

DELIVERING MORE.

2021 STRONGER THAN ANY STORM



2021 Annual Report

gvec.org

gvec
Delivering more.

Electricity | AC/Heating | Solar & Battery | Electrician Services | Internet | Community



GM & PRESIDENT'S MESSAGE

A YEAR OF PERSEVERANCE

When you think about GVEC's services, the word "storm" is often quite literal. Our team is tasked with providing reliable services through sunshine, rain, snow and now, we can even add pandemic to the list. For GVEC, the word "storm" has come to symbolize much more than weather. The "storms" of the last two years have presented challenges never before experienced by the Cooperative. Through those trials, we've taken what we believe to be the necessary steps to emerge strong and keep moving forward in our mission to empower lives.

If the last two years have taught us anything, it's how quickly and drastically life and circumstance can change. In December 2020, after a year of lockdowns and unprecedented uncertainty, the pandemic appeared to be winding down. A new year, free of 2020's historic adversities lay ahead in 2021—or so it seemed.

On Friday, Feb 12, 2021, forecasters were projecting an upcoming winter freeze more significant than any experienced in recent years. On Monday, February 15, the Electric Reliability Council of Texas (ERCOT) declared an Energy Emergency Alert (EEA) Level 3 and ordered statewide rotating outages to begin immediately, lasting until energy reserves returned to noncritical levels. GVEC conducted 124 rotating outage sessions between February 15 and 19, each averaging roughly 15,000 members impacted.

All of this resulted from a historic winter storm the likes of which has rarely been seen across Texas. Along with the snow and ice Winter Storm Uri delivered, it also brought consecutive days of record-setting temperatures in the teens and single digits. Heaters across Texas went into overdrive, pushing the

statewide electric grid to a peak of 69,222 megawatts—the highest winter peak in ERCOT's existence.

In the midst of rotating outages, some members also experienced weather-driven service outages ranging in length from hours to days. Ice and snow all across GVEC's 3,500 square miles of service territory, combined with relentless, bone-chilling temperatures, greatly impeded restoration of these outages. Our linemen worked long hours in freezing conditions on consecutive days, battling difficult road conditions, downed lines, damaged equipment and fatigue. However, these dedicated men weren't alone on those frozen-over fields.

GVEC's workforce operated throughout Uri with a unity unlike any we've witnessed during our decades of service here. With their own homes impacted by rotating and weather-driven outages, many Cooperative staff and personnel stayed practically 24/7 in the office that week. This helped assure that members always reached a customer service representative when calling, no matter the time of day, and that our linemen had constant, urgently needed field support. It also helped guarantee there was always someone tracking outages, processing outage reports and planning restoration efforts.

Thanks to solid design and engineering, GVEC's electrical system held up quite well despite Uri's physical impacts. Additionally, Cooperative finances were very strong going in. This allowed us to emerge from the lowest points of that week still strong and to also withstand Uri's lingering effects of high market prices in the following months. More than a year after, GVEC remains

"We know 2021 wasn't easy for the communities we serve. However, despite the numerous challenges GVEC customers and members faced in 2021, they steadfastly continued to support their Cooperative. For that, we thank you. Your support was instrumental in helping inspire and mobilize GVEC's workforce as our region reemerged from COVID-19 and battled a historic winter storm."

on sound financial footing and continues to retain solid financial ratings even after Uri-related adjustments. Our plan for returning to pre-Uri financial positioning began moving forward shortly after the storm and included rethinking certain planned capital investments for 2021.

Exorbitant Uri-related expenses also forced us to introduce two rate adjustments in 2021—one in May, the other in October. Keep in mind that, as a not-for-profit cooperative, we don't charge members more for electricity than we pay—rate adjustments are never done out of profit motive. That said, these increases were difficult but necessary, and our Board did not implement them lightly. While government leaders, regulators and industry experts debated how markets should be redesigned and improved, Uri was creating immense uncertainty on the wholesale power market—especially in regard to short-term power supply. Although GVEC does have long-term contracts to cover a significant portion of its load, increases in shorter-term wholesale power compelled us to make the difficult decision to adjust rates.

Moving forward, we'll continue managing Cooperative money with the same judicious care we've exercised throughout our 84-year history. In fact, current projections are that GVEC will return to its pre-Uri financial positioning by 2025. Please know, too, that we'll continue doing everything possible to ensure Cooperative rates remain competitive and affordable in the years ahead.


Although Uri cast a wide net over Cooperative plans in 2021, GVEC and its members still have numerous accomplishments to be proud of. These include our debut of the "Delivering More" membership rebrand and some exciting news regarding how our electric members and internet subscribers ranked us on the highly-respected American Customer Satisfaction Index nationwide survey. Also in 2021, we returned to fully in-person Cooperative meetings, including District Meetings and our 2021 Annual Meeting. We also welcomed Mr. Leo York to our Board of Directors, representing District 6, and said a fond goodbye to Joe Castilleja after four years of exemplary service.

