




**Valley Electric
Association, Inc.**

A Touchstone Energy® Cooperative 

Annual Report

Annual Report for the 2017 Year End

2017 was not only a remarkable year, it was historic.

Annual Report Executive Summary

■ 2017 – A Historic Year

What a remarkable year 2017 was for Valley Electric Association. While each year has its ups and downs, 2017 was unique and historic and will be remembered for record cash payouts to members, another year of rate stability, the expansion of high-speed broadband to our members, and paying off millions of dollars in debt – all because of the sale of 164 miles of transmission lines.

The Co-op paid \$8 million in a special patronage capital retirement to members – a record amount and a figure that is a third as much as has been distributed to VEA members in our 52-year history. VEA has distributed an additional \$10 million in payments to members – more than 17,000 checks for \$579 each. In all, members received \$18 million in payouts during 2017, a staggering figure when you consider that throughout the five-decade history of VEA, member-owners have received cash payments totaling \$27.5 million in the form of patronage capital.

Doors were opened for an exciting future for members because of the sale of the 230-kilovolt lines to GridLiance Holdco. VEA not only retains access to the transmission lines that were sold – which assures reliability – the Co-op has a long-term agreement to operate and maintain the system for GridLiance.

The sale of the 230-kV sale was the capstone on VEA's year, but there were so many accomplishments it is difficult to cover them all.

We are proud that the energy rates paid by VEA member-owners are the same today as they were back in 2010. Not many utilities in this country can make that claim.

Beatty is on the way to becoming Nevada's first all-fiber community, which brings new hope and greater possibilities for health care, education, and economic development. Valley Communications broadband is improving lives in all VEA communities.

Our high-speed broadband now serves Sandy Valley after 19 months of delays by the Federal Bureau of Land Management. The feedback from Sandy Valley members indicates that the service was well worth the wait.

Valley Communications Association has grown to more than 7,000 consumers, all of whom now have options for television and phone service they did not enjoy before. Amazing, considering that VCA was connecting its first residential consumers only two years ago.

As historic as 2017 was, it did not stand on its own. A decade of careful planning and strategic decisions went into the remarkable achievements your Cooperative experienced in 2017. We are not finished. The energy industry is evolving, and VEA is prepared to meet the needs of a changing marketplace. We are excited about 2018 and beyond.

Sincerely,



John Maurer
VEA Board President



Thomas H. Husted
Chief Executive Officer

Board of Directors



Peter Gazsy
District 1 - South Pahrump



Dave Hall
District 2 - Amargosa Valley



Richard "Rick" Johnson
District 3 - Beatty



John Maurer
District 4 - Fish Lake Valley



Ken Derschan
District 5 - Sandy Valley



David Dawson
District 6 - North Pahrump



Photo credit: Mark Duvall

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BUSINESS ACTIVITIES

Valley Electric Association, Inc., a rural electric cooperative, serving electricity to retail members located in Nevada and California.

Valley Electric Transmission Association, LLC (VETA), a VEA wholly owned subsidiary, a limited liability company providing transmission services to VEA and others. VETA operates from the high-voltage transmission systems from grid interconnection points of receipt to distribution and generation facilities.

Valley Communications Association, LLC (VCA), a wholly owned subsidiary offers residential and commercial wireless and optical fiber broadband services.

Many factors affect the opportunities, challenges, and risks of VEA's business

of electricity provision. These factors include national energy policy, weather, consumer energy choices, national and local economies, and wholesale energy rates. In 2017, VEA was able to balance these factors against the demands of its business model; long-term demand planning, infrastructure growth, long-term liabilities, wholesale power cost, and reduced energy rates by nearly 10% at the beginning of 2017

PATRONAGE CAPITAL

The Association's 2017 net margin of \$60.5 million was significantly higher than the previous year's net margin of \$644,496, primarily as a result of the Association's sale of its 230kV transmission assets to GridLiance in September 2017. At year-end, total margins and equities were

\$96.6 million and the consolidated equity ratio was 24.2% while VEA's unconsolidated equity ratio was 27%. During 2017, VEA distributed \$10,086,759 to its members as part of a special distribution related to the 230kV transmission sale, an additional \$7,995,901 in general patronage retirements, and \$75,309 in estate retirements, for a total distribution to members in 2017 of \$18,157,969.

OPERATING SALES AND REVENUES

Energy related operating revenues decreased in 2017 when compared to 2016 by 2.4%. Total metered sales increased 1.4% in 2017. This is a reflection of the 9.9% rate decrease on Jan. 1, 2017.

