

DELIVERING MORE.

2023 ANNUAL REPORT

OUTPACING THE ORDINARY

GVEC IS A COOPERATIVE THAT PROVIDES ESSENTIAL SERVICES TO EMPOWER THE PEOPLE AND COMMUNITIES WE SERVE

gvec.org

gvec
Delivering more.

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

OUTPACING THE ORDINARY

GVEC is a cooperative that provides essential services to empower the people and communities we serve. Exceeding expectations is the standard by which we measure every touch point with our members.

• ELECTRICITY

• INTERNET

• AC/HEATING

• ELECTRICIAN SERVICES

• SOLAR & BATTERY

• COMMUNITY



GM & PRESIDENT’S MESSAGE

2023 marked 85 years that GVEC has been in business. We celebrated that milestone with many electric cooperatives nationwide that also got their start in 1938. Throughout the years of providing services to our membership, one thing has set us apart: GVEC continues to carve its own path and outpace the “ordinary” cooperative. Where we are today didn’t happen overnight and wasn’t always easy, but GVEC has prevailed and grown into a diversified cooperative by staying true to our mission of empowering our members.

As the adage goes, the only thing constant is change. These days, even the pace of change is increasing, accelerating exponentially in fact, thanks in part to the combination of automation and technological advancements. This swift pace necessitates unconventional thinking, decision-making and adaptation. It underscores the importance of possessing not only the qualities of a competent team to navigate the here and now but also a comprehensive strategy for long-term success.

Many of the changes we’ve seen over 85 years have required patience because they unfolded gradually, like nurturing a small dial-up internet company until it became a game-changing high-speed fiber internet service provider. Other changes seemed to occur more quickly, like the explosive growth we’ve experienced in our area and the rapid evolution of data-centric activities. Regardless, we embrace our past, present and future prospects to ensure our efforts consistently align with the one reliable constant of serving our members. Whether

WHERE WE ARE TODAY DIDN’T
HAPPEN OVERNIGHT AND
WASN’T ALWAYS EASY

that means a fresh focus on our initiatives, venturing into new endeavors or discontinuing outdated practices, GVEC prioritizes exceeding expectations and being a leader in outpacing the ordinary.

GVEC’s position as a trusted provider of multiple essential services is built on connecting with our members and customers, ultimately improving the quality of life for the community. A good example of how the convergence of services proved beneficial was during the scorching summer of 2023. You may remember, South Central Texas had one of the hottest summers on record with relentless heat and consecutive triple-digit days. This situation had many of us seeking reprieve with the modern convenience of air conditioning and indoor comfort, which also heightened energy consumption, pricing and calls for conservation. Fortunately, GVEC was poised to respond and managed the demand for electricity, HVAC service calls and power supply alternatives with a reliable electric grid, a committed team of professionals, and modernized capabilities made possible through the sophistication of technology and connectivity of the internet.

While the heat was on, GVEC kept our cool and relied on knowing we had the people, technology and solutions to do the right thing for our members. As always, our system improvement projects earned their keep as we confidently initiated new worthwhile products and services as well. 2023 was indeed a strong year for encouraging the enhancements of member- and customer-facing services, creative use of data analytics and the expansion of distributed energy resources (DERs).

The people at GVEC dedicate significant effort in identifying and investing in the potential of our members’ and customers’ current needs and future dreams. It’s what motivates our staff to surpass the expectations of typical employees and deliver more to you—our members, customers and community. It’s a pleasure to see this kind of attitude and work ethic recognized with awards such as being named a Texas Mutual Insurance Company Platinum Safety Partner, Glassdoor Best Places to Work and a recipient of the NRECA J.C. Brown CEO Communication Leadership Award. We also had the privilege of honoring two long-tenured board members/officers with Community Room dedications in their names. We did this in addition to continuing the many best practices we’ve instilled in line maintenance, expanding our services, and supporting the people and communities we serve.

