

annualreport08

annualreport08



electric



internet



homeservices

gvec
Your kind of power.

1.800.223.GVEC (4832) : www.gvec.org

gvec
Your kind of power.

GuadalupeValleyElectricCooperative,Inc.

GONZALES

825 E. Sarah DeWitt Dr.
Gonzales, TX 78629
830.857.1200



CUERO

909 E. Broadway
Cuero, TX 77954
361.275.2334



LA VERNIA

13849 U.S. Hwy 87 W.
La Vernia, TX 78121
830.253.1600



SCHERTZ

908 Curtiss Ave.
Schertz, TX 78154
210.658.7033



SEGUIN

927 N. Highway 46
Seguin, TX 78155
830.379.2114



President's and General Manager's Message.

Just like every other business or industry in the nation today, GVEC has some stark challenges ahead. Uncertainties in the economy, wholesale power contract negotiations, and pending state and federal legislation and mandates affecting the electric utility industry are just a few topics holding our attention.

Although change is on the horizon for the industry, GVEC members can trust we will work through the changes with your best interests in mind. We continue to forge ahead and operate in a manner that takes into account the current conditions while planning for our long-term future.

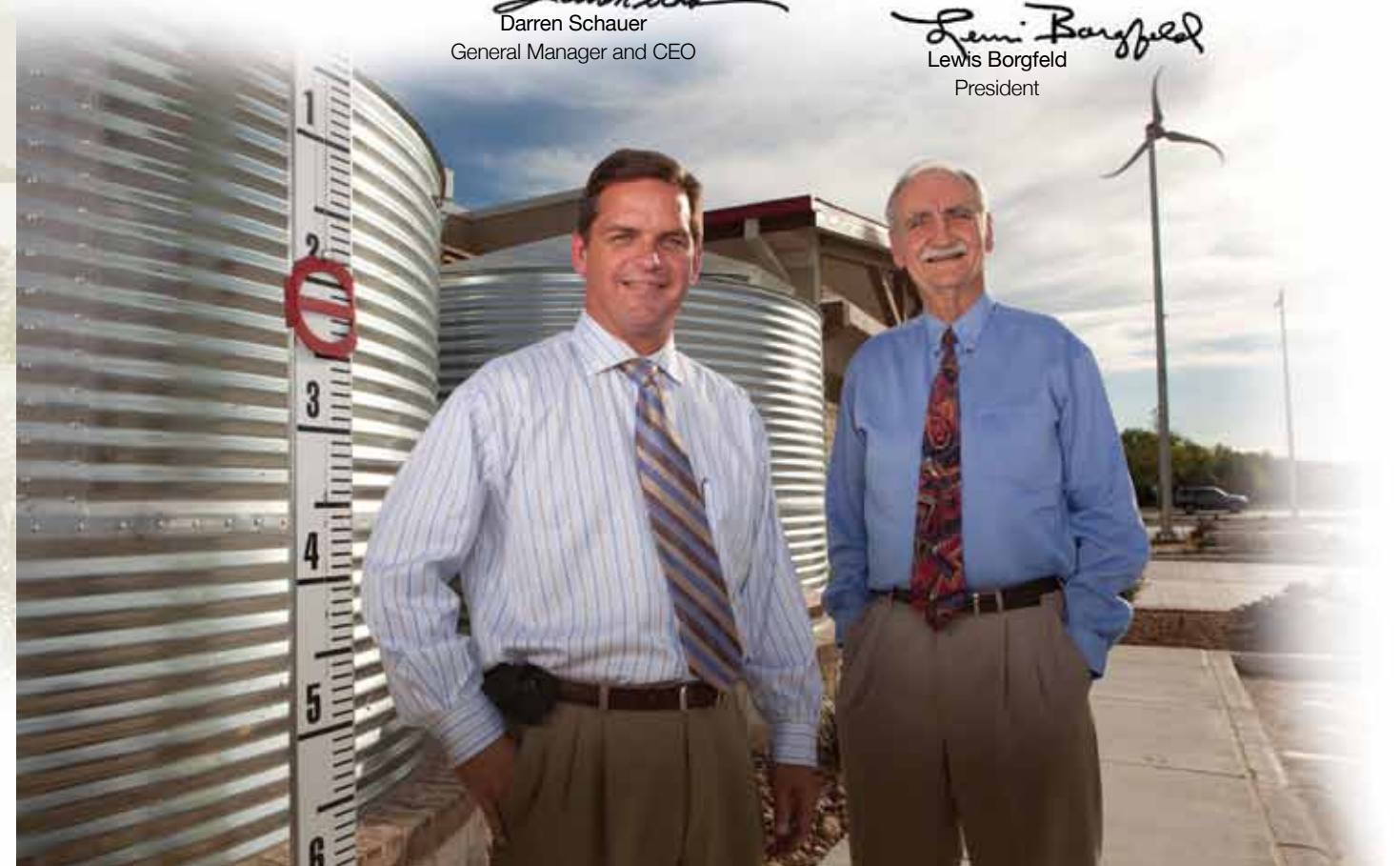
Each year, we continuously focus on operating and maintaining a reliable transmission and distribution system for you, our member-owners. In 2008, part of that strategy included adhering to the five-year business plan adopted by our Board of Directors. The staff throughout the cooperative took on the task of completing several major system projects that enabled us to increase capacity and maintain reliability today and for years to come.

