Quimby Country: the Ultimate Woodland Retreat
By Phyllis Shanley

Through foliage still splendid in early October, a short dry-leafed trail takes you to a bedrock ramp on the edge of Great Averill Pond. A loon floats just off shore and Fall colors reflect in a pebbly surface. In the boreal forests covering the gentle hills around you, there must surely lurk bear and moose, as well as deer, rodents and raptors. You’re ready to push off in a quiet rowboat with your camera and binoculars to enjoy the peace and beauty of the best of woodland Vermont.

This is a taste of what you’ll find in a small paradise called Quimby Country, tucked away in Averill, 2 miles from Canada and 10 miles from New Hampshire. This intimate resort nestles beside Forest Lake, on more than 1000 acres of woodland around the Averill Ponds, in the land where rivers flow north. Far you think? It’s only 1½ hours from St. Johnsbury through an unspoiled natural landscape. Quimby’s has been in continuous operation since it opened in 1894 as a fishing lodge.

In 1918, Charles Quimby gave the lodge to his daughter Hortense, a dynamic redhead, who developed it into a family-friendly row of cottages. She gathered a loyal guest list and, when she died in 1968, a group of regulars formed a corporation to keep Quimby’s running. “We have the nicest guests in the world,” says manager Joanie Binns. In the lobby of the lodge is a bookcase of annual photo albums, a tradition kept alive by the guests and staff who enjoy remembering their stays year after year. Joanie’s friendly welcome alone would make anyone feel at home and, judging from the pictures, the regular guests would welcome you, too.

Low-tech Delights
Fishing is fine here. In the five lakes in the immediate area, fishermen with bait or flies have found trout, landlocked salmon, northern pike and smallmouth bass. Quimby’s provides non-motorized boats for guests to enjoy the water. Boats are person-powered – rowboats, kayaks, sailboats – in keeping with the low-tech human-scale ambiance of this secluded retreat. Even the cars are parked out of sight! No TV or broadband is available, cell phones still don’t work, and guests hardly miss these amenities. With a twinkle in her lively blue-gray eyes,

First glimpse of Forest Lake with Lodge in the background

Great Averill Pond beach is just a short walk from Quimby’s

Cabin service in former days by Albert Pratt

Early guests arriving by stage

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You may have noticed a sleek “safety blue” Ford Escape driving around with VEC decals. The Co-op has purchased our first hybrid vehicles. This September VEC acquired two 2008 Ford Escape Hybrids to be used by our meter services personnel.

The new Escape system is a hybrid gasoline/electric powertrain that boasts a 2.3-liter, four-cylinder gasoline engine coupled with a 330-volt electric motor for a combined output of 155 horsepower. While not overly powerful the trade-off is increased fuel efficiency with an estimated 34-mpg city and 30-mpg highway. The estimated mileage is actually higher for city driving due to the electric motor propelling the car at lower speeds of 25 mph or less.

The engine technology used in the Hybrid Ford Escape is quite different from conventional engines. The speed of the engine is not related to how fast the vehicle is going down the road. Instead, the speed of the engine and transmission is designed to give the power needed at the most efficient engine speed.

Some of the unique operating characteristics of a hybrid are the use of an electric motor at speeds of 25 mph or less. During start up, the gasoline engine will run only until a temperature is reached or the battery is fully charged. The gasoline engine will then shut off maximizing fuel economy. Powered by a 330-volt nickel metal hydride battery the electric motor is very quiet, to the point that it is hard to hear whether the vehicle is still running! Once moving, the gasoline engine will start and stop as needed with the electric motor doing most of the work until speeds of 25 mph are reached. Then the roles are reversed and the gasoline engine takes over with the electric motor assisting as needed. When used for meter reading, where the stop and go cycle is the greatest, the hybrid will be utilized to its highest potential and maximize fuel efficiency for the Co-op.

We are very pleased to introduce this technology into VEC and at the same time be able to reduce our fleet emissions, and minimize our impact on the environment. In addition, we believe that the savings in fuel costs from the hybrid vehicle will result in an economical decision too.