Despite COVID-related supply chain delays in 2021 and difficulties created by Uri, our expansion of and improvements to GVEC Fiber and Wireless Internet service continued. There were other exciting developments regarding GVEC Fiber and Wireless internet, too, which we'll tell you more about in the pages ahead. GVEC's home-services business also experienced supply chain issues, but these didn't prevent us from having an overall successful year. The introduction of convenient new financing options for solar, electricians and AC/heating customers in the first quarter supported growth in sales. We also debuted some new home-related services last year with our HVAC and Solar Spec Check inspection services, and our electrician service was busier than ever.

GVEC's Power Up grant, meanwhile, marked its 9th year in 2021, delivering over \$312,750 to local nonprofits, which was more than in any previous year.

We know 2021 wasn't easy for the communities we serve. However, despite the numerous challenges GVEC customers and members faced in 2021, they steadfastly continued to support their Cooperative. For that, we thank you. Your support was instrumental in helping inspire and mobilize GVEC's workforce as our region reemerged from COVID-19 and battled a historic winter storm. As we move deeper into 2022 and toward 2023, rest assured that we are here for the good of those we serve. We will undoubtedly continue to meet "storms" of many varieties in our future. Our heritage as well as recent history has taught us we can move forward with confidence. By working together, GVEC will always strive to emerge stronger than any storm that may come our way.


Lewis Borgfeld
Board President


Darren Schauer
General Manager and CEO



RELIABILITY THROUGH ADVERSITY

The difficulties of 2021 made the push to continue modernizing our electric infrastructure more important than ever. GVEC Fiber was central to those efforts. In recent years, it's become clear that owning our own fiber-based broadband network is of immense value in delivering dependable electric service and futurizing our grid.

AN UNEXPECTED CHALLENGE

2021's most dramatic challenge, of course, came from Winter Storm Uri. It delivered five days of unrelenting, record-breaking cold, ice and snow—a perfect storm of conditions that almost never occur in our region. Uri wasn't confined to the Guadalupe Valley, though—it swept across most of Texas, leading to a demand for electricity across the state unlike any ever seen. At the same time, Uri knocked a number of energy generators offline, and statewide reserves plummeted. These conditions compelled the Electric Reliability Council of Texas (ERCOT) to initiate statewide rotating outages to prevent a catastrophic grid failure. Meanwhile, the scarcity of supply Uri created led to abnormally high market prices for electricity. The corresponding financial “storm” literally forced some electricity providers into bankruptcy.

Although the Cooperative emerged from Uri on sound financial footing, the storm did have economic consequences: Uri-related expenditures forced us to reduce our goals for routine pole inspections and the number of rejected poles being replaced by a small percentage for the year. We also slightly reduced our goal for fiber expansion. Fortunately, all other grid improvements were completed as planned.

DELIVERING MORE MODERNIZATION FOR GROWING COMMUNITIES

From transformer upgrades to upgrades focused on transmission lines, backup power and relay systems—we accomplished all these and more in 2021 to prepare for the increased load demands our system must support in the years ahead as our region's explosive growth continues. Accommodating future growth was also one of the primary drivers behind the commencement of preliminary work for new, state-of-the-art substations at Delhi and Santa Clara. Although both projects are scheduled for completion beyond 2022, the ground-work completed in 2021 was essential to the success of both.

INSPECTION, MAINTENANCE AND SYSTEM IMPROVEMENTS

With 167 distribution circuits in place and continued growth in customers and electric demand, constant inspection, maintenance, and improvement projects are important to maintain high levels of performance. In 2021, that scope of work included the following:

- 11,707 total pole inspections
- 850 replacements of rejected poles
- 1,343 miles of right-of-way maintenance

THE GRID OF TOMORROW IS FIBER-BASED

The smart grid of the future is one that can be monitored and controlled in real time. Certain functions that typically require human oversight can be automated in such a grid. Some potential trouble spots can be remotely identified and even “self-healed” in certain cases. This is the grid we're building right now through our ongoing expansion of GVEC Fiber.

FIBER AND DISTRIBUTED ENERGY RESOURCES

Fiber enables direct, real-time communications between the grid and distributed energy resources (DER) like solar panels, battery storage systems, electric vehicles (EV) and EV charging systems. This allows consumers to realize maximum benefit from DERs.

GVEC entered the DER space in 2013 with the debut of home solar panels. Since then, thanks to strong demand across South Central Texas, we've become a leader among all Texas electric providers in terms of total rooftop solar electric capacity. We've offered battery storage solutions since 2019. These systems give solar owners greater control of energy usage, saving them money and reducing electrical load along the Cooperative grid, which can be critical during high-use periods.

