The 71st Co-op Annual Member Meeting & Family Energy Fair
Saturday, May 30th ~ 10 a.m. – 4 p.m.

At a press conference in Williston on March 26th Governor James Douglas unveiled his administration’s “smart Vermont” initiative to utilize stimulus funds in the Green Mountain State. A key element of the plan is to improve Vermont’s electric infrastructure by building a smart grid. Governor Douglas recognized VEC for the lead role it has connected to the smart grid!

By Elizabeth Gamache, Manager of Corporate Services

The modernization of the nation’s electric grid has emerged as a priority in northern Vermont. Governor Douglas unveiled his administration’s “smart Vermont” initiative to utilize stimulus funds in the Green Mountain State. A key element of the plan is to improve Vermont’s electric infrastructure by building a smart grid. Governor Douglas recognized VEC for the lead role it has connected to the smart grid!

Governor Douglas speaks to Dave Hallquist and Curt Carter from GBIC at Press Conference in Williston on March 26, 2009

A critical time for VEC members is the unexpected power outage. Fortunately, restoration times are improving due to the use of AMI meters. VEC’s Control Center can now spot outages remotely, often detecting power interruptions before members discover that they have lost power. AMI provides real-time information that helps to identify the causes of power outages quickly, often enabling crews to fix problems more speedily than in the past.

This is just the beginning. As VEC utilizes emerging communication technology platforms like AMI, members will be able to access information about their accounts that will empower them to make smart energy choices. In the future, members will be able to track their energy consumption on an hourly and daily basis by accessing account details through the internet. Eventually, appliances that are now outfitted with smart chips will be programmed to run when electric prices are low. Conversely, appliances can be programmed to shut off during periods of peak electric demand.

VEC received board of director approval in 2004 and the process to install AMI meters began in 2005. When Phase One of the AMI installation is complete later this year, more than 85 percent of VEC members will have smart meters. VEC is actively seeking stimulus funding to support the implementation of Phase Two which will be completed when all VEC members have smart meters. AMI meters are currently located in territories served by the following substations: Johnson, Cambridge, Madonna and Pleasant Valley via Cambridge, Hinesburg, South Alburgh, South Hero, Rachford, Burton Hill (Irasburg), Newport City, Derby, West Charleston, Island Pond via West Charleston, Irasburg, North Troy, Eden, Montgomery and East Hill via Eden and East Berkshire. Meter deployment continues in the Fairfax area and will begin soon in Sheldon.

Stay tuned! As the nation moves to modernize the electric grid, VEC is positioned at the forefront – already plugged in and connected to the smart grid!
Update from Montpelier

Regulatory and Legislative News

by Randy Pratt, Manager of Government Relations

Vermont Electric Cooperative (VEC) has been busy in Montpelier. We have been working with the Department of Public Service and the Public Service Board on the recent rate case and our proposed alternative regulation plan (more about those later), and also in restructuring the Energy Efficiency Utility (Efficiency Vermont), “Green Pricing”, advanced metering infrastructure, the Regional Greenhouse Gas Initiative, and other matters. We are also participating in the case to decide whether the Vermont Yankee nuclear plant should be allowed to operate for another 20 years after 2012.

VEC is taking a leading role in obtaining state and federal economic stimulus funding through the American Recovery and Reinvestment Act (ARRA) for statewide “Smart Grid” projects as well as energy projects that are unique to VEC.

In the Legislature, legislation was drafted that will save our members, as well as ratemakers and members of all municipal and cooperative utilities in the state, considerable time and money by removing unnecessary regulations on very small projects. The bill, called H.135, passed the House of Representatives and the Senate unanimously. Once signed by the Governor, it will become law. We have also been working with the Legislature on several other bills, addressing renewable energy, Vermont Yankee, and economic development.

As you may know, we filed a request to increase our rates by 9.24%. We heard from many of you, and we took your comments and concerns to heart. Most of your concerns were about our need to raise rates now, when the economy has taken such an awful turn. We have faced this dilemma with the facts, as difficult as they are: the rate increase is needed to improve the safety and reliability of our system and delaying this essential funding could lead to unacceptable outages that would cost drastically more to complete later. The Department of Public Service evaluated every part of our request, and found that the increase is justified. The rate case presently awaits final approval by the Public Service Board.

With the rate case, we filed a request for approval of an “alternative regulation plan.” The plan would allow for quarterly adjustments to rates, up or down, when transmission costs are higher or lower than expected. Adjustment would be capped at approximately one half cent per kilowatt hour, or about $3.00 per month for the average household. This plan is similar to plans that other Vermont utilities have, but their alternative regulation plans cover more than just transmission costs. VEC’s plan, if approved, would make costly rate cases less likely, and would reduce rates automatically when transmission costs decrease.

Unfortunately, the plan will not have regulatory approval in time to put before the VEC membership for approval at this year’s annual meeting. We will explain the details of the plan over the coming months, so that you will be able to make an informed decision when needed.

Vehicles For Sale

VEC has for sale three vehicles and will accept sealed bids until 4:00 pm, May 11, 2009.