VEC Introduces New Hybrid Vehicles
by Steve Johnson, Purchase, Inventory and Fleet Manager

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Recently the VEC redistricting committee has been working to review the number, size and composition of member districts. On the table are various proposals including a continuation of the latest redistricting effort started in 2003. Our discussions have led to some interesting questions about member representation, and have evoked answers that go to the core of board responsibilities and the cooperative way of doing things.

A co-op is a business organization and operates under the rules of corporate law, but even so, it is a special type of corporation. The things that make it unique are the cooperative rules and principles that define its objectives. For VEC these include the Vermont utility statutes, VEC’s own articles of incorporation and by-laws, as well as the needs of its members. One of the most defining aspects of VEC is that it actually is owned by the customers it serves – all of you.

Representation and Districts

There is a common perception that a board member from a given district serves to represent the members of their district. This is only partially true. Each board member is required by law to represent the cooperative as a whole (all the members in every district). In fact, some co-ops don’t even have districts and elect their directors from the service territory at large. It was at the time VEC was created in 1938 that the geographic district model was chosen, and it has been in place ever since. This model still seems like the best idea for us and here is why: VEC territory covers a broad and varied portion of northern Vermont. Districts ensure that there is a voice on the board from each geographic part of the co-op. In other words, the director can speak on behalf of the views and needs of the members of that district. It is this familiarity with the district that helps to add value to each board member’s contribution. It is the ability to hear the distinct views of members from a geographic district, as expressed by the board member they have elected, that gives real breadth to board decisions. At the same time, each board member must make sure that all decisions are made for the benefit of the entire membership.

Board Power and Responsibilities

As a matter of law, the board only has the power to act as a body. Individual directors have no greater authority than any other director. It is only when they act together as a board (by vote of a majority of the board) that they can make decisions for the cooperative.

It was the members who created the cooperative originally, it is the members who choose the directors by election, and these directors, acting together are responsible for running the cooperative. To be effective, each individual board member must strive to be knowledgeable about the cooperative and the rules governing its operations. They should be well informed; willing to listen and participate in meetings; and ready to contribute ideas, questions, and opinions when appropriate. They need to be positive, interested, tactful, broad-minded, and able to work within the dynamics of the board to influence board decisions. Through the interactions at meetings, the board works together with management to establish procedures that are conducive to good decision-making and successful operations.

The many responsibilities of the directors:

- Represent the Membership
- Establish the policies of the co-op
- Hire the CEO/Manager and provide strategic direction and oversight
- Oversee the acquisition and preservation of co-op assets
- Preserve the cooperative character of the organization
- Assess the performance of the co-op
- Inform the members

A Uniquely Challenging Task

The job of any corporate director can be challenging. But it has been said that the job of a cooperative director is inherently more difficult. In addition to strategic planning and providing oversight to the CEO/Manager and finances, the board must balance the impact of decisions on member interests, their communities, the cooperative character of the organization, and its future while ensuring compliance with state, federal and local laws, regulations and ordinances.

Directors are a part of a team

The process of decision making often means that difficult issues are discussed by the board. The board is supported in these discussions by the other members of their team including management and employees, legal counsel, and expert consultants when necessary. Together this team helps the board to:

- identify the strategic issues raised for the cooperative and members;
- evaluate a range of possible solutions;
- gather and study the information to assess the solutions; and
- evaluate the effects of various courses of action.

The board then makes a decision, ensures that the appropriate policies and directives are in place to support the chosen solution, and ensures thorough review of the consequences of the decision.

A Uniquely Rewarding Task

The sheer challenge of being a cooperative director is in itself one of the best rewards. The satisfaction comes from being a key part of the co-op team, tackling problems from their discovery, determining a course of action, and making sure that the solution benefits the cooperative as a whole. It may be difficult, but the benefits come directly to our homes and businesses and become part of the daily life of every co-op member. 

Cooperative Principles

The cooperative principles are guidelines by which cooperatives put their values into practice.

