

CARVING OUR OWN PATH

GVEC 2018 ANNUAL REPORT

gvec
Your kind of power.®

INTERNET | ELECTRIC | HOME

2018
T W E N T Y E I G H T E E N

ELECTRIC CO-OP

GVEC HOME

GVEC.NET



GVEC IS A COOPERATIVE THAT

PROVIDES **ELECTRIC, INTERNET &**

BEYOND THE METER SERVICES LIKE:

AC/HEATING, SOLAR & ELECTRICIANS



GM & President's Message: A Bigger Purpose

THE IMMENSE POTENTIAL WE SAW AT THE START OF 2018 HAS NOT ONLY BEEN REALIZED, BUT HAS PROPELLED US INTO 2019 WITH TREMENDOUS MOMENTUM.



2018 started with a strong foundation of past successes, and we built on those successes by continuing to maintain a strong electric system and to build out fiber infrastructure for GVEC communications and rural internet access. We also continued improving and strengthening community services that have long been a part of our traditional cooperative commitment.

However, at GVEC we operate for a bigger purpose than ourselves; our larger vision of service to community won't allow us to ever become complacent. This led to immense growth in both our retail and cooperative products and services in 2018, including some we had recently launched or planned to launch during the year.

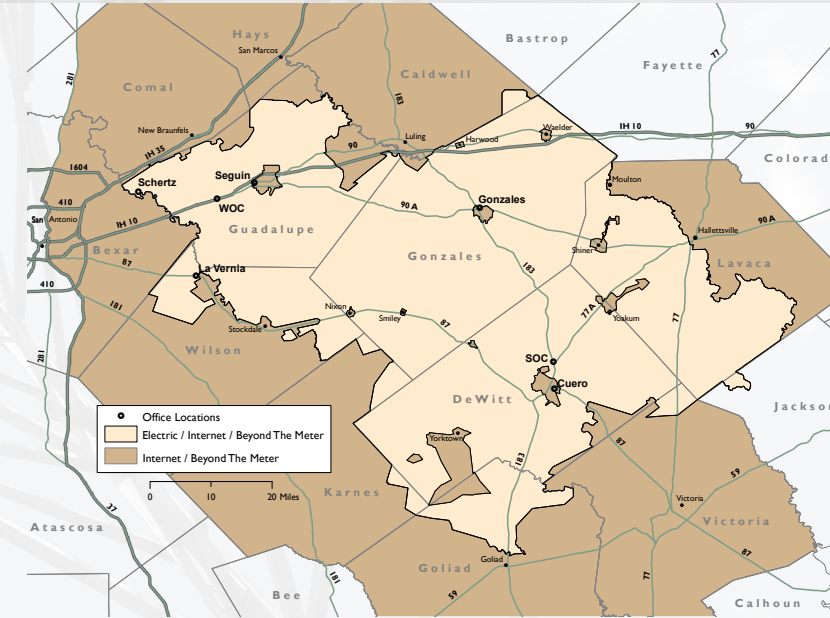
With 2018 now past, we're pleased to report that the immense potential we saw at the beginning of the year has not only been realized, but has propelled us into 2019 with tremendous momentum. Those new products and services mentioned also became an important part of our success in 2018. All these developments, combined with our continuous drive to challenge and improve ourselves and serve the greater good of our communities, helped make 2018 a year of many firsts at GVEC.

For one, we experienced record retail sales for the year. Our revenue from the sales of HVAC products and services more

than doubled between 2017 and 2018. We more than doubled our sales of solar panel systems and installations, too, with a corresponding increase in revenue. These solar increases related directly to our decision to begin performing our own system installs in the final quarter of 2017 through in-house electricians. In-house installations enabled better quality control and enhanced customer relationships. Plus, GVEC membership had inquired about and requested electrician services for many years. Our members helped us identify a service that would fulfill a need within our service territories, and we took action. The robust growth of this new service in its first full year strongly indicates that our decision to launch created a significant benefit for GVEC members and our region.

