Preparing for and adapting to the like-minded public presentation about lessons learned. This year, we'll be including a separate reports on the state of the Co-op, in which VEC Directors and staff will present materials that will be delivered in late-April. As usual, we’ll finish the meeting with a bit of fun as we raffle door prizes provided by many of VEC’s suppliers. We'll also have information booths and vendors on-hand throughout the morning to share information about renewable energy and efficiency opportunities.

Keep please an eye on your mailbox for Annual Meeting and election materials that will be delivered in late-April. This year, VEC has not put forward any ballot items for the general membership, so the only elections will be for director candidates in Districts 3, 4, and 5. You can learn more about these candidates by reading candidate statements on pages 2 and 3. If you are a member in one of the towns in these districts, please exercise your right to vote. Unlike investor-owned utilities, each Co-op customer (or member) is entitled to cast a vote to choose other members to represent their interests on the VEC Board of Directors. It's an important advantage of the cooperative model of business.

Maple Sugaring and VEC

VEC continues to look at new technologies to help improve reliability and communications. Just in time for sugar- ing season, VEC rolled out an application that uses the smart meter along with our engineering database to warn members when they may be overloading their transformers. For most members this is not an issue; however, during sap season, many sugar makers add equipment to their operation without understanding the impact of the increased load. VEC's many panicked calls with the valuable sap overflowing because the transformer burned out. This application already saved some sugar makers from this costly and embarrassing situation. The technology alerts our engineers, who then call the member to let them know. The system will also help VEC to better match transformer sizes to member loads. This reduces losses and creates greater efficiency, ultimately saving money for our membership.

Net metering and solar news

On a fittingly bright and sunny day, Vermont's new net metering legislation was signed into law on April 1st by Governor Peter Shumlin. VEC was very active in developing this bill. Unlike net metering policy debates in other states that are best characterized as “wars” between solar developers and utilities, Vermont stakeholders took a more constructive approach. The Public Service Department led a process that involved debate and compromise and ultimately gained support of the Legislature. VEC is pleased with the outcome, because it will help us to reduce the physical and economic impact of severe weather events like this, and we began in earnest to mitigate the financial challenges posed by the storm and the impact it could have upon our financial standing and our members' rates.

Continued on page 7

Financial Highlights

By Michael Bursell, Chief Financial Officer

2013 was a very challenging year for VEC. We finished the year within 2 percent of our approved operating budget, and within seven percent of our approved capital spending plan. However, the full story is revealed when you dig deeper into the numbers.

From the very beginning of the year we faced circumstances that played havoc with our budget. By the end of the first quarter we were nearly $1.4 million over budget for operating expenses. A shortage in natural gas in New England, along with a cold winter, caused major spikes in the energy market (natural gas is one of the primary fuels used in the region to produce electricity). While most of VEC’s power comes from contracted providers, we supply a small portion of our portfolio through the open energy market; and, as we move to a more competitive market, these costs are at much higher costs than expected. To make matters worse, the wind projects in VEC’s portfolio underperformed during this time, meaning we had to make up for those power shortfalls as well. Overall, the result was significantly higher power costs than anticipated. Over the next three quarters, we made slow and steady progress toward recovering from those higher-than-expected power costs, and by December we expected to be very close to our approved operating budget for the year.

Little did we know that we were about to face the most significant storm in our history. Freezing rain began to fall on Friday, December 20th and lasted until Tuesday, December 24th. Throughout the storm, VEC’s service territory was in the direct line of fire for significant icing, which affected seven of the eight counties we serve and caused a tremendous number of outages in our system. The storm hit Franklin, Orleans, Lamoille, and Chittenden counties particularly hard. Temperatures plummeted almost as much as the freezing rain stopped, creating potentially life-threatening situations for our members and compelling conditions for line crews who were responding to thousands of outages throughout our service area. To address the extensive damage, we called on outside crews to help restore service, and were able to receive mutual aid assistance from in-state and out-of-state utility crews.

