Important Message from the CEO

By David Hallquist, CEO

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

Transmission Upgrades (Ballot Question #1)

The 16.9 miles of transmission lines and system upgrades that are required in the area around Jay Peak in Orleans County are needed to provide a reliable power supply to all Vermont Electric Cooperative members in the region. Why? The existing lines and substation between Lowell and Jay, running through Westfield, were constructed in the late 1960s and are at the end of their optimal life. Much has changed during the past 40 years, in particular how we use electricity and the technology required to get it safely, reliably and affordably to your home. Think of a home computer, big screen television or even electric appliances today or electric vehicles tomorrow. There is no doubt that we are using electricity differently and demanding greater reliability now than in the 1960s. While these changes are occurring in the home, reliable power is even more important for businesses and economic development. The transmission system upgrades between Jay and Lowell are necessary to meet the high safety and reliability standards our residential and commercial members deserve and expect.

According to a report issued for ISO-New England, New England's regional electricity managing body, growth at Jay Peak has and will increase the power load from the Resort by 70 percent. As a whole, land, New England's regional electricity managing requires a modern infrastructure that supports jobs. Hence, GMP and VEC need to upgrade the transmission system.

Transmission line upgrades, a power contract with Hydro Quebec, and a by-law change are on our upcoming vote. We are seeking approval for these matters to improve the security, reliability and cost with GMP. Further, going forward, the agreement calls for GMP to pay 58% of the operating costs of the transmission lines. Without this agreement and your support on this ballot item, GMP will likely go ahead with the project with another partner and VEC rate payers will have to bear the initial total cost of the lines upgrade, as well as, 106% of the ongoing operating costs. The wind project is now permitted by the state and GMP has plans to start construction. A vote against the transmission upgrades will not stop GMPs work on the wind project but would cost VEC members more.

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

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

Hydro Quebec Agreement (Ballot Question #2)

The Hydro Quebec agreement before Coop members is a long-term contract, which sets a maximum and a minimum energy price, which can be charged for the price of energy during the high use hours each day. It is designed to limit power price volatility during the most expensive hours of use each day. It covers 7 days a week, 16 hours a day. This is accomplished with a complex formula limiting day-to-day variations.

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

With energy prices at favorable rates it is a good time to lock in long-term contracts especially for high-priced high use hours. The contract starts in 2012. It also locks the Coop into a renewable power source at close-to-market prices. We feel this will be a very important piece of our overall energy strategy. We strongly encourage your support for this ballot item.

Bylaw Change (Ballot Question #3)

The Coop is a member-owned business. Our consumers are our owners. By paying your monthly cost with GMP. Further, going forward, the agreement calls for GMP to pay 58% of the operating costs of the transmission lines. Without this agreement and your support on this ballot item, GMP will likely go ahead with the project with another partner and VEC rate payers will have to bear the initial total cost of the lines upgrade, as well as, 106% of the ongoing operating costs. The wind project is now permitted by the state and GMP has plans to start construction. A vote against the transmission upgrades will not stop GMPs work on the wind project but would cost VEC members more.

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Amanda G. Kelly
Newport Center

Hello Fellow VEC Member,

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

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

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

Thank you for your consideration.

Amanda G. Kelly

Steve Merrill
North Troy

I am interested in serving on the VEC Board, District 3, as a member, consumer, and resident and have been interested in energy issues since the 1973 Oil Embargo when I was a junior in school. Born 7-5-1956 in Fitchburg, Mass., I was raised in Lunenburg and graduated 1974 from Montachusett Regional Voc-Tech (Fitchburg) with a H/S diploma and Trade Certificate in Machine Shop Practices, then attended Worcester Industrial Tech (WITI) nights for Numerical Control Programming while doing an apprenticeship at Sanborn Machine Tool & Die in Leominster, Mass. I relocated to San Diego in 1977 and worked through Temp Agencies (Alfano) making everything from heart valves and medical devices to parts and assemblies at the Fusion Reactor at General Atomic in La Jolla, Ca. I moved to North Troy in 2001 to "semi-retirement" yet find myself in actuality, busier than ever. I currently serve on the Board of Directors at NEKTV, Newport, and have filmed the wind hearings in Lowell and the Troy Hydro hearings in Westfield, which brought local energy issues to the public via local cable access TV, and plan on giving more attention to these topics/issuses through serving on the VEC Board. As we transition from fossil fuels to renewable energy much attention and work will be needed as future generations will inherit the land, air, and water we leave behind and it is all we will be measured by. I believe we can have affordable energy and a cleaner planet through using energy smarter, efficiency upgrades, and less wasteful appliances and practices, an extension of the good old New England "Yankee" style of ingenuity and values.

Thanks for the consideration, and hopefully, your vote.

Steve Merrill

Larry Chase
Lowell

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

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

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

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

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

Thank you in advance for your vote!

Larry Chase

Carol Maroni
Craftsbury

Fellow Co-op Members,

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

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

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

Thank you for your consideration.

Carol Maroni

Michael J. Ladd

I would like to represent District #3 during these challenging times. It will be increasingly difficult to maintain the proper mix of long and short term contracts for power while maintaining low rates and identifying "new" sources of renewable, reliable energy within Vermont. The renewal of long term Quebec Hydro and possible addition of the Seabrook nuclear plant in New Hampshire will be measured by. I believe we can have affordable energy and a cleaner planet through using energy smarter, efficiency upgrades, and less wasteful appliances and practices, an extension of the good old New England "Yankee" style of ingenuity and values.

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

Michael J. Ladd

Diana Laplanche
Westfield

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

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

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

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

Diana Laplanche

Joe Torter
Newport

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

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

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

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

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

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

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

Summary of Ballot Questions

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Ballot Question #3

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

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

Voting Instructions (Abbreviated)

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

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

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

Who can vote?

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

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

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

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

CEO Message

ball you are contributing to the Co-operative’s expenses and equity in the organization. At the conclusion of each year, revenues are compared to expenses and any differences are allocated to member accounts as owner’s equity. The owner’s equity is known as patronage capital in the electric co-operative world.

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

Member equity can and sometimes does accumulate depending on the financial health of the cooperative. If the Board of Directors authorizes a retirement of patronage capital, this Bylaw change would allow a portion of each member’s equity, for the time period specified, to be retired or paid out to each member in the form of bill credits or in a check. The retirement represents a return of principal to members.

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

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

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

Ballot Question #1
Seeking approval for transmission upgrade from Lowell to Jay, Vermont

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

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

Ballot Question #2
Seeking approval of a power purchase and sale agreement with H. Q. (Hydro Quebec) Energy Services (U.S.)

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

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