megawatt facility, located on Highway 90A between Seguin and Gonzales, was one of only seven distribution-scale solar projects underway as of that time in Texas.

This carved a path for the introduction of the SunHub Community Solar program, which gives members the opportunity to purchase from 100 to 500 kilowatt-hour blocks of solar electricity on a monthly basis. This project was spurred from the interest of GVEC members seeking a way to support renewable energy without a large upfront investment in rooftop solar. Within its first two months, over 100 members were participating in the program.



Electrician services were introduced in November 2017, which is a growing residential service and provides the ability for GVEC Home to take on in-house solar installation.



The AC/Heating portion of the business continued to grow in 2017, with customers investing in high-efficiency systems, 24-hour repair and year-round Comfort Check maintenance. The closing of the individual storefronts prompted the move of Operations to a central dispatch center located in GVEC's Schertz warehouse facility.



The facility is designed to deliver more than 4 million kilowatt-hours (kWh) of clean energy thanks to its 6,500 solar panels powered by the South Texas sunshine.



The official wire-cutting ceremony for GVEC's SunHub Generation Station was held on December 5; the facility went online in mid-November. GVEC General Manager, Darren Schauer, and the GVEC Board of Directors welcomed community leaders and the public to the event.

### Increasing Value Through New Home Services

GVEC made a difficult decision to discontinue appliance sales and service through GVEC Home as of December 2017, an offering in place since the first store opened in Gonzales in 1998. Though the subsidiary has always had good people, products and service - low price had become the number one purchasing factor for the majority of today's appliance consumers. Even after increased advertising and discount efforts, GVEC Home found itself at a competitive disadvantage with the larger box stores. This made it virtually impossible for that portion of the business to financially sustain itself. The storefronts in Cuero, Gonzales, La Vernia and Seguin were closed and focus was shifted to the introduction of Electrician services alongside managing the continued growth of AC/Heating and Solar customers across South Central Texas.

GVEC has offered sales of solar panel systems since 2013. In 2017, we proudly took on the task of installing those units as well. Through early 2018, the GVEC electric system incorporated nearly 1,200 rooftop solar panel systems making it the largest concentration of solar service in Texas among cooperatives.





# Working Together Makes Us Stronger

Our quality of life is better when we can pool our resources to strengthen the communities we live, work and play in. Neighbors helping neighbors is the very nature of a Cooperative and it is apparent in many areas of our organization today. Whether it means providing financial and community resources or simply saving time and money for our members, we do our best to continually make the Guadalupe Valley a great place to be and GVEC a great place to do business.

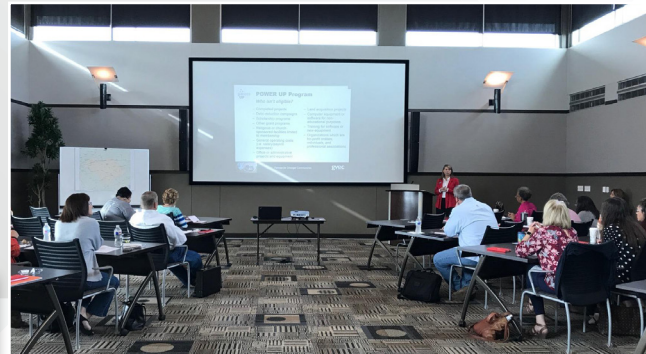


Two of the 21 projects funded by Power Up grants in 2017 included a new rescue/pumper truck for the Yoakum Volunteer Fire Department and funds for the La Vernia Education Foundation to renovate the La Vernia High School Library.



## Power Up Grant Program and Workshop

The Power Up Grant program, generously funded by participating members rounding up their bill each month to the next dollar, has a significant impact on community initiatives and financial assistance for those in need.



New for 2017, GVEC hosted a Power Up Grant workshop open to any nonprofit interested in learning more about the steps to completing a grant application.

**\$361,115**

2017  
Grant Funds

**\$1.9 million**

Grant Funds  
Since 2012

**\$71,892**

2017  
Financial Assistance

**\$457,362**

Financial Assistance  
Since 2012

## E-rate Internet Services Through GVEC.net

Since 1998, GVEC.net has been meeting the Internet needs of the Guadalupe Valley. As specialists of serving rural areas, it was a natural fit to become a provider of The Federal School and Library Program, also known as E-rate, a service which makes it possible to bring high-speed broadband to rural schools and libraries at discounted, more affordable costs. GVEC.net was proud to partner with our first E-rate customer, Stockdale ISD. Construction began and will continue in the coming years, for build-out of the infrastructure necessary to bring this service to the area. This will open up the world of 24/7 learning and innovative digital technologies for students across our service area. This program makes it possible not only to provide high-speed Fiber Internet to local schools, but also expand the service to the surrounding homes and businesses.



