SHENANDOAH VALLEY ELECTRIC COOPERATIVE

2013 Annual Report

SVEC Mission Statement

"We exist to serve our members"

We will provide reliable and safe electric service at the lowest possible cost within our service area, consistent with sound management and Cooperative principles.

We will continually evaluate our members' needs and work to exceed their expectations, pursuing opportunities that will benefit our members.

SVEC Core Values

As an organization we hold the following core values to be important in the way we do business. These values include: Commitment to Consumers and Employees, Integrity, High Work Ethic, Honesty, Trust and Respect.

Nondiscrimination Statement

This institution is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

Board of Directors

Augusta County

JOYCE R. CRAUN
Director since 2001

LARRY C. HOWDYSHELL
Chairman
Director since 1992

Augusta/Highland counties

CHARLES H. HUFFMAN
Secretary/Treasurer
Director since 2005

Frederick/Clarke counties

RICHARD C. SHICKLE
Director since 2011

Page County

GARLAND H. GIBBS
Director since 2011

Rockingham County

STEPHEN W. BURKHOLDER
Director since 1992

LARRY E. GARBER
Director since 1994

GERALD A. HEATWOLE
Director since 1990

Shenandoah/Warren counties

FRED C. GARBER
Director since 1984

Shenandoah/Page/Warren counties

JAMES E. ZERKEL II
Director since 1996

City of Winchester

ROBBIE F. MARCHANT
Vice Chairman
Director since 2011

To Our Member/Owners

There are several facts and figures about Shenandoah Valley Electric Cooperative (SVEC) that we are going to share with you in our annual letter, as we usually do. However, there is one aspect that warrants "first paragraph billing" for sure: through all of the changes that have occurred in the last year, SVEC still has the lowest rates of any cooperative electric distribution utility in Virginia, while continuing to bring you reliable and safe electric service day in and day out. This is great news, considering the status of the economy today and the many ancillary costs that continue to skyrocket.

Aside from wholesale power rates, over which we have little control, we work diligently to keep all manageable costs low. The balancing act we attempt to sustain each year is costs set against service. We aim to continue to bring high-quality electric service to you and your families, while maintaining and improving the service reliability and efficiency that you have come to expect with the Cooperative. These two words, maintenance and improvement, are at the foundation of the services we extend to you, our member/owners. Daily, we work to maintain the level of service you have come to associate with the Cooperative, while at the same time continuing to evaluate your needs and striving to exceed your expectations by looking for ways to improve our services.

In 2013, after observing our facilities to see how they would fare with the additional demands placed on them as a result of the members and territory we added in 2010, we learned that efficiency could be improved with some changes. For example, SVEC completed renovations with one of its largest operational facilities, by finishing the addition of an approximately 29,600-square-foot warehouse at our Shenandoah location. This centrally-located warehouse features storage capacity, a technical service work area, and a vehicle bay. Additionally, other features have been added to more efficiently serve your homes and businesses. The primary considerations for this warehouse were: location, size, and functionality. When plans were made for construction of the facility, we knew that it must properly address any and all service needs associated with providing quality electric service to approximately 90,000 meters spread over our service territory region today and for the foreseeable future.

Other improvements were on a smaller scale, but were just as important: in our Winchester office, the drive-through was replaced, and a second lane was added. We are pleased to be able to offer this convenience to you, and are happy that you utilize it — according to our records, approximately 150 vehicles go through the drive-through daily. When evaluating the need to begin projects, we perform a complete cost-versus-benefit analysis. The decision to begin new projects is never taken lightly, as it is our responsibility to make prudent choices since, as you know, "We Exist to Serve our Members."

L-R: MYRON D. RUMMEL and LARRY C. HOWDYSHELL
SVEC President & CEO and Chairman of the Board

As referenced above, in July 2010, the Cooperative grew from 38,000 member accounts to nearly 90,000, an increase of almost 135 percent. Before making any changes, we carefully observed our current facilities, to see what needed to be done, in the most conservative fashion, to better serve you. We noticed that there were some places where efficiency could be increased, and convenience could be improved. We determined that it was a good time for renovations and updates, and following careful planning, proceeded accordingly.

In addition to the renovations and construction done to facilities, the Cooperative also continued improvements to infrastructure, with substation upgrades in the Augusta district, Luray district, and Winchester district. In each of these instances, equipment was either upgraded, or in the case of one substation, replaced. These projects were started at various points in 2013, with scheduled early 2014 completion dates.

All of the work done in 2013 wasn't building or renovating. As we have done in years past, we continued with our right-of-way and vegetation-management programs, which help to keep the lights on and lines clear when storms come through the area. These programs are ongoing and done on a rotating, year-by-year basis, and help keep trees trimmed back from the lines, and vegetation from growing around our equipment.

Another yearly occurrence for Cooperative members is the disbursement of Capital Credits to you, our members. Once all financial obligations are met, members may receive these Capital Credit retirements and payment based upon Capital Credit account balances. These Capital Credits are one thing that really sets the cooperative business model apart from an investor-owned utility.

For 2013, SVEC had margins of more than $11 million. We were able to return more than $3.53 million in Capital Credits to our members. This, added to prior-year retirements, totals more than $55.87 million that SVEC has returned to members since we started returning Capital Credits in 1960.

Another program beneficial for members that has been in place for many years is the Load Management Program. Load Management is one of the primary ways SVEC incorporates technologies to improve efficiencies that benefit our members and the environment. By decreasing the load during times of peak demand, we are able to save money on our wholesale power costs, which saves you money. At the end of 2013, SVEC had 9,479 water heater switches in place. These water heater switches contributed $1,183,904 toward a total load control program savings of $1,637,319 during 2013.

Thankfully, Mother Nature didn't have too many tricks up her sleeve in 2013, after 2012 that had a derecho in late June/early July and Hurricane Sandy in late October. 2013's primary event was a March snowstorm, which resulted in 12-20 inches for most of Shenandoah Valley Electric Cooperative's service area. About 22,000 members were without power at one point, and additional crews from neighboring cooperatives and states were brought in to assist with power restoration.

No matter the conditions we must face — whether financial turbulence or challenges posed by Mother Nature, Shenandoah Valley Electric Cooperative will always attempt to do everything we can to provide you and your family with reliable and safe electric service at the lowest possible cost. When outages do occur, we will work diligently to restore power to you as expediently and safely as possible.

We are honored to be of service to you, your families, your businesses, and your communities, and would like to thank you for your support and patience at all times, but especially when your Cooperative is faced with any type of challenge!