Please submit all bids to the attention of Jane Tallman, Purchasing Agent at Vermont Electric Cooperative, Inc., 42 Wescom Road, Johnson Vermont 05656.

All vehicles or equipment advertised may have high mileage and may be in need of mechanical /body work unless otherwise noted.

1999 Ford Ranger, (Vin #21637), Four wheel drive, Mileage is 194,027+/-, frame is broken

2000 Ford Ranger, (Vin #46402), Four wheel drive, Mileage is 208,744+/-, frame is cracked

2000 Ford Ranger, (Vin #50583), Four wheel drive, Mileage is 184,900+/-.

Questions pertaining to the above vehicles may be directed to Mark Bennett at 802-730-1144. Vehicles and equipment for sale are located at the Johnson Warehouse.

The Company reserves the right to reject any or all bids which, in its sole judgment, finds unacceptable. All vehicles/equipment are sold at “AS IS” basis, with no warranty expressed or implied. Risk of using any of the above vehicles is completely assumed by the purchaser.
The economic slowdown has impacted all parts of VEC’s territory, with the Northeast Kingdom being hit the hardest. While commercial and industrial revenues are down, VEC still remains very close to budget. However, VEC will take whatever steps are needed in order to mitigate the impact of the economic slowdown. VEC is not like most companies in that it cannot cut services to respond to reduced shortfalls, as electric utilities are required by law to serve all customers. That means we cannot cut our underperforming areas. However, we recognize that these are difficult times and are prepared to take unprecedented action to respond.

The following is a message that I recently delivered to the Vermont Public Service Board, as well as employees, “VEC will consider pay freezes, along with a number of other options, to respond to shortfall from the financial plan.”

I have also discussed steps that will be taken to monitor our financial situation. “Moving forward, on a monthly basis, the VEC management team will monitor the key indicators of financial performance, which include kWh sold, transmission cost, sales for resale, 60 and 90 day overdue bills, as well as bad debts. VEC will take appropriate action, based on the data, to respond to real and projected shortfalls.”

While we need to be prepared and consider the actions to be taken in the event that VEC fails to meet its financial objectives, we are fortunate to be faced with many promising opportunities. For example, the Nation’s stimulus package underscores the need for investment and modernization of the electric grid by providing significant funding for smart grid projects. VEC is actively pursuing funding that would help to boost the reliability and efficiency of our system. If successful in procuring funding, we could be doing more work than ever on projects that will empower our members to use electricity more efficiently.

Economic Stimulus

VEC utilities, the Vermont Department of Public Service, and Tom Evtolin, the head of the Vermont office of the American Recovery and Reinvestment Act have been collaborating to discuss and understand how stimulus funding can be utilized to benefit Vermonters. Due to our experience and expertise in smart grid installation, VEC is taking a leadership role in a request for funding for the state of Vermont to enhance the state’s electric infrastructure.

The staff and the management team of VEC are diligently putting together a grant application to fund the next phase of the VEC smart grid system, which will include the Home Area Network (HAN). A HAN is a network containing a user’s home that connects a person’s digital devices, from multiple computers and their peripheral devices to telephones, VCRs, televisions, video games and the other electronic systems, “smart” appliances, fax machines and other digital devices that are wired into the network. The Department of Energy considers the Home Area Network critical to helping reduce pressure on the nation’s electrical grid. VEC considers this important to our members because it will provide individual consumers with the information and technology that can help to optimize efficiency and costs.

EDA Grant

VEC has applied for a $16 million FEMA grant to build a sub-transmission line that will strengthen the grid, close the fiber backbone, and install smart grid technology at Essex County. VEC has been working with the Economic Development Council of Northern Vermont to obtain economic stimulus money to help support portions of the infrastructure build-out over the next few years.

The project will be called The Northeast Kingdom (NEK) Connector. The NEK Connector is a Vermont Electric Cooperative project intended to improve reliability in one of Vermont’s most remote service territories. The northeastern most area within the Northeast Kingdom includes the towns of Canaan and Norton. Historically, serving this remote area with reliable electric service has always been difficult due to the long distance from the Vermont electrical grid. This area, which serves nearly 1,000 customers, is served from a Public Service of New Hampshire source in Coos County, NH with a back up from Hydro Quebec. Both sources have reliability problems.

The NEK Connector will improve transmission service to Essex County, Vermont by means of rebuilding a 1928 vintage 46kV transmission line. The rebuild of this line is the first step of the project. VEC has budgeted and funded this upgrade in 2009. Once a more robust transmission source is brought to Island Pond, VT in Essex County, the second phase of the project can be built. Phase II includes the extension of an existing 34.5 kV distribution line from Bloomfield, Vermont to the town of Canaan, 26 miles north. The new line will be fed from several new substations in the county as well as providing for a connection to PSNH in North Stratford, NH. The new line will terminate in Canaan. This new, more reliable and modern source will support the members along the 26 miles north to and including the Canadian border from Norton to Canaan. This project will also significantly bolster northern New Hampshire’s electric grid.