We are equally proud of what we accomplished in 2018 in regards to empowering the people and communities we serve. One such accomplishment was the completion of our first E-rate contract. For those of you unfamiliar, E-rate is an FCC program that provides discounted high-speed internet access to schools and libraries based on financial need. Through that program and collaboration with GVEC, Stockdale ISD paid only 2 percent of the total cost to upgrade its internet to GVEC Fiber. Their connection speed went from 50 megabits per second (Mbps) to 500 Mbps.

GVEC employees really stepped up for community in 2018, too, with the introduction of the Cooperative's first-ever "GVEC Gives Back" day. This event featured a 5K Color Fun Run/Walk, lunch, a raffle and live entertainment. The day's big winners were the two worthwhile beneficiaries: the Guadalupe County Children's Advocacy Center and the Gonzales Regional Children's Advocacy Center, who split \$23,000 evenly. Events like GVEC Gives Back reveal not only the strong family bond GVEC employees feel with one another, but also with the members, customers and communities they serve. Being a Cooperative employee is more than a job; it's also a chance to support and enrich the communities we are part of.




We were also able to apply creative business strategies to maximize value for our members and customers. For example, in 2018 the Board made a decision to merge GVEC.net into the electric cooperative. Before this move, GVEC.net had been its own for-profit entity. However, the IRS recently designated rural broadband as a "like activity," subject to the same not-for-profit classification granted to electricity sold by cooperatives like GVEC. This allowed us to streamline overlapping operations, creating significant new efficiencies. The move also minimized our financing costs and greatly reduced our sales and income tax liability. We project an annual savings of around \$1.5 million as a result of this merger. All margins from GVEC Internet services will now contribute to capital credits disbursements. The rollout of our latest peak demand program—Rush Hour Rewards—in April 2018, provides another great example of our continuous drive to generate maximum value for membership. To date, we've enrolled over 1,000 members in this important program and saved over \$80,000 in transmission costs, helping to keep rates stable for our members yet another year.


We're also proud of GVEC's first-of-its kind service agreement with the City of Gonzales to assume their day-to-day electric

operations and maintenance activities. This contract, which went into effect October 1, covers electric infrastructure in Gonzales and Harwood and allows the City to maintain complete ownership of its system, along with all revenues. The deal represents a milestone not just for GVEC, but for the cooperative way of business. It is no exaggeration to describe this agreement as a "flagship" model for other cooperatives around the state seeking to form similar alliances with the municipalities they serve alongside.

Finally, GVEC celebrated its 80th anniversary in 2018. As we reflect on those 80 years, we are deeply thankful that the communities of the Guadalupe Valley have allowed us to serve and forge a mutually beneficial relationship. As the region has grown and succeeded, the Cooperative has remained steadfast in our pursuit of a bigger purpose. That purpose is, was and always will be service to community, and we are both humbled by and pleased to have grown and succeeded alongside those we serve.

Within the pages that follow, you will see evidence of our dedication to serving and continually creating value for our members and customers. You'll see it in our push into renewable energy (SunHub™) and in our newest program designed to help maintain stable Generation & Transmission rates (Rush Hour Rewards). Our pursuit of a bigger purpose fuels our continuous efforts to maintain a modern electric grid, as well as our work to deliver fast, dependable internet as widely as possible throughout the Guadalupe Valley. It's there, too, behind our efforts to be involved in and supportive of our communities (GVEC Gives Back, Power Up). Simply stated, the Guadalupe Valley Electric Cooperative exists to make a difference in the lives of those we serve. As we look ahead to our next 80 years of service, we can think of no more important purpose than this.


Lewis Borgfeld
President


Darren Schauer
General Manager and CEO

AHEAD OF THE CURVE

A forward-thinking approach is woven into our DNA: Eighty years ago, the farmers who formed the Guadalupe Valley Electric Cooperative did so with an eye fixed on the future—a future where electricity powered every rural household. Our founders refused to allow their rural communities to be left behind in a world powered by the wonders of electricity.

The GVEC of today is a testament to their way of thinking. They never stood still, never became complacent and never stopped looking toward the future. That's why it's part of our everyday mission to identify innovative ways to fulfill the needs of our members. To stay ahead of the curve, this must be our philosophy.