We hope you see your Cooperative is rising to the occasion in Electric, Internet, and Beyond the Meter services and embracing change to go above and beyond to exceed your expectations.

Gary E. Birdwell
Gary E. Birdwell
Board President

Darren Schauer
Darren Schauer
General Manager and CEO



AS THE ADAGE GOES, THE ONLY
THING CONSTANT IS CHANGE.
THESE DAYS, EVEN THE PACE
OF CHANGE IS INCREASING,
ACCELERATING EXPONENTIALLY
IN FACT, THANKS IN PART TO THE
COMBINATION OF AUTOMATION AND
TECHNOLOGICAL ADVANCEMENTS.
THIS SWIFT PACE NECESSITATES
UNCONVENTIONAL THINKING,
DECISION-MAKING AND ADAPTATION.

GVEC CONTINUES TO CARVE ITS OWN PATH AND OUTPACE THE “ORDINARY” COOPERATIVE

ONE COOPERATIVE, EXPANSIVE VALUE

GVEC brings a world of possibilities right here to the Guadalupe Valley, making electricity, connectivity and technology readily available to empower your way of life. Every facet of GVEC operations contributes to maintaining the renowned level of service that generations have come to associate with GVEC.

Expanding, upgrading and maintaining our infrastructure is key to advancing smart grid operational and service capabilities. We have reached a point where the infrastructure that enables the seamless flow of electricity and information to power our modern way of life not only must facilitate the necessities of lighting, heating and cooling but also power a boundless digital age. It is incumbent upon GVEC to continuously strengthen our infrastructure to meet the needs of our members and the changing needs and capabilities of the grid as well.

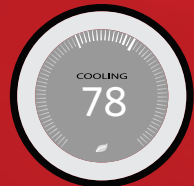


ADVANCEMENT

NO ORDINARY TECHNOLOGIES FOR ELECTRIC DISTRIBUTION

Distributed energy resources (DERs) and virtual power plants (VPPs) are exciting areas of progressive advancement in how electricity is generated, delivered and consumed. DER and VPP technologies include solar panels, battery storage and electric vehicle (EV) charging systems among others. These simple solutions for homeowners can also enable GVEC to participate in ERCOT programs such as aggregated distributed energy resources (ADERs). Cumulative VPPs and ADERs from residential members and commercial accounts are viable options to help lessen the strain on the electric grid during times of peak electric demand and provide monetary value to the membership.

- DERs
- VPPs
- EVs
- ADERs



LOWERING DEMAND

INNOVATIONS TO SAVE MORE ARE OUR ORDINARY

GVEC's Peak-Time Payback (PTP) program began in 2018, allowing members to receive a financial incentive for enrolling with their smart thermostat to help lower the overall demand on the grid during times of peak demand. Soon after, GVEC began exploring options to expand the program to include battery systems for our members in 2022 and throughout 2023. We're happy to say that through our PTP program, you can now receive a financial incentive by enrolling with your smart thermostat or an Enphase IQ battery system. The addition of Enphase IQ battery systems to the program is a new alternative energy solution. GVEC, working in conjunction with Parsons (formerly IPKeys Power Partners) and Enphase, can automatically transfer the load in the home from the grid to the battery with no noticeable change in the comfort level or functionality of the home.

The ADER pilot project, initiated by the Public Utility Commission, aims to evaluate the involvement of ADERs in the ERCOT wholesale market. GVEC is focused on collaborating with Original Equipment Manufacturers (OEMs) to understand the opportunities and benefits of ADERs and provide additional rebates to those that participate in these programs.

The objective of expanding DERs and energy efficiency programs is to drive down energy and transmission costs. When GVEC saves more, so do you, and that's a win-win for everyone.