The following tables summarize the changes from 2016 to 2017.

ENERGY SALES

RATE CLASS	2017 TOTAL	2016 TOTAL	CHANGE	% CHANGE
Residential	274,424,531	271,822,631	2,601,900	1.0%
Irrigation	33,426,638	33,051,373	375,265	1.1%
Commercial - <50 KW	43,530,568	43,929,769	-399,201	-0.9%
Commercial - 50-249 KW	54,957,479	50,072,086	4,885,393	9.8%
Commercial - 250 KW & Up	55,222,883	55,907,186	-684,303	-1.2%
Contract Sales	74,372,646	73,934,513	438,133	0.6%
Street Lighting	116,412	116,412	0	0.0%
Total Sales (kwh)	536,051,157	528,833,970	7,217,187	1.4%

ENERGY REVENUE

RATE CLASS	2017 TOTAL	2016 TOTAL	CHANGE	% CHANGE
Residential	\$33,985,908	\$35,028,923	-\$1,043,015	-3.0%
Irrigation	3,220,637	3,343,623	-122,986	-3.7%
Commercial - <50 KW	5,531,585	5,764,926	-233,341	-4.0%
Commercial - 50-249 KW	5,519,552	5,225,962	293,590	5.6%
Commercial - 250 KW & Up	5,389,533	5,759,589	-370,056	-6.4%
Contract Sales	5,000,991	4,959,112	41,879	0.8%
Street Lighting	40,567	42,368	-1,801	-4.3%
Total Revenue	\$58,688,773	\$60,124,503	-\$1,435,730	-2.4%

The Board of Directors sets the rates which the Association charges its members. In order to cover the cost of operating expenses, the Association depends on its ability to receive adequate and timely recovery of its costs. The Association assesses the need for rate relief and balances that need with the general economic condition of the membership, creditor's mortgage covenants and previous key performance indicators when necessary.

WHOLESALE PURCHASED POWER EXPENSES

Wholesale purchased power cost constitutes the single largest expense for VEA. The mix of sources for this power is determined by demand, availability, and futures markets. Total purchased power expenses were \$21.9 million or 26.2% of the total cost of electric service for 2017. This is a decrease of \$567 thousand or 2.5% from the previous year.

VEA negotiated a wholesale power contract that structured the base-load cost of power for a period extending from January 2014 through the end of 2028. The cost of power decreased in 2017, which was established in advance. This power cost decline enabled overall wholesale rate stabilization through 2017.

INTEREST EXPENSE AND LONG TERM DEBT

Interest expense increased \$536,403 over the previous year. The blended interest rate for 2017 fell to 3.79% from 3.95%. The total consolidated long-term debt ending 2017 was \$239.7 million, a decrease of \$61.9 million or 21% compared to 2016.

FUTURE PATRONAGE CAPITAL POTENTIAL

The VEA consolidated results of operations for the past year are not necessarily indicative of future ability to generate margins and/or retire patronage capital. The level of VEA's future margins depends on numerous factors that affect the opportunities, challenges, and risks of the Association's business of selling electricity, providing broadband services and transmission

capacity. These factors include the Association's desire to raise rates adequately to generate margins thus allowing for the retirement of prior years' margins. Future margins in the near term will depend, in part, upon maintaining energy sales and increasing broadband service sales, which are subject to a number of factors. These include weather, new consumers, energy conservation practiced by consumers, the price of electricity, the price elasticity of demand, and the rate of economic growth or decline in the Association's service area.

BROADBAND RESULTS

The broadband buildout to VCA's communities continues. VCA ended 2017 with 7,180 subscribers, nearly 4,500 more subscribers than it began with in 2017. VCA has built over \$50 million in communications assets to

OPERATING EXPENSES

Operations and maintenance expenses for 2017 were \$2.4 million higher than in 2016. Planned maintenance performed on an advanced schedule contributed to this increase along with the additional expenses associated with implementation of Broadband services. Transmission costs in 2017 were flat compared to 2016 at \$9.2 million. Administrative and general expenses were \$2.9 million higher in 2017 than in 2016 as VEA built up its Broadband services capabilities. Depreciation and amortization expense increased \$1.8 million in 2017. Overall operating expenses increased \$9.2 million as expected with the build out of the broadband business.

deliver not just high speed internet, but also television and telephone services to a growing population of subscribers. VCA ended 2017 with \$11.3 million in broadband related operating expenses with a total net loss of \$9.9 million on operations as it continues to invest in this important technology.