Kingdom Community Wind

VEC has been meeting with a number of groups and individuals regarding the Kingdom Community Wind (KCW) project. Overall there is a lot of support for the project, and there is also some highly vocal opposition. Meetings with the Town of Lowell have gone well. We also met with the Northern Vermont Development Council which does not take a position on wind. We will be meeting with the following towns over the next few months: Craftsbury, Irasburg, Westfield, Newport Town, Eden, Albany, Troy, and Montgomery Center.

VEC representatives attended a meeting on March 24, 2009 with Bill Stenger of Jay Peak and the KCW topic was addressed. Jay Peak is opposed to the project:

Kingdom Community Wind is proposed to be built on a 2.5 mile portion of the Lowell Mountain range in the southwest corner of the Northeast Kingdom community of Lowell, in Orleans County, Vermont. Farming and logging have long roots in Lowell and the property on which KCW is proposed has been a working timber farm for generations. The ridge-line, running from 2,000’ to over 2,600’, consists of a much larger 1,800 acre privately owned property and could potentially accommodate between twelve and seventeen wind turbines. For more information go to www.kingdomcom windvt.org.

Energy Storage

We are also partnering with Dynapower of South Burlington to propose two energy storage demonstrations; one in Derby Line to support the Davis Wind Farm, and the other in Sheffield to support the First Wind project. Both projects will help VEC members to receive benefits from releasing the energy during times of high peak power costs.

Financial Highlights: 2008 in Review

by Michael Bursell, CFO

A gainst a backdrop of economic turmoil in both the global credit and commodity markets, VEC weathered significant financial challenges and pressures in 2008. Effective long-term planning paid off by mitigating the effects of a reduction in earnings and increases in transmission costs. By accessing favorable credit terms and controlling expenses, VEC was able to meet all minimum financial covenant requirements as expected by our bond and debt holders.

Credit and commodity pricing are two of the most important external financial factors that impact VEC. Nearly 77 percent of VEC’s costs of service are directly related to power supply and transmission costs which can be strongly influenced by global commodity markets. In addition, VEC is a capital intensive business and has over $47 million in long term debt. VEC also has a $10 million credit facility available for short term cash needs and for letter of credit collateral, if needed, to meet power supply contract credit terms.

By understanding and focusing on the volatility in the credit and commodity markets, VEC has been able to develop a plan to handle the electric grid by providing significant funding for smart grid projects. VEC is actively pursuing funding that would help to boost the reliability and efficiency of our system. If successful in funding the intelligent electric grid project, VEC will continue to fund and enhance in the future.

In 2007, VEC refinanced the 1997 bond and in 2008, VEC refinanced the 1997 bond and in 2008, the remaining ten years to a fifteen year facility at a blended rate of 5.08%. The remaining savings lowered VEC’s interest cost by $356,000 in 2009, helping to contain the amount of VEC’s rate request filed in November of 2008.

Second, the financing of $4.5 million at an interest rate of 5.94% was completed in December during a time when credit was very difficult to get. The financing in December was necessary for the infrastructure investments made to VEC’s system in 2008.

A challenge for VEC in 2008 came when earnings decreased by over one million dollars when compared to the prior year. Sales of energy were 3 percent lower in 2008 compared to 2007, while transmission costs increased dramatically by about 35 percent or $1.7 million from 2007 levels. The rapid and significant increases in VEC’s transmission costs (most of which occurred in the second half of the year) contributed to the need to pursue a rate increase. In the short term, spending was tightened, in order to delay a rate increase request for as long as possible without negatively impactingSee “Highlights,” cont. on pg. 6
New Design for Board of Director Districts will Require Member Vote
Dorothy J. Allard, Director, District 6

In the last issue of Co-op Life, I wrote to let you know that the Board of Directors had approved a new design for our Director districts. The Board has been working on the design since 2007, when it became clear that redistricting would allow for greater parity in member number among the districts, it would better balance the need for representation in different geographic portions of the territory to have a voice on the Board, and would allow talented candidates to seek a Board seat even though they might live in an area already served by another Director.

Three out of the four steps required to create and implement a new District design are now complete, and the design itself was created by an ad hoc Redistricting Committee. Once this was approved by the whole Board, a way to implement the plan was designed in order to support a smooth transition from the current Districts and Directors to the new plan.

Next, a revision of the By-laws was drafted to reflect the design and transition process.

The new District design is a hybrid, balancing District representation with other positions being elected “at large.”

The details of the new plan include dividing the entire territory into seven new, larger districts (see map, each District representing a nearly equal number of members. In addition, the plan provides for five Directors to be elected at large: two from an Eastern Zone and three from a Western Zone. The combination of Zones and Districts allows two or more members to serve on the Board even if they are from the same town. These changes reduce the number of Directors from thirteen to twelve. These changes are in line with recommendations made during our 2007-2008 Independent Business Process Review and Audit.

The new design completely restructures the Districts. All of the new Districts except one have new boundaries. Towns are no longer split between Districts, which makes it easier for members to figure out who represents them on the Board.