A FUTURE OF GREATER CONNECTIVITY

In 2018, our world continued to move toward greater connectivity—a world where home security devices, smart thermostats, appliances, home convenience gadgets, and more collect and exchange data via the internet. The demands for connectivity, bandwidth and dependable internet will keep growing. Fiber-based internet—the world's fastest internet technology—forms the backbone of our communications future, and that's why GVEC continued building out its fiber infrastructure in 2018.

Today, rural internet access is largely at the same point in history where access to electricity stood 80 years ago. Back then, it took time to complete the infrastructure needed to deliver electricity to every household. So, too, will it take time to complete the fiber infrastructure necessary to prevent the Guadalupe Valley from getting left behind in a world connected by the "internet of things." While customers throughout our service territory await the arrival of fiber, we want them to have the best, most dependable internet possible because we know that more people and devices are relying on internet connectivity today than ever

before. For this reason, we continued upgrading our Wireless Internet service towers to deliver speeds of up to 16 and 25 Mbps in areas of Cuero, Moulton, Nixon, Gonzales, Seguin, Cibolo and La Vernia in 2018.

CONNECTED BY FIBER

At the end of 2018, we served over 11,600 customers through GVEC Fiber and Wireless services combined. As of 2018, 7,621 of those connections were wireless, and we will continue expanding our wireless coverage as necessary. We also added the ability to access fiber internet to over 6,200 homes. In this single year, we more than doubled the number of households able to access fiber, compared to the previous five years combined. This fact speaks to the momentum we're building as we roll out fiber in more communities.

Fiber connections aren't just important for internet service, either. When we speak of the smart grid of tomorrow, this includes an electric system that can identify potential trouble spots and outages before they occur. Fiber helps us build a system that can communicate with itself in real time—a system that can, in some instances, even "heal" itself without human intervention.

One of GVEC's most significant fiber achievements in 2018 was our buildout of fiber in the City of Shiner. The difference between this build

FIBER HELPS US BUILD A SYSTEM THAT CAN COMMUNICATE WITH ITSELF IN REAL TIME—A SYSTEM THAT CAN, IN SOME INSTANCES, EVEN "HEAL" ITSELF WITHOUT HUMAN INTERVENTION.

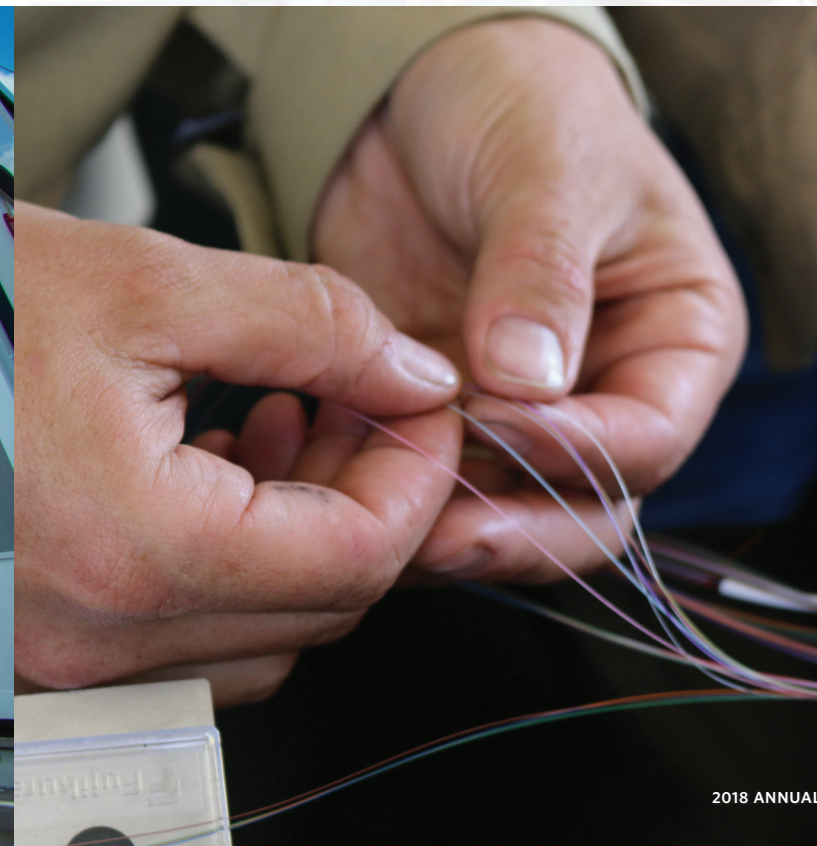
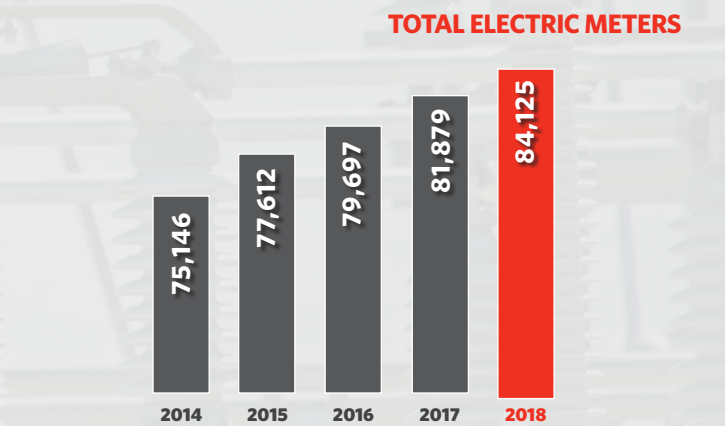


