A Healthy Economic Outlook for VEC

But a Year Marred by Sorrow and Loss

A strong turnout of 250 Vermont Electric Cooperative members, along with guests and staff, filled the spacious main room at the Hotel Jay Conference Center at Jay Peak Resort for the Co-op’s 74th Annual Meeting of the Membership, on a sunny Saturday morning, May 12. There was a festive atmosphere as members registered in the lobby, then passed through a hallway lined with display tables staffed by representatives of some of Vermont’s most interesting energy-related companies (among them, Northern Power Systems, Efficiency Vermont, Independent Power, and VEC’s own displays). At the far end was a well-stocked breakfast buffet, for these Co-op members, from the Northeast Kingdom to the Champlain Islands, had awoken early to travel to the resort in remote, northwestern Orleans County. With full plates, they gathered around tables in the main room, eating and socializing from 8 a.m. until 10 a.m., when the business meeting convened with a greeting from Jay Peak Resort’s president, Bill Stenger.

Stenger emphasized VEC’s importance to his resort as a reliable and innovative partner in providing the volume of electricity required for an operation as large as Jay Peak Resort to function. Snowmaking was one example. During the past winter, Stenger said, the company had pumped 120 million gallons of water to spray across the slopes. “And fortunately,” he said, “the power never went out.”

In turn, he noted Jay Peak’s importance as an economic force in the region. “This winter we employed more than 1,000 people — triple what we did three years ago — and 98 percent of our people are local.”

With that, he invited his fellow VEC members to check out Jay’s famous Pump House Water Park, which Stenger said had enabled Jay to prosper in a 2011-2012 winter with little natural snowfall. “It’s wonderful,” he concluded, “to have an organization like Vermont Electric Co-op” to help the company be profitable and propel economic development in northern Vermont.

Stenger’s greeting was followed by VEC officers’ reports, a principle function of the annual membership meeting. Secretary Michelle DaVia, of Westford, announced a quorum for the meeting. Then Board President Tom Bailey, of Derby, continued Stenger’s economic theme by calling evidence of an economic recovery.

“Electricity sales are approaching pre-recession levels,” Bailey said, “and Jay Peak is a part of that.” Another good sign was that VEC had reached 40-per-cent equity, a level that permits it to begin planning a process for patronage refunds — an annual division of a portion of the margins (“profits” for a for-profit utility) among the membership.

But Bailey also noted that the previous year had its sorrows and difficulties, too. These included the deaths of former VEC Director Howard Leigh-ton and of Bert Lague, who was serving on the Board when he passed away last July. On March 21 a workplace accident tragically took the life of First Class Line Worker Bruce Lamb; almost unbelievably, this was followed by another accident on April 13 causing serious injury to a VEC line worker who is now on the road to recovery.

In addition, Bailey said, three major storms, including August’s Tropical Storm Irene, had inflicted a record $3.3 million in damages to VEC’s infrastructure, although the Co-op was able to retrieve $2.2 million of those costs in federal disaster-relief funds.

In his report, Treasurer John Ward, of Newport, reported that Standard & Poor’s had raised VEC’s credit rating from BBB to A-minus — “Our highest rating ever,” he said. That economic stability (combined with the disaster aid that mitigated the storms’ financial impact) had enabled the Co-op to maintain

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CEO Update: Cyber Security and Safety

By David Hallquist, CEO

In today’s world, organizations like VEC are broadening the scope of safety and security initiatives. Gone are the days when security was just about locking gates and storing information in filing cabinets. Today, we continue to protect our physical assets from harm, but we must also minimize the risks associated with cyber attacks that can be launched from near or far.

Cyber security has become an important issue internationally, in that there have been increasing incidences of nations and groups trying to penetrate each other’s computer networks. One famous example was Stuxnet, a computer “worm” discovered in June 2010. Different variants of Stuxnet targeted five Iranian organizations, with a goal of disabling the Iranian nuclear program. That event has spurred concerns about a possible retaliatory virus attack against computer networks in the U.S. The issue of cyber security in Vermont, however, has come to light through a number of events, including one in which a municipal electric company reported that information from 275 customers might have been exposed due to an on-line hacking event.