The costs for this storm would mount to nearly four times those of the largest storm previously in our history—nearly $6.4 million. It was the equivalent of nearly two full years of earnings, all gone in about 10 days. If we were to recover these costs in one year it would amount to a 10 percent impact rate.

While the restoration process was heroic and unprecedented, the process to recover from the financial impact of the storm was just beginning. Throughout the storm, VEC was intensely engaged in discussions with Vermont Emergency Management and the Vermont Public Service Department (PSD), making it clear that the restoration costs were going to be significant and unprecedented.

December 2013 ice storm financial plan

Without an action plan for the storm’s costs, VEC’s financial standing would have been severely tested and could have resulted in several steps backward, plus significantly higher rates for our members. But our financial planning already included a high-level framework for extraordinary events like this, and we began in earnest to mitigate the financial challenges posed by the storm and the impact it could have upon our financial standing and our members' rates. Working through Vermont Emergency Management, we contacted the Federal Emergency Management Agency (FEMA) early on, and FEMA began reviewing damage to VEC's service territory on January 2, 2014. Based on its initial assessment, FEMA drafted a federal disaster declaration for all seven counties where VEC had experienced damage from the ice storm. President Obama

Continued on page 6
Ballot Overview
For the first time in many years, VEC’s annual election does not include any general ballot items for the entire membership. With the terms for three board seats to expire, only members in districts 3, 4, and 5 are being asked to vote for district directors. There are no races in the remaining four districts this year.

In District 3, Chuck Farrar, John Klar, and Carol Maroni (incumbent) are vying for one open seat. Mark Woodward (incumbent) is running uncontested in District 4. A three-way race is underway in District 5 between Michelle DaVia (incumbent), Andrew J. Doe, and Caleb Elder. Leslie Nulty of Jericho Center, listed on the original slate of candidates, decided to withdraw her candidacy. You can learn more about the candidates by reading their personal statements on pages 2 and 3 of this issue.

In recent years, the general membership has been presented with ballot items including proposed bylaw changes, transmission upgrades and out-of-state power-supply contracts. This year, there are no such items requiring a vote of the full membership. As usual, all VEC members will receive a packet of materials in the mail about our 76th Annual Meeting and Election, but only the members in districts with director elections will receive ballots.

Even though the number of ballot items is smaller this year, VEC’s energy decisions will continue to affect us all in many ways including economic and environmental impacts. We hope all members will plan to join us for VEC’s Annual Meeting, to learn more about their Co-op and express their opinions on VEC’s energy future.

Join us for our 76th Annual Meeting of the Membership
Saturday, May 17, 2014
Smugglers’ Notch Resort
4323 Vermont Route 108 South, Smugglers’ Notch, Vermont 05464

Join us and...
• Learn about current energy issues, VEC’s accomplishments during the past year, and hear about upcoming projects
• Connect with your elected representatives on the Board of Directors
• Tap into renewable energy and efficiency information by visiting our exhibitor showcase
• Enjoy a complimentary breakfast buffet

Program Agenda:
8:00 a.m. – 10:00 a.m.
• Breakfast
• Exhibitor showcase
10:00 a.m. – 12:00 p.m.
• Business Meeting of the Membership
• Presentation, by CEO Dave Hallquist: “Adopting Renewable Energy,” and questions & answers
• Ballot Overview

Vote and instructions enclosed. Please be sure to cast your vote for all ballot items!

Candidates for VEC
Board of Directors

— District 3 Director —
— 4 year term —

Chuck Farrar, Troy
My Hello, and greetings fellow members. My name is Charles Farrar. I have been a member for roughly 28 years. I’m looking for your vote to become a member of board of directors. I have my own business, and considered it successful for over a decade. I’ve been a carpenter/contractor, teacher, parent, and now a grandparent. Their future concerns me. Many in the area know me as I’ve lived here for over 45 years.