In addition to reliability, how we interact with you is also one of our top priorities. To this end, GVEC felt it necessary to begin construction of a new Office Complex in Seguin to meet growing member demand in the Guadalupe County area. Approximately 65% of our membership now resides in Guadalupe County. In 2008, construction of the new Seguin Office Complex was well under way, and the facility opened in April of 2009. We are pleased to offer a facility that represents service as well as education to both members and the public. Renewable exhibits on wind, solar, and rainwater harvesting are featured to help members learn about these technologies and also help GVEC explore their feasibility in our area. A community room for use by non-profit organizations is also available. We view this facility as a community resource and another step toward showing our commitment to service, innovative products and community partnership.

In addition to our focus on reliability and service in 2008, member communication was also at the forefront of our thoughts. As we are facing new challenges in the industry and a continually diversifying service territory, we are cognizant of the fact that member communication is essential. As a result, you saw GVEC begin to include the *GVEC Review* inside of *Texas Co-op Power Magazine*, and we now have adopted an updated logo and new slogan. Our membership – which includes people and businesses across rural and urban boundaries – is ever-changing, and each of you has individual needs. GVEC's new slogan, "Your kind of power", is about fulfilling those needs now and maintaining the agility to change in this rapidly evolving industry. So thank you for trusting us to take on the role of your electric supplier. We strive hard to deliver *your kind of power*.

Darren Schauer
Darren Schauer
General Manager and CEO

Lewis Borgfeld
Lewis Borgfeld
President



At GVEC, We Work for You.

And we understand the responsibility that comes with being your partner.

From our friendly customer service representatives to our dedicated field personnel, our mission is not only to meet your needs, but to exceed your expectations.

Our employees display dedication in their daily approach to their jobs and also through their efforts in community service and involvement.

You are likely to see one or more of us in your child's school teaching electrical safety, at your local Chamber of Commerce meeting, supporting community events, or walking as a team

to help find a cure for cancer.

Community involvement is part of our culture. We strive to

take care of our members out of respect for our neighbors and our communities.

Just like you, we live, work and play in the areas we serve.

And just like you, we call these areas home.

We take great pride in working for the Guadalupe Valley

Electric Cooperative and

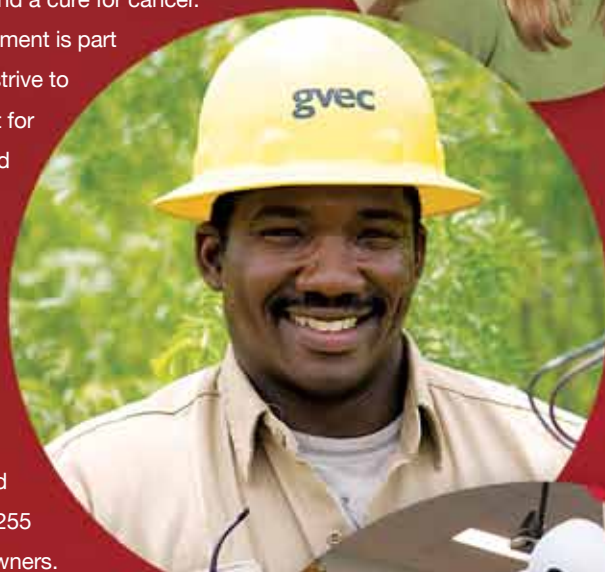
in being part of the professional team of 255 employees serving you, our member-owners.