EV growth, meanwhile, is poised to increase in the next five to 10 years. This is why we debuted EV charger sales and installation for homes and businesses in 2021. All these EV charging systems—public and private—provide critical data about the potential impacts of widespread EV adoption across our service territory. This data, combined with ongoing fiber upgrades, helps ensure GVEC's grid will be ready when EVs become mainstream.

PEAK-TIME PAYBACK

GVEC's Peak-Time Payback demand response program uses internet-connected thermostats from Nest® and Ecobee to help reduce demand across the grid during peak-usage windows—in the months of June through September. ERCOT uses peak times to determine GVEC's share of statewide transmission costs each year.

PEAK-TIME PAYBACK 2021 SIGNUPS AND SAVINGS

Total New PTP Enrollments for 2021	394
Total Enrollments as of Dec. 31, 2021	2,100
Total Savings in Transmission Costs for 2021	\$156,083

A FORMAL INDICATOR OF OUR COOPERATIVE IMPACT

GVEC faced some complicated choices in 2021, including two rate increases necessitated by Uri and the need to end our pandemic-related moratorium on disconnections and late-payment penalties. We moved forward each time only after serious deliberation. Without these steps, we came to understand, our ability to keep delivering products and services at competitive prices would be severely diminished.

The desire to keep our relationships strong with those we serve provided added incentive to work even harder through the obstacles to improve the quality of life across local communities. In September, we received direct feedback on our performance from results of the American Customer Satisfaction Index survey (ACSI). The group behind the survey—ACSI LLC—conducted interviews with a random sample of GVEC electric members in summer 2021. For a complete overview of GVEC's ACSI results, see page 24 of this year's Annual Report. As you'll see, the results suggest that GVEC's membership viewed the Cooperative in a favorable light at a time when electric providers across Texas were suffering negative public perception due to the effects of Winter Storm Uri on higher energy prices.

These results, in fact, suggest GVEC's membership understood they were not alone in 2021 and that they valued the Cooperative's partnership. We thank you for supporting us and reminding us that our commitment to serving and Delivering More did not go unappreciated in 2021.

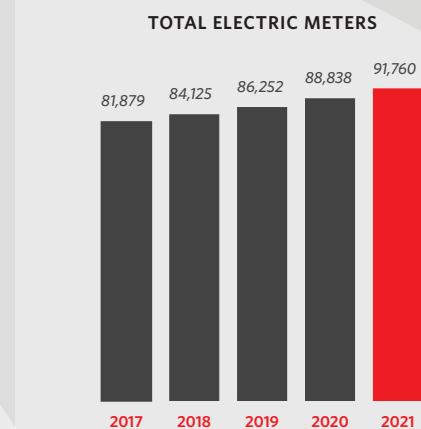
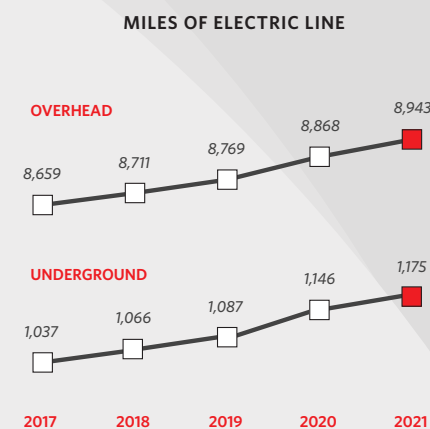


13 #1 Utility Ratings*
Customer Satisfaction, Reliability and Trust
[See page 24 for more information](#)

*Compared to publicly measured companies in the 2021 American Customer Satisfaction Index (ACSI) survey of customers rating the performance of their own energy utility provider. Data for GVEC Energy collected in September 2021.

In the third quarter, we completed the Cooperative's systemwide conversion to Advanced Metering Infrastructure (AMI). AMI creates two-way communications between the grid and the meter, delivering near real-time data to GVEC members about energy consumption.

Our use of drones for infrastructure inspection expanded significantly in 2021, with five members of our team earning Remote Pilot Certification from the FAA.



	2021	BENCHMARK
SAIFI	1.23	1.14
SAIDI	1:37	1:30
CAIDI	1:18	1:19

SAIFI – average number of interruptions
SAIDI – average time of system outage
CAIDI – average time of member restoration



ANY CHALLENGE, ALWAYS FORWARD

One of the most unique aspects of GVEC is not only the ability to recommend the latest in efficiency products, but also to provide them to our communities. As the world dealt with the challenges of supply chain gaps, GVEC expanded our partnerships and created more opportunities for our customers to save.

The Cooperative's line of beyond the meter products and services ultimately saw a 15% increase in overall revenue compared to 2020. This continues an upward trend for these products and services that we've experienced over the last few years.