SUMMARY

VEA's financial condition demonstrates continued stability. VEA has grown its asset base by over 41% since 2012 while lowering its cost of power by over 42% over the same time period. The ability of the Association to lower its largest single expense allows the Association to maintain rate stability and invest in opportunities like broadband services. The Association is proud of its investment in the community and looks forward to continuing to invest in our combined future.

VALLEY ELECTRIC ASSOCIATION, INC.

BALANCE SHEET

ASSETS

	December 31,	
	2017	2016
PLANT AT COST		
Plant in Service	\$ 304,696,841	\$ 270,310,853
Construction Work in Progress	21,549,883	27,665,141
	\$ 326,246,724	\$ 297,975,994
Less: Accumulated Provision for Depreciation	(73,946,245)	(66,145,860)
	\$ 252,300,479	\$ 231,830,134
OTHER PROPERTY AND INVESTMENTS - AT COST OR STATED VALUE		
Assets Held For Sale	\$ 0	82,564,063
Investments in Associated Organizations	6,428,841	5,834,225
Notes Receivable	1,599,138	1,985,612
Rate Stabilization Fund	30,012,493	-
	\$ 38,040,472	90,383,900
CURRENT ASSETS		
Cash - General and Temporary Cash Investments	\$ 64,056,919	1,594,381
Special Deposits	4,072,286	3,023,310
Accounts and Notes Receivable (Less allowance for uncollectibles of \$579,297 in 2017 and \$274,610 in 2016)	6,183,548	8,335,387
Materials and Supplies	4,132,622	3,491,894
Other Current and Accrued Assets	1,083,082	1,155,764
	\$ 79,528,457	\$ 17,600,736
DEFERRED DEBITS	\$ 30,424,661	31,806,579
TOTAL ASSETS	\$ 400,294,069	\$ 371,621,349

EQUITIES AND LIABILITIES

EQUITIES		
Memberships	\$ 180,800	\$ 178,290
Patronage Capital	101,924,676	55,078,008
Other Comprehensive Loss	(1,685,200)	(2,044,100)
Other Equities	(3,801,233)	(9,423,749)
	\$ 96,619,043	\$ 43,788,449
LONG-TERM DEBT		
Line of Credit to be Transferred to Long-Term Debt	\$ 10,500,000	\$ 6,250,000
Capital Leases	12,855,820	5,608,595
Mortgage Notes	223,077,326	300,003,292
	\$ 246,433,146	\$ 311,861,887
Less: Current Portion of Long-Term Debt	(6,760,199)	(10,243,698)
	\$ 239,672,947	\$ 301,618,189
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 15,260,199	\$ 10,243,698
Current Portion of APBO	278,100	340,300
Accounts Payable	6,954,573	6,772,571
Consumers' Deposits	752,887	643,813
Accrued Compensated Absences	1,836,657	1,684,928
Other Current and Accrued Liabilities	3,175,840	1,014,231
	\$ 28,258,256	\$ 20,699,541
DEFERRED CREDITS	\$ 33,378,516	2,920,170
ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS		
Post-Retirement Benefits	\$ 2,365,307	\$ 2,595,000
TOTAL EQUITIES AND LIABILITIES	\$ 400,294,069	\$ 371,621,349

VALLEY ELECTRIC ASSOCIATION, INC.

STATEMENT OF INCOME & PATRONAGE CAPITAL

	Years Ended December 31,		Increase (Decrease)
	2017 Amount	2016 Amount	
OPERATING REVENUES			
Residential	\$ 33,985,908	35,028,923	\$ (1,043,015)
Irrigation	3,220,637	3,343,623	(122,986)
Commercial and Industrial - 1000 kva or less	16,440,670	16,750,477	(309,807)
Commercial and Industrial - over 1000 kva	5,000,991	4,959,112	41,879
Public Street and Highway Lighting	40,567	42,368	(1,801)
Other Operating Revenues	17,365,969	16,019,780	1,346,189
Total Operating Revenues	\$ 76,054,742	\$ 76,144,283	\$ (89,541)
OPERATING EXPENSES			
Cost of Purchased Power	\$ 19,803,782	20,611,447	\$ (807,665)
Transmission Expense	9,168,478	9,221,041	(52,563)
Regional Market Expense	2,052,362	1,811,354	241,008
Distribution - Operation	8,315,118	6,373,184	1,941,934
Distribution - Maintenance	3,275,140	2,827,811	447,329
Consumer Accounts Expense	3,176,180	2,487,255	688,925
Customer Service and Information	685,676	477,456	208,220
Sales Expense	1,842,016	1,720,711	121,305
Administrative and General	12,340,879	9,410,879	2,930,000
Depreciation and Amortization	10,855,190	9,038,233	1,816,957
Other Interest	4,040	2,650	1,390
Other Deductions (Credits)	1,949,477	335,111	1,614,366
Total Operating Expenses	\$ 73,468,338	\$ 64,317,132	\$ 9,151,206
OPERATING MARGINS - BEFORE FIXED CHARGES			
	\$ 2,586,404	\$ 11,827,151	\$ (9,240,747)
FIXED CHARGES			
Interest on Long-Term Debt	12,748,053	12,211,650	536,403
OPERATING MARGINS - AFTER FIXED CHARGES			
	\$ (10,161,649)	\$ (384,499)	\$ (9,777,150)
Capital Credits	1,284,726	1,094,923	189,803
NET OPERATING MARGINS	\$ (8,876,923)	\$ 710,424	\$ (9,587,347)
NON-OPERATING MARGINS			
Interest Income	\$ 321,287	26,460	\$ 294,827
Donations	(50,000)		(50,000)
Other Income (Loss)	69,088,523	(92,388)	69,180,911
	\$ 69,359,810	\$ (65,928)	\$ 69,425,738
NET MARGINS	\$ 60,482,887	\$ 644,496	\$ 59,838,391