Larry C Howdyshell

Larry C. Howdyshell
Chairman of the Board

Myron D. Rummel

Myron D. Rummel
President & CEO

Selected financial data and five-year growth comparison

	2013	2012	2011	2010	2009
Total Utility Plant	$454,682,298	$431,864,702	$406,825,300	$404,205,175	$180,903,318
Total Revenue	$212,313,185	$213,325,105	$216,482,589	$163,671,786	$91,378,936
Cost of Purchased Power	$148,466,573	$148,680,768	$154,789,464	$122,685,674	$66,645,615
Total Margins	$11,079,641	$15,244,568	$18,087,516	$10,626,930	$8,231,661
Equity Ratio (Equity/Total Assets)	29.66%	28.87%	24.53%	21.15%	44.78%
Interest on Long-Term Debt	$11,135,398	$11,300,154	$7,607,233	$4,671,849	$4,389,342
Interest Coverage (TIER)	1.99	2.35	3.38	3.29	2.87
Service Interruptions (average hours)	8.05	29.7	10.3	5.68	3.23
Full-time Employees	202	203	199	188	120
Services in Place	92,725	92,001	89,699	92,294	39,312
Total Miles of Line	7,531	7,509	7,445	7,966	5,256
kWh Sold	2,339,529,856	2,273,838,235	2,336,745,802	1,779,068,114	832,641,917
Load Management Savings	$1,870,796	$1,741,207	$1,778,912	$1,744,936	$1,443,100
Capital Credits Retired	$3,532,645	$4,137,576	$2,028,743	$1,936,456	$2,433,163

Annual Report

Since 1936, Shenandoah Valley Electric Cooperative (SVEC) has worked to bring you reliable and safe electric service, year after year. One of our other goals each year has been to continue to improve the service that we bring to you and your families, and 2013 was no different. Fortunately, there was only one major weather event in the last year, the snowstorm in March. Otherwise, we continued with the daily duties we perform — working to improve efficiency, taking advantage of the latest technology, maintaining our infrastructure and rights of way, and contributing to the communities in which we serve.

This section of the Annual Report shares information from each department of Shenandoah Valley Electric Cooperative, as we continue to utilize what we have learned to make our organization stronger and more efficient now, and for years to come. Highlights from 2013 include information from the engineering, technological, financial, and consumer service areas of the Cooperative.

Maintenance Update

Working to bring you reliable electric service is a task that is comprised of many parts, and one of those is keeping the lines clear of trees, brush, and other debris. This is also called vegetation management. In 2013, mechanized and manual ground crews, an aerial saw, and herbicides were utilized to manage right of way beneath and around power lines. More than 1,047 miles of right of way were maintained during 2013.

Distribution poles require routine inspection. In 2013 SVEC crews visited and inspected 8,631 poles. Plans for corrective action were identified, prioritized, and initiated to correct concerns. Other maintenance activities included the aerial patrol of sub-transmission lines, as well as ground patrols of distribution circuits.

In 2013, extreme weather events were limited to one (the March snowstorm that ranged from 12-20 inches in the SVEC service area) and the average for the year was 8.08 outage hours per member. Out of this number, 4.67 outage hours are attributed to the March snowstorm. For this storm, crews from across the SVEC system, the Virginia, Maryland & Delaware Association of Electric Cooperatives, and linemen from cooperatives in neighboring states all answered the call for assistance. Service was restored to most consumers in two-and-a-half days. Outages experienced across this three-day period represent about one-half of the total outage hours experienced by Cooperative members during the entire year of 2013. Although we will continue to work diligently to reduce this outage number even more, the hours are down significantly from 29.81 in 2012, when two major storms, the derecho and Hurricane Sandy, rolled through the Cooperative's service area.

Operational Improvements

In 2013, SVEC system engineers completed a comprehensive analysis of the Cooperative distribution system and compiled a three-year work plan. This plan defines the distribution-line improvements and substation upgrades necessary to maintain system reliability during the three-year period between 2014 and 2016. Additionally, system engineering completed a comprehensive long-range plan (2014-2034) that defines the overall strategy and plan for serving anticipated growth during the period.

The Cooperative completed construction of a new central warehouse and technical service facility in 2013. The facility will provide bulk material for the five district offices, and will serve as a centralized testing and shop facility for substation, controls, and meter equipment.

Technological Advances

The Cooperative upgraded circuit maps for all distribution, transmission, and sub-transmission facilities used to serve Cooperative members on a day-to-day basis. These new maps allow crews to use global positioning system (GPS) devices for driving directions to the poles, transformers, and equipment on the 7,531 miles of line owned, operated, and maintained by the Cooperative.

System Upgrades

Trimbles Mill and Spring Hill substations, within the county of Augusta, were upgraded during 2013. Design was completed for the new South Winchester substation in the city of Winchester. Construction on this new substation started at the beginning of the fourth quarter. By the end of 2013, foundations, transformers, and the control building were in place. Lastly, a major substation rebuild at North Shenandoah substation in Page County was also completed. The work at North Shenandoah substation replaced controls, structure, and circuit switchers to improve the reliability and protection of the 34.5 kV networked sub-transmission system serving substations within the area. In addition, the Cooperative designed and constructed 22.4 miles of electric distribution line that expanded the distribution system to a total of 7,531 line miles during 2013.

Safety

In serving members, SVEC employees work to bring you reliable electric service, in the safest manner possible. Safety is always a top priority at the Cooperative, around the clock. SVEC team members combine the proper training and techniques with diligence and concern for others to complete their tasks as efficiently and safely as possible.

The Cooperative ended 2013 without a lost-time accident and the hours that started on July 13, 2012, now total 690,815 as of December 31, 2013. In that timeframe, more than 17 months have been worked without a lost-time accident. The Rockingham district achieved the mark of 20 years without a lost-time accident. Additionally, the Winchester district reached the 20-year milestone, and has worked 2,000,000 hours without a lost-time accident.

Margins and Capital Credits

Margins are the amount remaining after all proper expenses are deducted from revenues for a given year. Capital Credits are the amount of margins assigned, or allocated, to each member based on their patronage. Members received a notice of this allocation amount each year.

Once all financial obligations are met and the Board of Directors determines that a retirement of Capital Credits may be made, members receive their share of the retirement as credits on their bills for current consumers, or in the form of checks for former SVEC members. Receiving Capital Credits is part of the Cooperative Advantage.

In 2013, SVEC recorded margins of more than $11 million. In 2013, $3.53 million was retired as credits or cash returns to members. Since 1960, the total amount retired by SVEC, and returned to members, is more than $55.87 million.

Efficiency

Load Management is one of the primary ways Shenandoah Valley Electric Cooperative incorporates technologies to improve efficiencies that benefit our members and the environment. SVEC has implemented a campaign to acquire permission for the installation of Load Management control devices on consumer-owned water heaters in the acquired area.