At VEC, the approach to cyber security is compatible with the approach we have taken to minimize risk to our physical infrastructure. In 2011, when about one third of the workforce and several Directors held VEC’s annual strategic planning summit, the group prioritized the need to develop enhanced goals and objectives to ensure that VEC is prepared to handle inevitable attacks on our infrastructure. Whether it’s vandalism at a substation or a hacker trying to gain access to VEC’s computer network, the same principles apply. Secure organizations must consistently review practices and policies to identify vulnerable areas. Once potential or real threats are identified, they must be isolated, and then we must insulate our systems against future attacks.

It’s a threefold strategy: identify, isolate, and insulate.

With the introduction of new computer networks driven by the automation of our substations and the deployment of our two-way meter network, more information is being collected than ever, and there are more points from which attackers might attempt to access our system. At first, meeting these new security needs appeared to be a huge task for an organization already very busy with several major capital projects. So, we brought in a company called Cigital, which provides high-security systems to Las Vegas casinos as well as to utilities across the country. Working closely with Cigital, we realized that as an electric utility we could adapt our disaster-recovery plan, which we’ve been using since 2007, to encompass cyber security. Instead of reinventing the wheel, VEC is building on the expertise we already have with regard to emergency preparedness and response. For example, we’ve already built a system that helps us to deal with major weather events, but when a real disaster – like Tropical Storm Irene – strikes, we know there must be an additional level of preparation to respond to outages quickly and effectively, to minimize their

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Ken Hoeppner of Jeffersonville

Ken Hoeppner, who served on the VEC Board of Directors more than 30 years ago, has returned to fill the position of At-Large Director for the Western Zone. Hoeppner competed against seven other candidates in the election that concluded at VEC’s Annual Meeting of the Membership at Jay Peak Resort on May 12. He won with a total of 403 votes.

Hoeppner recalls his previous Board service, from 1975 to 1980, as a volatile time for the Co-op. And though circumstances are quite different today, he believes it is still a volatile environment for electric utilities in Vermont. The uncertainty status of Vermont Yankee, which once provided a third of the state’s electric power, what he calls “the pros and cons” surrounding wind and solar installations; recent negotiations for a new Vermont contract with Hydro Quebec; the potential for methane and natural gas; and nuclear power (VEC members voted to approve a 20-year contract with NextEra Energy, Inc.)... These present a variety of options for Vermont Electric Cooperative, Hoeppner said, but no easy choices.

“It makes it challenging to determine what are the best power sources” for the Co-op, he said.

Hoeppner considered vital to the future of Vermont’s electric utility industry is to explore ways to eliminate redundancies. Though a small state, Vermont, when Hoeppner entered in 1965, was served by 24 different electric utilities — a mix of IOUs (investor-owned utilities), cooperatives, and municipals.

“I thought that didn’t make a lot of sense,” said Hoeppner. “The merger of Citizens Utilities and VEC was very effective in reducing administrative costs. It seems to me there ought to be a study to see what can be done to improve the efficiency and effectiveness of the total system.”

Originally from Connecticut, Hoeppner, 70, worked for Hubbell Incorporated, a manufacturer of electric and electronic products in Bridgeport. He moved to Vermont because he wanted to raise his family in a rural environment. They settled first in Winooski, but purchased land in Underhill in 1967. Hoeppner became a VEC member in 1969 after they had constructed a home there.

It didn’t take him long to become involved in VEC affairs.

“They were charging a wholesale power adjustment fee because of the volatility of the power market at that time,” Hoeppner said. “But the Supreme Court had shot that down I thought, ‘What’s going on here?’”

He became head of ACDC — the Action Committee for a Democratic Cooperative — and ran for the Board in 1975 “to turn over some of the practices VEC was doing.” He served until 1980, when his family temporarily moved out of the area.

In District 7, Director-At-Large George Lague won 403 votes. Also running were Candice Campbell of Jeffersonville, and Sam Young of West Glover. Lague, who received 3,201 to 631.