DRIVING DOWN COSTS

- PEAK-TIME PAYBACK
- THERMOSTATS
- BATTERIES



GVEC IS A COOPERATIVE THAT PROVIDES ELECTRIC, INTERNET AND BEYOND THE METER SERVICES

TECHNOLOGY



EXTRAORDINARY INTERNET

There are considerable advantages of a Cooperative-owned, fiber-based communications system integrated into our grid. This vital component has become a staple for resiliency and efficiency and is essential to properly strengthen and diversify the capabilities of a smart grid. Our robust wireless internet service was made even better in 2023 with the addition of tower sites, greater speeds and in-home equipment to maximize signal strength. The internet not only connects important activities at GVEC, it also enriches the lives of our customers with advantages such as working from home, streaming content, educational value and more.



FULL SERVICE

BEYOND ORDINARY PRODUCTS AND SERVICES

Everything we do at GVEC begins and ends with our members and customers in mind. That's why we offer products and services that create value for a complete customer experience. Complimentary to electricity and internet are additional solutions that make your house a home—heating and air conditioning, electrician services, and solar and battery systems—with full-service staff who make it easy to do business with us.

The heat wave of 2023 resulted in a very busy summer for our HVAC team as they set a record themselves—compared to the same timeframe in 2018, the number of jobs completed doubled, and the after-hours service calls received leapt from 30 to 365! By strategically implementing work zones, our technicians were able to reach our customers with faster response times.



- ELECTRICITY
- INTERNET
- AC/HEATING
- ELECTRICIAN SERVICES
- SOLAR & BATTERY



INTERCONNECTING ALL OF OUR SERVICES



SERVICES WITH EXTRAORDINARY PURPOSE

GVEC wants to connect members and customers to our services to empower the people and communities we serve. 2023 delivered on enhancing existing services and providing new offerings along with continuing our community-focused initiatives to improve the quality of life across our territory.

CONNECTING TO OUR SERVICES

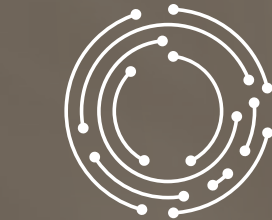
HVAC SPEC CHECK TOOL

GVEC launched the online HVAC Spec Check scheduling tool in 2023, where automated texts and emails proactively reach out to our Spec Check members to schedule their maintenance appointments. The communications contain a link to our website scheduling tool, which provides customers a simple way to choose their appointment date online.



NEW SMARTHUB DESIGN

GVEC Electric members can more easily track usage and manage their accounts with greater visibility thanks to the newly redesigned SmartHub® dashboard.



CONNECTING TO OUR COMMUNITY

THE POWER OF COMMUNITY

GVEC's Power Up™ program is funded by GVEC members voluntarily rounding up their electric bills each month to the nearest dollar, with the rounded amount donated to Power Up. The funds are reinvested by providing bill-pay assistance to qualified GVEC members and community grants to local nonprofit groups and civic organizations.

- 16 PROJECTS FUNDED IN 2023
- 229 PROJECTS FUNDED SINCE INCEPTION

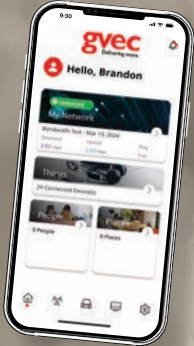
2023 POWER UP PROGRAM

2023 Grant Funds	\$292,178
Grant Funds Since 2012	\$3,700,382
2023 Financial Assistance	\$45,794
Financial Assistance Since 2012	\$668,312



WIFI APP

The introduction of the GVEC Internet WiFi app, for Calix routers rented from GVEC Internet, gives our customers greater control over their home networks with hands-on access, parental controls, speed tests and visible awareness of things that compromise their interconnected array.



EV CHARGING STATIONS

In keeping with our commitment to deliver the unexpected for our members, GVEC sells and installs electric vehicle (EV) charging stations for your homes or businesses. Or, if travelers find themselves out and about, they can stop by one of our GVEC Power Tower™ EV charging stations to charge up. Since 2022, GVEC has returned over \$14,200 in rebates to customers with in-home charging stations.



DONATING TIME

GVEC and its employees also generously donated their time and money to various charitable and community organizations across the service territory.