Because of the complexity of switching to the new design, all Director seats will be up for election in 2010. Directors elected in 2010 will serve initial terms of one to four years, and elections will be staggered from 2011 onward.

I strongly urge you to understand that even though each of the two at-large Zones contains several Districts, a candidate for the Board may run for only one position at a time, choosing to run for either a District position or for one position. Directors will have equal status on the Board, with one vote per Director, regardless of whether he or she represents a District or a Zone.

Before this District design process is member approval. Bylaws amendments are only accepted when approved by a majority member vote. You will receive a ballot with the proposed changes in May, prior to our Annual Meeting. I urge you to review them carefully and contact your current District Director if you have questions.
COO UPDATE

Summary of Projects Requiring Member Vote

Background

State law requires that all cooperatives must obtain member approval for any transmission-related projects that require a Certificate of Public Good (CPG) from the Public Service Board (PSB) under 30 V.S.A. §248. The statute requires Vermont Electric Cooperative, Inc. to provide its members with a written assessment of the risks and benefits of the proposed project which were identified by the PSB in the CPG issued for the project. In accordance with the statute, Vermont Electric Cooperative, Inc. seeks approval from its members, pursuant to 30 V.S.A. Section 248(c), for the following Projects:

Projects

1. Enosburg Substation: VEC sought PSB approval to replace its existing Enosburg Tap transmission facility located approximately 500 feet west of Birch Lane in the Village of Enosburg Falls with a new facility located on the east side of Birch Lane. In connection with this upgrade, VEC sought PSB approval to add a second 48 kV circuit to its pre-existing 48 kV transmission line to connect the new facility to the VEC system. This Project was necessary because the Enosburg Tap facility was over 30 years old and had serious reliability problems. The new substation will improve reliability and stability for the Enosburg Falls area, which will result in fewer outages and shorter delays in recovering from outages. The PSB approved the project under 30 V.S.A. §248. The PSB found that construction of the new substation will promote the general good of the State of Vermont and issued a CPG on November 21, 2008. The PSB did not identify any risks associated with the project.

2. Tafts Corners Substation: VEC, jointly with Vermont Transco LLC (VELCO) and Green Mountain Power (GMP) petitioned the PSB for approval to expand the VELCO substation in the Tafts Corners area in Williston, Vermont. The expansion was necessary because VEC's existing Williston substation had reached the end of its useful life. Rather than rebuild that substation at its existing site, which was unsuitable, VEC worked with GMP and VELCO to design an expansion of the Tafts Corners substation which is located close to VEC’s load in the Williston area. The PSB approved the project under 30 V.S.A. §248. The PSB found that the project will promote the general good of the State of Vermont and issued a CPG on January 7, 2009. The PSB did not identify any risks associated with the project.

3. Replacement of Transmission Lines: VEC plans to request approval from the Vermont Public Service Board under 30 V.S.A. §248 to rebuild approximately 6.5 miles of transmission line that runs from Hinman Settlement Road in Derby to VEC’s West Charleston substation. The existing line dates back to 1928 and the steel structures which support the line are severely deteriorated at the ground line. The new line will be built adjacent to the 6.5 miles of existing transmission line within the existing right of way. Upon completion of construction, the existing line will be removed. The new line will use vertical construction on single wood poles with insulators staggered on both sides of the pole. The overall appearance of the completed poles will closely resemble the existing line that is located to the west of Hinman Settlement Road. VEC anticipates that it will file a petition under 30 V.S.A. Section 248 for the project in early May. VEC seeks member approval of the project but understands that if the final CPG identifies risks associated with the project, VEC may be obligated to disclose those risks to the members and seek another member vote.

VEC Leading Outage Indicators

VEC Leading Outage Indicators

At the risk of stating an unanticipated truth, we have some very positive news regarding improvements in system performance. I will also address some controversial issues that many of our members are interested in, including the rate case and herbicide use.

SYSTEM PERFORMANCE

It is with great pleasure that we can report that our ability to keep your lights on has improved by more than 50%! This recent improvement reinforces that VEC is focusing on the right areas. A projected increase in capital funding will allow us to focus our efforts on critical system improvements including higher levels of vegetation management, substation and line replacements and maintenance activities.

Our daily focus on eliminating repeat outages is also continuing to prove effective. To date this year, on average each VEC employee (and their fellow members) has experienced approximately 28 outages, compared to .80 outages last year. Improvement does not come easily, and there is still much work to do to consistently provide good service to all of our members. As Chief Operations Officer, I am confident that we are on the right track.

The chart below indicates the number of outages members have experienced during the past week and demonstrates the recent improvement. The trend line illustrates the possibility of dramatic improvement if the current trends continue. Although, this could change with one large outage, it is an indicator that VEC is providing improved service by spending and investing in our distribution system responsibly.

RATING CASE

As you may be aware, in November of 2008 VEC filed a request for a 9.24% rate increase. We received comments from many members regarding the impact of this additional financial burden during difficult economic times and we take these concerns seriously. The requested increase is necessary to maintain and improve the safety and reliability of the VEC system. Making improvements now will have long term impacts on how efficiently and cost effectively the VEC system is run. We regularly monitor our performance and efficiencies by tracking key performance indicators. The chart titled VEC Leading Outage Indicators provides an overview of this additional financial burden during difficult economic times and we take these concerns seriously.