AC/HEATING FACED MARKET CONSTRAINTS

Supply chain constraints were a concern for AC/heating sales and services during 2021's first half, which resulted in a decrease in AC/heating sales of approximately 12% from 2020—a slight impact given the lingering effects of the pandemic on market conditions. Service calls for our HVAC technicians, however, were up 24% compared to 2020. Our debut of the HVAC Spec Check AC/heating maintenance plan, meanwhile, delivered a streamlined, all-in-one replacement for our Comfort Check plan.

A BRIGHT YEAR FOR GVEC SOLAR

The supply chain constraints of 2021, however, had no impact on home solar panel sales and installation. We ended 2021 with 7% more systems sold and installed than in 2020.

GVEC's new two-year Solar Spec Check maintenance plan debuted in the fourth quarter. In year 1, the plan includes a comprehensive system cleaning, and year 2 delivers another cleaning plus a complete

professional inspection, verification of proper system electrical production and more. GVEC's team of professional electricians perform all of the plan related services.

BACKING UP BATTERY SALES WITH MORE OPTIONS

Home battery storage offers the perfect complement to panels, allowing homeowners to maintain power during outages and to save even more on electric bills. Since debuting these products in 2019, our partnership to sell and install the Tesla Powerwall has been a notable success; however, supply constraints limited our stock during 2021's first half. This led us to secure additional battery storage solutions for our customers. With these additional options, 2021 turned out to be a record year for GVEC home batteries sales and installations despite supply chain issues.

GVEC ELECTRICIANS CHARGE FORWARD INTO THE EV REVOLUTION

In addition to electrical work for home and small business, GVEC's Electrician services continued performing all solar panel and battery storage installations in 2021 as part of our turnkey solar solution. We were also thrilled to introduce sales and installation of electric vehicle (EV) charging systems in 2021 through our Electricians services. To promote this new offering, we simultaneously launched a member rebate on all charging installations for home (the lesser of \$600 or 50% off) and business (the lesser of \$3,000 or 50% off). The EV revolution is no longer set to take place years and years into the future—it is beginning now. With this new offering and associated rebate, the Cooperative hopes to both encourage and prepare for the inevitable widespread adoption of EVs across our service territory.

LONG-TERM INVESTMENT, LONG-TERM FINANCING

The significant upfront costs of solar and battery storage may cause some potential buyers to hesitate, postpone or even decide against purchasing. Certainly, a home solar system paired with battery storage is a long-term proposition—buyers typically must use their system 8-12 years before seeing a return. These factors led GVEC to partner with Mosaic® finance services in March 2021 to introduce 20-year financing at 1.99% interest on all solar purchases (this rate dropped to 1.49% at the beginning of 2022).

The Cooperative's line of beyond the meter products and services ultimately saw a 15% increase in overall revenue compared to 2020. This continues an upward trend for these products and services that we've experienced over the last few years.



All told, home battery sales and installations were 192% higher than our internal projections for the year, giving us great optimism for this market moving forward.

GVEC AC/heating system sales and installations were impacted more by supply-chain constraints in 2021 than any of the Cooperative's other products and services for the home. However, HVAC service calls were up 24% in 2021 compared to 2020; this helped assure an overall successful year for AC/heating.

The Cooperative's team of professional, fully licensed electricians enjoyed another busy year in 2021: Between solar and battery storage installations and a range of assorted electrical jobs for home and small business, the number of jobs completed was 27% higher compared to 2020—9% higher than internal projections.



CONNECTIONS WITH STAYING POWER

Since the onset of COVID-19, we’ve experienced an unprecedented increase in the degree to which people throughout GVEC’s service area depend on the internet for daily life. This acceleration continued in 2021. Long before the pandemic, residents across our region were depending more and more on the internet for day-to-day life. This is why GVEC has worked tirelessly for many years to expand and upgrade not only our fiber internet network but also our wireless service. We’ve maintained an intensive focus on wireless technology because we want to deliver the most cutting-edge internet experience possible to all GVEC Internet subscribers, whether they use Fiber or Wireless. Although scaled back from original plans as part of the path to recovery from Uri-related expenses, work continued throughout 2021.

MAKING DEPENDABILITY AND SPEED ACCESSIBLE

Thanks to these efforts, a majority of our service territory had access in 2021 to a minimum internet speed of 25 megabits per second (Mbps)—considered the baseline standard for “broadband.” Of course, our goal of delivering the highest-quality internet possible to as much of the Guadalupe Valley as we can is far from accomplished. This is why our expansion of GVEC Fiber marched on in 2021, as did our expansion of and upgrades to wireless. We ended 2021 with 8,187 Wireless Internet subscribers and 11,633 Fiber for a total of 19,820 subscribers between the two.