# STRONG

## Economic Development

Business and Industry in our service area is valuable in terms of providing jobs, revenue stream and resources to strengthen this region. We work to support our local companies, bring new ones to the table and stay involved in the many aspects that contribute to these goals.



We want as much good food as we can get in the Guadalupe Valley! That's why you'll find us collaborating with representatives from established GVEC members like Adam's Extract in places such as the International Food Technology Trade Show working to make new connections for future growth.



In 2017, GVEC teamed up with the Seguin Economic Development Corporation and Team Texas to host a tour of the area for the European American Investment Council, a first for Texas! Gerri Lawing of GVEC presented to the group, highlighting notable sites in the region and the fact that GVEC serves one of the largest clusters of industrial customers in Texas.

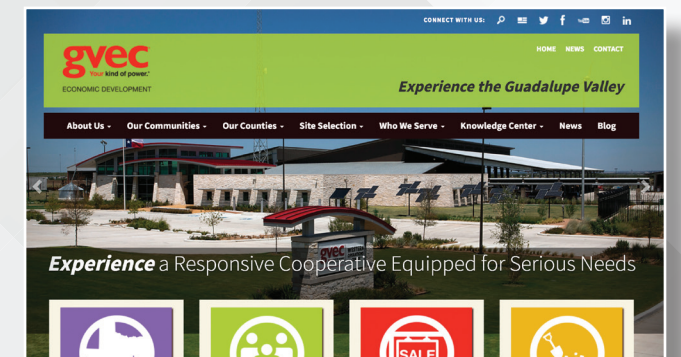


As the sponsor of the 5th Annual Seguin Business Appreciation/Manufacturing Lunch in August 2017 to honor the contributions of businesses to the community, GVEC welcomed Texas Comptroller and friend Glenn Hegar as the special guest speaker.

## The Economic Development Website Adds Value to Our Area

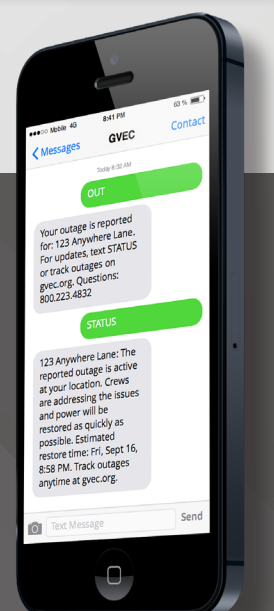
One of the most utilized features of [experienceguadalupevalley.com](http://experienceguadalupevalley.com), GVEC's Economic Development website, has been the commercial real estate page that links potential buyers to available commercial properties in the Guadalupe Valley.

Business and Industry in our area is valuable in terms of providing jobs, revenue stream and resources to strengthen this region.



## Community and Account Services

- ▶ Louie the Lightning Bug buzzed about electrical safety to over 4,000 2nd graders in 2017.
- ▶ \$15,000 was distributed to high school seniors for higher education.
- ▶ Pay-As-You-Go pre-paid billing was introduced in September 2017 for members on a budget.
- ▶ GVEC opted in nearly 70,000 members to the TextPower outage reporting program in September 2017. This allowed for outage reporting and restoration updates via text.





# Financial Stability Makes It All Possible

At GVEC, we are committed to prudent financial management of our member's resources, and to a long-term financial plan that will ensure strong financial performance, top credit ratings and a respected industry reputation. These are all necessary for building and maintaining the systems and other infrastructure required to serve our Electric, Internet and Home customers, procuring wholesale energy and taking advantage of cost-saving opportunities.

- GVEC maintained its "AA- stable" rating from one of the world's top credit rating institutions, Standard & Poor's Ratings Services (S&P). GVEC continues to be one of only a few leading companies in the energy sector to achieve this distinction, which speaks highly of the Cooperative's financial stability and performance. S&P commented in the report, "a history of good financial metrics" and "its strong, broad and diverse economy," among other considerations supporting their decision.
- Fitch Ratings affirmed the "F1+" short-term rating on GVEC's authorized Commercial Paper Program noting that the rating "reflects GVEC's substantial liquidity sources, including a \$75 million dedicated credit facility provided by CoBank (rated 'AA-'/'F1+'), as well as market access implied by the long-term rating." In its long-term report, Fitch affirmed GVEC's "AA-" rating on our 2007 electric system bond series, stating the Rating Outlook is "stable".
- GVEC was the first distribution cooperative in the nation to utilize a Commercial Paper Program, a short-term financing method that allows the Cooperative to use short-term interest rates to fund capital investments. Since implementation in 2010, relative to previously available financing alternatives, the Cooperative has saved millions in interest costs by using this program with a borrowing capacity up to \$75 million.
- GVEC submitted an updated Transmission Cost of Service (TCOS) filing with the Public Utility Commission of Texas. A requested rate increase was approved, allowing the Cooperative to recoup additional transmission revenue to cover the cost of new improvements. These revenues are recovered from other ERCOT electricity market participants accessing transmission lines owned by GVEC. This helps keep rates affordable for our members.
- The Cooperative successfully tapped into a stand-alone credit facility for GVEC.net (a wholly-owned subsidiary) to support its Fiber to the Home expansion plan. The credit facility provides for up to \$15 million in loans with no guarantee or financial support from the Cooperative.