One of these key indicators is showing a troubling trend. Outages caused by accidents continue to increase and this is where we need your help. Outages caused by members cutting trees around power lines happen too often. We have experienced some very close calls when trees came in contact with power lines and well intentioned members cut them. Whether you are cutting trees to manage your lands or harvesting valuable firewood, do not cut trees near power lines! Call VEC and we will assist you. Also included in this key indicator are car-pole vehicular accidents. Please drive safely, and if you are ever involved in an accident involving power lines, stay in your car and wait for help. Stepping out of your car is stepping into harm’s way. People die every year from electrocution.

VEGETATION MANAGEMENT & HERBICIDE USE

The manner in which vegetation maintenance is completed on an electric system has direct impacts on reliability, safety and cost-effectiveness. Tree trimming and herbicide use are two key indicators of this additional financial burden during difficult economic times and we take these concerns seriously.

Although the effectiveness of selective herbicide application has been well documented by the electric utility vegetation management industry, herbicide use for any purpose is a very controversial topic. VEC’s recent announcement that we will begin herbicide treatment in 2009 is no exception. We do not take this decision lightly and VEC made this decision only after hours of education and review. In 2007, the VEC Board of Directors approved the use of herbicides to help control rising tree trimming costs and leverage our vegetation management investments. Approval came with the stipulation that the program start slowly and be evaluated after a year. In 2009, approximately 1.5% of our rights of way are scheduled for treatment. All of the products used are approved by the EPA. Allowable limits of application will all be approved by the Vermont Department of Agriculture after review by the Vermont Pesticide Advisory Committee.

It is important to remind you that you have the right to request notification from VEC before we use this treatment near your home and you can request that we not use herbicides near your property. Please call our Forester, Sara Packer at 1-800-832-2667 for more information.

The trend line illustrates the possibility of dramatic improvement if the current trends continue. Although, this could change with one large outage, it is an indicator that VEC is providing improved service by spending and investing in our distribution system responsibly.
Spotlight on Director: John Ward, District 12

by Jennifer Savage

“Everyone wants safe, reliable, low-cost power,” says John Ward, VEC’s District 12 Director representing Newport City and Coventry. John, a life-long resident of Newport, has been the City’s Manager since 1999. For the previous 19 years, he started and ran his own business, Phoenix Engineering. He is a self-proclaimed “home town boy who married a home-town girl,” who is proud of his strong ties to his community. John has served in many official capacities: as an alderman, a school board member, and a zoning commissioner. He’s been known to delight children at Christmas, playing up his warm smile, easy spirit, and full white beard as Santa Claus. He also enjoys hunting, gardening, reading, and even challenging the inmates at the area’s prison to a game of chess. John and his wife, Diane, have 2 grown children and four grandchildren. “We’re having the time of our lives,” says John. John was appointed to the Board in 2004, after VEC acquired Citizen’s Utility, and has been re-elected twice. His current term on the Board expires in the middle of 2011. “We have a well-diversified Board across any issue,” he says proudly. “We can have good discussion on just about any topic.” As a member of the VEC Board, John serves on the Finance Committee, the Power Supply & Operations Committee, and the Governance Committee.

“I’m not a wall-flower,” he says with a grin. “I want to be where the action is.” John points to his experience as a business owner and City Manager as rationale for serving on the Finance Committee. “I’m pretty good with numbers,” he says humbly, with a shrug of his shoulders. “I’m strong financially.” John admits that he sits on the Power Supply & Operations Committee as a learning opportunity. He explains, “It’s an important part of being a Director, to be able to gather information and make a good decision. I’m always willing to learn, and on this committee I’m learning more now than I am contributing.”

John says that policy has become more important over the past several years as the Legislature has reviewed issues such as Vermont Yankee and alternative energy sources. His role on the Governance Committee allows him to be involved in these timely conversations. “We’re trying to create a tight ship that can weather any storm,” he says. “We need people to pay attention. People need to be informed about issues like VT Yankee.”

John’s eyes light up and his excitement is visible as he talks of the capital investments VEC is making to improve reliability and reduce power outages. “We’re working hard to make improvements,” he says. “One of our priorities is to improve the number of outages. Reliability is a huge issue, and it’s how we’re judged both by the public and the Public Service Board.”

John’s belief that everyone wants safe, reliable, low-cost power feeds his vision for the organization. “I’m hoping that at some point in the future, eventually, we should have lower rates than Investor Owned Utilities,” he says optimistically.

Lower rates would be a huge benefit to his District, which historically has had high unemployment rates. In the North East Kingdom, he points to a balance of agriculture, tourism, and manufacturing as the key to the area’s survival. “To have manufacturing, we can’t be the high cost producer,” John says.