VALLEY COMMUNICATIONS ASSOCIATION, LLC.

BALANCE SHEET

ASSETS

	Unaudited 2017
PLANT AT COST	
Plant in Service	\$ 26,503,556
Construction Work in Progress	15,588,718
	\$ 42,092,274
Less: Accumulated Provision for Depreciation	(4,113,063)
	\$ 37,979,211
CURRENT ASSETS	
Cash - General and Temporary Cash Investments	\$ 215,052
Accounts and Notes Receivable (Less allowance for uncollectibles of \$1,990)	11,205,552
Materials and Supplies	724,353
Other Current and Accrued Assets	42,102
	\$ 12,187,059
	\$ 0
DEFERRED DEBITS	\$ 0
TOTAL ASSETS	\$ 50,166,270

EQUITIES AND LIABILITIES

EQUITIES	
Memberships	\$ 0
Patronage Capital	0
Other Comprehensive Loss	(13,997,279)
Other Equities	45,000,000
	\$ 31,002,721
LONG-TERM DEBT	
Capital Leases	12,855,820
Mortgage Notes	5,488,211
	\$ 18,344,031
Less: Current Portion of Long-Term Debt	0
Less: Current Portion of Capital Leases	(2,984,390)
	\$ 15,359,641
CURRENT LIABILITIES	
Current Maturities of Long-Term Debt	\$ 0
Current Maturities of Capital Leases	2,984,390
Accounts Payable	0
Other Current and Accrued Liabilities	28,151
	\$ 3,012,541
	\$ 791,367
DEFERRED CREDITS	\$ 791,367
TOTAL EQUITIES AND LIABILITIES	\$ 50,166,270

VALLEY COMMUNICATIONS ASSOCIATION, LLC.

STATEMENT OF INCOME & PATRONAGE CAPITAL

	Unaudited 2017
OPERATING REVENUES	
Internet	3,548,327
Television	5,034
Telephone	4,237
Consulting	6,998
Total Operating Revenues	\$ 3,564,596
OPERATING EXPENSES	
Internet Operations Expense	2,952,472
Television Operations Expense	630,312
Telephone Operations Expense	20,451
Maintenance Expense	145,974
Consumer Accounts Expense	526,147
Customer Service and Information	5,602
Sales Expense	580,608
Administrative and General	2,913,208
Depreciation and Amortization	3,478,468
Other Interest	0
Total Operating Expenses	\$ 11,253,242
OPERATING MARGINS - BEFORE FIXED CHARGES	\$ (7,688,646)
FIXED CHARGES	
Interest on Long-Term Debt	2,248,288
OPERATING MARGINS - AFTER FIXED CHARGES	\$ (10,161,649)
NET MARGINS	\$ (9,936,934)



Photo credit: Mark Duvall

Foresight and Planning Pay Off

- In September, Valley Electric completed a historic sale of its 230-kilovolt (kV) transmission system in Clark and Nye Counties to GridLiance Holdco, an independent transmission company based in Dallas.

Spanning 164 miles, the high-voltage lines were built over a 20-year period beginning in the mid-1990s to serve the growing Co-op's electricity load and to provide reliability for VEA's member-owners. These lines will continue to serve the valley's electric needs while the sale ushers in significant economic effects for VEA's communities that will be felt far into the future.