1st Principle: Voluntary and Open Membership

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2nd Principle: Democratic Member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In many cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner.

3rd Principle: Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surplus for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefitting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4th Principle: Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

5th Principle: Education, Training and Information

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of cooperatives.

6th Principle: Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7th Principle: Concern for Community

Cooperatives work for the sustainable development of their communities through policies approved by their members.
CEO CORNER

**Integrated Resource Plan (IRP)**

VEC’s Power Supply and Engineering staff have been working very hard over the past few months to develop a 20-year power supply and capital plan. This plan is meant to be a comprehensive assessment of the power supply market, transmission capability, member load requirements, and VEC infrastructure. This planning document is critically important with today’s highly volatile energy market in that the plan will drive investments and rates.

The IRP is expected to be complete by December 1, 2007 at which time it will be submitted to the Public Service Board for review and approval. That date was set to ensure that the output from the state’s Public Engagement Process and the Utility Generation Siting study can be incorporated into the plan.

The Public Engagement process is a collaborative effort of the Department of Public Service and the Vermont Utilities. Statewide meetings, deliberative polling and on-line resources are used to collect public input as to what Vermonters want their energy picture to be.

The Utility Generation Siting Study was a collaborative effort with the Vermont Utilities. This engineering and resource study will be used to determine what the best form of generation should be, and where it should be located.

The Integrated Resource Plan is demonstrating that green power is good. Green is good because environmental impacts are minimized and the power costs are lower than traditional power sources. It is now clear that fossil fuels are going to be more expensive, and highly volatile in price. Since renewable fuels are much more in our control, the prices are stable.

We will make the Integrated Resource Plan available to members when it is complete. Future issues of our newsletter will cover this important topic and it will be posted on our website at www.vermontelectric.coop.

**Power Generation Projects**

VEC is seriously looking at a number of power generation projects to help stabilize rates and allow VEC members to be less dependent on the New England markets. These projects include:

- **Ludlow Biomass** – a 45 megawatt wood generation facility planned in Ludlow, Vermont. Burlington Electric Department and Vermont Public Power Supply authority are partnering with VEC on this project. The site is located along Vermont Railway in Ludlow. This enables the project to receive fuel logs by rail where they can be chipped on site. Ludlow is a good location in Vermont because the forests are underutilized and need the management. The growth to harvest ratio of wood in the 50 mile supply area is 3.2 to 1, whereas that ratio is 1.8 to 1 in northern Vermont. There are five million tons of new wood growth annually in this area and the project would require about 400 thousand tons annually (about 5% of the new growth). VEC is looking for up to 15 megawatts of the output of this facility.

- **Russell Biomass** – is a 50 megawatt wood generation facility that is planned for Russell Massachusetts. This generator uses wood waste from the region, and as a result, the cost for fuel is relatively low. VEC is looking for up to 10 megawatts of the output of this facility.

- **Sheffield Wind Farm** – has been approved by the Vermont Public Service board. VEC is looking to contract for ½ the output of this facility. The PSB requested that VEC take another opportunity to review the contract and see if we can develop a fixed price contract, as opposed to a 5% below market contract. VEC is working with UPC Wind, the developer, on this topic.

**New Safety and Compliance Manager**

Margaret Fullerton will be starting as the VEC Safety and Compliance manager on November 26, 2007. Margaret comes to VEC from Verizon where she has been directly supervising 23 field technicians since 1997. Margaret has extensive safety experience with telecommunications, and has been working with poles and wires.

The interview team was very impressed with her working knowledge of the system, as well as her excellent leadership skills.

**Internal Job Postings Filled**

In October Bruce Lamb was awarded the position of Group Leader for the Johnson District. Bruce has been a member of VEC’s Operations staff for more than 28 years. He worked his way through the State of Vermont’s Lineworker Apprenticeship program and obtained his 1st Class Lineworker Certification and later became Crew Leader. Bruce is a well respected leader who actively takes responsibility for those under his watch. His direct manner and diplomatic approach have aided VEC and its employees well. As Group Leader Bruce will supervise and work in conjunction with line personnel on VEC’s underground and overhead transmission and distribution systems. He will provide assistance to the operations area by coordinating and directing resources within the Johnson District, which includes VEC’s Williston Service Center. The primary purpose of this position is to effectively and efficiently meet the short and long term goals of the Johnson District with respect to system maintenance and new construction.

