

Vermont

Electric



– Committed to our Members –

Important Message from the CEO

By David Hallquist, CEO



As the CEO of VEC, I take VEC's responsibility to provide safe, reliable and affordable electricity to members very seriously. That is why I am asking members to support the important ballot items in our upcoming vote. We are seeking approval for transmission line upgrades, a power contract with Hydro Quebec, and a by-law change.

Transmission Upgrades (Ballot Question #1)

The 16.9 miles of transmission lines and system upgrades that are required in the area around Jay Peak in Orleans County are needed to provide a more reliable and safer electric system to Vermont Electric Cooperative members in the region.

Why? The existing lines and substations between Lowell and Jay, running through Westfield, were constructed in the late 1960s and are at the end of their optimal life. Much has changed during the past 40 years, in particular how we use electricity and the technology required to get it safely, reliably and affordably to your home. Think of a home computer, big screen television or even electric appliances today or electric vehicles tomorrow. There is no doubt that we are using electricity differently and demanding greater reliability now than in the 1960s. While these changes are occurring in the home, reliable power is even more important for businesses and economic development. The transmission system upgrades between Jay and Lowell are necessary to meet the high safety and reliability standards our residential and commercial members deserve and expect.

According to a report issued for ISO-New England, New England's regional electricity managing body, growth at Jay Peak has and will increase the power load from the Resort by 70 percent. As a whole, the local area has demonstrated load growth of 10 percent over the last decade. A healthy economy requires a modern infrastructure that supports jobs.

There is no question that this transmission system upgrade must be done. The question how to pay for it.

The renewable wind project in Lowell (Kingdom Community Wind) presented VEC with an opportunity to share the cost of this transmission upgrade with Green Mountain Power (GMP). GMP had started negotiations with CVPS to carry the power from the wind turbines. VEC entered the discussion, knowing that it had to upgrade the transmission lines, which would be an expensive project if borne by the VEC members alone. Those VEC-GMP negotiations produced an agreement which allowed GMP to carry power over the VEC lines in exchange for GMP's paying \$7 million of the \$12 million upgrade work. Without this agreement, VEC would build a line with less capacity with an \$8.9 million price tag and VEC members would end up paying the whole cost, as opposed to sharing the

cost with GMP. Further, going forward, the agreement calls for GMP to pay 58% of the operating costs of the transmission lines. Without this agreement and your support on this ballot item, GMP will likely go ahead with the project with another partner and VEC rate payers will have to bear the total initial cost of the lines upgrade, as well as, 100% of the ongoing operating costs. The wind project is now permitted by the state and GMP has plans to start construction. A vote against the transmission upgrades will not stop GMP's work on the wind project but would cost VEC members more.

This agreement will also allow VEC members to buy power from the wind project at less than 10 cents per kilowatt-hour, the lowest cost of all in-state renewable options, and will help us meet our renewable goals here at the Coop and meet the state's mandate that 20% of all power comes from renewable sources.

The association between VEC and GMP is a deal that Coop members can't afford to turn down. The transmission upgrade ballot item deserves your support.

Hydro Quebec Agreement (Ballot Question #2)

The Hydro Quebec agreement before Coop members is a long-term contract, which sets a max-

imum and a minimum energy price, which can be charged for the price of energy during the high use hours each day. It is designed to limit power price volatility during the most expensive hours of use each day. It covers 7 days a week, 16 hours a day. This is accomplished with a complex formula limiting day-to-day variations.

The base price will increase with inflation but is capped to create stability in long-term prices. That cap is set to allow no more than 15% variability in price changes, thereby limiting the year-to-year base amounts used in the starting point for the short-term calculations.

With energy prices at favorable rates it is a good time to lock in long-term contracts especially for high-priced high use hours. The contract starts in 2012. It also locks the Coop into a renewable power source at close-to-market prices.

We feel this will be a very important piece of our overall energy strategy. We strongly encourage your support for this ballot item.

Bylaw Change (Ballot Question #3)

The Coop is a member-owned business. Our consumers are our owners. By paying your monthly

See "CEO Message" cont. on pg. 3

73rd Annual Meeting Election Results

Johnson – Results of Vermont Electric Cooperative's (VEC) director elections and proposed bylaw amendments were announced during the Cooperative's Annual Meeting held in Derby, Vermont on Saturday, May 21, 2011.

