A close-up, low-angle shot of a young girl with dark hair, looking upwards and to the right. The background is dark with numerous out-of-focus, warm-toned circular lights, creating a bokeh effect. The lighting is soft and focused on the girl's face.

Your kind of amazing.

gvec[™]
Your kind of power.[™]

GuadalupeValleyElectricCooperative, Inc.

Your kind of community.



PRESIDENT'S AND GENERAL MANAGER'S MESSAGE

GVEC is there for the moments that matter. These are the moments in life that bring us joy, health, and happiness. It's those times when we thrive as stronger families, neighbors, and communities. Powering these moments has inspired the unrelenting work of the Guadalupe Valley Electric Cooperative for over 71 years, and remains its focus today. In 2009, making a difference for you meant focusing on affordability and effectively preparing for a brighter energy future.



Lewis Borgfeld
President
District 2



Darren Schauer
General Manager
& CEO

As many families and local businesses struggled through the effects of a national economic decline, Washington became engaged in aggressive environmental initiatives. Terms such as "climate change" and "cap and trade" became household conversations for cooperative families. In response, GVEC, along with cooperatives from across the country, united with the National Rural Electric Cooperative Association (NRECA) to face such issues as global demand for resources, environmental concerns, and the

associated increase in costs for generating electricity. The cooperative voice

spoke loudly in regards to striking a fair and balanced solution in both environmental responsibility and affordability. While a resolution is still pending, GVEC remains involved to represent you.

Equally important to future affordability is prudently managing wholesale power costs. Comprising over 67% of the total cost, it is the single largest component of your monthly electric bill. With a 30-year power purchase agreement up for renewal in 2016, GVEC started the important process in 2009 of considering

proposals on a variety of purchase options ranging from all-requirements contracts to renewable opportunities. In developing a comprehensive purchase strategy, GVEC will support sustainability at reasonable costs through a combination of diverse resources. This process will be a couple of years in the making, and one that we assume with the upmost responsibility to our member-owners.

We also strive every day to deliver reliable service. As you read through further details, you'll note major operational projects completed, including designing a state-of-the art Western Operations Center to support area growth and increase efficiencies. This is in addition to providing the many valuable enhanced services and support programs to our member communities. To us, reliability means that we are your dependable power provider.

Though the GVEC Board and staff are extremely proud of the Cooperative's annual achievements, ultimate satisfaction comes in knowing that we are there when you need us, providing your kind of power for more moments that matter.

Thank you for the opportunity to serve.

Darren Schauer
General Manager and CEO

Lewis Borgfeld
President



Melvin E. Strey
Vice President
District 7



Don Williams
Secretary/
Treasurer
District 10



Robert J. Werner
District 1



Henry C.
Schmidt, Jr.
District 3



Shawn Martinez
District 4



W. A. "Bill" Lott
District 5



Emmett Engelke
District 6



Mark Roberts
District 8



Dr. Tom DeKunder
District 9



David Warzecha
District 11

Your kind of Friday night.



MARION HIGH SCHOOL FOOTBALL TEAM

GVEC takes great pride in being there when and where members need us. Whether it's your son's first touchdown or last game before college, we are proud to be a part of that moment.

►► GVEC: 2009 IN REVIEW

The last 12 months have been amazing. Not just for the achievements we made as an electric cooperative, but also for the moments we shared in the lives of our members. Moments like the Friday night victory game under the stadium lights. GVEC takes great pride in being there when our members need us. That's why last year we worked to improve reliability, service, and affordability by investing in transmission lines, substation upgrades, new technology and services,

and even new facilities. The last 12 months have been filled with powerful moments including:

1. Transmission and Distribution Investments. In 2009, we systematically upgraded our electric system to enhance the reliability of power and prepare for future growth. These enhancements and upgrades included:

- Installing over 63 miles of line to improve reliability and meet growing demands.
- Constructing an eleven-mile 138 kV transmission line from GVEC's Wilson substation to the Sutherland Springs substation to improve reliability and prepare for growth.
- Building and energizing the Olmos Interchange and York Creek substations to improve reliability.
- Building and energizing the Caterpillar substation to power the needs of the new Caterpillar plant in Seguin.
- Constructing the 138 kV substation and switchyard to improve reliability for CMC and the GVEC electric system.
- Replacing hundreds of at-risk poles to reduce the potential for future outages.
- Clearing away hundreds of miles of trees and brush around power lines to help reduce future outages.

