



VERMONT ELECTRIC CO-OP INC
42 Wescom Road
Johnson, VT 05656

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Vermont Electric Cooperative, Inc.

42 Wescom Road
Johnson, VT 05656-9717

Toll Free: 1-800-832-2667
Telephone: 802-635-2331
Fax: 802-635-7645

www.vermontelectric.coop

~Committed to our Members~

December 1, 2008

NOTICE OF PROPOSED RATE CHANGE

On November 14, 2008, Vermont Electric Cooperative, Inc. (VEC) filed with the Vermont Public Service Board (PSB) a request for an annual revenue increase of \$5,806,653 or 9.24% over current rates. The rate increase will be implemented by an identical increase to all tariff rates, effective for services rendered on or after January 1, 2009, subject to refund. The PSB has no power to suspend this increase but it may open an investigation. If it does, the rate increase will appear as a surcharge on members' bills. The rates may later change again, based on the PSB's final determination of the level of rate increase.

A chart is attached showing the present and proposed rates for each rate schedule.

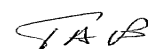
VEC is seeking this rate increase largely as the result of two major components: increased regional transmission costs and capital improvement expenditures. The capital improvements are necessary to improve service and reliability, as recommended in the Business Process Review and Audit (BPRA) which was completed in December 2007. The BPRA is available on VEC's website at www.vermontelectric.coop or by calling 1-800-832-2667. Lesser contributing factors include higher payroll-related expenses, property taxes, and vegetation management costs.

If you have comments on the proposed rate change, you may submit them in writing by December 19, 2008 to the Vermont Public Service Board, 112 State Street, Montpelier, VT 05620-2701. Comments may also be emailed at psb.clerk@state.vt.us

In addition, VEC also has requested that the PSB approve an alternative regulation plan to minimize the impact of large swings in future transmission costs. The plan will allow for automatic, quarterly adjustments to rates when transmission costs rise or fall. The adjustments will be capped, so that rates will not be increased by

more than approximately one-half cent per kilowatt hour over a calendar year. The plan will benefit members by reducing the likelihood of future and costly rate cases, and will make rate reductions automatic when transmission costs decrease. VEC is proposing that the Public Service Board approve the plan so that it can take effect on July 1, 2009.

VEC welcomes your input. Please send your questions or comments on the proposed rates to David Hallquist, Chief Executive Officer, or Michael Bursell, Chief Financial Officer, Vermont Electric Cooperative, Inc., 42 Wescom Road, Johnson, Vermont 05656. You may examine our filings at the Public Service Board or at Vermont Electric Cooperative, Inc.'s office during normal business hours.



Thomas Bailey, President



David Hallquist, Executive Manager

Q&A About Proposed Rate Increase

Vermont Electric Cooperative has filed a request with the Vermont Public Service Board (PSB) to increase electric rates. Below are answers to questions regarding this request:

Q: How much does the co-op plan to increase its rates?

A: VEC is requesting a 9.24 percent across the board rate increase for members. For an average household using 600 kWh per month it would mean an increase of \$9.01, from \$97.48 to \$106.49 per month. The PSB must approve the rate increase. The state could approve all, part or none of the request.

Q: What is the role of the Public Service Board (PSB) in reviewing VEC's rates?

A: VEC is regulated by the PSB and has filed its rate request with both the PSB and the Department of Public Service (DPS), the state's consumer advocate. On its own or at the request of the Department, the PSB may open an investigation. If it does, the new rates will go into effect as a surcharge but will be subject to refund based on the PSB's final determination.

Q: Why does the co-op need to increase rates?

A: This increase is attributed primarily to two key components:

1. Transmission costs - approximately 30 percent of the increase is a result of higher power transmission costs.

2. Capital improvements - 25 percent of the increase is a result of increased capital improvements on the system infrastructure with a focus on safety and reliability.

Other factors include higher payroll and related costs, property taxes and vegetation management costs.

Q: What can I do to reduce my bill?

A: Even with higher costs there are steps members can take to conserve energy and reduce their bills. Members should contact the State's efficiency utility Efficiency Vermont at 888-921-5990 or www.encyvermont.com for more energy efficiency information.

Q: What is the Alternative Regulation Plan?

A: VEC is asking for approval to make quarterly adjustments to rates, up or down, when transmission costs are higher or lower than expected. Three other utilities in Vermont do this already, but those plans cover more than just transmission costs. Any adjustment will be capped at approximately one half cent per kilowatt hour, or about \$3.00 in a month for the average residential bill. This plan, if approved, will make costly rate cases less likely, and will reduce rates automatically when transmission costs decrease.

Vermont Electric Cooperative

Current and Proposed Rates

Classification	Type of Charge	Current Rates	Proposed Rates
SC #1 - Residential	Customer Charge	\$14.72	\$16.08
	1st 100 KWH	\$0.07461	\$0.08150
	Over 100 KWH	\$0.15060	\$0.16452
SC #1.1 - Residential Time of Use	Customer Charge	\$14.72	\$16.080
	On Peak KWH	\$0.16915	\$0.18478
	Off Peak KWH	\$0.12199	\$0.13326
SC #2 - General Service - Non-Demand Billing	Customer Charge	\$15.61	\$17.05
	All KWH	\$0.13539	\$0.14790
	Farm Residence Credit	(\$6.08)	(\$6.64)
SC #2.1 - General Commercial Time of Use - Non-Demand	Customer Charge	\$20.10	\$21.96
	On Peak KWH	\$0.14987	\$0.16372
	Off Peak KWH	\$0.10271	\$0.11220
SC #2 - General Service - Demand Billing Time of Use - Demand	Customer Charge	\$26.02	\$28.42
	All KWH	\$0.07749	\$0.08465
	All KW	\$17.85	\$19.50
	Farm Residence Credit	(\$6.08)	(\$6.64)
SC #3 - Industrial	Customer Charge	\$40.18	\$43.89
	All KWH	\$0.07749	\$0.08465
	On Peak KW	\$20.81	\$22.73
	Off Peak KW	\$15.00	\$16.39
Subtransmission Firm	Customer Charge	\$198.74	\$217.10
	All KWH	\$0.07689	\$0.08399
	All KW - Firm	\$17.00	\$18.57
	All KW - Interrupt	\$13.95	\$15.24
Use Specific Interruptible Service By Special Contract	Cust Charge - Firm	\$198.74	\$217.10
	All KWH - Firm	\$0.07671	\$0.08380
	KW - Firm	\$10.30	\$11.25
Subtransmission Interruptible	Customer Charge	\$241.67	\$264.00
	Cust Chrg- Interrupt	\$198.74	\$217.10
	All KWH - Interrupt	\$0.07171	\$0.07834
SC #4 - Street Lighting	KW - Interrupt	\$7.25	\$7.92
	1,000 Lumens	\$6.62	\$7.23
	4,000 Lumens	\$15.10	\$16.50
	10,000 Lumens	\$20.79	\$22.71
	8,000 Lumens MV	\$15.17	\$16.58
	20,000 Lumens MV	\$26.29	\$28.72
	8,000 Lumens HPS	\$12.17	\$13.29
	24,000 Lumens HPS	\$25.82	\$28.20
	44,000 Lumens HPS	\$39.45	\$43.10
	<u>Customer Owned STL</u>		
	8,000 Lumens HPS	\$9.74	\$10.64
	24,000 Lumens HPS	\$20.65	\$22.56
	44,000 Lumens HPS	\$31.56	\$34.48