When members sign up for the Load Management program and a switch is installed on their water heater, they will receive a free water heater inspection and water heater blanket to install to help keep their water hot and conserve more energy. SVEC has a robust load management system that included 9,479 water heater control switches at the end of 2013.

Water heater control switches contributed $1,183,904 toward a total load control program savings of $1,637,319 during 2013.

The Cooperative also continues to distribute compact fluorescent light bulbs (CFLs) and CFL coupons. Additionally, the Cooperative offers Energy Saver Guides at all of its district offices, energy-saving tips on its website, www.svec.coop, and sends out an e-newsletter monthly with energy-saving ideas.

Consumer Services and Billing

Quality service is an important aspect to the Cooperative, and SVEC consumer services continue to provide member education relative to energy use, billing, conservation, and other programs offered by the Cooperative. Providing timely responses to member inquiries, handling the workload, and filing all required regulatory reports on time are all important tasks the Cooperative consumer service representatives perform on a daily basis. Additionally, Cooperative consumer service representatives answered 123,184 business-related calls during 2013. The average speed of answer for these calls was 71 seconds.

The Cooperative also continued billing improvements to enhance the accuracy of metering, billing, and reporting. Efforts were continued to promote energy efficiency for all consumers including distribution of CFLs and CFL coupons. Expansion was also continued of the acceptance and implementation of energy assistance pledges and payments along with other assistance procedures for assisting consumers to meet payment obligations.

Community Service

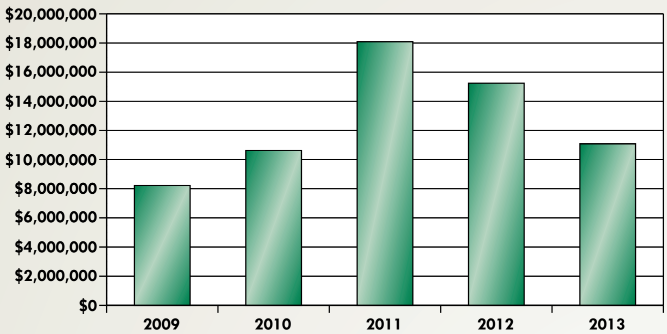
Bringing members reliable and safe electric service is not the only duty SVEC performs in its region of service. Cooperative team members participated in two blood drives, safety demonstrations at various schools and groups, and reality town events at schools. Team members also donated to the United Way, the American Cancer Society, Camp Still Meadows, and participated in the Bowl-A-Thon for Big Brothers/Big Sisters.

The Cooperative also supports youth in the communities in which it serves through 4-H and FFA activities, county fair participation, local sports, and church activities. SVEC also awarded ten $1,000 scholarships to deserving area high school seniors in 2013.

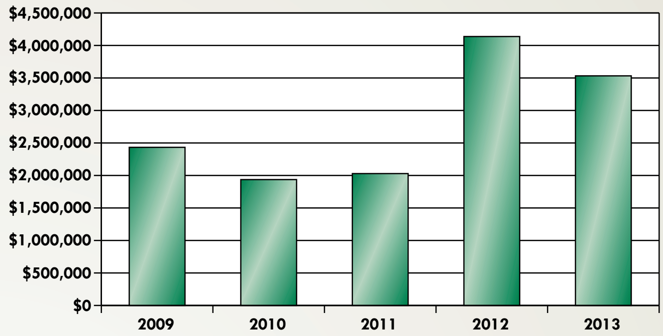
We Exist to Serve our Members, and appreciate the opportunity to be of service to you and your families!

Charts and Graphs

Total Margins

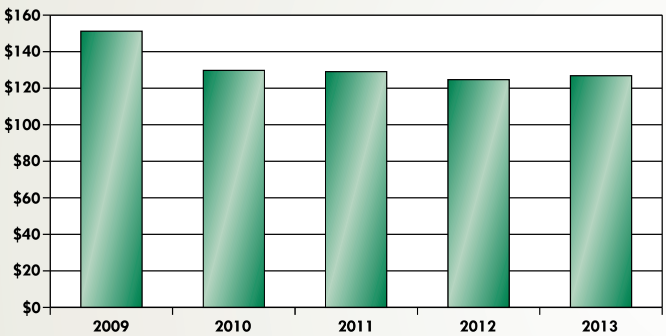


Capital Credits Returned

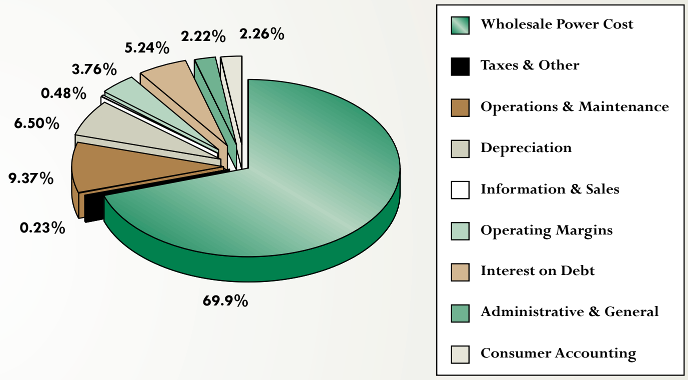


Average Monthly Residential Bill

(dollars)



How Your Dollar Was Spent



Senior Management

JOHN A. COFFEY
Vice President
Engineering & Operations

WAYNE HANNAH JR.
Vice President
Information Technology

ALLEN R. RITCHIE
Vice President
Finance & Administration

VIVIAN M. MICHAEL
Manager of
Corporate Services & HR

J. MICHAEL AULGUR
Manager of
External Affairs

SVEC Full-Time and Part-Time Employees

As of April 1, 2014

Mike Alexander
Kevin Alger
Jeremy Ambler
Rocky Anthony
Connie Arey
Brian Argenbright
Jason Armentrout
Sam Armentrout
Jared Armstrong
Lance Armstrong
Corey Ashby
Mike Aulgur
Scott Austin
Terry Baker
Bryan Beavers
Nathan Berry
Don Biller
Josh Blackburn
Craig Bockey
Heidi Bodanske
Brian Bogolin
Jennifer Bolinger
Robert Bontz
Faye Bottenfield
Scott Boyd
Heather Bradfield
Kevin Brewster
Carrie Brumfield
Sheila Buckley
Jason Burch
Todd Butcher
Fay Campbell
Julie Campbell
Ben Cash
Kelly Catron
Sherri Christian
Tim Cleveland
Keith Click
James Clifton
Temple Combs-Wilkes
John Coffey
Doug Colvin
Myron Conner
Donald Coyner
Curtis Craig
Kayla Creasey
Jonathan Cromer
Teri Crorken
Ron Crowe
James Cubbage
Jeff Damron
Barbara Davis
Tina Davis
Anthony Deal
Tony Dean