Proceeds from the sale helped pay down debt, reduce operating costs, and create a new revenue source. VEA members received a 9.9-percent rate reduction, long-term rate stability, cash premium checks (\$579 per member), and a special patronage capital retirement.

Also as a result of the sale, a multi-million-dollar community recreation center will be built in Pahrump.

Members overwhelmingly approved the sale in a special election conducted at the end of 2016. Before the sale could close, it had to be approved by a majority of the five-member Federal Energy Regulatory Commission.

FERC approval, however, was delayed more than six months when the commission lost its quorum in January 2017 – the only period in its 97-year history that FERC was without a three-member quorum.

VEA Receptionist Sharon Pryor recalled those months of waiting. Answering member questions and calming some members down became a part of Sharon's daily routine.

With FERC approval finally coming in August, the sale closed within days.

More than \$10 million in premium checks were quickly distributed to member-owners. Shortly afterward, a second round of checks – representing \$8 million in patronage capital – was distributed among members, past and present.

"The distribution of \$18 million into the local economy has had far-reaching, beneficial effects," said Valley Electric CEO Thomas H. Husted. *"The sale of the 230-kV system was the capstone on VEA's year."*



Members Frank Bonesteel, second from left, and Al Parker, hold a check representing \$18 million paid to Valley Electric's members.

Sharon said many members came into VEA and actually explained to her what they used the money for, including charitable donations, paying bills, and Christmas shopping.

Denise and James Werner were in the spirit of giving when they received their check, donating it to their church, Our Lady of the Valley Church on Gamebird, which needed a new grand piano for their choir. *"The old piano was so bad that it couldn't be tuned,"* said James. *"The money just showed up at the right time, and I thought it was a good use for it."*



Left to Right: Calvin Crowder - GridLiance President and Chief Executive Officer, Thomas H. Husted - Valley Electric Association Chief Executive Office, and Justin Campbell - President GridLiance West Utilities.

From Sandy Valley to Fish Lake Valley, similar stories were repeated throughout VEA's service territory.

Benefits to members did not end with the distribution of cash and patronage capital. The sale will help pave the way for a community recreation center in Pahrump, which will be built just west of Valley headquarters on Highway 372. Ground breaking is expected this year on a complex that will likely feature basketball and racquetball courts, a performance auditorium, a weight room, a daycare center, kitchen, and senior center.

"Pahrump is a growing, dynamic community that desperately needs facilities like these that will serve all residents," says Husted. *"It is an honor for Valley to help facilitate the evolution of the community."*

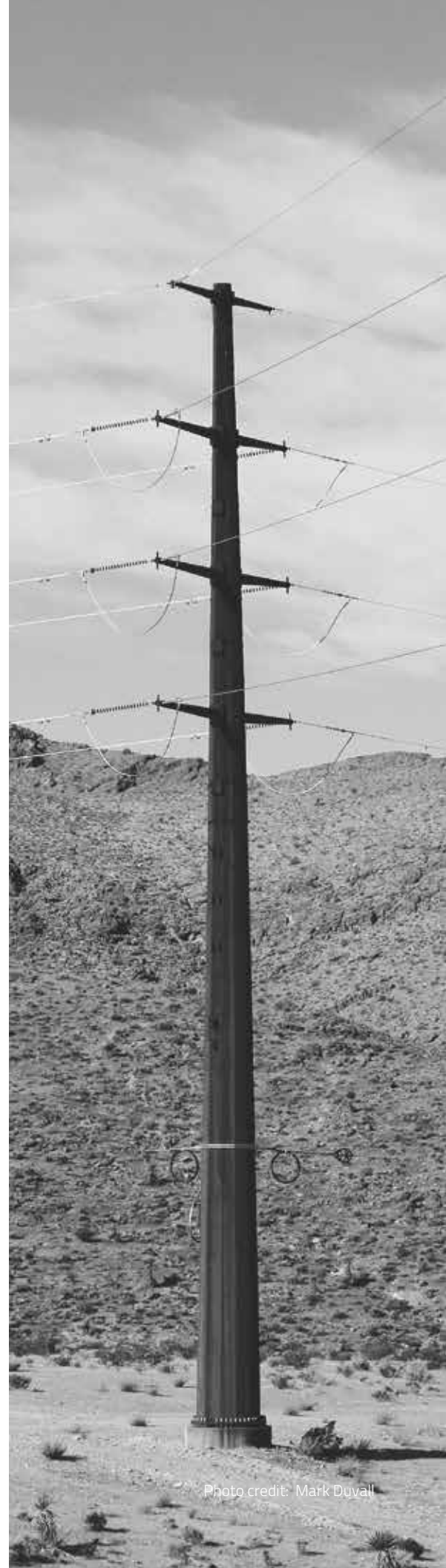


Photo credit: Mark Duvall

Connecting Nevada with High-Speed Communications

- As recently as two years ago, an Internet experience for members in Valley Electric Association territory was characterized by frustratingly slow speeds, lack of bandwidth, and lost connections.