Incumbent District 1 Director Don Worth of Island Pond won re-election with 307 votes; challengers Ken Mason received 208 and Paul King received 75. Incumbent District 6 Director Dan Parsons of Richford ran unopposed and received 366 votes. Incumbent West Zone Director Dan Carswell of Franklin won re-election with 764 votes; challengers Robert Pearl received 262 votes, Caleb Elder 211 votes and Naomi Shaw 186 votes.

Two proposed amendments to the bylaws also passed. An amendment to add conditions and processes for removing Directors passed with 2,293 votes in favor and 314 opposed and an amendment to eliminate a requirement that regular meetings of

the board of directors be held within the VEC service territory passed with 2,296 votes in favor and 325 opposed.

Featured speakers at the meeting included Ver-



Guest Speaker Liz Miller, Vermont Public Service Department Commissioner, addresses VEC members

mont Public Service Department Commissioner, Liz Miller, who spoke about Vermont's energy future. Chief Executive Officer Dave Hallquist reported on VEC's successful smart meter deployment and discussed the tough choices faced when choosing power suppliers.

About 300 VEC members and guests attended the meeting. During a question and answer session there was

a lively discussion about power supply options, including the proposed Kingdom Community Wind project in Lowell, Vermont. Members also raised questions about rising electricity costs and expressed concerns about state and national energy policy issues.

Candidates for VEC Board of Directors - District 3

Albany – Craftsbury – Glover – Greensboro – Irasburg – Jay – Lowell – Newport Town – Troy – Westfield



Amanda G. Kelly
Newport Center

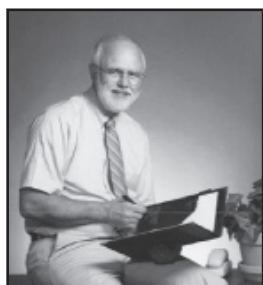
Hello Fellow VEC Member,

I seek your support and vote, by mail ballot or in person, at the annual 2011 Vermont Electric Cooperative (VEC) meeting for Director of District #3.

This opportunity interests me as I was shocked that our electric bill was twice our previous residence. I find this to be an opportunity to help our community keep this essential bill under control. I have provided a high level of service and objective professionalism in various capacities throughout my employment history. I pledge to continue this as a Director on the VEC. My outgoing and direct nature lends itself to being a good advocate for our community and its electrical needs.

I have been a stay-home mom for the past 3 years. Prior to our son being born, I worked over 18 years as a civil servant both in Connecticut and New York with the Department of Labor and Department of Social Services respectively. Moving to Newport Center last fall brought us closer to family and friends in New England.

Thanks in advance for your vote!



Larry Chase
Lowell

I am a candidate, and invite your vote, for the position of Vermont Electric Cooperative Board of Directors, District 3.

My candidacy responds to my long-held belief in the value of cooperative management of utilities as representative of the public good.

I am interested in being part of the management to guide the planning and mission of the Cooperative in a way that makes energy available to its members at the lowest cost consistent with sound economy and good management.

My roots in Lowell go back several generations. During my career of forty years as a Presbyterian minister, I have served on such Boards of Directors as a Mental Health Center, a Hospice agency and a Visiting Nurse Association. I have worked with several community-based organizations, some educationally- and some service-oriented. I have always appreciated the basic democracy of non-profits and co-operative organizations feeling that the best wisdom is shared wisdom in consensus building.

My avocation is home construction having built my own home and barn, an energystar home for a friend, an off-grid cottage, and several out-buildings. I currently serve as a Lister for the Town of Lowell.



Carol Maroni
Craftsbury

Fellow Co-op Members,

With our Vermont Yankee contract ending, and Vermont's goal of 20% in-State renewable energy by 2017, we have many decisions ahead. As a Co-op member, you have a voice in these decisions.

My name is Carol Maroni and Craftsbury has been my home for 27 years. I'm a Registered Nurse and also teach part time at CCV. As a nurse, a teacher, the founder and first Executive Director of Craftsbury Community Care Center, and currently the Quality Director for a group of medical practices I have experience meeting organizational goals while balancing financial constraints with quality services.

My longstanding interest in renewable energy led me to attend a State wide forum a few years ago to discuss Vermont's energy future. Now the results of that forum are playing out in my backyard as many of our district members struggle with a divisive issue. I don't have the answers, but if you give me the chance I will become educated about options and will work with you, to find the answers to your questions and bring your views forward. I would like the opportunity to represent you as the Director of District 3.

Thank you for your consideration.