Jeff Deaver
Allen Desper
Shannon Detamore
Katie DeWarf
Dale Dove
Joel Dove
Laura Drummond
Ed Eudy
Reda Eye
Terry Eye
Amanda Fadley
Jessica Farrow
Mark Feltner
LeAnna Fifer
Gloria Frazier
Barbara Frye
Taylor Fulk
Jeff Fuss
Sonia Getic
Eddie Giles
Randy Glick
Leigh Glovier
Jennifer Goff
Blair Good
Joshua Good
Kevin Good
Brian Graham
Kenny Grandstaff
June Grove
Gary Halterman
Lisa Halterman
Dennis Hamrick
John Hanger, II
Wayne Hannah
Renea Harlow
Jeffrey Harmon
Daniel Hawkins
Brian Hazelwood
Andrew Hedrick
Josh Hedrick
Virgil Hedrick
Mike Hepner
Kevin Hill
Richard Hill
Lisa Hirsh
Carl Holyfield
Holly Housden
Kim Huffman
Kathy Hulvey
Felicia Jack
Tracy Johnson
Dirk Junkins
Srijan Karim
Jim Keeley
Alice Kenney

Teri King
Sam Knupp
Bradley Kochel
Danny LaClair
Cynthia Laing
Cody Lancaster
Donnie Lang
Kenny Layman
Sam Lilly
Will Link
Sathena Liskey
BriAnna Litten
Curtis Lockridge
Brandon Long
Mary Lutz
Bruce Mabe
Tammy Marion
Deanna Marrah
Kent May
Terry Mayes
Billy McAlister
Tom McCampbell
Gina McCarty
Mike McCune
Ray McGill
Michele McGinnis
Ben McInturff
John Medved
Jim Messick
Vivian Michael
Max Miller
Richard Miller
Tara Miller
Tim Miller
Brandon Moomaw
Jeff Mongold
Scott Morris
Joe Moskal
Alan Moyers
Tracy Mullins
Brian Murphy
Linda Murtadha
Brenda Muterspaugh
Brent Neff
Joe Nelson
Roger Nichols
Roger Pace
Chris Pellerin
William Perry
Dennis Pierce
Debbie Presgraves
Jesse Proffitt
Wade Ramey
Beth Ray
Eddie Reed

Bill Rees
Dan Rhodes
Linda Rhodes
Brittany Ricketts
Allen Ritchie
Sam Robinson
Greg Rogers
Josh Romick
Jerry Ruckman
Lee Ruffner
Myron Rummel
Bryan Runkles
Wes Rusmisel
Josiah Sargent
Jason Scheermesser
Jill Seal
Julie Sengul
Justin Sherman
Ron Shickel
Barry Shifflett
Scott Shingleton
Stacy Shipe
Roger Shoemaker
Jerry Showalter
Sam Showalter
C. A. Shuler
Kyle Simmons
Teresa Simmons
Jon Sisler
Anne Smallwood
Sherry Smith
Scott Sorrels
Chris Strecky
Phillip Strickler
Sarah Surface
Jon Swartz
Brenda Swink
Nancy Swisher
Don Switzer
Mike Taylor
Jeff Troxell
Charlie Tusing
Cammie Tutwiler
Doug VanSant
Les Webster
Dorothy Weaver
Ron Whetzel
Tim Whitcomb
Pat Wilcher
Bev Wilharm
Danny Williams
Jeremy Wisman
Doug Wood
Ginger Zollman

Independent Auditors' Report

ADAMS, JENKINS AND CHEATHAM
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS

The Board of Directors
Shenandoah Valley Electric Cooperative
Mt. Crawford, Virginia

Report on the Financial Statements
We have audited the accompanying financial statements of Shenandoah Valley Electric Cooperative (the "Cooperative") which comprise the balance sheets as of December 31, 2013 and 2012 and the related statements of operations, equities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Cooperative's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shenandoah Valley Electric Cooperative as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2014, on our consideration of Shenandoah Valley Electric Cooperative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.

Adams, Jenkins & Cheatham

Richmond, Virginia
February 10, 2014

Financial Statements

Balance Sheets
Shenandoah Valley Electric Cooperative

	December 31, 2013	December 31, 2012
Assets		
Electric plant		
Electric plant	$ 454,682,298	$ 431,864,702
Less accumulated provision for depreciation	156,235,985	149,410,665
	298,446,313	282,454,037
Other property and investments		
Investments in associated organizations	43,748,218	41,751,201
Other investments	488,337	401,003
	44,236,555	42,152,204
Current assets		
Cash and cash equivalents	6,074,040	15,971,918
Accounts receivable, net	20,272,611	18,425,664
Materials and supplies	11,228,645	10,107,985
Accrued unbilled revenue	9,394,892	8,961,847
Other current assets	190,266	264,611
	47,160,454	53,732,025
Deferred charges	14,468,700	10,121,948
	$ 404,312,022	$ 388,460,214
Equities and Liabilities		
Equities		
Patronage capital	$ 108,114,771	$ 101,306,485
Other equities	11,442,127	10,459,355
Memberships	377,950	374,150
	119,934,848	112,139,990
Current liabilities		
Accounts payable	21,114,275	16,945,158
Consumer deposits	6,368,429	5,726,736
Current maturities of long-term debt	6,269,000	6,201,000
Other current and accrued liabilities	1,986,903	1,845,606
	35,738,607	30,718,500
Long-term debt	248,063,347	241,000,741
Deferred credits	575,220	4,600,983
	$ 404,312,022	$ 388,460,214

See Notes to Financial Statements

Statements of Operations
Shenandoah Valley Electric Cooperative

	Year Ended December 31, 2013	2012
Operating revenues	$ 212,313,185	$ 213,325,105
Operating expenses		
Cost of power	148,466,573	148,680,768
Transmission	90,645	73,813
Distribution – operation	6,692,609	6,757,203
Distribution – maintenance	13,118,176	10,059,611
Consumer accounts	4,808,419	4,760,996
Customer service and informational	755,926	808,116
Sales expense	271,024	256,073
Administrative and general	4,715,601	4,514,187
Depreciation and amortization	13,918,206	12,930,194
Taxes	309,974	309,160
Interest on long-term debt	11,135,398	11,300,154
Other	50,751	358,179
	204,333,302	200,808,454
Operating Margins Before Patronage Allocations	7,979,883	12,516,651
Patronage allocations		
Generation and transmission	1,803,032	1,844,322
Other	447,449	333,301
	2,250,481	2,177,623
Net Operating Margins	10,230,364	14,694,274
Nonoperating income		
Investment income, net	779,924	471,882
Other	69,353	78,412
	849,277	550,294
Net Margins	$ 11,079,641	$ 15,244,568