After Valley Communications Association began connecting businesses and households to broadband in 2016, member-owners enjoyed benefits of a robust network with speeds 10 times faster than anything they had previously experienced.

High-speed broadband has become critical infrastructure that a community needs to grow and prosper, and it became a reality throughout VEA territory in 2017.

In February of last year, VCA launched its “Be Mine Broadband” Valentines campaign, and prospective broadband consumers were wrapped around the Valley Conference Center in Pahrump to sign up for the service or learn more about it. The results of this campaign were nothing short of impressive.

“We almost doubled in size from the end of January to the end of March. We grew 86 percent,” said Kathryn McKenna, Chief Operating Officer for VCA.

The VCA promotion created enough enthusiasm among members to sustain the excitement of the broadband installation effort throughout 2017. By the end of 2017, nearly half of Valley members had signed up for VCA broadband with the percentage growing every day.



Members lined up for broadband during our Be Mine Broadband event

High-speed Internet began transforming Pahrump’s business district in 2017.

Dennis Martin, Director of Information Technology at Desert Radiology, said that having reliable broadband with a lot of bandwidth was essential to serve patients.

“We aren’t able to do what we do without those services,” he says. *“Having a good network and solid connectivity between our sites and our hospitals we support is vital.”*

As with any ambitious project, rolling out broadband presented some formidable challenges in several of the outer VEA service territories, particularly Sandy Valley. While VCA was connecting members by the hundreds each week, the Sandy Valley buildout

stalled because of bureaucracy hurdles. It took 19 months for Valley to gain approvals from the Bureau of Land Management so that fiber optic-cable could be hung on existing power poles into Sandy Valley.

The permits were finally approved in December 2017, and construction started within days. Work was completed in February.

Kenneth Derschan, VEA District 5 Director, said when the installers finally arrived in town, they were treated like conquering heroes and welcomed with open arms. The wait was well worth it.

“The people that have it are loving it,” Ken said, who considers his new high-speed Internet *“nothing short of awesome.”*

This absolutely is the difference between us being in Beatty to support the town and us not being there.

Dr. Michael Reiner
Beatty Medical Clinic Employee

"I can now watch Netflix where I couldn't on the old broadband," he said. "My store is on it, too, and it sped up my credit card machine."

In Beatty, broadband service saved the local clinic. Traditional low-speed Internet service did not provide enough bandwidth for the clinic to serve its rural patients. Only a technology boost could save it. And only VCA was able to provide the technology and the level of service required.

Theresa Mossey works in the Beatty Medical Clinic and said VCA stepped in and gave them a faster Internet capability, which helped to keep the doors open.

"With fiber coming into Beatty, I agreed to keep a provider in the medical center on a limited basis knowing that it would allow us to have a virtual provider there five days a week, eight hours per day," said Dr. Michael Reiner. "This absolutely is the difference between us being in Beatty to support the town and us not being there. I am very excited for what this means to the town and to its health."

VCA has started to sign up members in Beatty. Sign-ups of patrons in Tonopah and Goldfield will soon follow.

VCA digital services, including cable-type television and telephone service, were introduced to members in 2017. On the heels of those benefits will come mobile tech services to assist members.

VCA EXPANDS DIGITAL SERVICES WITH TRIPLE PLAY

In 2017, Valley Communications Association became the only provider in the VEA service area that offered Triple Play – high-speed broadband, digital phone, and digital TV. These new services were made possible by the implementation of high-speed broadband. By offering Triple Play, VCA provides convenience, service reliability, and cost savings. VCA has been able to offer high-speed digital communication with the same affordability and reliability that VEA members have come to expect from their electric service. With Triple Play, VCA has become a one-stop shop for VEA members for all their connectivity needs.

HIGH-SPEED COMMUNICATIONS AND COMPANY GROWTH

The success of Valley Communications Association has created the need to provide more services and more employees to meet member needs. Over the two-year period from 2015 through 2017, the number of employees grew from 106 to nearly 170.

The growth is expected to continue as broadband expands throughout VEA territory and beyond. In addition, new opportunities for company growth are possible as consumers gravitate toward Energy Choice.