ACSI® SURVEY CATEGORIES INCLUDE (among others)

- TRUST
- OVERALL RELIABILITY AND CONSISTENCY OF SPEED
- INFORMATION ON ENERGY SAVINGS
- OUTREACH AND EFFORTS TO SUPPORT THE COMMUNITY

PROGRAMS

With the electric industry moving toward greater DER adoption, several programs are available to help our members use less energy and save more money. Whether you have a complete solar panel and battery system, a smart thermostat or simply a desire to do more to conserve energy, GVEC has the right solution for you.



SUNHUB

For our members interested in renewable solar energy, but not in buying or installing a solar panel system on their home, our SunHub™ Community Solar program is the perfect solution. This generation asset supplies 2 MW annually of clean solar electricity.



SUNHUB MEMBERS TO DATE

Members	716
kWh Used	315,600

RESIDENTIAL ROOFTOP SOLAR

With alternative energy sources becoming increasingly valued in the U.S. today, more and more people are looking for ways to incorporate renewable energy into their homes. Our members with residential solar panels can maximize the savings from their systems with environmental credits for clean energy production. GVEC's rooftop solar capacity totaled around 26 MW in 2023. Over the last few years, the Cooperative has consistently been a leader among all Texas electric providers in terms of rooftop solar electric capacity. What's more, we offer free estimates, complete start-to-finish installation including permits and HOA checks, as well as on-bill financing, discounts, warranties and more!



ACSI® SURVEY

Thanks to your survey responses, GVEC earned 28 top ratings in both Fiber internet and electric industries. These surveys also provide valuable feedback on potential service improvements.

**Compared to publicly measured companies in the American Customer Satisfaction Index (ACSI®) surveys of customers rating their own energy utility and fiber internet service providers. Data for GVEC Fiber collected by the ACSI in 2023 based on a sample provided by GVEC. ACSI and its logo are registered trademarks of the American Customer Satisfaction Index, LLC.



PEAK-TIME PAYBACK

Peak-Time Payback (PTP) participants allow GVEC to use their internet-connected thermostats or Enphase IQ battery systems to help reduce overall power usage along the grid during peak usage times, primarily when the temperatures outside are extremely hot or cold. In return, participants enrolled in the program receive initial and annual bill credits. The Electric Reliability Council of Texas uses peak-time usage numbers to determine GVEC's share of statewide transmission costs each year.

PEAK-TIME PAYBACK 2023 SIGNUPS AND SAVINGS

Total New PTP Enrollments for 2023	779
Total Enrollments as of 12/31/2023	3,552
Total Savings in Transmission Costs for 2023	\$333,177



SYSTEM AND NETWORK ENHANCEMENTS

In 2023, GVEC continued to invest in innovative electric, broadband and beyond the meter solutions. Our high-performance standards and lofty initiatives required extraordinary planning and teamwork to deliver an ordinary day of needs to our customers.

There were 11 system improvement projects scheduled and completed in 2023, four for improved efficiency and reliability and seven to support load growth and development.

DELHI

Construction commenced in 2022 on the Delhi Substation and Delhi Transmission Line to serve the ARWA and GBRA water projects and future loads in eastern Caldwell County. The Delhi Substation was energized in May of 2023.



SANTA CLARA

The Santa Clara Substation and Santa Clara Transmission Line to serve the AISIN facility and future loads in Guadalupe County also began with construction in 2022 and was completed by November of 2023.

This project was the largest of its kind for the Cooperative. We worked diligently with multiple government, business and public utility partners to bring the project to fruition.



VITESCO

Vitesco, Big Sun Solar and GVEC broke ground for a new solar sustainability project in Seguin. Global automotive supplier, Vitesco Technologies, worked with San Antonio-based Big Sun Solar to build a 12-acre, 2.6 MW solar farm adjacent to its manufacturing facility in the area. Big Sun built, owns and

operates the project, and Vitesco purchases the electricity generated to offset its energy consumption from GVEC. This unique collaboration is believed to be one of the first three-party power purchase agreements in Texas. The project was completed in 2023.