Michael J. Ladd
Glover

I would like to represent District #3 during these challenging times. It will be increasingly difficult to maintain the proper mix of long and short term contracts for power while maintaining low rates and identifying "new" sources of renewable, reliable energy within Vermont. The renewal of long term Quebec Hydro and possible addition of the Seabrook nuclear contracts will help but the increased use of technology to improve system reliability and reduce costs will be essential.

With the advent of smart power my IT background will be helpful in understanding this technology. I ask for your vote and the opportunity to serve.

I am Manager of Application Support for Weidmann Electrical Technologies, St. Johnsbury (27 years). We manufacture electrical grade pressboard used as thermal/electrical insulation in oil filled, High Voltage and Distribution Transformers.

I have lived in Glover for 36 years, with my wife Bonnie; we have 3 children and 8 grandchildren. I am a former member of the Glover Fire Department & Ambulance Unit, served 17 years on the Board of Lake Region HS (10 years as chair); currently serve as Chairman of the Board of Directors for CO-Operative Insurance Co., Middlebury and served proudly in the USMC.



Steve Merrill
North Troy

I am interested in serving on the VEC Board, District 3, as a member, consumer, and resident and have been interested in energy issues since the 1973 Oil Embargo when I was a junior in school. Born 7-5-1956 in Fitchburg, Mass., I was raised in Lunenburg and graduated 1974 from Massachusetts Regional Voc-Tech (Fitchburg) with a H/S diploma and Trade Certificate for Machine Shop Practices, then attended Worcester Industrial Tech (WITI) nights for Numerical Control Programming while doing an apprenticeship at Sanborn Machine Tool & Die in Leominster, Mass. I relocated to San Diego in 1977 and worked through Temp Agencies (Alfano) making everything from heart valves and medical devices to parts and assemblies at the Fusion Reactor at General Atomic in La Jolla, Ca. I moved to North Troy in 2001 to "semi-retirement" yet find myself in actuality, busier than ever.

I currently serve on the Board of Directors at NEKTV, Newport, and have filmed the wind hearings in Lowell and the Troy Hydro hearings in Westfield, which brought local energy issues to the public via local cable access TV, and plan on giving more attention to these topics/issues through serving on the VEC Board. As we transition from fossil fuels to renewable energy much attention and work will be needed as future generations will inherit the land, air, and water we leave behind and it is all we will be measured by. I believe we can have affordable energy and a cleaner planet through using energy smarter, efficiency upgrades, and less wasteful appliances and practices, an extension of the good old New England "Yankee" style of ingenuity and values.

Thanks for the consideration, and hopefully, your vote.



Diana Laplante
Westfield

I'm asking for the consideration and confidence of your vote for District 3 Director on the VEC Board at the annual 2011 meeting, either by legal mail ballot or in person.

I am interested in helping to make future needs and plans, in power, a local issue for people to voice and participate day to day within our area and state, along with a conscience for our natural world and neighbors and with an eye to the future in holding down costs.

I have been working as a licensed Realtor & Rental Specialist with Coldwell Banker All Seasons Realty in Newport, about 12 years; teach part time fall and winters in the computer lab at the Northeastern Correctional Facility in Newport and spent one year with AmeriCorps as a Community Organizer. I'm a member of Memphremagog Arts Collaborative and work as appointed representative for Westfield on a 3 year study for Federal Scenic Wild River designation for the Missisquoi River. I've been living in Westfield for about 13 years.

I appreciate your consideration in these tough times when you take the time to vote.



Joe Torter
Newport

I'm asking for your vote for District 3 Director on the VEC Board. A seat on the Board carries extreme responsibility to the membership. In most cases our monthly electric bill is a significant part of our budget. I pledge to represent each member of our district by working toward keeping this organization functioning in an efficient manner with respect to cost and service.

I have the time and experience to assume this Board responsibility. Along with my 33 years as either a homeowner in Jay or a resident of Newport Center, I have held executive positions in private industry and owned my own corporation doing business in the food industry. Communication along with efficient planning and spending, have always been key to my success.

After careful review, the duties of a VEC board member fall in line with my business and education experience. I have an undergraduate degree from the University of Notre Dame and an MBA from New York University. From past board of director experience I am willing to accept these responsibilities. Please let my experience and education work for you.

Regarding the District 3 Special Election

Prompted by an unplanned vacancy due to a Director resignation, VEC is holding a special election in District 3 to fill this vacant seat on the board of directors. The candidate elected to this position will serve the remainder of the District 3 Director term which expires in 2014.