Statements of Equities
Shenandoah Valley Electric Cooperative
Years Ended December 31, 2013 and 2012

	Patronage Capital	Other Equities	Memberships	Total
Balance, December 31, 2011	$ 90,638,295	$ 9,815,821	$ 390,985	$ 100,845,101
Net margins	14,694,274	550,294		15,244,568
Retirement of capital credits	(4,026,084)			(4,026,084)
Net change in donated capital		93,240		93,240
Net change in memberships			(16,835)	(16,835)
Balance, December 31, 2012	101,306,485	10,459,355	374,150	112,139,990
Net margins	10,230,364	849,277		11,079,641
Retirement of capital credits	(3,422,078)			(3,422,078)
Net change in donated capital		133,495		133,495
Net change in memberships			3,800	3,800
Balance, December 31, 2013	$108,114,771	$ 11,442,127	$ 377,950	$ 119,934,848

See Notes to Financial Statements

Statements of Cash Flows
Shenandoah Valley Electric Cooperative

	Year Ended December 31, 2013	2012
Cash Flows from Operating Activities		
Cash received from members	$ 207,501,397	$ 209,089,279
Cash paid to suppliers and employees	(174,918,533)	(181,798,715)
Interest received	779,924	471,882
Interest paid	(11,199,569)	(11,670,894)
Net Cash Provided by Operating Activities	22,163,219	16,091,552
Cash Flows from Investing Activities		
Extension and replacement of plant	(29,833,422)	(26,514,835)
Plant removal costs	(2,683,937)	(2,370,808)
Contribution in aid of construction	1,252,278	993,661
Proceeds from the sale of plant	233,939	58,840
Proceeds from retirement of investments in CTC's	12,681	13,294
Net Cash Used by Investing Activities	(31,018,461)	(27,819,848)
Cash Flows from Financing Activities		
Proceeds from long-term debt	13,887,000	
Payments on line of credit	(7,819,154)	
Principal payments of long-term debt	(6,756,394)	(4,259,808)
Capital credits paid to members, net	(1,166,450)	(1,027,321)
Proceeds from capital credits and other investments	166,869	151,197
Net change in consumer deposits	641,693	329,022
Net change in memberships	3,800	1,855
Payments on bridge financing		(25,000,000)
Net Cash Used by Financing Activities	(1,042,636)	(29,805,055)
Net Decrease in Cash and Cash Equivalents	(9,897,878)	(41,533,351)
Cash and cash equivalents – beginning of year	15,971,918	57,505,269
Cash and Cash Equivalents – End of Year	$ 6,074,040	$ 15,971,918
Net Margins	$ 11,079,641	$ 15,244,568
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation and amortization	13,918,206	12,930,194
Increase in cash value of life insurance	(13,420)	(12,561)
Noncash capital credits received	(2,250,481)	(2,177,623)
Capital credits applied to member accounts	(2,122,133)	(2,905,523)
(Increase) decrease in:		
Accounts receivable	(2,279,992)	(3,266,064)
Other current assets	74,345	142,326
Deferred charges	3,472,402	1,201,935
Increase (decrease) in:		
Accounts payable	4,169,117	(5,152,612)
Other current and accrued liabilities	141,297	(426,176)
Deferred credits	(4,025,763)	513,088
Net Cash Provided by Operating Activities	$ 22,163,219	$ 16,091,552
Schedule of Noncash Financing Activity		
Line of credit advance for National Rural Electric Cooperative Association Retirement Security Plan Prepayment	$ 7,819,154	$ –

See Notes to Financial Statements

Notes to Financial Statements

Shenandoah Valley Electric Cooperative
December 31, 2013 and 2012

Note A - Significant Accounting Policies

Nature of Operations
Shenandoah Valley Electric Cooperative (the "Cooperative") is a member-owned, not-for-profit company organized to provide electric service to its members essentially residing in the counties of Rockingham, Augusta, Shenandoah, Clarke, Frederick, Highland, Page, Warren, and the City of Winchester in the Commonwealth of Virginia.

Basis of Presentation
These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), including GAAP for regulated operations.

The system of accounts of the Cooperative are maintained in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission (FERC) for Class A and B electric utilities modified for electric borrowers of the Rural Utilities Service (RUS) and the State Corporation Commission of the Commonwealth of Virginia (SCC).

Regulatory Assets and Liabilities
The Cooperative complies with the accounting guidance set forth by the Financial Accounting Standards Board (FASB) regarding the effect of certain types of regulation. The FASB allows a regulated Cooperative to record certain costs and credits that have been or are expected to be allowed in the ratemaking process in a period different from the period in which the costs would be charged to expense or income by a non-regulated enterprise. Accordingly, the Cooperative records certain assets and liabilities that result from the regulated ratemaking process that would not be recorded under GAAP for non-regulated entities.

Accounting Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Electric Plant
Electric plant is stated at the original cost of construction, which includes the cost of contracted services, direct labor, materials and overhead items. Acquired plant was recorded based on information received pursuant to purchase contracts as approved by the SCC. Contributions from others toward the construction of electric plant are credited to the applicable plant accounts.

When property, which represents a retirement unit, is replaced or removed, the average cost of such property as determined from the continuing property records is credited to electric plant and such cost, together with cost of removal less salvage is charged to the accumulated provision for depreciation.

Maintenance and repairs, including the renewal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance accounts, except that repairs of transportation and service equipment are charged to clearing accounts and redistributed to operating expenses and other accounts.

Depreciation
Provision for depreciation has been made by application of the straight-line method to the original cost, by groups of depreciable properties in service. Current depreciation rates, which are estimated to amortize the cost of existing plant over the service lives, were as follows at December 31, 2013 and 2012:

Transmission plant	2.75%
Distribution plant	2.86 – 9.12%
Load management equipment	5.93%
General plant	3.00 – 10.00%
Office furniture and equipment	20.00 – 30.00%

Depreciation rates for the assets acquired from Potomac Edison Company d/b/a Alleghany Power (PE) (Note P), which were used by PE and included in their retail rates are currently being used by the Cooperative. These rates were as follows at December 31, 2013 and 2012:

Distribution plant	1.52 – 2.94%
General plant	2.38 – 20.00%

Updated meters that have been installed in the acquired area since the acquisition carry a depreciation rate of 8.48%.