STRENGTHENING AND WIDENING WIRELESS SERVICE

Neither supply chain constraints nor Uri caused problems with or changes to our wireless expansion and improvement plans for 2021. We upgraded 15 wireless sites within our service area last year, most of which included a switchover to Citizens Broadband Radio Service (CBRS). Released for commercial use in January 2020, CBRS is the newest wireless-internet standard available. When it comes to wireless connectivity, there is nothing more

cutting-edge, and GVEC won a bid to deliver CBRS over our own spectrum in certain areas of our service territory. This technology delivers significantly increased signal range, translating into an increased pool of potential subscribers and greater reliability for existing users. GVEC was thrilled in 2021 to introduce CBRS in our service territory.

CONTINUING THE EXPANSION OF FIBER

Supply-chain constraints also had no meaningful impact on GVEC’s fiber expansion in 2021. Winter Storm Uri, however, did force us to reduce our goal for new fiber passings in 2021 by a small percentage. Beyond this, expansion continued at a satisfactory pace. We ended the year with 3,490 fiber passings completed, having added 298 miles of overhead fiber infrastructure to our electric grid and 12 miles of underground.

ENHANCING USER EXPERIENCES

We were thrilled in 2021 to offer existing GVEC Fiber customers the Calix GigaSpire® BLAST U6 router. This cutting-edge device uses the new Wi-Fi 6 standard, allowing GVEC Fiber to potentially achieve its maximum 1 Gbps bandwidth. Wi-Fi 6 also delivers farther signal range, higher efficiency and less interference compared to previous Wi-Fi standards. We also made GigaSpire’s corresponding mobile app—branded as the GVEC WiFi app—available to Fiber customers. This new app gives subscribers intensive control of their networks without the need for customer service support.

FULL SPEED AHEAD

The Cooperative’s Fiber network has come a long way since debuting in 2013 with 90 miles of fiber-optic cables and fewer than 1,000 subscribers. In expanding to our current point, each year-over-year addition has built resilience, efficiency and capacity into the

network. In 2021, we were thrilled to be able to draw upon those improvements to deliver new GVEC Fiber speeds to our entire subscriber base. As part of our new plans, all existing 100 Mbps customers received a free upgrade to 250 Mbps, and this became Fiber’s lowest-tiered speed. We also debuted a 500 Mbps option for subscribers who need a little extra bandwidth but not quite 1 Gbps, which remained our top offering.

GVEC INTERNET SUBSCRIBERS MAKE A STATEMENT

Despite some setbacks in 2021, we nonetheless made significant progress in our ongoing push to deliver world-class broadband service to more underserved communities. Just as important, we continued delivering Fiber to existing subscribers and were able, as previously noted, to upgrade our speed plans. Plus, we continued delivering high-quality broadband to Wireless subscribers, enhancing the service’s speed and dependability and expanding its availability, too. We ended 2021 encouraged by our overall progress, and confident in our direction and ability to continue delivering second-to-none internet to residents across South Central Texas.

In July, a random sample of subscribers told us they shared our confidence and positive view of GVEC Internet. ACSI LLC contacted this sample of GVEC Internet customers to interview them for the American Customer Satisfaction Index (ACSI), an internationally recognized survey of consumer sentiment.

We thank our customers for their continued belief and investment in the Cooperative, and we promise to never stop working to improve or to deliver faster, more reliable service to more people across our service territory.

Since the onset of COVID-19, we’ve experienced an unprecedented increase in the degree to which people throughout GVEC’s service area depend on the internet for daily life. This acceleration continued in 2021. Long before the pandemic, however, residents across our region were depending more and more on the internet for day-to-day life.



22 #1 Internet Ratings*
Customer Satisfaction, Reliability and Speed
See page 24 for more information

*Compared to publicly measured companies in the 2021 American Customer Satisfaction Index (ACSI) survey of customers rating the performance of their own internet service provider. Data for GVEC Internet collected in September 2021.

The Calix GigaSpire BLAST U6 router, which GVEC made available to Fiber subscribers in the first half of 2021, is designed to optimize the reach, speed and reliability of fiber-based Wi-Fi.

GVEC Internet added two new wireless sites in 2021, including one at the Stockdale Sunko Water Tower and one at the Floresville Sunko Water Tower, utilizing the CBRS standard and offering maximum speeds of 25 Mbps.

In late 2021, all existing GVEC Fiber 100 Mbps subscribers received a free upgrade to 250 Mbps, which became our new entry-level speed. We also added a mid-tier 500 Mbps plan for subscribers needing a little more performance, while leaving our top-tier 1 Gbps plan unchanged.



2021 TOTAL MILES OF LINE WITH FIBER	
Overhead	296
Underground	12
Total	308



DELIVERING MORE WHEN IT'S NEEDED MOST

Throughout 2021, GVEC never lost sight of the difficulties those we serve were facing when it came to the changing landscape of public life. Those adversities drove our cooperative family closer, inspiring us to work with greater unity for a purpose bigger than any individual.