GVEC General Manager Darren Schauer addresses Shiner residents at a summer gathering to celebrate Fiber to the Home's impending launch. Shiner Fiber went live in October.

compared to our other fiber jobs lies in the fact we don't serve electricity to Shiner. GVEC entered into an exclusive contract with the City, transforming Shiner into a "Gigabit City," meaning citywide internet speeds of up to 1 Gbps were made available to over 1,200 homes and businesses. We also transformed Marion into a Gigabit City in 2018, which does lie within GVEC's established electric service territory, completing 587 passings there. In addition, we went live in new areas of Cibolo, Cuero, Gonzales, La Vernia, Marion, New Braunfels and Seguin.

Our commitment to fiber growth and to remaining ahead of the curve was also evident in our launch of connect.gvec.net. This extension of the gvec.net website allows visitors to express interest in GVEC Fiber in advance of when it reaches their neighborhood and assists GVEC with planning future fiber expansion.

MILES OF ELECTRIC LINE			
2018	8,711	2018	1,066
2017	8,659	2017	1,037
2016	8,583	2016	986
2015	8,507	2015	882
2014	8,405	2014	782
	OVERHEAD		UNDERGROUND



TOTAL MILES OF LINE WITH FIBER	
OVERHEAD	410.11
UNDERGROUND	44.71
TOTAL	454.82

ELECTRIC OUTAGE TRACKING		
	2018	BENCHMARK
SAIFI Avg. # of interruptions	1.03	1.44
SAIDI Avg. time of system outage	1h 21m	1h 35m
CAIDI Avg. time of mbr. restoration	1h 18m	1h 06m

AHEAD OF THE CURVE

cont'd

PROVIDING RENEWABLE ENERGY OPTIONS

Our Fiber Internet service wasn't the only area where we remained ahead of the curve in 2018. In terms of conservation, cost savings, revenue generation and environmental responsibility, GVEC's solar initiatives paid their biggest dividends ever in 2018.

Sales and installations of rooftop solar panel systems through GVEC Home® more than doubled in 2018. We went from 20 installs in 2017 (generating a cumulative 188.3 kilowatts (kW) of electricity), to 44 installs in 2018 (generating a cumulative 432.09kW). By the end of 2018, the GVEC electric system had incorporated 1,414 solar panel systems in total with a capacity of 8.8MW. Total electricity output of all solar panel systems within GVEC's service territory amounted to upwards of five million kilowatt-hours (kWh). GVEC is pleased to host the largest concentration of solar panel systems among Texas co-ops.

In support of GVEC Home solar panel sales and installations, we also launched gvecSOLARservice.com in 2018. This website has already proven itself an invaluable tool in educating members and potential customers on the benefits and options for solar energy solutions.