“Highlights,” cont. from pg. 3

VERMONT ELECTRIC COOPERATIVE, INC.
Balance Sheet
Year ended December 31, 2008

<table>
<thead>
<tr>
<th>Assets</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric plant, at cost:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 91,491,706</td>
<td>$ 91,491,706</td>
</tr>
<tr>
<td>Electric plant in service</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>71,752,857</td>
<td>71,752,857</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>25,200,027</td>
<td>25,200,027</td>
</tr>
<tr>
<td>Net electric plant in service</td>
<td>46,552,830</td>
<td>46,552,830</td>
</tr>
<tr>
<td>Construction work in progress</td>
<td>2,426,157</td>
<td>2,426,157</td>
</tr>
<tr>
<td>Total net electric plant</td>
<td>48,978,987</td>
<td>48,978,987</td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>1,190,253</td>
<td>1,190,253</td>
</tr>
<tr>
<td>Non-trade receivables</td>
<td>6,388</td>
<td>6,388</td>
</tr>
<tr>
<td>Accounts receivable, less allowance for doubtful accounts of $176,574 in 2008</td>
<td>25,200,027</td>
<td>25,200,027</td>
</tr>
<tr>
<td>Unbilled revenue</td>
<td>3,942,020</td>
<td>3,942,020</td>
</tr>
<tr>
<td>Inventories</td>
<td>3,985,725</td>
<td>3,985,725</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>203,712</td>
<td>203,712</td>
</tr>
<tr>
<td>Total current assets</td>
<td>34,798,856</td>
<td>34,798,856</td>
</tr>
<tr>
<td>Other assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-utility property</td>
<td>65,697</td>
<td>65,697</td>
</tr>
<tr>
<td>Other investments</td>
<td>9,639,813</td>
<td>9,639,813</td>
</tr>
<tr>
<td>Deferred charges</td>
<td>1,182,862</td>
<td>1,182,862</td>
</tr>
<tr>
<td>Total other assets</td>
<td>10,788,372</td>
<td>10,788,372</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 93,126,878</td>
<td>$ 93,126,878</td>
</tr>
</tbody>
</table>

VERMONT ELECTRIC COOPERATIVE, INC.
Statement of Operations
Year ended December 31, 2008

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>$ 67,892,653</td>
</tr>
<tr>
<td>Less revenues subject to refund</td>
<td></td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
</tr>
<tr>
<td>Purchased power</td>
<td>41,117,742</td>
</tr>
<tr>
<td>Transmission</td>
<td></td>
</tr>
<tr>
<td>Total operating revenue</td>
<td>$ 67,892,653</td>
</tr>
<tr>
<td>Operations</td>
<td>6,164,152</td>
</tr>
<tr>
<td>Maintenance</td>
<td>311,983</td>
</tr>
<tr>
<td>Distributors:</td>
<td></td>
</tr>
<tr>
<td>Operations</td>
<td>3,983,725</td>
</tr>
<tr>
<td>Maintenance</td>
<td>3,738,576</td>
</tr>
<tr>
<td>Customer accounts</td>
<td>2,399,429</td>
</tr>
<tr>
<td>Administrative and general</td>
<td>2,796,191</td>
</tr>
<tr>
<td>General plant maintenance</td>
<td>115,813</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>4,107,282</td>
</tr>
<tr>
<td>Taxes</td>
<td>628,480</td>
</tr>
<tr>
<td>Other deductions, net</td>
<td>12,300</td>
</tr>
<tr>
<td>Total other income, net</td>
<td>1,805,712</td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>1,423,764</td>
</tr>
<tr>
<td>Other capital credits &amp; dividends</td>
<td>377,607</td>
</tr>
<tr>
<td>Total other income, net</td>
<td>1,803,712</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>65,377,673</td>
</tr>
<tr>
<td>Income from operations</td>
<td>2,514,980</td>
</tr>
<tr>
<td>Other income (expense)</td>
<td></td>
</tr>
<tr>
<td>Gain on sale of fixed assets</td>
<td>8,020</td>
</tr>
<tr>
<td>Other income (expenses)</td>
<td>96,921</td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>1,423,764</td>
</tr>
<tr>
<td>Other capital credits &amp; dividends</td>
<td>377,607</td>
</tr>
<tr>
<td>Total other income, net</td>
<td>1,803,712</td>
</tr>
<tr>
<td>Interest charges:</td>
<td></td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>2,749,715</td>
</tr>
<tr>
<td>Other interest</td>
<td>199,211</td>
</tr>
<tr>
<td>Total interest charges</td>
<td>2,948,926</td>
</tr>
<tr>
<td>Net income</td>
<td>$ 2,414,766</td>
</tr>
</tbody>
</table>

VERMONT ELECTRIC COOPERATIVE, INC.
Capital Spending (System Improvements)
Year ended December 31, 2008

<table>
<thead>
<tr>
<th>Capital Spending</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Construction, System Improvements</td>
<td>8,562,675</td>
</tr>
<tr>
<td>Less Contributions in Aid of Construction</td>
<td>1,119,024</td>
</tr>
<tr>
<td>Net Investment in Utility Plant</td>
<td>7,443,651</td>
</tr>
</tbody>
</table>

Spring 2009 - Page 6
Home Power Generation – Series Three of Four

Solar Power

by Dave Hallquist, CEO

The combination of favorable net metering rules, awareness of global climate change, as well as the recent increase in credit prices has created a strong demand for renewable energy. Solar power is leading the charge because it is relatively easy to set up and find an off the shelf system that can meet your needs.