As we continuously develop and look toward

the future, we never lose sight of our rich heritage and our responsibility to you.

We're faces you've known and partners you've trusted for over 70 years.

We're your Cooperative, and **your** kind of power.



financials08

GVEC Balance Sheet

2008 Assets

Current and Accrued Assets	\$23,295,131
Electric Plant	
Original Plant	354,426,634
Depreciation	<u>(94,593,409)</u>
Net Value of Electric Plant	259,833,225
Investment & Fund Accounts	9,629,000
Deferred Debits	<u>978,878</u>
Total Assets	<u>\$293,736,234</u>

Liabilities

Current and Accrued Liabilities	\$4,312,202
Indebtedness to CFC	37,792,073
Indebtedness to CoBank	30,000,000
Bonds	37,200,000
Accounts Payable	13,863,850
Deferred Credits	<u>13,363,957</u>
Total Liabilities	\$136,532,082
Member Equity	
Membership Fees	2,235,615
Patronage Capital & Other Equities	<u>154,968,537</u>
Total Member Equity	157,204,152
Total Liabilities & Equity	<u>\$293,736,234</u>

2008 Income Statement Operating Revenue

Revenue from Rates	\$170,563,933
Other Revenue	<u>8,447,941</u>
Total	179,011,874
Cost of Power	<u>131,164,883</u>
Gross Margin	\$47,846,991

Expenses

Operating Expenses	\$21,386,657
Interest on Debt	4,737,061
Depreciation	10,469,410
Other Income	<u>-572</u>
Sub-Total Expenses	36,592,556
Operating Margin	11,254,435
Other Capital Credits	632,748
Other Margin	<u>769,594</u>
Total Margin	<u>\$12,656,777</u>

2008 Cash Flow Cash Flows from Operating Activities

Net Income	\$13,158,895
Adjustments to Reconcile Net Income to Net Cash	
Depreciation & Amortization	10,759,230
Provision for Bad Debt	407,326
Disposal of Non-Utility Property	-
Patronage Capital Credits	(539,313)
Equity in Earnings of Investee	(105,862)
(Increase) Decrease in Assets	(3,199,531)
Increase (Decrease) in Liabilities	<u>(3,582,991)</u>
Total Adjustments	<u>3,738,859</u>

Net Cash Provided by Operating Activities

\$16,897,754

Cash Flows from Investing Activities

Purchases of Property, Plant & Equipment	(37,242,374)
Patronage Capital Dividends	407,609
Purchase/Proceeds from Investments	<u>(45,407)</u>

Net Cash Used by Investing Activities

\$(36,880,172)

Cash Flows from Financing Activities

Change in Member Deposit & Other Equities	921,909
Dividends Paid	(3,549,622)
Proceeds from New Debt Issued	30,000,000
Repayment of Debt	<u>(9,923,311)</u>

Net Cash Provided by Financing Activities

\$17,448,976

NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,533,442)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,925,529
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$1,392,087</u>

2008 GVEC Statistics

Total Consumers	64,890
KWH Sales	1,781,570,701
Number of Employees	255
Miles of Transmission Line	218
Miles of Overhead Distribution Line	7,757
Miles of Underground Distribution Line	472

GVEC – Subsidiaries

GVEC is more than just reliable electricity. As the needs of our membership have grown over the years, so has our commitment to provide products and services that contribute to those changing needs. From energy-efficient home appliances to high-speed Internet service to investing in the development of communities, GVEC is here to serve.



Home Services

GVEC Home Services is your one-stop shopping location for electric home appliances and central heating and cooling units, with stores in Gonzales, La Vernia and Seguin. Home Services is an ENERGY STAR® Partner and carries a large stock of energy-efficient major brand home appliances. The staff of licensed technicians install, repair and service central electric heating and cooling units and appliances. Home Services is an independent for-profit subsidiary of GVEC, and all three locations are open to the general public.