- Gonzales to San Antonio to make it easier to communicate with new technologies that help monitor and control our systems.
- Upgrading our mapping and phone systems to allow us to respond faster during outages.

3. Facility Investments. We entered the final phase of our long-range facilities plan to keep pace with growing demand. Facility investments included:

- The completion of the new Seguin Office Complex.
- The completion of the new Western Operations Center design plans.

4. Customer Service Improvements. We made it easier to do business with us by:

- Implementing the Auto-Pay feature on www.gvec.org to offer members more convenient options to pay their bill.

5. Your Kind of Power. Last year, we introduced an all new look with a renewed promise, "Your Kind of Power". This simple statement means we go to great lengths to meet your individual needs whether you need basic electricity, power availability monitoring services, home energy audits, home appliances, internet service, a wind generator, or all of the above.

Today, GVEC has energized over 66,000 meters and is involved in nearly every facet of energy including efficiency, conservation, renewable sources, and more. But more than just supplying power, GVEC is proud to power the moments that matter to our members.



Transmission, Distribution, and Communications Infrastructure

2. State-of-the-Art Technology Upgrades.

Last year we focused on enhancing and using technology to provide better service to our members, which included:

- Completing the installation of a fiber network between all substations from

5 Years of Powerful Moments

2004



GVEC makes it convenient to pay your bill with online bill pay, bank draft payment options, and the level payment plan

2005

GVEC returns \$2 million in capital credits to members
"A+" rating from Standard & Poor's allows GVEC to borrow for less - saving money for the GVEC membership



2007

GVEC returns \$3 million in capital credits to members

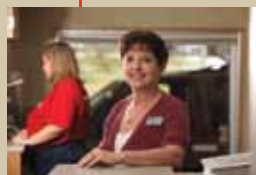


GVEC installs over 71 miles of overhead and underground line bringing power to those who need it

GVEC Review appears in *Texas Co-op Power*
GVEC installs wind generators to study the impact of renewable energy



2008



GVEC establishes 5-year business plan to ensure we stay focused on member needs
GVEC extends customer service hours to 7:30 a.m. to 6 p.m.



La Vernia office opens to better serve the community
GVEC Home™ brings appliance options to La Vernia with its new showroom

2006



GVEC gets kids and parents involved with electrical safety and conservation with Kid's Korner and the Home Energy Suite on www.gvec.org

2009



Seguin Office Complex opens and Board approves the construction of a new Western Operations Center
Members can save with GVEC's new Energy Efficiency Rebate Programs



Your kind of slumber party.

Powering meaningful moments like your child's first slumber party is what drives us to embrace products and services that make a difference in the lives of our members.

LAIKYN, DIANE, AND JAZMINE, SCHERTZ



Stephen Webster
GVEC Member
since 1996

Powering moments that matter.

Keeping the lights on is not all we do. Through the talent and dedication of those working to serve your needs, we want to help make moments that matter. We're your kind of movie night and morning cup of coffee. That's what matters to our team of 265 professionals.

Every day we look for ways to get more involved with our members. After all, we're just like you. We live, work, play and have our moments, too, every day, right in the neighborhoods we serve.

That's why you'll see us at the Friday night football game, at the county fairgrounds, at your child's school teaching electrical safety, or collecting donations to feed the hungry. This community commitment is something we look forward to every year.

Just as we're seeking to improve the communities we serve, we're also constantly looking for ways to help you live a more energy-efficient lifestyle through services like Energy Efficiency Rebates, Home Energy Checkups, financing for energy efficient improvements, and online energy saving tools.

Powering strong communities.

Economic development is vital to the growth of our communities. That's why we offer community grants and assist our area Chambers of Commerce and Economic Development offices in attracting industry and events, which work to create jobs and help our local economies prosper. Our Economic Development team provides a variety of services to prospective industry and commercial businesses looking to relocate and transition into the GVEC service territory.

In 1987, GVEC recognized the need to make more substantial contributions to economic development and formed the Guadalupe Valley Development Corporation [GVDC] subsidiary, a corporation that provides loans to area public service organizations such as volunteer fire departments, industrial parks, health clinics, and rural water supply corporations. Investing in the areas we serve is one more way we can help create strong and healthy communities.