RETURNING TO AN IN-PERSON WORLD

We were extremely grateful to return to serving our communities in-person in 2021—even if on a sometimes-limited basis. Certainly, the restoration of canceled 2020 events to the 2021 calendar was at first slow. In-person gatherings returned in a trickle starting in mid-to-late-January. As widespread vaccinations gained steam, the pace of returning events accelerated.

By the second and third quarter, a limited sense of normalcy began reemerging across the Guadalupe Valley. Livestock shows, 5k runs, bowling, bingo and casino-themed fundraisers, farm and market days, charity golf tournaments, live theatre, and more returned to *The GVEC Review's* Community Calendar during this timeframe.

Meanwhile, a group of GVEC employees who'd spent most of 2020 working from home returned to the office in February. Uri briefly disrupted their return, but not for long, and by the end of February, everyone was back. By summer, fireworks displays, parades and other 4th of July celebrations had returned in full force to our region. In the fall, traditions like the Cuero Turkeyfest, the Gonzales Come and Take It Celebration, the Skylight Balloon Fest and other community favorites had returned as well.

COMMUNITY IMPACT REMAINED ON THE CALENDAR IN 2021

As the Cooperative navigated a reopening world in 2021, in-person events weren't always practical. However, cancellations didn't stop GVEC's team from making sure important community initiatives moved ahead in alternate ways. This helped assure that community impact and support for those we serve always remained on the calendar in 2021.

In the case of our biannual First Responders BBQ, the Cooperative's community relations representatives transformed two individual, large gatherings into 32 microevents held at hometown volunteer fire departments throughout the GVEC service area. Our staff hand delivered 32 \$1,062 checks to help these organizations continue supporting their communities during a critical time. And although we couldn't hold our annual scholarship luncheon in 2021, we still awarded another round of \$2,500 scholarships to 20 highly accomplished high school seniors. For the second straight year, GVEC social media stepped in to help give recipients some degree of the public recognition normally provided by our luncheon: Each student was individually spotlighted on the Cooperative's Facebook page, including a picture and biography.

DELIVERING MORE THROUGH THE GENEROSITY OF OUR MEMBERS

GVEC member generosity was on full display in 2021 through the Cooperative's Power Up Grant program. Power Up is funded by members who voluntarily round up their electric bill each month

to the next dollar, with the rounded-up amount being donated. The program distributed a record amount last year, empowering 17 local nonprofits to carry out important projects in the communities we serve. As of December 31, 2021, Power Up had awarded grants to 191 local nonprofits and nearly \$36,000 in member financial assistance with electric bills.

2021 POWER UP PROGRAM	
2021 Grant Funds	\$312,755
Grant Funds Since 2012	\$3,098,998
2021 Financial Assistance	\$35,813
Financial Assistance Since 2012	\$571,752

WORKING FOR GOOD

Integral to the goal of developing job opportunities and other benefits for the communities we serve is actively engaging with local, state-wide, and national economic development efforts and organizations. GVEC maintains relationships with government and community leaders as well as economic development professionals to bring the rural perspective to hot topics, foster collaboration and assist with marketing the region's extensive assets to attract new business and industry.

A highlight of 2021 was publishing *The Development Process Guide* to the GVEC economic development website, www.Experience-GuadalupeValley.com. This piece provides a basic overview of the steps involved in the acquisition and development of real estate, serving as a roadmap for local entities who are investing in land for future development.

In October, GVEC returned to Ag Days at the Big Red Barn, an annual event that immerses students in the study of agriculture. GVEC's community relations representatives attended with renewed energy, thrilled to again teach 4th graders from throughout the region about GVEC history, electricity, science and agriculture.

Throughout 2021, GVEC never lost sight of the difficulties those we serve were facing when it came to the changing landscape of public life. Those adversities drove our cooperative family closer, inspiring us to work with greater unity for a purpose bigger than any individual.

In February and March, GVEC's community relations representatives ventured into the community, personally delivering 17 oversized donation checks, totaling almost \$29,000, to local youth livestock shows across the region.

During June and July, GVEC's participation in local Summer Reading Programs returned as an in-person event, but with a shift from books and libraries to science and chemistry. Dr. Jim Pennington, Texas A&M University, brought his Chemistry Road Show to GVEC's service territory for shows in Seguin, Schertz and Gonzales.

Getting the word out in recent years that Texas was open for business remained a focus for GVEC and the State of Texas. Economic Development Director Gerri Lawing represented GVEC as the Chairman of Team Texas in 2021, a state-wide economic development marketing organization made up of Texas communities and utilities.