Hoeppner is an ardent and committed believer in community service. There is a playful side to this passion (learning to ski at age 53 and becoming a “funmeister” at Smuggler’s Notch Resort) and a more serious side (years of service to Lamoille County Mental Health, where he is currently vice president of the board of directors and is dedicated to reforming the mental health system). If that weren’t enough, Hoeppner is president of the Vermont Horse Council, and heads fundraising for the implementation of the 93-mile cross-state Lamoille Valley Rail Trail. He lives with his wife, Suzanne, in Jeffersonville.

And now he’s back on Vermont Electric Co-op’s Board of Directors.

“I like Vermont,” he explained. “It’s a place where you can still make a difference!”

The Treasurer’s Report paved the way for the important business of the Co-op’s future direction.

The Treasurer’s Report paved the way for the main feature of this year’s Meeting of the Membership: CEO Dave Hallquist’s discussion of Vermont’s and VEC’s transition to a greener, more locally generated, power portfolio. Afterward, the floor was turned over to the members, who posed a number of questions for Hallquist and expressed their views on a range of energy-related subjects. (See “A Voice for VEC,” page 3).

There remained the important business of member voting. At stake were three four-year seats on VEC’s Board of Directors and seven special ballot items proposed by the Board. Ballots cast at the meeting were added to mailed ballots received by the May 11, 2012, deadline (4,117 total ballots were cast), with the following results.

In District 7, Mitzi Johnson of South Hero won a race decided by a single vote, against incumbent Director John Miller of North Hero. With such a narrow margin voting procedures permitted a recount. As the result was unchanged: Johnson received 258 votes, to Miller’s 257. A third candidate from District 7, George Rice of South Hero, received 150 votes. The East Zone, Director-At-Large George Lague of Derby, comfortably won a full term over candidates Skip Gosselin and Bill Hafer, both of Newport, and Sam Young of West Glover. Lague, who received 804 votes, had been appointed to the East Zone At-Large position last November to fill the vacancy left by deceased Director Bert Lague (a cousin).

The race for West Zone At-Large Director was heavily contested, with eight candidates seeking the position. Ken Hoeppner of Jeffersonville won with 403 votes. Also running were Candice Campbell of Richmond, Schuyler Jackson of Hinesburg, Cecil King of Franklin, Craig Kneeland of Eden Mills, Mark Larivee of Enosburg Falls, J.J. Laukaitis of Williston, and Brad Schwartz of Fairfax.

The fact that we had 15 VEC members competing for just three open seats on the Board speaks to how vibrant and important our organization has become,” said Board President Tom Bailey after the vote. “Not only could this level of involvement happen only in a member-owned electric utility — and not a company owned by investors — but most electric co-ops in the country don’t see this degree of interest and commitment. I’d like to thank all of the candidates who sought to serve on our Board of Directors.”

Hoeppner had a long and varied career at IBM in Essex Junction. He began as a tool-and-die maker, but climbed through the engineering ranks, then managed Site Capacity Planning (overview and coordination of the plant’s semi-conductor production). Later, as Manager of Capital Planning, he managed a budget of $182 million. Hoeppner received further appointments in auditing and quality control, and lastly chaired the ISO 9000 steering committee which centered on a global approach to industry management. He feels these broad experiences can be an asset to the VEC Board.

Hoeppner is an ardent and committed believer in community service. There is a playful side to this passion (learning to ski at age 53 and becoming a “funmeister” at Smuggler’s Notch Resort) and a more serious side (years of service to Lamoille County Mental Health, where he is currently vice president of the board of directors and is dedicated to reforming the mental health system). If that weren’t enough, Hoeppner is president of the Vermont Horse Council, and heads fundraising for the implementation of the 93-mile cross-state Lamoille Valley Rail Trail. He lives with his wife, Suzanne, in Jeffersonville.

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mitzi j. hallquist of south hero

VEC District 7 has sent a new representative to the VEC Board of Directors. Mitzi Johnson, 41, won her seat by a single vote (258-257) over incumbent director John (Jack) Miller, in balloting that concluded at VEC’s Annual Meeting of the Membership on May 12, 2012, at Jay Peak Resort. The slim margin held up in a recount. A third candidate, George Rice, received 156 votes.