2018 also marked the first full year of operation for GVEC's SunHub™ Community Solar project. Comprised of 6,500 individual solar panels, the SunHub™ Generation Station has a total capacity of two megawatts, sufficient for 4 million kWh of clean energy annually. In 2018, SunHub generated 4.15 million kWh. Participants in the program can purchase 100-500kWh blocks of solar energy monthly, produced by the Generation Station. This provides members with access to renewable

solar energy without a large upfront investment of purchasing and installing a solar panel system on their home. In November, we were able to lower the SunHub Community Solar rate to \$0.064 per kWh, matching our regular Generation & Transmission rate. This decrease made SunHub an even more attractive renewable energy option. By the end of 2018, over 300 members had already enrolled in the program.

STABILIZING TRANSMISSION RATES

In April, GVEC formally launched Rush Hour Rewards, another initiative that helped us stay ahead of the curve in 2018. Created in collaboration with Nest®, Rush Hour Rewards is a demand response program that utilizes Nest thermostats to help reduce strain on the grid. Participating members are eligible for an \$85 bill credit at signup and earn an additional \$30 credit each year for being enrolled between May 31 and Sept. 30. The program is designed to reduce the amount of overall energy used during peak demand windows. These windows represent times when usage tends to be at its highest on GVEC's grid and occur from June to September. The Electric Reliability Council of Texas (ERCOT) uses peak demand windows to determine GVEC's share of statewide transmission costs each year.

During a peak demand window, Rush Hour Rewards participants are notified in advance by their Nest thermostat and app of an impending Rush Hour event. Each event includes a "precooling" phase, the event itself and an "after" phase, when the thermostat returns to its normal routine. During these events, the thermostat never raises or lowers the temperature by more than two degrees beyond its regular schedule.

IN TERMS OF CONSERVATION, COST SAVINGS, REVENUE GENERATION AND ENVIRONMENTAL RESPONSIBILITY, GVEC'S SOLAR INITIATIVES PAID THEIR BIGGEST DIVIDENDS EVER IN 2018.



Combined with GVEC's rooftop solar and SunHub™ electricity generation, Rush Hour Rewards offers a powerful tool for curbing overall usage during that crucial window, helping stabilize GVEC's transmission rates that are passed on to members.

INSPECTION, MAINTENANCE AND SYSTEM IMPROVEMENTS

With over 156 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 2018, that scope of work included:

- ▶ Inspection of 9,715 poles
- ▶ Replacement of 817 rejected poles
- ▶ Maintenance of 641 miles of right-of-way

INTRODUCING 'SPARKY'

In keeping with our commitment to and investment in the future of the electric industry, GVEC purchased its first all-electric vehicle (EV) in October 2018—a 2019 Chevy Bolt. Nicknamed "Sparky" by a social media poll, this compact car came equipped with a 60kWh lithium-ion battery and a maximum range of 238 miles per charge. It is propelled by a 200 horsepower/266 foot-pound electric motor capable of attaining 60 mph in 6.5 seconds from stop. The interior includes a 10.5-inch touchscreen display that provides real-time stats on battery charge level, range estimates and more.

In addition to cost-savings, GVEC also purchased an EV to gain a better understanding of how EV charging will affect the distribution system, as well as how membership may benefit from switching to all-electric transportation. Experts have predicted that electric vehicles will cost less to own than traditional vehicles by 2024, with EV sales making up over half of all sales by 2040. In preparation for the growth of this market, we plan to add two "fast" charging stations in 2019—one at the Seguin Customer Service office and the other at our Western Operations Center, both centrally located off I-10 between San Antonio, Austin and Houston. These stations will offer fee-based public access.

GVEC also added a private charging station at our Seguin Customer Service office, where Sparky is based.

ON-BILL FINANCING

Remaining ahead of the curve in 2018 also meant making it easier and more convenient for members and customers to purchase GVEC products. To that end, we launched on-bill financing in March. The program offers zero-percent financing for up to five years to qualified members on GVEC Home® purchases of at least \$1,000. The Cooperative also finalized a deal with GreenSky® to provide financing options for both members and non-members.



Sparky, GVEC's electric vehicle (EV)

THINKING DIFFERENTLY, making a difference

As a not-for-profit cooperative, GVEC views our role in the communities we serve differently compared to for-profit power companies. Every household and business in our service territory is an extension of the GVEC family. We feel compelled not only to be involved in our communities, but to also make a positive difference in the lives of those we serve. This is an extensive undertaking, but it's also a worthwhile one, and it often requires thinking about member needs in unique ways in order to deliver the unexpected.