99,681

TOTAL ELECTRIC METERS

• ELECTRIC

24,033

TOTAL BROADBAND SUBSCRIBERS

• INTERNET

	2023	BENCHMARK
SAIFI	1.40	1.20
SAIDI	1:53	1:33
CAIDI	1:21	1:18

SAIFI – average interruptions per member
SAIDI – average member outage time per year
CAIDI – average outage time

INTERNET

In 2023, multiple improvements were made to our wireless infrastructure including the deployment of new technology, backhaul upgrades and additional access points.

These improvements allowed us to begin rolling out 100 Mbps speed plans in select areas.

New pricing plans for our internet customers were introduced in 2023 to align with the new options and speed plans available to them. This strategic move also allowed us to remain competitive in the

marketplace and to continue providing customers with exceptional value.

New fiber construction made it possible to potentially add 6,647 new fiber internet customers in the following areas: New Braunfels, Seguin, Cibolo, Shiner, Geronimo, Cost, Gonzales, La Vernia, and the FELPs area. A record number in one year!



12,808

DISTRIBUTION POLE INSPECTIONS

381

TRANSMISSION POLE INSPECTIONS

618

POLE REPLACEMENTS OF REJECTED POLES

946

MILES OF RIGHT-OF-WAY MAINTENANCE

9,037

OVERHEAD MILES OF ELECTRIC LINE

1,372

UNDERGROUND MILES OF ELECTRIC LINE

• ELECTRIC LINE

2,249

OVERHEAD MILES OF FIBER LINE

209

UNDERGROUND MILES OF FIBER LINE

• FIBER LINE

FINANCIAL PERFORMANCE

GVEC ended 2023 with an optimistic view on our financial future and remains a strong, financially sound cooperative. A good sign of financial strength is the upgrade to GVEC’s credit rating from Standard & Poor’s (S&P) to an “A” from an “A-.”

GVEC is keenly aware of the importance of financial stewardship and diligently works to safeguard this entrusted responsibility. In 2023, we leveraged our analytics and data science team to improve transaction tracking and margin analysis. Through the blazing speed of automation, GVEC now has greater business insights to make more informed decisions in real time.

GVEC continues to evaluate federal and state funding opportunities available to support the activities of smart grid and broadband initiatives when it is favorable for the Cooperative to do so. At the end of 2023, GVEC submitted a Letter of Interest for the USDA’s Empowering Rural America (New ERA) program for solar and battery infrastructure, and smart thermostats as part of a residential demand response program.



IN 2023, WE **LEVERAGED** OUR **ANALYTICS** AND **DATA SCIENCE TEAM** TO **IMPROVE** TRANSACTION **TRACKING** AND MARGIN **ANALYSIS**

- 2023 BOARD OF DIRECTORS
- FROM LEFT STANDING

Leo York, District 6

Don Williams, District 10

Shawn Martinez, District 4

Vice President Henry C. Schmidt Jr., District 3

Lewis Borgfeld, District 2

Mark Roberts, District 8

Robert J. Werner, District 1

David Warzecha, District 11

Melvin E. Strey, District 7
- FROM LEFT SITTING

President Gary E. Birdwell, District 9

Secretary/Treasurer Morris Harvey, District 5



GVEC CONSOLIDATED FINANCIALS

Year ending December 31, 2023

2023 BALANCE SHEET

ASSETS	
Cash and Cash Equivalents	\$25,075,885
Other Current Assets	48,678,286
Property, Plant and Equipment Net	751,200,540
Other Long-Term Assets	194,379,005
Total Assets	<u>\$1,019,333,716</u>
LIABILITIES	
Current and Accrued Liabilities	\$32,880,753
Short-Term Debt	70,000,000
Current Portion of Long-Term Debt	19,030,533
Notes and Bonds Payable, Long-Term Debt	461,765,136
Other Long-Term Liabilities	14,142,840
Total Liabilities	<u>\$597,819,262</u>
MEMBER EQUITY	
Total Patronage Capital and Other Equity	<u>\$421,514,454</u>
Total Member Equity	<u>421,514,454</u>
Total Liabilities and Equity	<u>\$1,019,333,716</u>