Participating in the democratic exercise is nothing new to Johnson, a resident of South Hero who has represented her legislative district in the Vermont House since 2002. She sees similarities in her new role as a VEC Director.

“Being a state legislator has helped me learn to consider impacts of our decisions on the state as a whole, while keeping a special eye out for the region I represent,” Johnson said after her election. “The Champlain Islands are one district within VEC, and I’m now its representative. But you also think about the priorities of Richmond and Hinesburg, or Richmond and Bakerville. It’s a very, very diverse cooperative.”

Many concerns are universal, however. Johnson has served as vice chair of the House Appropriations Committee and as a board member of the Chittenden Visiting Nurses Associations; these positions have given her experience in budget development and financial oversight, which she feels will be useful to VEC.

“The Co-op is in an increasingly strong financial position, and I want to make sure that continues,” she said.
Information Technology
A Parallel Universe for VEC

Members of the VEC IT Department: From Left, Fred Wiseman, Jacek Szamrej, Kevin Podd, Shirley Messier, Bob Stein, and Laurie Wells.

In the “old days,” not so long ago, an electric utility was mostly about poles and wires. It took a lot of people to build and maintain that infrastructure, and new devices were introduced to improve reliability and limit outages. But the technology—wooden poles and electric wires—was pretty basic.

How things have changed! Today Vermont Electric Co-op operates what amounts to a parallel system of advanced digital technology, one that is expanding and improving all the time. It includes the state’s first advanced metering infrastructure (AMI), and a fiber optic communications system that is being developed in partnership with Comcast, Northlink, Stowe Cable, and VELCO (the Vermont Electric Power Company), to hold costs down. These capabilities enable the Co-op to provide services that were inconceivable in the poles-and-wires-only past. Examples include an outage-management system (OMS) that has cut outage durations in half over the past three years, and wattWATCHERS, which helps members monitor and manage their electricity consumption.

Supporting these programs and capabilities in VEC’s six-member Information Technology (IT) team. Virtually all modern businesses use IT, and many have in-house IT staff. What’s different about Vermont Electric Co-op is that the IT team does far more than manage the company’s computer system (although it does that, too), more broadly, the team handles an information system that extends to more than 32,000 VEC member’s bi...
“Harmless” Signs Can Pose Real Dangers

Posting yard sale or political campaign signs on utility poles may seem like a harmless practice, but it poses a serious safety issue to utility workers. Unseen staples and nails can easily puncture the insulated rubber gloves that workers depend upon to protect them from electrocution. In fact, this practice is more than unsafe—it’s also illegal. According to Section 301 of Title 13 of the Vermont Statutes, “A person who paints or posts a sign, advertisement or notice on a telegraph, telephone, or electric light pole shall be fined $5.00 for each offense.”

VEC line workers are accustomed to facing many types of unfavorable conditions, like sub-zero temperatures or high winds, removing sufficient humidity. You can determine the size that’s best for your home by raising awareness about the unnecessary risk that is created when signs are posted on utility poles.

“Small puncture in our insulated rubber gloves could mean the difference between life and death,” said Stan Tucker, operations supervisor. “We rely on personal protective equipment to stay safe, so that we can restore your power and return home to our families at the end of the day.”

With the season for garage sales and political campaigns underway, VEC is asking for your support. Please do not post signs on electric utility poles!

Q: Our daughter got her first apartment last year and she does a good job of making ends meet on a modest income. She was going without a TV, so we surprised her with a big-screen, flat-screen TV for her birthday, just before the Super Bowl. (She’s a big Patriots fan.) She was thrilled with the TV, but she tells us that her electricity bills have been higher lately. Could it be due to the TV?

A: Without knowing more about your daughter’s TV and about other electricity use at her apartment, I can’t say if the TV is definitely the culprit. But I will say that it’s possible. Anytime you start using a piece of electrical equipment, energy use at her apartment, I can’t say if the TV is definitely the culprit.

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Energy issues took center stage during much of the 2012 legislative session in Montpelier. While lawmakers engaged in much debate about setting policies to drive higher levels of renewable energy generation in Vermont, ultimately they were unable to agree on new standards.