VEC also announced that Shawn Juaire was offered and accepted a position as Group Leader for the Grand Isle District. This position was posted internally to help fill the anticipated void of veteran employee David McFadden who will be retiring at the end of this year. Shawn Juaire began working with electricity at the age of 13 under his dad’s supervision. His father was a Lineworker, Electrician and District Representative for Citizens’ Utilities. Shawn states that he has spent the last 16 years watching, learning, and waiting for this opportunity to arrive.

During Shawn’s climb he not only earned his 1st Class Lineworker Certification, he earned an Engineering degree from Vermont Technical College and has spent the last 20 years with the Grand Isle Fire Department. He has received Incident Command System and Leadership Training at the National Fire Academy and is a North Country Fire School Instructor. Shawn has spent a lifetime serving the people of his community and will continue to do so in his new role as Group Leader.

**Donna Coan** was offered and accepted the position of Operations Coordinator. In this position Donna will perform various administrative duties and will coordinate and schedule work related to construction, maintenance, and system improvements within the Operations area, working closely with the Distribution Superintendents, Group Leaders, System Operations and Engineering.

Over the past eleven years Donna has held a number of positions within the Cooperative. She worked in the Member Service and Operations areas, each advance was to a more technical position to the one before. Donna’s background at VEC includes Call Center; Collections; Energy/Member Service Coordinator; work in Dispatch; Meter Services; and most recently working with our AMR technology and the retrofit process.
As we approach the winter heating season, a time when many consumers find it more difficult to stretch the dollar to pay all the bills, Vermont Electric Cooperative (VEC) is encouraging our members to contact us if you are having difficulty paying your electric bill.

If you receive a disconnection notice, it is extremely important that you contact a member service representative prior to the first disconnect date, so we can help you work out a “reasonable” repayment agreement to keep your power on. We can also refer you to local agencies that may be able to assist in paying your bill.

The Public Service Board (PSB) rules on disconnection of residential electrical service are more stringent between November 1st and March 31st, however, utilities are allowed to disconnect during the winter months providing the winter disconnect rules are followed. Examples of the rules are 1) the utility must make reasonable attempts to contact the member to give oral notification of the disconnect, and 2) if temperatures are projected to drop under 10 degrees Fahrenheit during a 48-hour period beginning between 7 a.m. and 10 p.m. on the anticipated date of disconnection it cannot occur.

Are you or a member of your household age 62 or older? Please send written notification to Vermont Electric, as there is a special rule regarding temperature guidelines that applies if prior written notice to the utility has been furnished. The rule states that households with any member aged 62 or older shall not be disconnected during the winter period if outdoor temperatures are forecast to fall below 32 degrees Fahrenheit during a 48-hour period beginning between 7 and 10 a.m. on the anticipated date of disconnection. The Cooperative may require reasonable proof of such qualification under this subparagraph.

As much as VEC prefers not to disconnect during the winter, --or any season!--it is often unavoidable if a member is past due on their bill and makes no attempt to contact us. Vermont Electric understands the difficulties many Vermonters are facing with rising energy costs amongst other expenses. We would like to work with our members in managing their electric bills so that no member goes without electricity this winter. Please do everything you can to work with us to achieve this goal! ❌

Efficiency Vermont

Q. When I signed the lease for my apartment, I didn’t know that electric baseboards are the most expensive way to heat. Then I saw my electric bills, and they were outrageous. My landlord said he’d consider Efficiency Vermont’s advice. What can be done to lower my bills?

A. Have your landlord call Efficiency Vermont to learn more about insulation and air-sealing. He may be eligible for a rebate to switch to a non-electric heating system. Efficiency Vermont can also let him know about federal tax credits that are available for certain energy-efficiency improvements.