Special Meeting of the Membership and Special Election – July 26, 2011

Pursuant to Article III, Section 2 of the Bylaws of Vermont Electric Cooperative, Inc., the Board of Directors has designated that a Special Meeting of Members will be held:

At The Vermont Electric Cooperative Headquarters, 42 Wescom Road, Johnson, Vermont at 6:00 p.m. on Tuesday, July 26, 2011 for the following purposes:

1. To determine the existence of a quorum.
2. To hear, or to waive, the reading of the Notice of the Meeting and the Proof of mailing.
3. To vote whether to approve the upgrades of approximately 16.9 miles of transmission line and associated substations in Lowell, Westfield and Jay, Vermont, pursuant to 30 V.S.A. Section 248(c). (Ballot Question Number 1)
4. To vote whether to approve a power purchase agreement with Hydro Quebec, pursuant to 30 V.S.A. Section 248(c). (Ballot Question Number 2)
5. To vote whether to amend Article VII, Section 2(i) of the Bylaws as presented in this Notice. (Ballot Question Number 3)
6. To elect a Director of the Cooperative for District 3 (Only District 3 members eligible to vote). (Ballot Question Number 4)
7. To transact any other business that may properly come before the meeting.
8. Adjournment.

Summary of Ballot Questions

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Ballot Question #3

Seeking approval to amend VEC bylaws to allow the Board of Directors to set method allowing for retirement of patronage capital.

VEC's financial stability has improved in recent years to a level where VEC's Board of Directors may consider repaying member equity to the VEC membership. This bylaw change would give VEC's Board of Directors discretion in determining the repayment methodology.

Voting Instructions (Abbreviated)

Voting is a simple and very important part of VEC member participation in the democratic process of the Co-op.

Voting by mail:

You will receive a ballot and business reply envelope in the mail. Ballots must be returned in the envelope provided in order to be valid and **must be received by 10:00 p.m. on July 25, 2011**. Do not mail your ballot to Vermont Electric Co-op.

Voting in person:

Members may bring their ballot with them for voting at the **Special Meeting of the Membership on July 26 at VEC headquarters in Johnson, VT**. The ballot box will close at 6:30 p.m. Ballots must be placed in the envelope provided in order to be valid and dropped in the ballot box provided.

Who can vote?

Single membership:

If a membership is single, not joint, only the member whose name is on the account is registered and eligible to vote.

Joint membership:

A joint membership with two or more names is entitled to only one vote. If one member is away, the other can still vote.

Businesses, churches, schools or other organizations:

For memberships listed as businesses, churches, schools, or other organizations, only the authorized agent may vote the ballot.

Valid:

Ballots are not valid unless returned in the enclosed business reply envelope provided. Envelopes can contain only one ballot per envelope or all will be invalid.

Your Vote Matters!
Please plan to attend the meeting or complete and return your ballot by mail

Ballots cast by mail must be received by July 25
or
Members may bring their ballot with them for voting at the Special Meeting on July 26.

**Questions about the ballot?
Misplaced your ballot?
Call 1-800-832-2667**

CEO Message

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bill you are contributing to the Cooperative's expenses and equity in the organization. At the conclusion of each year, revenues are compared to expenses and any differences are allocated to member accounts as owner's equity. The owner's equity is known as patronage capital in the electric cooperative world.

Patronage capital, the owner's equity, can accumulate each year a member is served by the Cooperative. The Cooperative uses the member's patronage capital (member equity) to become financially healthy. An electric cooperative is a very capital intensive business. Without member equity the Cooperative would not be able to make improvements to the electrical system that serves you. A minimum level of equity is required to have access to financing for loans and capital that allows for long term utility system investments.

Member equity can and sometimes does accumulate depending on the financial health of the cooperative. If the Board of Directors authorizes a retire-

ment of patronage capital, this Bylaw change would allow a portion of each member's equity, for the time period specified, to be retired or paid out to each member in the form of bill credits or in a check. The retirement represents a return of principal to members.

This ballot item is really great news for our members. VEC has never been in the position to consider these types of payments, but our financial position has dramatically improved over the last few years. Our bond rating has improved from BBB to an A- rating which shows how our financial stability has improved. That rating change alone has created savings in borrowing with lower interest rates for the Coop.

We are proud to bring this item before members. It speaks to our financial success. In the future this could be an important tool to help us return capital to you when the time is right. Please support ballot item three.

Please exercise your member vote and return your ballot. As a member of the Coop, your vote matters!