2023 INCOME STATEMENT

OPERATING REVENUE	
Sales	\$345,528,003
Cost of Sales	215,584,340
Gross Margin on Sales	<u>\$129,943,663</u>
EXPENSES	
Operating Expense	\$55,992,520
Depreciation	39,720,616
Interest Expense	15,543,922
Other Expense (Income)	(6,076,261)
Income Before Tax Expense	<u>24,762,866</u>
Income Tax (Benefit)	<u>317,898</u>
Net Income	<u>\$24,444,968</u>

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

2023 CASH FLOW

Net Income	\$24,444,968
ADJUSTMENTS TO NET INCOME	
Depreciation and Amortization	\$41,380,552
Patronage Capital Dividends	(3,385,129)
Deferred Income Taxes	141,822
Post-Retirement Benefit Accruals	78,950
(Increase) Decrease in Current Assets	(688,580)
(Increase) Decrease in Long-Term Assets	200,802
Increase (Decrease) in Current Liabilities	(12,905,843)
Increase (Decrease) in Long-Term Liabilities	(646,490)
Net Cash Provided by Operating Activities	<u>\$48,621,052</u>

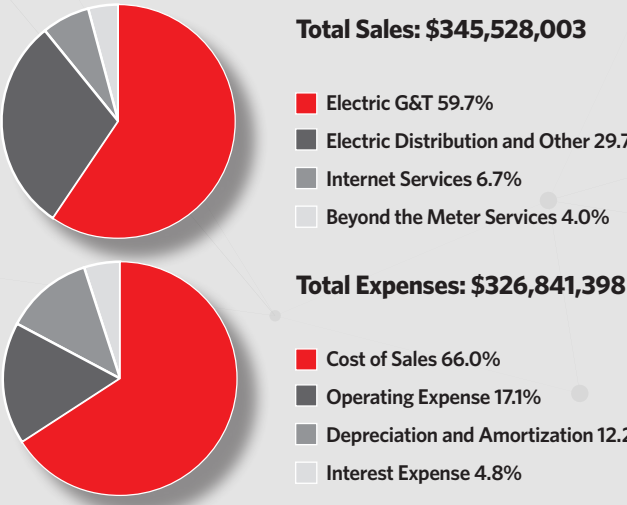
CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property, Plant and Equipment	\$(92,545,422)
Patronage Capital Dividends	270,745
Winter Storm Collections	552,750
Net Loans Issued	988,842
Net Cash Used in Investing Activities	<u>\$(90,733,085)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of Long-Term Debt	\$(11,698,592)
Net Advances on Short-Term Debt	57,000,000
Patronage Capital Retired	(164,301)
Net Change in Deposits and Memberships	186,120
Net Change in Deferred Credits	(436,522)
Net Cash Provided by Financing Activities	<u>\$44,886,705</u>

Net Increase (Decrease) in Cash and Cash Equivalents	\$2,774,672
Cash and Cash Equivalents at Beginning of Year	<u>\$22,301,213</u>
Cash and Cash Equivalents at End of Year	<u>\$25,075,885</u>



OUTPACING THE ORDINARY

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.

FOLLOW US ON



Gonzales

825 E. Sarah DeWitt Dr.
830.857.1200

Cuero

1015 E. Broadway
361.275.2334

La Vernia

13849 U.S. Hwy 87 W.
830.253.1600

Schertz

908 Curtiss Ave.
210.658.7033

Seguin

927 N. Hwy 46
830.379.2114

gvec
Delivering more.

800.223.4832 | gvec.org

TACLB00116382E | TECL32802