In the meantime, one easy thing you can do to keep those bills down is to reduce any drafts in your apartment. Be sure to caulk around window and door frames, block drafts under doors and get an easy-to-use kit at your hardware store that comes with plastic to cover window interiors. A little work can go a long way to reduce your electric bills.

Q. Is it possible to insulate my basement water pipes so well that I can turn off the water in the winter and not have the pipes freeze?

A. In a word: No. Sorry, but your best deterrent is to use the pipes, especially if your basement temperature falls below freezing. You see, insulation resists heat transfer, it doesn’t add heat. Eventually, the temperature of the water sitting in the pipe will come to equilibrium with the surrounding freezing temperature if no water moves through the pipe. If your basement temperature stays above freezing but a pipe freezes due to cold air blowing over it, then seal the source of the draft. It’s still a good idea to insulate hot water pipes, year-round. You’ll keep the heat in the pipes, rather than losing some of it to the air. This can reduce your water-heating costs.


Save Cash AND The Environment: Turn in used Thermostats!

This November, the Agency of Natural Resources is offering a $5 in store credit for old thermostats that contain mercury. You can turn them in at your local Aubuchon’s, True Value, Ace, Do It Best or participating independent hardware stores. If you use the credit to buy new programmable thermostat, you could save even more money.

Why should you turn your old thermostat in instead of throwing them away? Well, if the money isn’t enough for you... They are full of mercury! When thermostats are broken the mercury gets released and pollutes Vermont’s fish, rivers, lakes and streams. In fact, mercury from thermostats and other sources has already made it unsafe for pregnant women and small children to eat large amounts of fish caught in Vermont’s waters.

New programmable thermostats can save you more money by making your home more efficient and reducing your heating bills! For more details on the thermostat rebate program and proper disposal of other household products containing mercury, go to http://www.mervt.org, or call toll free: 1-800-974-9559.

Offer good October 1st, 2007 through November 30th, 2007 — after November contact your local Solid Waste District or check: http://www.mervt.org/dispose/thermostats.htm ——
and said, “I don’t have time for this!”

Indeed, during the summer season in July and August, Quimby’s teems with activity — not only fishing, boating and swimming, but hiking, tennis, square dancing, cookouts, camp outs, picnics, gourmet meals and books in porch rockers. The priorities are relaxation and fun, right here, right now.

Basic Comfort

Three-season accommodations can be had in the cheerful dining and sitting rooms in the lodge, the separate recreation hall next to the water, and 20 well-kept cottages. Seven of the cottages have kitchens and all 20 have wood stoves, porches overlooking Forest Lake, comfortable beds and daily maid service. In summer, guests get the three-meal American Plan, camp counselors, babysitters, and a lobster cookout every Friday, weather permitting. In fall and spring, guests are on their own for meals and can stay in one of the seven cottages with kitchens. Who needs luxury in this naturally elegant setting?

The fall and spring “off-seasons” are also open to larger parties, with or without meals. This is generally getting over cabin fever. Fall is a good time to relax and recharge for the holidays ahead. In either season, groups from 15 to 45 people can find the perfect get-away at Quimby’s.

Painful Modernizing

A hundred years ago, an out-house would do, but summers here see up to 100 people, including staff and guests. Last year Quimby’s upgraded to “code” with a new 30,000 gallon septic system. Because of their nearness to surface water, they have to pump effluent two miles up the road to their leach field. Joanie took down last year’s album to show us photos of the work-in-progress — big underground tanks, miles of pipe, and unavoidable chaos in the front yard. The new system might seem overkill for their needs now, but it will be there for any future expansion the corporation may consider.

The windmill on Joanie’s wish list is out of financial reach for now, but she has put in solar-powered garden lights to guide guests after dark. Power usage in July and August is 20 to 30 kWh and next to nothing during the 7 months Quimby’s is closed.

The dining room at Quimby’s has a well deserved reputation for excellence. Plans for next season include offering their fabulous brunch and dinners to non-guests by reservation.