Vermont Electric Cooperative Board of Directors

District 1	Don Worth 802-723-6532 P.O. Box 450, Island Pond, VT 05846 district1@vermontelectric.coop
District 2	John Ward 802-334-6022 145 Mt. Vernon St, Newport, VT 05855 district2@vermontelectric.coop
District 3	VACANT <i>See article on page 2.</i>
District 4	Mark Woodward 802-635-7166 110 Woodward Rd, Johnson, VT 05656 district4@vermontelectric.coop
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District 6	Daniel Parsons 802-848-3328 320 Hardwood Hill, Richford, VT 05476 district6@vermontelectric.coop
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Western Zone Directors at large	Dorothy Allard 802-827-9779 1331 Waterville Mtn. Rd, Bakersfield, VT 05441 westzone3@vermontelectric.coop Dan Carswell 802-933-4628 P.O. Box 802, Enosburg Falls, VT 05450 westzone1@vermontelectric.coop Craig Kneeland 802-635-2776 5047 Route 100, Eden Mills, VT 05653 westzone2@vermontelectric.coop

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VEC Special Election

July 5 - July 26

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VEC Special Election

July 5 - July 26

Get informed!

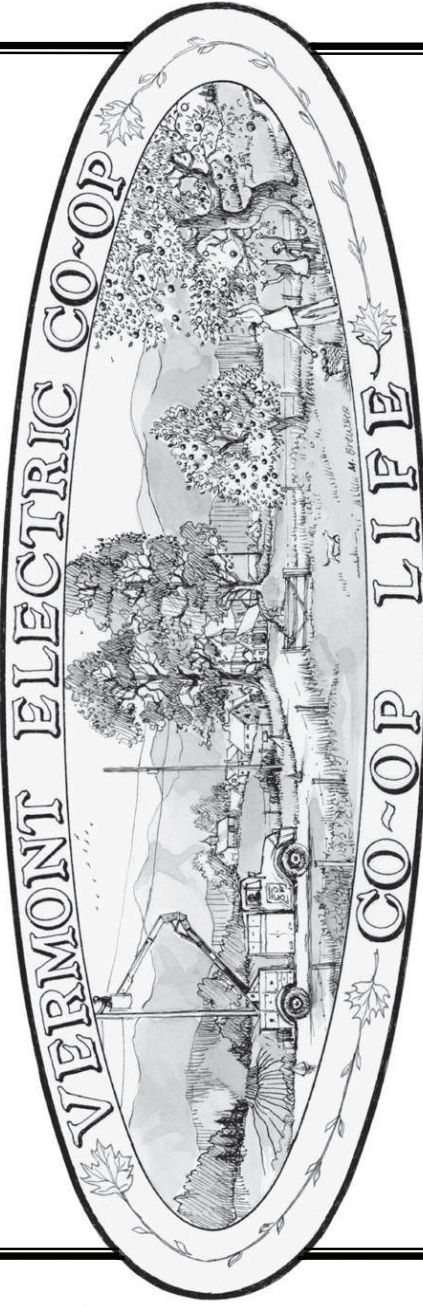
Read this special edition of *Coop Life* to learn more about important energy issues that impact you.

Coop Members have a voice!
Please cast your ballot and participate in determining VEC's energy future.

YOUR VOTE MATTERS!

Questions: call 1-800-832-2667
or go to www.vermontelectric.coop

- SPECIAL ELECTION EDITION -



- Committed to our Members -

Volume 68 Number 3

Summer 2011

Summary of Ballot Questions

(Full text is in Ballot packet you will receive in the mail)

Ballot Question #1

Seeking approval for transmission upgrade from Lowell to Jay, Vermont

A transmission upgrade to replace aging infrastructure is needed to ensure power reliability in the Jay, Lowell and Westfield area. With lines that the Public Service Board describes as "nearing the end of its useful life" and with considerable growth in electrical demand in the region, both the Vermont Public Service Board and ISO New England after extensively studying this system, have come to the conclusion that our ability to deliver reliable power is of immediate concern.

If members approve the upgrades, Green Mountain Power (GMP) will pay approximately \$7 million of the \$12 million total cost associated with the transmission project. This opportunity exists because it will provide an interconnection for GMP's renewable wind generation project. Additionally, GMP has agreed to sell electricity generated by the wind project to VEC at a very desirable price and will pay 58% of the operating cost of the transmission system for 25 years.

Ballot Question #2

Seeking approval of a power purchase and sale agreement with H. Q. (Hydro Quebec) Energy Services (U.S.)

VEC is seeking approval for such a contract with H.Q. that would have an economic benefit for VEC by providing long-term power with low carbon emissions at relatively stable prices and favorable credit terms for power during high volume periods.

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