Inventories
Inventories are generally used for construction, operation and maintenance work, and are not for resale. They are valued at the lower of moving average unit cost or market.

Accounts Receivable
The Cooperative provides for the uncollectible accounts monthly, based on a percentage of sales which past experience has indicated will be uncollectible. When accounts are deemed to be uncollectible, they are charged against the provision for uncollectible accounts.

Advertising Costs
Advertising costs are expensed as incurred.

Revenues
The Cooperative records electric revenues as energy is delivered to consumers on a monthly basis. The billing rate schedules of the Cooperative contain provisions to either increase or decrease the consumers' billing from the base level billing schedules dependent upon the cost of the wholesale power adjustment passed on from the vendor for electrical energy purchased for resale. The base billing rates of the newly acquired PE territory, per order of the SCC, are required to be the same rates which were billed or would have been billed by PE except for the wholesale power adjustment clause effective July 1, 2011 until July 1, 2014.

Cost of Power
The Cooperative utilizes a deferred method of accounting for wholesale power fuel adjustments. Under this method, the cost of power is adjusted to recognize as expense that portion of the pass-through fuel charge that is billed to consumers. Any amounts collected in advance or not billed to consumers are recorded as a deferred charge or deferred credit as applicable. The cost of power for the newly acquired PE territory includes the Old Dominion Electric Cooperative (ODEC) cost with a wholesale power adjustment clause as defined by the SCC stipulation agreement.

Income Taxes
The Cooperative has been granted exemption from income tax under Internal Revenue Service Code Section 501(c)(12). Accordingly, no provision for income taxes has been made in the financial statements. The tax years from 2010 to 2012 remain subject to examination by the taxing authorities.

Cash and Cash Equivalents
The Cooperative considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Subsequent Events
Subsequent events have been evaluated through February 10, 2014, which is the date the financial statements were available to be issued.

Note B – Assets Pledged

All assets are pledged as security for the long-term debt to RUS, National Rural Cooperatives Finance Corporation (CFC), Federal Financing Bank (FFB) and CoBank.

Note C – Electric Plant

Listed below were the major classes of electric plant:

	December 31, 2013	2012
Distribution plant	$ 346,268,542	$ 328,375,750
Acquisition adjustments	43,229,911	43,229,911
General plant	38,209,984	31,545,283
Transmission plant	5,370,284	5,372,186
Electric plant in service	433,078,721	408,523,130
Construction work in progress	21,603,577	23,341,572
	$ 454,682,298	$ 431,864,702

In accordance with GAAP and Federal Energy Regulatory Commission (FERC) as adopted by the RUS, the Cooperative has determined that it had no legal asset retirement obligations for the years ended December 31, 2013 and 2012. Regarding non-legal retirement costs, the Cooperative follows the regulatory principle of inter-generational cost allocation by including net salvage (gross salvage less cost of removal) as a component of depreciation rates.

Note D – Investments in Associated Organizations

Investments in associated organizations consisted of the following:

	December 31, 2013	2012
Patronage capital:		
ODEC	$ 39,047,326	$ 37,244,294
CFC	1,338,277	1,127,845
CoBank	217,873	220,868
Other	388,515	389,286
	40,991,991	38,982,293
Capital Term Certificates (CTC):		
Subscriptions (SCTC's)	1,213,509	1,213,509
Loan (LCTC's)	300,950	300,950
Loan (ZCTC's)	608,062	620,743
	2,122,521	2,135,202
Other:		
TEC Trading, Inc.	470,365	470,365
CFC Member Capital Certificates	125,000	125,000
Investment in building – Virginia, Maryland, Delaware Association of Electric Cooperatives	36,320	36,320
Membership fees	2,021	2,021
	633,706	633,706
	$ 43,748,218	$ 41,751,201

The capital term certificates invested in CFC are unsecured and subordinated. The SCTC's bear interest at an annual rate of 5% payable semiannually and the LCTC's bear interest at an annual rate of 3% payable semiannually. The ZCTC's are non-interest bearing.

The investment in TEC Trading, Inc. represents an unconsolidated joint venture with other members of ODEC. The Cooperative has a noncontrolling ownership interest that has been accounted for under the cost method.

The CFC Member Capital Certificates are unsecured and subordinated and bear interest at an annual rate of 7.5%, payable semiannually, and are callable by CFC in March, 2014.

Note E – Concentrations of Credit Risk

The Cooperative places its cash on deposit with financial institutions located in the United States of America, which are insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC provides insurance coverage for up to $250,000 of cash held by the Cooperative in each separate FDIC insured bank and savings institution. From time to time, the Cooperative may have amounts on deposit in excess of the insured limits. As of December 31, 2013, the Cooperative had approximately $6,680,000 of deposits that exceed the insured limits.

Concentrations of credit risk with respect to consumer accounts receivable generally are limited due to the large number of consumers comprising the consumer base. The Cooperative services ten consumers that represented approximately 15% of total operating revenues for the years ended December 31, 2013 and 2012, respectively. Generally, the rate structure of the Cooperative is designed in such a manner that all classes of consumers contribute equitably to net margins.

Note F – Accounts Receivable

Accounts receivable consisted of the following:

	December 31, 2013	2012
Consumer accounts receivable	$ 13,642,985	$ 12,275,158
Rate Mitigation (Note P)	3,750,000	
Other accounts receivable	3,199,785	4,447,285
Federal Emergency Management Agency receivable	402,274	2,212,607
	20,995,044	18,935,050
Less provision for uncollectible accounts	722,433	509,386
	$ 20,272,611	$ 18,425,664

Note G – Other Current Assets

Other current assets consisted of the following:

	December 31, 2013	2012
Prepayments	$ 172,866	$ 222,439
Interest receivable	17,400	42,172
	$ 190,266	$ 264,611

Note H – Deferred Charges

Deferred charges consisted of the following:

	December 31, 2013	2012
NRECA prepayment	$ 7,037,239	$
Deferred fuel costs	3,008,946	1,436,592
Acquisition costs (Note P)	2,817,228	2,935,212
Deferred power costs	1,324,731	1,268,580
Other	280,556	731,564
Rate mitigation (Note P)		3,750,000
	$ 14,468,700	$ 10,121,948

Rate mitigation charges at December 31, 2012 represent a regulatory asset due from PE that will be a direct pass-through to the former PE customers. This amount is included in other accounts receivable at December 31, 2013.