Some incentives and requirements already exist, but next year legislators are likely to continue discussing the establishment of a Renewable Portfolio Standard (RPS) for Vermont and a timeline to make this happen. An important factor to consider will be the tradeoff between the higher cost of renewable energy and the positive environmental impacts associated with it.

Often complex and confusing, we thought it would be helpful to describe some of the puzzle pieces that come into play, so that VEC members can be better informed when hearing about energy issues in the news or when discussing them with their legislators, co-op leaders, and each other.

**RPS – Renewable Portfolio Standard.** An RPS is a state law that requires utilities to buy a certain percentage of their power from renewable sources. About 29 states currently have RPS statutes, though Vermont does not.

**REC – Renewable Energy Credit** (also called Renewable Energy Certificate). RECs have a value that reflects the renewable qualities, or “greenness,” of an energy project. They are awarded to a company, or utility, that generates power from such a facility. RECs can be purchased, sold, traded, or “retired” by utilities in order to meet their goals of 20 percent “qualified SPEED resources” by 2017, and a “total renewable and has several components. The latest energy bill – Act 170, enacted in 2012 – sets goals of 20 percent of its power, then retire those RECs, and it complies with the SPEED program. It requires Vermont utilities to pay higher prices for renewable projects. “And with ongoing innovations in green technology, we’re looking forward to many more exciting projects that complement our stewardship priorities.”

**An RPS requires Vermont utilities to pay higher prices for renewables.**

Instead of an RPS, Vermont has adopted the SPEED program, which was designed to encourage the development of renewable energy projects in Vermont, and has several components. The latest energy bill – Act 170, enacted in 2012 – sets goals of 20 percent “qualified SPEED resources” by 2017, and a “total renewable energy.” The SPEED program was designed to encourage the development of renewable energy projects in Vermont, and has several components. The latest energy bill – Act 170, enacted in 2012 – sets goals of 20 percent “qualified SPEED resources” by 2017, and a “total renewable energy.”

### Net Metering

Net metering began as way for individual customers to offset their electricity use with on-site generation. Net-metering customers pay for the electricity they use minus the surplus power they generate and provide to their utility (the “net”). In its simplest form, residential customers are paid the retail residential rate for the power they generate. The state has expanded net metering to include projects up to 500,000 kilowatt-hours, and now permits “group net metering” (projects owned by a group of customers). This expansion makes for several different calculations and rates for different projects. Certain projects could be either net metered or receive a credit for a net energy production.

### Solar Adder

All utilities must pay an additional amount for net-metered photovoltaic (solar) projects. The additional amount (the “adder”) is calculated by subtracting the utility’s residential rate from 20 cents/kilowatt-hour (in VEC’s case, the adder is 1.882 cents/kilowatt-hour). The adder is different for all utilities, but the rate paid for residential net-metered solar is the same at 20 cents/kilowatt-hour.

### Conserve energy when it matters most!

**Smugglers’ Notch Installs Solar Project**

Vermont Electric Cooperative’s voluntary Beat the Peak program encourages members to conserve, limit, or reduce energy usage during “peak” energy times. A “peak” event is when energy consumption is at its highest. If VEC mem-

By Randy Pratt, Manager of Programs and Policy

The importance of cyber security is often discussed in the context of cyber attacks and data breaches. However, there are many other ways in which cyber security can impact an organization, including through natural disasters and other types of threats. In this article, we will explore some of the key ways in which cyber security can impact an organization and what steps can be taken to mitigate these risks.

**CEO Update: Cyber Security**

We do this by following processes and protocols that encompass “best practices.” When disaster strikes, VEC shifts from the normal day-to-day operations mode to an incident-command management structure in which specialized roles and responsibilities are clearly broken down and assigned. Information from the field is communicated swiftly to the appropriate decision makers in our control center, and in such situations, we have found that it helps us to continue to serve the VEC membership by delivering electricity reliably, safely, and securely.

Our member-owner, to provide electric power at cost. And as a cooperative, when one member saves, we all save. Members interested in “beating the peak” may sign up to receive alerts during peak events. By choosing e-mail, text, or phone message alerts, you can expect to hear from our member service team a few times a year when it’s important to save.