STRONG FINANCIAL MANAGEMENT

GVEC CONSOLIDATED FINANCIALS

Year ending December 31, 2021

Certainly, 2021 presented us with some difficult financial decisions. Ultimately, however, we made choices designed to strike a balance between empowering our members during challenging times and empowering the Cooperative to continue delivering high-quality products and services. We look ahead not only from a place of firm financial footing, but with an actionable plan for returning to pre-Uri positioning by 2025. And we remain steadfast believers in the power of cooperative principles for improving the quality of life of those we serve.

► In 2010, GVEC was the first distribution cooperative in the U.S. to implement a short-term financial instrument known as a Commercial Paper Program. With a borrowing capacity of up to \$75 million, this program allows GVEC to fund capital investments through

short-term interest rates. In comparison to previous financing methods, we've saved millions of dollars in interest through use of Commercial Paper.

- During 2021, the Cooperative increased its lines of credit with 3 banks by a total of \$200 million to provide additional liquidity.
- GVEC was pleased to continue offering members the option to finance HVAC, solar and battery storage purchases directly from the Cooperative in 2021. Participants can opt to have monthly billings for these purchases added to electric bills. The program has proven extremely popular, with more than 800 GVEC members participating since 2018, borrowing a total of \$7.7 million.

...we made choices designed to strike a balance between empowering our members during challenging times and empowering the Cooperative to continue delivering high-quality products and services.

From left standing: GVEC Directors – Secretary/Treasurer Henry C. Schmidt Jr. (District 3); David Warzecha (District 11); Leo York (District 6); Mark Roberts (District 8); Don Williams (District 10); Robert J. Werner (District 1); Shawn Martinez (District 4); Vice President Melvin E. Strey (District 7)
From left sitting: GVEC Directors – Gary Birdwell (District 9); President Lewis Borgfeld (District 2) and Morris Harvey (District 5)



2021 Balance Sheet

Assets

Cash and Cash Equivalents	\$23,504,164
Current and Accrued Assets	39,602,926
Property, Plant and Equipment	928,330,150
Accumulated Depreciation	(298,496,494)
Net Property, Plant and Equipment	629,833,656
Other Long-Term Assets	190,721,486
Total Assets	\$883,662,232

Liabilities

Current and Accrued Liabilities	\$93,490,720
Current Portion of Long-Term Debt	11,233,064
Notes and Bonds Payable, Long-Term	395,715,758
Other Long-Term Liabilities	17,685,314
Total Liabilities	\$518,124,856

Member Equity

Total Patronage Capital and Other Equity	\$365,537,376
Total Member Equity	365,537,376
Total Liabilities and Equity	\$883,662,232

2021 Income Statement

Operating Revenue

Sales	\$308,043,044
Cost of Sales	194,439,566
Gross Margin on Sales	\$113,603,478

Expenses

Operating Expense	\$48,716,618
Depreciation and Amortization	34,643,878
Interest Expense	10,517,418
Other Expense (Income)	(3,273,257)
Income Before Tax Expense	22,998,821
Tax Expense (Benefit)	54,048
Net Income	\$22,944,773

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

2021 Cash Flow

Net Margin	\$22,944,773
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Adjustments to Reconcile Net Margin to Net Cash

Depreciation and Amortization	35,738,604
Patronage Capital Dividends	(1,218,775)
Deferred Income Taxes	20,320
(Increase) Decrease in Current Assets	(4,748,991)
(Increase) Decrease in Long-Term Assets	388,359
Increase (Decrease) in Current Liabilities	(5,331,133)
Increase (Decrease) in Long-Term Liabilities	405,143
Net Cash Provided by Operating Activities	\$48,198,300

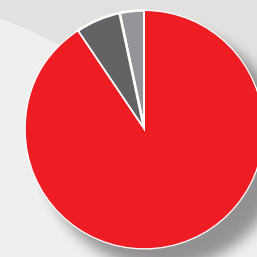
Cash Flows from Investing Activities

Purchase of Property, Plant and Equipment	\$(85,432,676)
Patronage Capital Dividends	554,190
Collections on Loans	1,679,893
New Loans Issued	(1,930,711)
Net Cash Used in Investing Activities	\$(85,129,304)

Cash Flows from Financing Activities

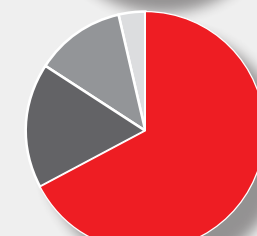
Change in Members' Deposits	\$(96,168)
Capital Credits Retained	208,215
Memberships Issued (Returned)	31,871
Patronage Capital Retired	(415,964)
Proceeds from New Debt Issued	10,998,583
Repayment of Debt	(36,342,836)
Net Advances (Payments) on Commercial Paper	51,000,000
Net Cash Used in Financing Activities	\$25,383,701

Decrease in Cash and Cash Equivalents	\$(11,547,303)
Cash and Cash Equivalents at Beginning of Year	\$35,051,467
Cash and Cash Equivalents at End of Year	\$23,504,164