FROM LEFT: GVEC Directors Dr. Tom DeKunder (District 9), Robert J. Werner (District 1), David Warzecha (District 11), Morris Harvey (District 5), Vice President Melvin E. Strey (District 7), President Lewis Borgfeld (District 2), Secretary/Treasurer Don Williams (District 10), Henry C. Schmidt Jr. (District 3), Joe A. Castilleja (District 6), Mark Roberts (District 8) and Shawn Martinez (District 4).

## Guadalupe Valley Electric Cooperative, Inc. and Affiliates Consolidated Financials

Year Ending December 31, 2017

### 2017 Balance Sheet

<b>Assets</b>	
Cash and Cash Equivalents	\$33,525,971
Current and Accrued Assets	41,185,958
Property, Plant, and Equipment	704,822,941
Accumulated Depreciation	(223,254,820)
Net Property, Plant, and Equipment	481,568,121
Other Long-Term Assets	17,213,838
Total Assets	\$573,493,888
<b>Liabilities</b>	
Current and Accrued Liabilities	\$35,573,827
Current Portion of Long-Term Debt	31,449,380
Notes and Bonds Payable, Long-Term	180,388,603
Other Long-Term Liabilities	31,916,265
Total Liabilities	\$279,328,075
<b>Member Equity</b>	
Total Patronage Capital and Other Equity	\$292,000,368
Non-Controlling Interest	2,165,445
Total Member Equity	294,165,813
Total Liabilities and Equity	\$573,493,888

### 2017 Income Statement

<b>Operating Revenue</b>	
Sales	\$229,531,356
Cost of Sales	143,679,129
Gross Margin on Sales	\$85,852,227
<b>Expenses</b>	
Operating Expense	\$36,199,424
Depreciation and Amortization	25,992,849
Interest Expense	8,931,935
Other Expense (Income)	(5,720,868)
Income Before Tax Expense	20,448,887
Tax Expense (Benefit)	(355,997)
Net Income	\$20,804,884

### 2017 Cash Flow

Net Margin	\$20,804,884
Adjustments to Reconcile Net Margin to Net Cash	
Depreciation and Amortization	27,081,280
Provision for Bad Debt Expense	(102,677)
Patronage Capital Dividends	(393,357)
Deferred Income Taxes	(460,663)
(Gain) Loss of Sale of Assets	(151,074)
(Increase) Decrease in Current Assets	(8,357,715)
(Increase) Decrease in Long-Term Assets	(2,088,808)
Increase (Decrease) in Current Liabilities	(10,876,356)
Increase (Decrease) in Long-Term Liabilities	250,036
<b>Net Cash Provided by Operating Activities</b>	<b>\$25,705,550</b>

### Cash Flows from Investing Activities

Purchase of Property, Plant, and Equipment	\$(52,379,690)
Proceeds from Sale of Other Property and Equipment	222,025
Purchase of Intangible Assets	(118,922)
Patronage Capital Dividends	128,049
Collections on Loans	31,310
Net Proceeds from Investments	146,143
Other Investing Activities	1,831
<b>Net Cash Used in Investing Activities</b>	<b>\$(51,969,254)</b>

### Cash Flows from Financing Activities

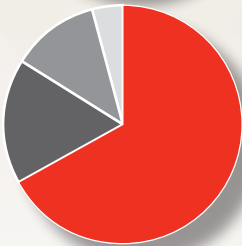
Proceeds from Debt Issued	\$31,000,000
Dividends Paid	(268,686)
Repayment of Debt	(7,627,845)
Other Financing Activities	(167,196)
<b>Net Cash Used in Financing Activities</b>	<b>\$22,936,273</b>

<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>\$(3,327,431)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>\$36,853,402</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$33,525,971</b>



Total Sales: \$229,531,356

- Electric Services 94%
- Internet Services 3.5%
- Home Appliances & Services 2.5%



Total Expenses: \$214,803,337

- Cost of Sales 66.9%
- Operating Expense 16.9%
- Depreciation & Amortization 12.1%
- Interest Expense 4.2%

**Note:** Guadalupe Valley Electric Cooperative, Inc. and Affiliates Consolidated Financial Statements are audited by Bolinger, Segars, Gilbert & Moss, LLP.