Halen Grover (left) and Governor Sandवाल



Beatty Fiber Ribbon Cutting Event





Photo credit: David Becker

The Community Solar Project

- Valley Electric Association invested in solar for its member-owners, which further strengthens our renewable portfolio promise.

The Community Solar Project lets renters, homeowners, and community businesses share renewable energy from a utility scale solar generation plant at a lower rate without the investment, acquisition, installation, maintenance, and operation of solar panels on their personal property. The

project broke ground in January 2016 with a ribbon cutting ceremony the following September. Currently, the Community Solar Project is the largest of its kind in operation in the U.S. All power is distributed to VEA members, and a subscription program is under development.



Kristin Mettke, EVP of Engineering and Compliance discussing Desert Tortoise Movement.



Tortoise holes in fencing

CONSERVATION AND SUSTAINABILITY

- Only known solar site built with minimal impact to surrounding environment
- Habitat conservation plan with US Fish and Wildlife
- Designed with consideration for the protection of the Mojave Desert Tortoise, which is listed as threatened under the Federal Endangered Species Act.
- University of Nevada Las Vegas monitoring effects of modified construction and design on plants and soil for 3 years
- Biologists from HDR Inc. monitoring avian species and tortoises
- Raised panel heights to allow vegetation growth
- Half of site's panel rows are further apart to be mindful of birds and vegetation
- Portion of site left undeveloped for drainage
- Tortoise holes in fencing
- Perimeter lighting independently solar powered
- Site not graded, leaving root system intact for vegetation coverage

TECHNICAL INFORMATION

- Valley Electric Association owns the land, Bombard constructed the project
- Took advantage of Nevada's state renewable energy tax abatement
- Constructed entirely with Nevada labor
- 51,480 photovoltaic panels
- 15 megawatts peak output

TORTOISE RELEASE

Valley Electric Association returned four Mojave Desert Tortoises to their homes at the 80-acre Community Solar Project in September 2017. But it wasn't as simple as just moving the tortoises. VEA hired a wildlife biologist from HDR Inc., to oversee the removal and return of the sensitive tortoises. Timing had to be just right, with ideal conditions and moderate temperatures as VEA worked to keep the protected species out of harm's way during construction of the solar project.

AWARDS & RECOGNITION

- 2017 Solar Power World Editor's Choice Award
- Bombard 2017 Environmental Integrity Award
- 2017 Las Vegas Business Press Innovation Award



Green Alliance Solar Road Show



Judith the Desert Tortoise

The tortoises' habitat also received special handling, with custom entrances in the chain-link fencing, leaving the ground ungraded to protect plants. Solar panels were installed wider apart to allow sunlight to reach the ground and enhance the growth of plants, which the desert tortoises depend on to survive.



Chris Deschene (left) Thomas Husted at the National Clean Energy Summit 9.0 at Las Vegas.

The Future of Energy

■ Valley Electric Association's expert testimony on energy matters was in high demand during 2017.

VEA executives regularly addressed the Governor's select committee on matters pertaining to Energy Choice, sharing the Co-op's expertise on regional energy markets and serving rural, remote areas. CEO Thomas Husted was joined by Kristin Mettke, Executive-VP of Engineering & Compliance, and Angela Evans, Executive-VP of Operations, in a presentation to members of the Technical Working Group on Energy Market Design, which is expected to make recommendations to the governor in the spring of 2018.

Valley Electric was the only Nevada utility to support Question 3 (the Energy Choice Initiative) on the November 2016 ballot. The initiative, which also will appear on the November 2018 ballot, would amend the Nevada Constitution to open the state's electricity markets, giving consumers and businesses options to choose their electric service providers based on factors such as price, reliability, and the ability to purchase renewable energy.

In September 2017, CEO Husted was a featured guest at the National Clean Energy Summit 9.0 in Las Vegas, where during a fireside chat, he was interviewed by Chris Deschene, former Director of the Office of Indian Energy Policy on the intricacies of serving rural, remote consumers.

Former Sen. Harry Reid, who hosted the Energy Summit, welcomed Husted. Sen. Reid has long been a supporter of Valley Electric Association's commitment to offering innovative, clean-energy solutions to its rural membership.



Kristin Mettke (left), Thomas Husted and Angela Evans at the Technical Working Group on Energy Market Design.



Linemen flag raising ceremony

Community Events

■ What better place to celebrate the milestone year that 2017 turned out to be than the Pahrump Fall Festival, where so many member-owners and their families gather.