A YEAR OF GROWTH AT HOME

In 2018, thinking differently to make a difference meant growing our HVAC business and making it easier for members and customers to invest in upgrades or new systems. The AC/heating portion of GVEC Home® saw customers invest in high-efficiency systems, 24-hour repair and year-round Comfort Check maintenance in record numbers. We installed 422 new HVAC systems in 2018, performed 2,441 service calls and completed 1,541 appointments for our Comfort Check maintenance program.

Members also took great advantage of our on-bill, no-interest financing program, which began in March. In fact, in the first nine months of on-bill financing, the total amount financed by members for the purchase of new HVAC systems was more than double our initial projections for the first year.

2018 marked the first full calendar year for our Electrician services, too. Based on member input and market research, we introduced professional electricians throughout our service territories in November 2017. Response in 2018 (we completed almost 500 electrician jobs) showed that we made the right choice in adding these services.

Based on the demands of new GVEC Home business, we implemented a new customer information system called ServiceTitan—a comprehensive,

all-in-one service software solution. ServiceTitan integrates seamlessly between desktop and mobile, greatly improving employee and customer communications. The software includes auto reminders to customers the day before an appointment and notifications of when GVEC personnel are en route. It also provides a GPS-based “tech tracker,” allowing customers to track GVEC technicians in real time on their way to the home. Customers can also access pictures and bios for any GVEC personnel that work on the property, as well as grade the level of service they receive.

GIVING BACK TO MAKE A DIFFERENCE

On Sept. 22, our GVEC employee family partnered with the community to make the first GVEC Gives Back day a success. The day featured a 5K “Color Fun Run/Walk.” During the 5K, participants passed four color stations—blue, green, red and yellow—where their t-shirts were sprinkled with “fun-run dust.” Hardly anyone, including GVEC GM Darren Schauer, ended the day without a thorough dusting, leaving everyone with a colorful keepsake to take home. The event benefited the Guadalupe County Children’s Advocacy Center and the Gonzales Regional Children’s Advocacy Center, raising \$23,000, which was split evenly between the two organizations.

OUR SUCCESS IN DELIVERING THE UNEXPECTED, IN EXCEEDING EXPECTATIONS AND IN IMPROVING LIVES ISN'T POSSIBLE WITHOUT THE SUPPORT OF THE COMMUNITIES WE SERVE.



Little New York tower



GVEC Gives Back day

EVERY CONNECTION MATTERS

Many within GVEC’s service territory don’t yet have access to fiber internet—or even to cable or DSL lines. For over 20 years, GVEC has offered fast, dependable Wireless Internet to customers with limited options. Wireless expansion and improvements to existing infrastructure continued in 2018, with upgrades to 13 existing towers, enabling us to offer even more customers speeds of up to 25 Mbps. Additionally, we constructed two new towers—Little New York and Old Moulton—to support existing customers and to allow for new customer growth.

GVEC was pleased to complete our first E-rate project in 2018 with Stockdale ISD. This FCC program provides discounted high-speed internet access to schools and libraries based on financial need. The district began using its new, 500 Mbps GVEC Fiber connection in May, in time for end-of-year testing. The 2018-2019 calendar year marks the first complete school year of fiber internet for the district, opening a world of learning and innovative digital technologies for students. GVEC looks forward to working with other area school districts in the years ahead to help make a difference in the education of students in the Guadalupe Valley.

POWERING UP OUR COMMUNITIES

The Power Up Grant program, generously funded by participating members rounding up their bill each month to the next dollar, has

\$271,572

2018
Grant Funds

\$2,150,560

Grant Funds
Since 2012

\$53,707

2018
Financial Assistance

\$411,403

Financial Assistance
Since 2012

*Totals represent funds distributed to members for assistance. 2017 Annual Report Financial Assistance totals included all funds collected, including those not distributed.

a significant impact on community initiatives and financial assistance for those in need.