Note I – Patronage Capital

Patronage capital consisted of the following:

	December 31, 2013	2012
Assigned	$ 153,238,956	$ 138,549,414
Assignable	10,341,755	14,800,933
	163,580,711	153,350,347
Retired	(55,465,940)	(52,043,862)
	$ 108,114,771	$ 101,306,485

Under provisions of the long-term debt agreements and Title 7 of the Code of Federal Regulations (Part 1717.617), the Cooperative may refund capital to patrons without limitation if total equity is equal to or greater than 30% of total assets and there are no instances of default. If equities are between 20% and 30% of total assets, general refunds are limited to 25% (adjusted for returns to estates, which are not limited) of patronage capital or margins received in the preceding year. Total equities and margins amounted to 30% and 29% of total assets for 2013 and 2012, respectively.

Note J – Other Equities

Other equities consisted of the following:

	December 31, 2013	December 31, 2012
Permanent equity	$ 9,384,866	$ 8,535,589
Donated capital	2,043,036	1,909,541
Other	14,225	14,225
	$ 11,442,127	$ 10,459,355

Note K – Long-Term Debt

Long-term debt consisted of the following:

	December 31, 2013	December 31, 2012
FFB		
Mortgage notes, fixed	$ 154,384,842	$ 142,822,415
CFC		
Mortgage notes, fixed	78,676,752	82,541,751
RUS		
Mortgage notes, fixed	19,409,832	19,918,524
CoBank		
Mortgage notes, fixed	1,860,921	1,919,051
	254,332,347	247,201,741
Less current maturities	6,269,000	6,201,000
	$ 248,063,347	$ 241,000,741

Long-term debt payable to RUS is represented by mortgage notes with rates ranging from 2.63% to 5.23%. The notes generally have 35-year maturity periods, maturing 2029 to 2037, and are payable on an installment basis. Principal and interest payments are due monthly in the amount of approximately $121,000.

Long term debt payable to CoBank is represented by a mortgage note payable with interest at 4.98%, maturing in 2029. Principal and interest installments are due monthly in the amount of approximately $13,000.

Long-term debt payable to FFB is represented by mortgage notes with rates ranging from 3.21% to 3.88%. The notes mature from 2045 to 2046. Principal and interest installments are due quarterly in the amount of approximately $2,125,000. The Cooperative had unadvanced funds of $48,203,000 available from FFB at December 31, 2013.

Long-term debt payable to CFC is represented by mortgage notes with rates ranging from 1.95% to 6.75%. The notes mature from 2014 to 2046. Principal and interest installments are due quarterly in the amount of approximately $1,956,000.

Approximate annual maturities of existing long-term debt were as follows:

Year Ending December 31,	
2014	$ 6,269,000
2015	6,335,000
2016	6,397,000
2017	6,593,000
2018	6,800,000
Thereafter	221,938,347
	$ 254,332,347

In addition to the mortgage notes, the Cooperative had established unsecured lines of credit in the amounts of $9,000,000 with CFC, $9,000,000 with CoBank, and $2,000,000 with SunTrust Bank at variable interest rates. Total aggregate borrowing between the three lines of credit is not to exceed $9,000,000. At December 31, 2013 and 2012, there were no outstanding balances against the lines of credit.

Under the terms of the loan agreements with RUS and CFC, there are certain restrictions, which include requirements to maintain a TIER (times interest earned ratio) of 1.25 and DSC (debt service coverage) of 1.25. As of December 31, 2013 and 2012, the Cooperative was in compliance with these requirements. There were also restrictions on the return of capital to patrons as discussed in Note I.

Note L – Other Current and Accrued Liabilities

Other current and accrued liabilities consisted of the following:

	December 31, 2013	December 31, 2012
Accrued taxes and amounts withheld from employees	$ 831,870	$ 727,992
Accrued salaries and wages	667,843	615,424
Accrued vacation	367,190	367,190
Deferred compensation	120,000	135,000
	$ 1,986,903	$ 1,845,606

Note M – Deferred Credits

Deferred credits consisted of the following:

	December 31, 2013	December 31, 2012
Consumer advances	$ 334,241	$ 496,075
Advance pole rentals	240,507	230,379
Other	472	124,529
Deferred rate mitigation (Note P)	–	3,750,000
	$ 575,220	$ 4,600,983

Note N – Retirement Plans

Defined Benefit Retirement Security Plan

The National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333. A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

The Cooperative's contributions to the RS Plan in 2013 and in 2012 represented less than 5 percent of the total contributions made to the plan by all participating employers. The Cooperative made contributions to the plan of approximately $2,319,000 and $2,800,000 in 2013 and 2012, respectively.

In the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was between 65 percent and 80 percent funded at January 1, 2013 and January 1, 2012 based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participating cooperatives in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual RS Plan required contributions as of January 1, 2013. After making the prepayments, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 15 years. However changes in interest rates, asset returns and other plan experience different from expected, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15 year period.

On March 29, 2013 the Cooperative made a prepayment of $7,819,154 to the NRECA RS Plan. The Cooperative elected to finance the prepayment through a draw on an approved FFB loan with a fixed interest rate of 3.21%. Interest expense associated with the prepayment loan is being accounted for in accordance with RUS. The Cooperative is amortizing the prepayment over 10 years.

Deferred Income Plan – 401(k)

In addition to the NRECA Retirement and Security Program, substantially all employees of the Cooperative are eligible to participate in the NRECA SelectRE pension plan, a defined contribution multi-employer deferred income plan qualified under Section 401(k) of the Internal Revenue Code. The Cooperative's required contribution to the Plan and its net pension cost was approximately $463,000 and $400,000 for the years ended December 31, 2013 and 2012, respectively.

Note O – Fair Value of Financial Instruments

The Cooperative has recorded all financial instruments based on the carrying amount (book value) in the financial statements in accordance with accounting principles generally accepted in the United States of America. According to guidance from FASB, the Cooperative is required to disclose the fair value of financial instruments. Accordingly, the following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of these instruments.

Accounts Receivable

The carrying amount of accounts receivable approximates fair value due to the short period of time amounts are outstanding.

Investments in Associated Organizations

Fair value of capital term certificates and member capital certificates was determined by computing the present value of estimated future cash flows, discounted at the long-term treasury rate of 3.96% and 2.95% for the years ended December 31, 2013 and 2012, respectively. The fair value of patronage capital is not determinable since no legal obligation exists to retire capital credits.

The fair value of the cost method investment is not estimated since there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value and it is not practicable to estimate fair value. The carrying value of memberships approximates fair value.

Accounts Payable

The carrying amount of accounts payable approximates fair value due to the short period of time amounts are outstanding.