While solar installations remain expensive, there is a federal tax credit of 30 percent in the stimulus package, and Vermont has some incentive programs that make it a little easier. Vermonters benefit from the Solar & Small Wind Incentive Program, originally started in 1999 and modified in 2006 to provide incentives of $1.75/watt of the total installed cost for eligible systems, with a cap of $8750. Also, Vermont has a 30 percent state income tax credit for corporate tax payers on top of the 30 percent federal tax credit. Businesses also are eligible for the $1.75 per watt incentive money which can result in tax credits that offset more than 60 percent of system costs.

Vermont also offers a sales tax exemption for solar systems. Vermont’s sales tax exemption for renewable-energy systems, originally enacted as part of the Miscellaneous Tax Reduction Act of 1999 (H. 0548), initially applied only to net-metered systems. The exemption now generally applies to systems up to 250 kilowatts (kW) in capacity that generates electricity using eligible “renewable energy” resources to micro-combined heat and power (CHP) systems up to 20 kW, and to solar water-heating systems. The exemption is available for grid-tied systems and off-grid systems alike.

Let’s look at what a typical 3kW system would return for a homeowner. Despite the common misconception that Vermont has little sun, its solar rating is classified as good. A sample 3kW system in the VEC territory would cost about $28,000 before any rebates are applied. After taking the 30 percent Federal tax credit ($8,400), and applying the Solar & Small Wind Incentive Program rebate of $1.75 per watt ($525), the cost of installation comes down to $14,350. The system would pay for itself in 17-20 years (assuming an initial electric rate of $0.16/kWh) and over that time, it will have saved 75 tons of CO2 emissions. This calculation was done on today’s electricity cost.

There have been some significant breakthroughs that hold promise for solar-based electricity generation. A new and reflective coating should boost electric output of existing solar panels. Scientists from Spectrolab, Inc., a subsidiary of Boeing, have recently published their research on the fabrication of solar cells that surpass the 40 percent efficiency milestone—the highest efficiency achieved for any photovoltaic device. These results appear in a recent edition of Applied Physics Letters. This would more than triple the efficiency when compared to today’s production photovoltaic cells.

However, this is currently working in the laboratory, and it could take up to 10 years before this breakthrough impacts the market. Additionally, Exxon has recently demonstrated that it is possible to produce solar cells from rice hulls. This is another finding that could be helpful in the future.

There is a lot of work going on in the laboratory that may mean an even brighter future for solar. However, don’t sit around waiting. The existing technologies that are being installed now work very well and have a proven track record of lasting well over thirty years with little to no maintenance. Also, with rising electric rates a system that is projected to last over 40 years is a terrific long-term investment.

Finally, solar heating of water is a very simple technology with a good payback (6-8 years), and it directly offsets carbon-based fuels such as oil and propane. A solar hot water system works in parallel with existing water heaters. This means consumers receive hot water from the solar system when the sun is shining and hot water from existing systems when the sun is not shining. Solar hot water systems are reliable and have been around for over 20 years in the United States, with over 100,000 installations.

Solar power is one of our most promising forms of electric production. Unfortunately we have not come up with a storage medium that is effective enough to justify a major shift. However, with all the work that is being done, someday we may be able to significantly impact the generation profile in our state. Meanwhile, if you are looking for a solar energy provider, contact the Renewable Energy Vermont website (www.revermont.org).

Jay Peak Expansion Plans Well Underway

by Dave Lahar, Key Accounts Manager

If economic times are uncertain, you wouldn’t know it by talking with VEC member Bill Stenger, President and CEO of Jay Peak Resort. At the helm of one of Vermont's premier ski/ride destination resorts since 1985, Bill is confident, deliberate and undeterred by recent economic conditions as he explains the expansive expansion and development plans at the mountain. His demeanor is unassuming, but there’s a gleam in his eye – like a skier/ride’s momentary pause at the top of an open trail – that says, “follow me... if you can.”

The master plan is broken into two phases:

Phase I: The first phase of development focuses on the Tram-side area and includes a new lodge and hotel and additional slope-side terraces. Construction on this phase is underway with anticipated completion in 2010.

Phase II: As Bill proceeds through the plans, it becomes clear this project is more than 2.5 years- and building structures.

Our focus is still on creating a unique mountain experience,” explains Bill Stenger. “Regardless of the time of the year, or weather conditions, we want to provide our visitors with a range of options for all ages so when they leave here, exhausted - though they may be, there's that feeling that this was the best vacation ever,” added Stenger.

Phase II includes a new Hotel and Indoor Water Park and a year-round Indoor Skating and Curling Facility. Also included in this phase of construction is a new golf clubhouse and outdoor adventure center. Construction is anticipated to begin mid- to late summer of this year, with completion sometime next year.