SETTING THE FOUNDATION FOR A NEW GENERATION

The Cooperative was also honored to award a Lineman College scholarship in 2018. GVEC won this scholarship based on our placement at the 2017 Texas Lineman’s Rodeo, an annual competition of professional linemen from around Texas. The award went to Ty Oliver of Gonzales, who received full tuition (\$13,500) to Northwest Lineman College. GVEC’s top-placing 2017 Lineman’s Rodeo team included Crew Foreman Greg John, Gonzales Line Superintendent Zack Land and Lineman Josh Tucker. Their win in that year’s rodeo made Oliver’s full scholarship possible. We were delighted to make a difference in the life of this young man, while also laying a foundation for the next generation of professional line workers.

GIVING VOICE TO COOPERATIVE DEMOCRACY

Any household or business who gets electric service through GVEC is more than just a customer; they’re also valued member-owners and hold an ownership stake in the Cooperative. Because GVEC is structured and run as a democracy, each member has a voice in how the Cooperative is governed—a vote. In 2018, we were pleased to offer an additional option for members to vote for District Directors without attending the Annual Meeting: online voting. Combined with our printed vote option, this progressive step offers members an additional way to have their voice heard.

YOU SHARE. WE CARE.

Our success in delivering the unexpected, in exceeding expectations and in improving lives isn’t possible without the support of the communities we serve. That’s why in 2018 we asked those communities to help spread the word about GVEC with online reviews or ratings. Through our “You Share. We Care.” campaign, members and customers can leave online reviews on Facebook, Yelp, Angie’s List and Google. Doing so lets us know directly how we’re doing, enabling us to grow and improve.



THINKING BIGGER

Throughout our 80-year history, GVEC has operated from a philosophy that taking care of finances is a critical part of caring for the communities we serve. Without prudent financial stewardship, neither past, present nor future successes are achievable. We work hard to think bigger in the financial sphere and to anticipate market trends. Rigorous financial planning for both the near- and the long-term helps us ensure ongoing stability. The figures and statistics in this section reflect our success in managing these goals.

- ▶ GVEC maintained its “AA- stable” rating from one of the world’s top credit rating institutions, Standard & Poor’s Ratings Services (S&P). GVEC continued 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 decisions.
- ▶ 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 line facilitated 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 outlook is stable.
- ▶ GVEC was the first distribution cooperative in the nation to utilize a Commercial Paper Program, a short-term financial 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.

- ▶ 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 implemented exclusive on-bill financing to its qualifying members who purchased HVAC and solar panel systems from GVEC Home*. This program allows members to combine monthly payments for their new systems with their electric bills.

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



Guadalupe Valley Electric Cooperative, Inc. and Affiliates Consolidated Financials

Year Ending December 31, 2018

2018 Balance Sheet

Assets

Cash and Cash Equivalents	\$36,848,212
Current and Accrued Assets	29,781,302
Property, Plant, and Equipment	740,670,979
Accumulated Depreciation	(235,193,797)
Net Property, Plant, and Equipment	505,477,182
Other Long Term Assets	16,950,991
Total Assets	\$589,057,687

Liabilities

Current and Accrued Liabilities	\$82,191,527
Current Portion of Long Term Debt	8,775,344
Notes and Bonds Payable, Long Term	163,699,157
Other Long Term Liabilities	28,941,817
Total Liabilities	\$283,607,845

Member Equity

Total Patronage Capital and Other Equity	\$305,449,842
Total Member Equity	305,449,842
Total Liabilities and Equity	\$589,057,687

2018 Income Statement

Operating Revenue

Sales	\$246,821,797
Cost of Sales	157,296,316
Gross Margin on Sales	\$89,525,481

Expenses

Operating Expense	\$37,468,719
Depreciation and Amortization	28,319,102
Interest Expense	9,504,184
Other Expense (Income)	(2,323,437)
Income Before Tax Expense	16,556,913
Tax Expense (Benefit)	76,230
Net Income	\$16,480,683