Total Sales: \$308,043,044

- Electric Services 90.8%
- Internet Services 5.9%
- Home Services 3.3%



Total Expenses: \$288,317,480

- Cost of Sales 67.4%
- Operating Expense 16.9%
- Depreciation & Amortization 12.0%
- Interest Expense 3.6%

MAKING A STATEMENT

The American Customer Satisfaction Index (ACSI) is an internationally recognized measure of overall customer satisfaction across the entire U.S. economy. ACSI LLC conducts this yearly survey through interviews with roughly 500,000 American consumers, spanning 400 companies across 47 industries and 10 economic sectors. In 2021, ACSI interviewed a random sample of GVEC electric members and a separate random sample of internet customers. They rated GVEC's performance based on a series of questions related to five critical areas of customer relations and drivers of improvement: 1) Satisfaction; 2) Loyalty; 3) Expectations; 4) Quality; 5) Value. This table lists the ratings categories covered by ACSI questions. Between electric and internet, GVEC scored #1 on 35 measures compared to other survey participants during the same timeframe representing similar services. We're especially proud these #1 ratings came directly from Cooperative customers who use GVEC services every day.

INTERNET SERVICE

SATISFACTION VARIABLES	Customer Satisfaction over all internet service providers Perceived Quality over all internet service providers Perceived Value over cable internet providers Customer Loyalty over all internet service providers Customer Retention over all internet service providers
#1 CUSTOMER EXPERIENCE METRICS	Reliability of Speed and Service Consistency over cable internet providers Reliability of Service in terms of Interruptions and Outages over all internet service providers Speed of Data Transfer over fiber internet providers Performance during Peak Hours over fiber internet providers Quality of Video Streaming over all fiber internet providers Variety of Plans over all cable and fiber internet service providers Quality of Services such as data storage and internet security over all internet service providers
#1 WI-FI METRICS	Overall Wi-Fi Quality over all internet service providers Reliability in Avoiding Loss of Service over all internet service providers Range of the Wi-Fi Connection over all internet service providers Security of the Wi-Fi Connection over all internet service providers Ability to Connect to Multiple Devices over all internet service providers (tied) Upload and Download Speed over fiber internet service providers Price of the Wi-Fi Hardware over fiber internet service providers Reliability in Restarting after Loss of Service over all internet service providers
#1 CHANNEL METRICS	Call Center Satisfaction over all internet service providers Website Satisfaction over cable internet service providers (tied)

ENERGY UTILITIES

SATISFACTION VARIABLES	Customer Satisfaction over all measured utility providers Perceived Quality over all measured utility providers Perceived Value over all measured utility providers Customer Loyalty over all measured utility providers Customer Retention over all measured utility providers (tied)
#1 CUSTOMER EXPERIENCE METRICS	Reliability of Electric Service over all measured utility providers Reliability of Service in terms of Power Outages over all measured utility providers Ease of Understanding Bill (Invoice) over all measured utility providers Information on Energy Savings Ideas over all measured utility providers Courtesy and Helpfulness of Staff/Representatives over all measured utility providers Efforts to Support the Local Community over all measured utility providers Trust over all measured utility providers
#1 CHANNEL METRICS	Website Satisfaction over all measured utility providers (tied)

VISION, MISSION AND VALUES

VISION STATEMENT

MOVING SWIFTLY TO DELIVER THE UNEXPECTED.
PEOPLE. TECHNOLOGY. SOLUTIONS.

MISSION STATEMENT

Building on our heritage and having confidence in the future, GVEC is a team of professionals committed to exceeding expectations by identifying and investing in products and services that empower the people and communities we serve.

VALUES

We are motivated and guided by these shared values that shape and impact every aspect of what we do.

CUSTOMER EXPERIENCE

Delivering the GVEC experience, we realize the importance of our customers and work to ensure our people and solutions exceed their expectations.

ETHICAL & PROFESSIONAL BEHAVIOR

Seeing people as people, we will honor and respect one another, operating in a manner that reflects high morals, integrity, empathy and courtesy.

TEAMWORK

Working together, we hold ourselves accountable for the impact our work has on others. We do the right thing, practicing humility and helpfulness as we work together to accomplish our goals.

EMPLOYEE DEVELOPMENT

Focusing on developing employees, we will foster an environment of continued education and training in both leadership and technical skills. We retain and promote based on attitude and aptitude.

GOOD CORPORATE CITIZENSHIP

Investing in our communities, we work to develop and expand them, both socially and economically, encouraging community involvement by our employees.

SAFETY & WELLNESS

Living well and working safely, we make safety and wellness a top priority and work to create a safe and healthy environment for our employees and the public.

RESPONSIBLE FINANCIAL MANAGEMENT

Managing resources responsibly, we will utilize the resources of our member-owners in a diligent and responsible manner, using sound judgment in all our business practices.