(Continued from page 1)

Spotlight on Director:
Bert Lague, District 5

by Phyllis Shanley

The Northeast Kingdom is Bert Lague’s domain. He knows all the good fishing spots and all the roads in this corner of Vermont. After 30 years with the US Immigration Service, his also knows all the border crossings, both official and illicit. A tour with him is a rare treat.

At the top of our October agenda was Beebe Plain. This little town literally straddles the border. On Canusa Street (pronounced cay-US-ah), one side is served by Hydro Quebec from utility poles lining the curb; the other side is VEC territory with lines all underground and our green vaults showing here and there. Just to drive up and back on this eerie street, we had to check in at Canadian Customs and check out at US Customs! With old world manners, Bert apologized to us for speaking French to the Canadian official.

A couple of miles away in Derby Line, the Haskell Opera House boasts a stage in Canada and an audience in the US. A variety of entertainment appears in this fine old theater, from the annual Vermont fiddlers’ show to the Montreal Opera Company.

Bert showed us the collection of old brick factory buildings on either side of the Tomifobia River with a gated-off bridge connecting them. The building on the US side houses the cutting tool manufacturer, Tivoly, Inc., one of VEC’s largest customers. A 25 kV substation sits next to it. Across the river on the Canadian side is the new home of the RE-DONA Project in which VEC is an active participant. It’s hardly a stretch to imagine RE-DONA’s biomass generators powering Tivoly’s manufacturing processes.

He took us east then, past lovely rolling farms and through beautiful forest land abundant with lakes and ponds. This is Bert’s favorite fishing country. Lying between Lake Memphremagog and Island Pond is Seymour Lake, the largest of several crystal-clear spring-fed lakes that drain into the Clyde River then northwest to Lake Memphremagog and eventually the St. Lawrence River.

Bert grew up in Newport and, in his youth, worked cutting ice on Lake Memphremagog and clearing switches of snow in the “spare gang” of the Northern Vermont Railroad. He went to college at Lyndon, UVM, and Champlain where he discovered a love for accounting. He worked in the office of Citizens’ Electric in the early 1960’s, then he opened a variety store in Derby Line and bought a house for his family there. The store failed, urging him to join the Immigration Service, but, now that he is retired, the house is overrun with his accounting and tax clients. Bert says the only way to get any peace is to visit his children in Conway New Hampshire!

Bert Lague has been on the Board of VEC since 1974 and serves as treasurer. Thank you, Bert for your long and valuable service.
Interim Financial Report

By Michael Bursell, CFO

I’d like to provide an interim update to the state of the financial health of your cooperative. Before I begin, I want to focus on one of the key elements of Vermont Electric Cooperative, Inc. As a co-operative, we are owned by our members. Our members include all individuals or companies that purchase energy from VEC.

There is a key difference between an investor-owned utility and any cooperative. Investor-owned utilities must satisfy both their owners, who invest in the business to earn a return on their investment, and the customers, to whom they provide goods and services. The interests of an investor may conflict with the customers if the desire to maximize return on investment comes at the expense of customers that are contributing profit to the utility through electric rates. In a cooperative, however, all proceeds that exceed costs are used to fund system improvements or to improve the members’ equity. There are no profits made that go to anyone other than to the membership. Since VEC is a cooperative, this is how our organization is run. Our Board of Directors is elected by our membership and provides the leadership and direction necessary for the Cooperative to operate in a manner that balances the desire to have reasonable rates accompanied with a high level of service while maintaining financial stability for the organization.

VEC, like many of the electric utilities in the nation, is dependent on market prices for energy. Over the past three years we have seen significant increases in the cost of power and transmission. About 75 percent of our costs are now used to support purchases of energy and transmission services used by our membership. As energy prices rise, any expiring power supply contracts are subject to market dynamics. This has resulted in the need for two recent rate increases, one in December 2005 and a second in January 2007. The rate increases were due directly to increases in power supply and transmission.