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

2018 Cash Flow

Net Margin	\$16,480,683
Adjustments to Reconcile Net Margin to Net Cash	
Depreciation and Amortization	29,328,823
Provision for Bad Debt Expense	18,500
Patronage Capital Dividends	(280,424)
Deferred Income Taxes	(404,627)
(Gain) Loss of Sale of Assets	(15,196)
(Increase) Decrease in Current Assets	7,283,961
(Increase) Decrease in Long-Term Assets	3,075,709
Increase (Decrease) in Current Liabilities	(4,516,342)
Increase (Decrease) in Long-Term Liabilities	(2,526,160)
Net Cash Provided by Operating Activities	\$48,444,927

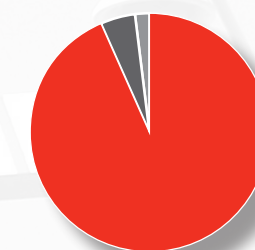
Cash Flows from Investing Activities

Purchase of Property, Plant, and Equipment	\$(53,256,110)
Proceeds from Sale of Other Property and Equipment	147,389
Patronage Capital Dividends	785,311
Collections on Loans	764,943
Redemption of Capital Term Certificates	(2,049,600)
Net Proceeds from Investments	742,372
Net Cash Used in Investing Activities	\$(52,865,695)

Cash Flows from Financing Activities

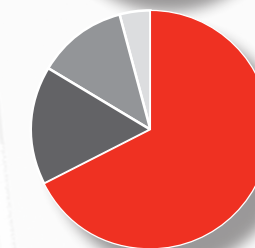
Change in Members’ Deposits	\$547,025
Capital Credits Retained	941,349
Memberships Issued (Returned)	19,563
Patronage Capital Retired	(4,448,766)
Purchase of GVEC.net Shares	(2,165,445)
Proceeds from New Debt Issued	31,305,000
Repayment of Debt	(20,363,482)
Net Cash Used in Financing Activities	\$5,835,244

Increase in Cash and Cash Equivalents	\$1,414,476
Cash and Cash Equivalents and Beginning of Year	\$35,433,736
Cash and Cash Equivalents at End of Year	\$36,848,212



Total Sales: \$246,821,797

- Electric Services 93.6%
- Internet Services 4.6%
- Home Services 1.8%



Total Expenses: \$232,588,321

- Cost of Sales 67.6%
- Operating Expense 16.1%
- Depreciation & Amortization 12.2%
- Interest Expense 4.1%

VISION STATEMENT

Moving Swiftly to Deliver the Unexpected. PEOPLE. TECHNOLOGY. SOLUTIONS.

MISSION STATEMENT

Building on our heritage and having confidence in the future, the Guadalupe Valley Electric Cooperative is a team of professionals committed to exceeding our members' expectations by identifying and investing in products and services that fulfill the needs of those we serve.

VALUES

In support of our Mission Statement, we recognize that our success is dependent upon adherence to a defined set of Corporate Values. We are committed to:

▶ CUSTOMER SERVICE

We realize the importance of our members and will work to achieve their satisfaction, putting them first in all we do.

▶ ETHICAL BEHAVIOR

We will conduct ourselves in an honorable manner, reflecting high morals and integrity.

▶ PROFESSIONALISM

We will operate in a manner that shows courtesy, respect, and dignity for each other, our members, and the public.

▶ TEAMWORK

We will work together in a cohesive and supportive manner to accomplish our goals.

▶ EMPLOYEE DEVELOPMENT

We will recruit, retain, and promote based on qualifications and attitude, and we will encourage the continued education and training of our workforce.

▶ GOOD CORPORATE CITIZENSHIP

We will work toward developing and expanding our communities, both socially and economically, encouraging community involvement by our employees.

▶ SAFETY

We make safety a top priority and work to create a safe environment for our employees and the public.

▶ PRUDENT FINANCIAL MANAGEMENT

We will manage the resources of our member-owners in a diligent and responsible manner, using sound judgment in all our business practices.

CARVING OUR OWN PATH

**ALTHOUGH 2018 WAS A YEAR OF MANY FIRSTS,
ONE THING THAT WASN'T NEW WAS GVEC'S
COMMITMENT TO CONTINUOUSLY CHALLENGE
AND IMPROVE OURSELVES. WE WILL REMAIN
FOCUSED ON THOSE COMMITMENTS IN 2019
AND BEYOND, DRAWING UPON OUR HERITAGE
FOR INSPIRATION IN **ANTICIPATING THE
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