**Simple call 1-800-832-2667 or e-mail support@vermontelectric.coop to enroll.**
Net Metering: Is It For You?

Net metering is a policy and practice for consumers who use renewable energy systems, like solar, wind, hydro, or farm methane to generate and use their own electricity. If the home or business needs more energy than it produces, the consumer can rely on power from the electric grid to fill the gap. On the other hand, when a consumer/generator produces excess energy, it can be distributed to other customers; generators then receive a credit for the surplus energy they have produced.

In Vermont, the maximum allowable size for a net metering facility is 500 kilowatts. Most of VEC’s net-metering accounts are owned by individuals, although about 35 groups have formed in which multiple members are connected to the same generation source. In VEC’s case, the average size for a system serving a single member is just 5.5 kilowatts.

In all, VEC has about 200 net-metered accounts. The largest is 500 kilowatts. Most of VEC’s net-metered accounts rely on photovoltaic (PV) solar power as their generation source, and wind makes up most of the balance. Biomass and small hydro are other available options, but presently represent just a handful of VEC’s net-metered accounts.

There are several benefits for consumers who participate in net metering. It provides them a hedge against future electric rate increases, and, presently, they receive above-market pricing for energy produced. State incentives and federal tax credits help to make net metering more attractive. For all of us, net metering helps toward our common goals of increased energy independence and reduced carbon emissions.

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VEC staff can provide interested members with consumption reports that will help to determine the appropriate size for their net-metered system. To move forward, members need to obtain a Certificate of Public Good (CPG) from the Public Service Board and select an installer. There are many qualified vendors in Vermont, some of which offer leasing programs.

Answers to most net-metering questions, CPG application forms, incentive program information, and vendor lists can be accessed directly on the VEC website or by calling the Member Service Department at 1-800-832-2667.

Electric Service for Maple Sugar Makers

Plan in advance for the next sap run!

Boasting more than 300 maple sugar makers in our service territory, VEC is proud to play a role in one of Vermont’s finest traditions. By supplying electricity to operations ranging from small, “hobby” sugarhouses to large-scale operations utilizing the latest energy-intensive technologies such as vacuum pipeline systems and reverse osmosis technology, VEC helps to ensure that producers get the most out of each sap run.

While the 2013 sugaring season may still seem far away, this is just the right time for maple sugar producers to assess future requirements. If you are just starting a sugarhouse operation, VEC’s Engineering Department can help you determine what type of electric service is needed and how much it will cost.

Existing sugarhouses – especially those whose operations are growing – may want to work with VEC to determine if upgrades are needed. One sign that it might be time for an upgrade could be reduced voltage during equipment start-ups, like sluggish motors or lights that dim. Fuses blowing or breaker trips could be another sign that circuits or the service itself is overtaxed. Certainly any visual signs of overheating, like arcing or the discoloration of wiring or other circuit components, are cause for immediate corrective actions.

Above all, we want our sugar makers to operate, and grow, safely.

We have updated information on your bill

What’s new in my bill?

In this bill, you will see that your Patronage Capital information has been updated to reflect new allocations for the year 2011. Each year, we will provide you with updated information.

What is Patronage Capital?

Patronage Capital is your share of what’s left over after we pay our operating expenses. It’s one key benefit of cooperative ownership. Remember that as a VEC member, you are a part owner of our electric utility. When the financial condition of the cooperative is sufficiently strong, the VEC Board of Directors may decide to return Patronage Capital funds. Alternatively, the Board may decide to use these funds to upgrade our electrical system or to make other beneficial investments.

How is Patronage Capital determined?

Each year, Patronage Capital is allocated to members in proportion to the dollar amount each member was billed for electric service.

Can I apply this Patronage Capital Allocation to the payment of my bill?

No, this notice is included on your bill to show you where your balance stands. It’s up to the VEC Board of Directors to decide if it may be paid out to you.

Where can I learn more?

Visit our website at www.vermontelectric.coop/patronage-capital or call a member service representative at 1-800-832-2667.

Visit us on the web at www.vermontelectric.coop
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