The remaining 25 percent of our costs is used to perform vegetation maintenance, depreciate our infrastructure, service debt through interest expenses, cover all payroll and benefit expenses, maintain adequate insurance levels, and perform all other activities necessary to provide good service.

Last year, we started posting our quarterly financial updates on our website. Every quarter the results from the prior quarter are added to the site, making the information available to all of our members. Several of the reports are numeric comparisons, but the reports also include a summary narrative that analyzes the financial results. To access this financial information, go to http://www.vermontelectric.coop/financial.htm.

This year we are running behind our expected results for operating performance. Through the end of July VEC was about $800,000 below our net income expectations. The factors contributing to the variance include a mild winter and a relatively mild summer, resulting in reduced sales of about 4 percent below expectations. In addition, we put an increased effort into vegetation maintenance in the first half of the year, and spending in this area is over budget. We have reduced our spending on vegetation maintenance for the second half so that we can finish the year close to our projected spending plan of $1,424,000.

VEC’s debt holders require that we perform at a Times Interest Earned Ratio (TIER) of no lower than 1.5. The TIER is calculated by dividing a business’s earnings by its interest charges, and is an indication of how well earnings can cover the interest payments on its debt. If VEC were to finish the year below a TIER of 1.5, it is likely that we would need to file immediately for a rate increase. However, when the 2005 rate case was brought before the Public Service Board, VEC argued that we needed to operate at a TIER of 1.8. A TIER of 1.8 allows VEC to complete system improvements without having to use high levels of debt to meet our basic system investment needs. Additionally, the 1.8 TIER provides a small window for VEC to withstand lower sales than projected, or a series of storms that increases expenses, without having to seek emergency rate relief. The 1.8 TIER was approved by the regulators. As a result, although we expect to miss our operating budget numbers, we do not expect to need to file a rate case to cover the difference.

Lastly, we expect that the cost of improving and maintaining our system will be greater over the next ten years than it has in the recent past. In addition, the cost of raw materials such as copper and steel has increased by approximately 40 percent since 2004. This makes our ability to fund system improvements even more difficult.

Due to the pending need to improve cash flow to support greater system improvements, VEC expects to refinance our series 1997 twenty year bonds that were executed when VEC came out of bankruptcy in 1997. During the first ten years, the penalty for refinancing these bonds was significant. However, beginning in May 2008 the penalties associated with refinancing can be offset with savings in interest expense resulting from lower interest rates. In December 2007, VEC expects to file a plan with the regulators to refinance the 1997 bonds in 2008. The refinancing will reduce the amount of cash needed over the next ten years to pay down the 1997 bonds. Based on current rate projections we are estimating that the Net Present Value of the refinancing will be nearly one million dollars over the life of the new loan. Because of the reduced amount of cash needed for debt service after the refinancing VEC will be able to use the extra money to cover up to nearly $650,000 in incremental system improvement costs in 2009 without having to adjust rates. However, we will need to evaluate further if even more incremental system improvements will be necessary.

Electricity Safety at Home

- Check electric cords often for damage. Have damaged cords repaired right away. Worn cords can cause shock, short circuit or fire.
- Pull the plastic housing of the electric plug to take it out of the wall socket; never pull on the cord.
- Do not overload electric outlets with too many items plugged in at once.
- Water and electricity do not mix. Do not operate electric appliances such as radios or hair dryers near a bathtub or sink full of water.
- Never stick your fingers, toys or anything except electric plugs into electric outlets.
- Always unplug an appliance before cleaning or repairing it.
- Always unplug the toaster or other appliance when removing a piece of stuck food.
- Remember that a turned-off appliance is still connected to electricity until it is unplugged.
- Limit use of extension cords. Make sure the cord is the appropriate size for use. Some appliances or equipment require heavy-duty cords.
Vermont Electric Cooperative, Inc. ended its yearly plan under the Service Quality and Reliability Performance (SQRP) Monitoring and Reporting Plan on June 30, 2007. Consistent with all other utilities in the state, VEC’s SQRP is comprised of several performance benchmarks in such areas as call answering, customer satisfaction, and system reliability. If VEC does not meet one or more of these standards, certain specified refunds are made to our members.