GVEC.net

GVEC.net is a jointly-owned Internet service provider serving a majority of the GVEC electric service territory, the Karnes electric service territory, and portions of bordering counties. GVEC.net is committed to providing quality, high-speed wireless and dial-up Internet access. In 2008 capital improvement projects enhanced the capacity of six different towers, with two new tower sites in Yorktown and Weser. These continued infrastructure upgrades and additions, along with local customer service and email spam and virus filtering, allow GVEC.net to provide safe and dependable Internet service.



GVDC

The Guadalupe Valley Development Corporation was formed in 1987 to support local economic development within the GVEC service area. It is a non-profit corporation that has provided over \$15 million in loans to area public service organizations such as volunteer fire departments and rural water supply corporations. GVDC has also been instrumental in the development of several area industrial parks to spur growth and job creation.

To ensure that we are measuring and tracking our progress and setting goals to meet your expectations, each year we draft and follow a business plan that includes focus areas, strategies and benchmarks. The 2008 Plan included focus areas such as employee development, enhanced member communications, system reliability and customer relations. The plan also included benchmarks that track activities such as outage times, call center performance, budget and customer service. Below you will find some of the accomplishments made during the year.

Outage Management

GVEC works 24 hours a day, 365 days a year, to provide reliable service and low outage times. In this regard, the board and staff have put the following benchmarks in place.

Outages	Benchmark	Actual Performance
CAIDI	1:05	1:05
SAIDI	2:20	1:53
SAIFI	2.15	1.74

CAIDI – Customer Average Interruption Duration Index (average length of outage)
 SAIDI – System Average Interruption Duration Index (average annual outage time per consumer)
 SAIFI – System Average Interruption Frequency Index (how many times, on average, each GVEC customer experienced an outage)

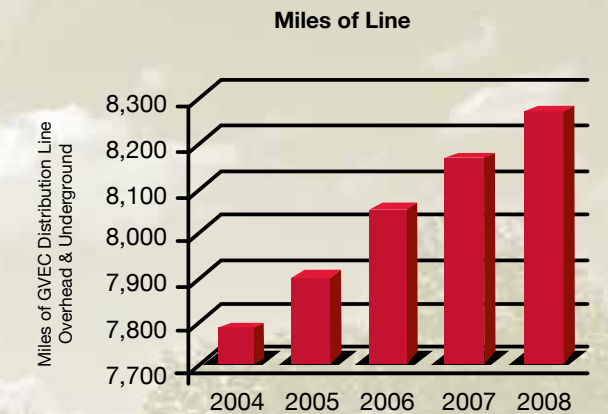
Staff also tracks the cause of each outage that occurs across the system. In 2008, the top cause of outages was lightning at 24% with animals following at 17%.

Electric Call Times

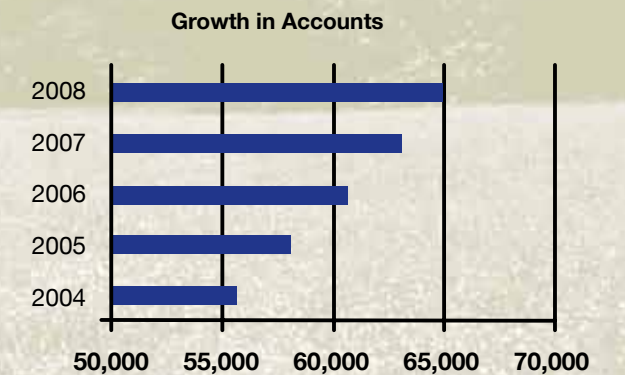
Did you know that GVEC answers over 90% of its calls with a live customer service representative in under 20 seconds? One of the key benchmarks GVEC uses for measuring customer service is tracking call times in an effort to provide you with friendly, quality service with a minimal wait. In fact, 98% of calls are answered in under 1 minute and 100% are answered in under 2 minutes during regular business hours.

Transmission, Distribution, and Communications Infrastructure

A significant amount of capital has been invested into GVEC's transmission, distribution and communications infrastructure over the past few years as part of a long-term system improvement and maintenance plan focused on reliability and growth preparation. Some of the major accomplishments include the installation of a new fiber communication system that was brought to the McQueeney, Schertz and Capote Hills/Hickory Forest areas to enhance field communications and field monitoring capabilities. An upgraded transmission line was installed from New Berlin to Olmos. The Capote substation was upgraded from 69kV to 138kV and construction was completed on a new Olmos interchange switching station. In addition, as displayed in the chart below, over 71 miles of new underground and overhead line was installed in 2008.