Long-Term Debt

The carrying amount of the Cooperative's long-term debt includes certain interest rates that are below quoted market prices for the same or similar issues. Therefore, the fair value of long-term debt is estimated based on current market prices for the same or similar issues offered for debt of the same and remaining maturities which was 6.50% and 5.55% for the years ended December 31, 2013 and 2012, respectively.

Consumer Deposits

The carrying amount approximates fair value due to the relatively short maturity of the deposits.

The estimated fair values of the Cooperative's financial instruments were as follows:

	December 31,			
	2013		2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Investments in associated organizations:				
Capital term certificates	$ 2,122,521	$ 2,104,000	$ 2,135,202	$ 2,601,000
Member capital certificates	$ 125,000	$ 210,000	$ 125,000	$ 247,000
Liabilities:				
RUS, CFC, FFB and CoBank notes payable including current portion	$ 254,332,347	$ 208,692,000	$ 247,201,741	$ 220,882,000

Note P – Acquisition

During 2010, the Cooperative completed an asset purchase agreement with PE for the distribution plant assets and approximately 52,000 accounts located in the Commonwealth of Virginia. At December 31, 2013, as a result of the final order approved by the SCC related to this purchase, the Cooperative had $3,750,000 as current receivable and accounts payable for rate mitigation payments that will be received and passed through to the acquired customers from July 2014 to June 2015. At December 31, 2012, the Cooperative had $3,750,000 as deferred charge and deferred credit.

Note Q – Related Party Transactions

The Cooperative was a member of the following organizations and conducted business transactions during the current and prior years as set forth below:

The Cooperative was a member of the CFC and CoBank, national financing organizations, and had investment assets and mortgage notes payable at various interest rates and maturities.

The Cooperative, as a member of the ODEC, an organization composed of electric cooperatives, has entered into a contract for the acquisition of wholesale power. The rates for wholesale power sales to members are determined by the Board of Directors of ODEC.

The Cooperative was a member of the Virginia, Maryland and Delaware Association of Electric Cooperatives, an association organized to serve rural electrification in those three state areas by providing group efforts on a regional basis in public and member relations, government affairs, human resource development, technical services, and legal services.

Note R – Commitments and Contingencies

Purchased Power

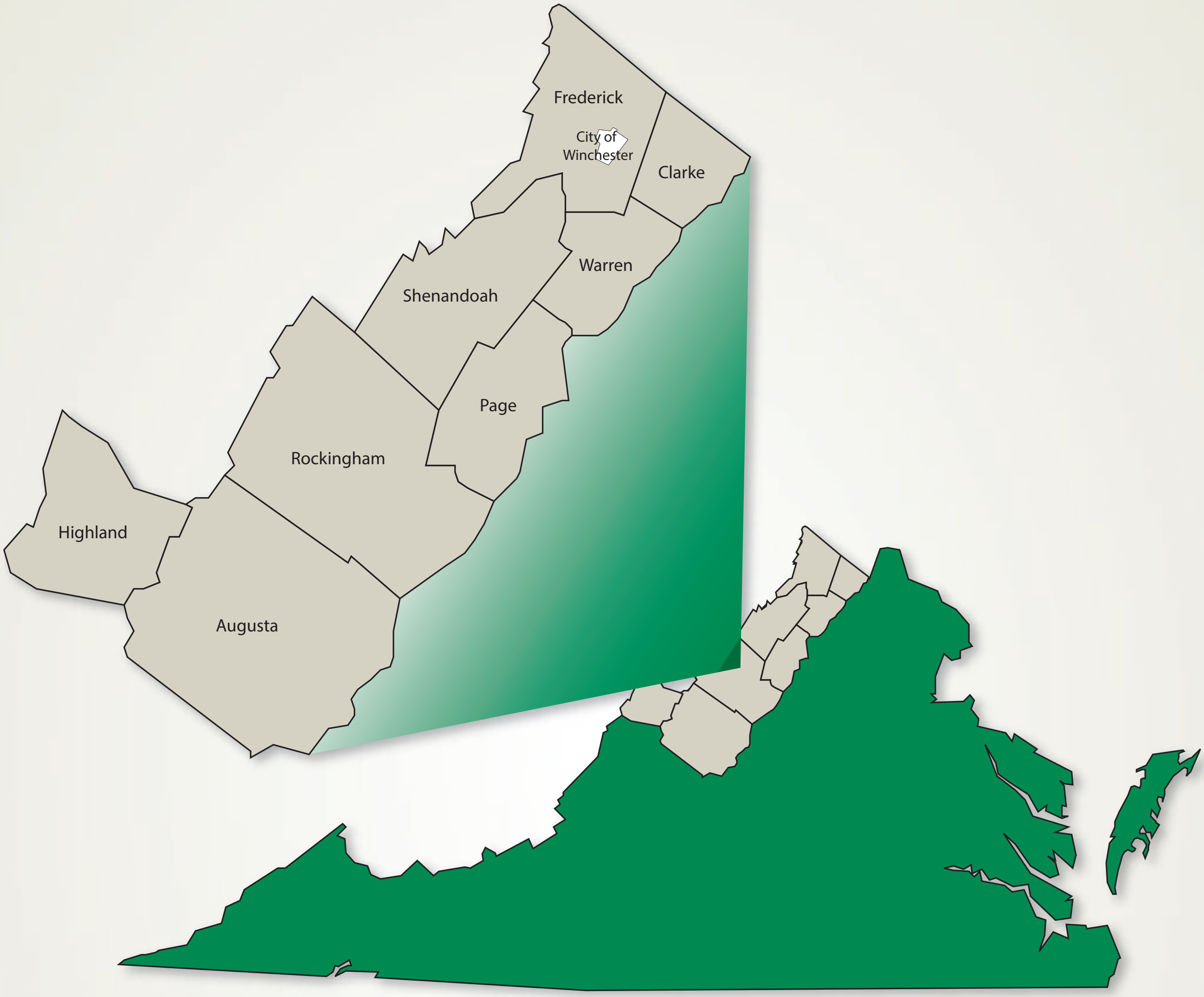
The Cooperative, as a member of ODEC, an organization composed of electric cooperatives in Virginia, Maryland and Delaware, has entered into a long-term contract with ODEC for the acquisition of wholesale power through ODEC as have other members of the organization. The cost of wholesale power purchases through ODEC may increase or decrease based upon rates established by the Board of Directors of ODEC

Construction Contracts

The Cooperative had a commitment of approximately $3,900,000 associated with various construction projects, of which approximately $1,500,000 was outstanding as of December 31, 2013.

Officers' and Directors' Compensation

Officers' Total Compensation:	$553,899
Non-Officer Directors' Compensation	$127,764



Shenandoah Valley Electric Cooperative

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