2017 Fall Festival Rodeo

FALL FESTIVAL

September's four-day festival is the largest event of the year in Pahrump, and Valley Electric was actively engaged in many aspects of the annual celebration – from an Ambassador rally and viewing area at the parade; to hosting a booth at Petrack Park, where employees and ambassadors could interact one-on-one with members; to a dramatic flag-raising by VEA linemen during the National Anthem at the rodeo. VEA included a heartfelt message to its military veteran linemen and veterans in attendance thanking them for their service to the country. The flag-raising had such a patriotic and emotional draw that video of the event went viral on social media. Overall, the Fall Festival and Rodeo turned out to be a memorable way to thank member-owners and the community at large.

FILL THE BUCKET HELPS STUDENTS IN NEED

For the 11th year in a row, Valley Electric Ambassadors and employees assisted students in need by collecting school supplies at Fill the Bucket. Ambassadors spearheaded the event and worked with VEA staff to collect school supplies throughout Pahrump. They also helped distribute supplies to schools within VEA's service territory.

The 2017 Fill the Bucket drive collected approximately 31 ½ buckets or 450 cubic feet of supplies, which makes a huge impact on students in need. The community at large came together to make sure that children in the community had the school supplies they needed to start classes.



Customer Service Representative Jessica Armendariz.



Sandy Valley Fourth of July Parade



CEO Thomas Husted joined employees at the Fish Lake Valley celebration.

FOURTH OF JULY COMMUNITY CELEBRATIONS

Valley Electric employees and their families celebrated the Fourth of July in Fish Lake Valley with members and the community. More than 90 VEA team members made the 185-mile trek to Dyer.

The festivities included a lively parade, tasty BBQ, live chicken auction, and mud bogging, as well as the much-anticipated fireworks. VEA was front and center in the parade, entering the 1943 Digger Truck, along with a dozen or so more entries.

VEA also joined members in Sandy Valley to celebrate the Fourth of July, which included a parade, games and a delicious community BBQ. VEA board member Ken Derschan sponsored the dunk tank at the Sandy Valley Fourth of July event and took a turn getting wet for a good cause.

SANDY VALLEY BBQ

Valley Electric's executive team and staff hosted a community BBQ for members in Sandy Valley in September. The BBQ was attended by nearly 400 members at Peace Park. VEA's own employees did the grilling on Charly, cooking delicious tri tip and chicken, as a way to break bread with members and show their appreciation to the community served.



Sandy Valley members turned out in great numbers in September to enjoy barbecue with VEA staff.

VETERAN STAND DOWN

Valley Electric Association was on hand at the Veteran Stand Down for the first time in 2017. In years past VEA donated various items, but in 2017 decided to take it a step further and take the opportunity to shake hands with local veterans and to thank them for their service.

The event was held at Home Depot in Pahrump in October, where nearly 30 local organizations showed up to help local

veterans. Stand Down serves as a one-stop service center for veterans in need of assistance. Some organizations that participated with VEA included the Veterans Administration and Pahrump's Disabled American Veterans Chapter 15. Many other agencies were on hand to support local vets. Valley Electric hosted a booth and handed out hygiene kits full of different self-care items and necessities for homeless veterans or any veteran in need.



From left to right - Makayla Batsford, Bethany Calvert, Mary Duff, and Jewel Gould.

2017 SCHOLARSHIP RECIPIENTS

Valley Electric Association continues to promote education and encourage members and youth in the communities served. VEA has a decade-long tradition of awarding hard-working students with academic, vocational/technical, and continuing education scholarships to assist members and their families.

The 2017 academic scholarship winners were Makayla Batsford and Bethany Calvert; both will receive \$1,000 per year for four years. Mary Duff won the continuing education scholarship, receiving \$500 for one year. The vocational recipient was Jewel Gould, who will receive \$1,000 per year for two years. Candidates or their parents must be active members of VEA to be eligible for consideration and were judged on several criteria, such as their grade-point average, 500-word essay, 100-word goal statement, letters of recommendation, and community involvement.

AWARDS & RECOGNITION



2017 Innovation Award winner for our conservation efforts with our Community Solar Project, Electric Highway in Beatty, NV, Solar Water Heater Program, and Fiber installations.



The Pahrump Valley Chamber of Commerce awarded Valley Electric Association with the Best Employer award for 2017.

Valley Electric Association, Inc.

(775) 727-53122 | www.vea.coop

Headquarters | 800 E. Highway 372, Pahrump, NV 89048

Las Vegas Business Center | 6180 Brent Thurman Parkway, Suite A-230, Las Vegas, NV 89148



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A Touchstone Energy Cooperative 