All of these improvements provided the additional capacity and communication capabilities needed to extend new service and maintain quality service through steady growth and development.



GVEC – Board of Directors

The Board of Directors represents all members in the eleven GVEC districts. Directors are nominated and elected by the membership. They come from diverse backgrounds and all types of industries: banking, ranching, farming, education, oil, food, utilities and business. And they're not just your leaders – they're your neighbors, with families, businesses, careers and hobbies within the communities they represent.

David Dennis has served as the director from District 8 since 1984. In addition to being General Manager of Cibolo Creek Municipal Authority, he enjoys cattle ranching, hunting, fishing and spending time with his two grown daughters. Director Dennis and his wife, Barbara, live in Cibolo.



Lewis Borgfeld, Board President and District 2 director, is originally from Cibolo and has lived most of his life in that community. He served in the United States Air Force as a KC-135 pilot and saw duty in Southeast Asia. He has been involved in community service and is a charter director and past president of the Randolph Metrocom Chamber of Commerce and past president of the Randolph Metrocom Rotary Club. Professionally, he has been in the banking industry for almost 40 years and currently is a commercial loan Vice President of Schertz Bank & Trust.



Dr. Tom DeKunder of Schertz has represented District 9 on the GVEC board since 2001. He is currently the Director of Educational Leadership at St. Mary's University in San Antonio. DeKunder is retired from Marion ISD, where he served as a teacher, track coach, athletic director, principal and superintendent over a period of 30 years.



Melvin E. Strey has served as director for District 7 since 1977 and is currently Vice President of the board. Among his many community activities, he helped found the volunteer fire department for the City of New Berlin – and was recently named "Firefighter of the Year" by the Guadalupe County Firefighter's Association.



Emmett Engelke has represented District 6 since 2008. He was born and raised in Seguin, and spent his career as a tax auditor/supervisor with the Texas State Comptroller's Office. Now retired, he and his wife Dolores enjoy traveling and spending time with their grandchildren in their New Braunfels home.



W. A. (Bill) Lott has served GVEC members as District 5 director since 1981. A native of the Leesville area, and well known for many years as one of the major peanut producers in Gonzales County, Lott today is retired from the farming and ranching business.



Robert A. Young has represented District 4 since 1986 and currently serves as Secretary-Treasurer. A veteran of World War II and the Korean War and retired from the offshore drilling industry, Young now enjoys traveling the world. He became an avid whittler as a Boy Scout in the 1930s, and has created pieces for family, friends and the community for 70 years.



Henry Schmidt, Jr. has represented District 3 since 2000 and is a member of the Board of Directors Executive Committee. He is co-owner of Schmidt and Sons, Inc., in Gonzales, a fuel and automotive products distributor founded in 1960. Henry (Bubba) Schmidt and his wife, Debbie, live just outside of Gonzales.



Robert J. Werner of Shiner has been on the GVEC Board of Directors since 1999, serving members of District 1. He and his wife, Susan, own and operate Werner's Restaurants, full-service eateries and catering services in Shiner, Hallettsville and Lockhart.



Don Williams has served as a cooperative board director since 1993 and now represents members in District 10. He is retired from Hochheim Prairie Insurance and is currently a partner with Jacobs-Weber in Yoakum. He enjoys ranching in his spare time. Director Williams and his wife, Jean, reside in Yoakum.



David Warzecha has served as a cooperative board director since 1992 and represents members in District 11. Mr. Warzecha is a businessman and rancher and has lived in DeWitt County for over 50 years. He also serves as President of the DeWitt Community Development Foundation where he was instrumental in founding the DeWitt Technology Center. Director Warzecha and his wife, Patsy, reside in the Westhoff area.

GVEC distributes electric service throughout 13 south central Texas counties. Service extends throughout DeWitt, Gonzales, Guadalupe, Lavaca and Wilson, and also covers parts of Hays, Comal, Fayette, Caldwell, Goliad, Karnes, Victoria and Jackson counties.