Overall, VEC performed well in most areas of the plan for this reporting year. The four areas that VEC failed to meet the agreed upon measures during this plan year were: System Average Interruption Frequency Index (SAIFI), a reliability measure; Lost Time Severity Rate, a safety measure; Payment Posting Complaints; and Inaccurate Billing. In addition to certain service guarantees that individual members may have received this year for failure to meet specific measures, every member will receive a $0.15 (15 cent) credit in their November bill for Service Quality Compensation because VEC missed the SAIFI benchmark.

The Lost Time Severity Rate was a result of one accident, and incident at the Richford substation that occurred on September 28, 2006. VEC management has taken this incident very seriously, and has implemented corrective action to ensure this never happens again.

The Payment Posting Complaints measure requires that VEC limits the number of payments posted incorrectly to less than .0050% of payments posted in a month. This means that to meet the measure VEC must limit the number of payments posted incorrectly to under two per month, out of approximately 37,500 customer payments per month. This number is very difficult to achieve; however, VEC started outsourcing its payment posting process to Chittenden Bank in Brattleboro as of March, 2007. Chittenden Bank also processes Green Mountain Power’s and Vermont Gas Systems’ payments and they have met their standards in this area. VEC anticipates that this corrective measure will allow us to meet our standards in the upcoming reporting year. VEC missed the Bills Found Inaccurate benchmark, with a performance measure of .2% for the plan year. VEC’s benchmark is <=.1%. A programming error resulted in an incorrect calculation for accounts that had a meter change during the same month. VEC’s rate increase propagation was implemented in January 2007. This error resulted in a new process for documentation by VEC’s IT area of any necessary testing that needs to occur prior to a change being done in a live billing environment. This will enable our Billing department to check all account types that may be affected by the change prior to billing.

VEC management recognizes the importance of reliability to its members, and has been working for over a year on a plan to improve this measure. In February, 2006, VEC put a plan in place to more than double the spending levels for our vegetation management budget over the next four years. This should be adequate funding to achieve the agreed upon performance measure. However, management is also working with the VEC board of directors to recommend changes to the way VEC manages its rights-of-way. Using the present methods, money alone will not achieve the desired outcome. VEC’s management team has been bringing in professionals to the Board of Directors to demonstrate how other utilities’ Vegetation Management Programs work. VEC will hold meetings over the next few months with the members to take input and provide information regarding these improvements. VEC management believes it will take some years to meet the goal agreed to, as bringing its 2700 miles of electric distribution to a higher standard cannot be done in a short period of time.

The Vermont Public Service Board has opened a docket to investigate Vermont Electric Cooperative’s failure to meet performance standards agreed to in its Service Quality and Reliability Plan. VEC believes these service guarantees are excellent tools for helping Vermont utilities prioritize their work around customer responsiveness. VEC supports that plan and has taken these measures very seriously since implementing the measurements in 2004.

During the previous two plan years, VEC failed to meet the minimum standards established in the plan for blocked calls (busy signals) and abandoned calls both during and after business hours and VEC’s focus for 2006 was to eliminate blocked and abandoned calls. VEC worked diligently to implement new technologies and procedures to resolve these issues, and we are proud of our success in meeting and exceeding the standards this year on the calls.

In the first hearing conference held April 5, 2007 the Public Service Board did indicate that they understood that co-op systems are more rural, and thus more difficult to serve, than other utilities. They may consider alternate measures as part of the Docket. However, VEC recognizes that much more work can be done, and will make sure to establish the most challenging goals possible. Setting a goal that is difficult to achieve is good, as long as appropriate work is being done to meet that goal, and the costs to do so are reasonable. Another status conference with the Public Service Board is scheduled for October 16th.

VEC recognizes the importance of the SQRP and is very committed to achieving or exceeding targeted results. We have a continuing interest in improving performance for our members and are always interested in your feedback and suggestions for improvement. VEC is said to be 90% efficient.
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