Creating powerful connections.

We know reliable and affordable electricity is vital to our members. We also know that living a greener lifestyle and staying connected to the world is important, too. Through GVEC Home™ and GVEC.net™, members have even more choices.

Your kind of nightlight.



CUERO'S CHISHOLM TRAIL HERITAGE MUSEUM ANNUAL GALA, CHEAPSIDE

GVEC Home is your one-stop shopping location for electric home appliances and central heating and cooling units, with stores in Gonzales, La Vernia, and Seguin. GVEC Home is an ENERGY STAR® Partner and carries a large selection of energy efficient major brand home appliances. The staff of licensed technicians installs, repairs and services central electric heating and cooling units and appliances. GVEC Home Services, Inc. is a subsidiary of Guadalupe Valley Electric Cooperative, Inc., and all three locations are open to the general public.

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 2009, GVEC.net expanded into the Fordtran, Yorktown, Concrete, Olmos, Stagecoach, and York Creek areas.

Powering an efficient and renewable energy future.

Electricity is essential, not only for dinner with the family, but also for so many things in your life. We know it's our responsibility to provide you with reliable electricity, but it's also our responsibility to be good stewards of our planet. That's why we invest in energy efficiency programs and renewable energy to help you make

smarter energy choices. From energy efficiency rebates and loans, to energy audits, free online energy saving tools, and outdoor lighting, we are here to help our members become more energy efficient year-round.

GVEC also supports the use of renewable energy sources such as solar and wind. In fact, GVEC installed wind generators in several locations to study the impact of wind power. On average, GVEC's wind turbines are producing five to 10 percent of a home's annual energy needs. Residential wind generators may not create all the electricity you need, but they can help offset your monthly electric bill and help you lower your environmental impact on the world.

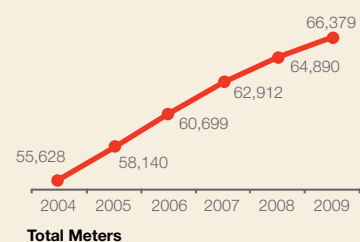
We also make it more affordable to explore renewable energy by offering rebates for the purchase of wind generators, solar photovoltaic systems, solar water heaters, solar water well pumps, and solar-powered attic fans. Powering an efficient and renewable energy future is not only responsible, it is our responsibility.

From powering your late night event to your laptop with tomorrow's report, we are working to power your life's moments with affordable, reliable electricity, energy efficient products and services, and earth-friendly alternative energy sources.



Your kind of movie night.

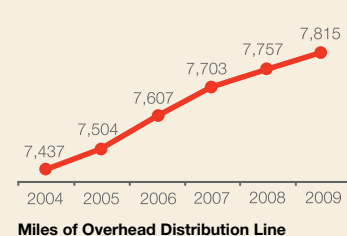
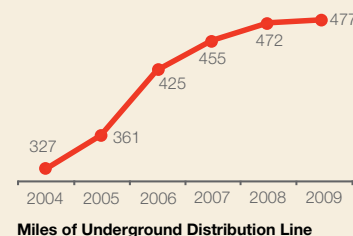
THE FRIEDRICHS, LA VERNIA



We're your kind of power.

Since the late 1930's, GVEC has pushed through many challenges in the energy industry. Last year was no different. GVEC managed through increasing electricity demand from a growing membership, a sluggish economy, proposed energy legislation, and environmental energy requirements, all with strong financial health — earning the Cooperative an "A+"

rating from Standard & Poor's, one of the world's top credit rating institutions. An "A+" is one of the highest credit ratings currently issued to any electric distribution utility in the nation, and speaks highly of GVEC's financial stability and performance in relation to others in the industry. Financial highlights from 2009 include steady growth in assets and plant.