“We plan to be very active in area youth hockey programs in both Vermont and Canada.”

The skating facility includes plans for a 1,200 spectator seating arena, and the resort has partnered with the Florida Panthers for off-season training activities.

Spring 2010 construction is targeted.

There are future plans to expand skiing/riding into Jay’s yet unappalled skier/ride service center. If you haven’t visited recently, the hotel is just beyond, and contiguous to, the aerial tram building. If you are fortunate enough to have been on the slopes), you will leave with fireplace, a restaurant and lounge (ground level from the slopes) will include a restaurant and lounge with fireplace, a coffee shop and “micro-bakery”, rental, repair and equipment demo, and spa/finess facilities. The next three levels will contain 57 ski-in/ski-out hotel suites with seasonal slope-side terraces. Construction on this phase is underway with anticipated completion in 2010.

“The lighting of the resort is designed to provide further improvements in the level of service reliability for members. This builds on substantial reliability improvements that have already been made to vegetation maintenance over the past three years. Funding investments such as these will result in greater reliability and efficiency in the long run.

Another key driver to improve reliability and efficiency is the project to install automated meters. In 2009, phase one of the AMI (Automatic Meter Information) project to deploy more than 33,000 smart meters will be finished. VEC is currently leading the state with our AMI technology implementation.

Smart meters will communicate through power lines with VEC’s information systems, including our outage management and electronic billing systems. Ultimately, members will have increased control of their usage and the prices they are charged for consumption.

The Co-op remains committed to the delivery of competitive rates and reliable service. Although we will continue to manage our financial stability while minimizing the impact of market volatility on our members.

VEC’s financial reporting and a narrative summary of quarterly results are now posted on our website at www.vermontelectric.coop. Additionally, a copy of the 2008 audited financial statements is available on the VEC website.
Spring 2009

Inside Co-op Life
Spring 2009

VEC is part of the alliance working to advance and support the principles of cooperatives in Vermont.

www.vermontelectric.coop

VERMONT ELECTRIC CO-OP INC.
42 Wescom Rd.
Johnson VT 05656

PRSRT-STD
U.S. Postage
PAID
Burlington, VT
Permit No. 21

Vermont Electric Cooperative Inc.
42 Wescom Rd.
Johnson VT 05656

Vermont Electric Cooperative
Board of Directors

District 1
John Milley
802-372-8375
PO Box 21, North Hero, VT 05474

District 2
Daniel Caraselli
802-915-4628
PO Box 802, Enosburg Falls, VT 05450

District 3
Daniel Parsons
802-848-3328
320 Hardwood Hill Rd, Richfield, VT 05476

District 4
Pricella Matchen
802-274-8374
424 Lower Village Rd, Lowell, VT 05847

District 5
Bertrand Lague
802-873-3374
369 Harrick Rd, Derby Line, VT 05830

District 6
Dorothy Allard
802-827-9779
1331 Waterville Mtn. Rd, Bakersfield, VT 05441

District 7
Mark Woodward
802-635-7166
110 Woodward Road, Johnson, VT 05656

District 8
Susan Donso
802-635-2965
PO Box 24, Eden Mills, VT 05653

District 9
Michelle DaVua
802-893-3879
71 North Road, Westfield, VT 05484

District 10
Howard Leighton
802-899-3185
PO Box 161, Underhill Center, VT 05490

District 11
Richard Palmer
802-842-3079
PO Box 386, Hinesburg, VT 05461

District 12
John Ward
802-334-6022
45 Mt. Vernon St, Newport, VT 05855

District 13
Tom Bailey
802-766-2647
PO Box 114, Derby, VT 05828

Co-op Life

is published quarterly by
Vermont Electric Cooperative
42 Wescom Road, Johnson, VT 05656
1-802-635-2331 or Toll Free: 1-800-VEC-COOP

Editorial Committee: Dorothy Allard Susan Donso Kathryn Kantorski Howard Leighton Mark Woodward

All Members Invited to Attend
VEC’s Family Energy Fair
and
Annual Meeting of the Membership
Saturday, May 30th

Family Energy Fair 10 a.m.–4 p.m.
Annual Meeting of the Membership 11:30 a.m.

1. Demonstrate boots featuring Smart Grid & Cycle the Tower
2. Alternative energy vendor booths
3. Kids activities including board games & keep the clean
4. Food
5. Music

1. Reasons to Attend!
- VEC’s 71st Membership Meeting at Energy Fair
- VEC’s 71st Membership Meeting at Energy Fair
- VEC’s 71st Membership Meeting at Energy Fair

2. The Inside Scoop: Employee Evolution
3. Update From Montpelier
4. Financial Highlights: 2008 in Review
5. Meet the Candidates
6. New Design for BOD District
7. COO Update
8. Summary of Projects
9. Financial Statements
10. Spotlight on Director: John Ward
11. Tap, Peak, Expansion

.vec.coop

Vermont Electric Cooperative
42 Wescom Rd.
Johnson VT 05656

www.vermontelectric.coop