▶▶ **GVEC: 2009 FINANCIALS**

GVEC Balance Sheet

Assets 2009

Current and Accrued Assets	\$25,535,250
Electric Plant	
Original Plant	391,419,087
Depreciation	<u>(103,348,104)</u>
Net Value of Electric Plant	288,070,984
Investment & Fund Accounts	9,978,525
Deferred Debits	<u>978,878</u>
Total Assets	<u>\$324,563,637</u>

Liabilities

Current and Accrued Liabilities	\$1,380,278
Indebtedness to CFC	37,236,000
Indebtedness to CoBank	43,735,000
Bonds	36,300,000
Accounts Payable	18,437,556
Deferred Credits	<u>17,431,336</u>
Total Liabilities	\$154,520,170
Member Equity	
Membership Fees	2,155,200
Patronage Capital & Other Equities	<u>167,888,266</u>
Total Member Equity	170,043,467
Total Liabilities & Equity	<u>\$324,563,637</u>

2009 Income Statement

Operating Revenue

Revenue from Rates	\$147,689,582
Other Revenue	<u>9,410,245</u>
Total	157,099,827

Cost of Power	<u>105,632,147</u>
Gross Margin	\$51,467,680

Expenses

Operating Expenses	\$22,113,506
Interest on Debt	6,070,956
Depreciation	11,631,866
Other Income	<u>-41,178</u>
Sub-Total Expenses	39,775,150

Operating Margin	11,692,530
Other Capital Credits	529,659
Other Margin	<u>814,129</u>
Total Margin	<u>\$13,036,318</u>

2009 Cash Flow

Cash Flows from Operating Activities

Net Income	\$13,036,318
Adjustments to Reconcile Net Income to Net Cash	
Depreciation & Amortization	11,928,863
Provision for Bad Debt	386,581
Disposal of Non-Utility Property	-
Patronage Capital Credits	(375,639)
Equity in Earnings of Investee	(164,929)
(Increase) Decrease in Assets	(818,617)
Increase (Decrease) in Liabilities	<u>5,078,676</u>
Total Adjustments	16,034,935
Net Cash Provided by Operating Activities	<u>\$29,071,253</u>

Cash Flows from Investing Activities

Purchases of Property, Plant & Equipment	(39,869,624)
Patronage Capital Dividends	243,613
Purchase/Proceeds from Investments	<u>(52,570)</u>

Net Cash Used by Investing Activities

\$(39,678,581)

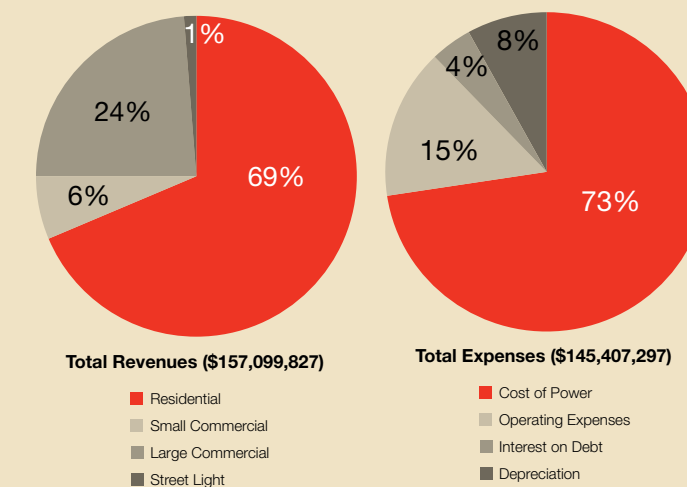
Cash Flows from Financing Activities

Change in Member Deposit & Other Equities	457,763
Dividends Paid	(279,013)
Proceeds from New Debt Issued	14,700,000
Repayment of Debt	<u>(2,421,074)</u>

Net Cash Provided by Financing Activities

\$12,457,676

NET INCREASE IN CASH AND CASH EQUIVALENTS	1,850,348
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,392,087
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$3,242,435</u>



Note: All charts and graphs within this report reflect GVEC financials only.



GVEC: MEMBERSHIP DIVERSITY

GVEC powers over 66,000 accounts throughout 13 counties, primarily in DeWitt, Gonzales, Guadalupe, Lavaca, and Wilson Counties, as well as parts of Hays, Comal, Fayette, Caldwell, Goliad, Karnes, Victoria and Jackson Counties. The service area extends approximately 100 miles from East to West

and 75 miles from North to South totaling about 3,500 square miles of service territory.

The service area encompasses a diverse group of members including commercial, industrial, rural and urban residents.



Your kind of nursery.



Gonzales

825 E. Sarah DeWitt Dr.
830.857.1200

Cuero

909 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. Highway 46
830.379.2114



GuadalupeValleyElectricCooperative, Inc.
800.223.GVEC (4832) | www.gvec.org