I’ve been here through the Vermont Yankee years. Most recently, the green power on our ridgelines have captured our attention. Although I do agree that we need green power, I also know that difficult times require difficult choices which are not always popular with everyone. What I have come to realize is that with prior preparation these times can be made easier to get through. I am aware of several alternatives to recent green efforts. Burlington is one example. It produces in the megawatt range and is carbon neutral using gasification.

With your vote we can work together to make difficult choices much easier to get through. Thank you for considering me.

John Klar, Irasburg
Energy policy is vitally important for Vermont’s future. Energy production and distribution are both very complex subjects, involving regulatory, commercial, environmental, and scientific awareness. This position offers me the opportunity to learn a great deal as I seek to best represent ratepayers.

Cooperative utility ownership is the most efficient way to provide good leadership to such a large and diverse group of people, especially where the issues are so complex. We must secure reliable long-term energy resources for members, and ensure that management receives supportive guidance toward this goal. I will invest the energy to educate myself so that I may contribute positively to V.E.C.

I’ve been a member in good standing of the Connecticut Bar for twenty-five years. My law school education emphasized taxation, corporate, and environmental law, and I worked for several years with an international public accounting firm. I have also studied economics, accounting, and sustainable agriculture. My wife and I raise grass-fed beef and sheep in Irasburg.

I am happy to discuss issues relative to energy policy, or how I may best represent your interests on the Board of Directors of Vermont Electric Cooperative. I may be reached at farmerjohnklar@gmail.com.

Thanks for considering me.

Carol Maroni, Craftsbury
802-279-9820, email: district3@vermontelectric.coop

Thank you for electing me three years ago to be your Board representative. Today our Co-op is the second largest electric utility in Vermont and your voice means more than ever before.

With solar prices coming down, net metering increasing, electric grid limitations, oil pipeline constraints, and industrial wind realities, my focus will remain on costs, the environment, and your voices.

As your representative I have worked with you to find answers and brought your concerns into the Boardroom. I have asked the tough questions while building relationships of trust and respect with fellow Board members. I am the Board appointed Communications Committee Chairperson, an active Finance Committee member, and a regular and prepared participant at all other Board and committee meetings. I have learned a lot.

My name is Carol Maroni and Craftsbury has been my home for 30 years. I am a Registered Nurse responsible for oversight of quality, risk and compliance in healthcare. I am also a part time CCV teacher and Craftsbury Community Care Center’s Founder and first Executive Director.

I would be honored to continue to bring your voice to the Boardroom as your representative and would sincerely appreciate your vote.

— Statements are published as written and presented by candidates.
<table>
<thead>
<tr>
<th>District 4 Director</th>
<th>District 5 Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 year term</td>
<td>4 year term</td>
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**Mark Woodward, Johnson**

I am running for re-election to the Board of Directors of the Vermont Electric Coop. I have been honored to represent the members of District 4, which is Lamoille County, Fairfield, Fairfax, and Bakertown for the past six years. I serve on the Finance, Communication, and Governance Committees. I am committed to rate stability, which is a challenge in a time of increased energy market volatility, weather extremes and severe storm damage. We have managed to limit rate increases to 1.39% per annum over the past 5 years. I have been focused on fiscal responsibility, as demonstrated by the recent upgrade of our credit rating by Fitch and Standard & Poor; this allows VEC to purchase power at more favorable terms. Our fiscal health is now such that we were able to give a 1.3% patronage payment to members for the first time in Coop history.

I am committed to board transparency and initiated changes so that members can now attend board meetings and have access to board minutes. I encourage members to be active in our Coop, and to express concerns to me or to their district board member. We are at a fascinating time in the electric energy world. To remain viable in this changing environment VEC must embrace smart technology and new efficiencies. I am committed to creating policies that keep us flexible and responsive to the increased volatility in the energy market, to the more frequent infrastructure damage dictated by weather extremes, and to the need to embrace energy conservation and residential energy generation. I also want to thank our employees, who have done an incredible job at keeping VEC up and running through some very challenging weather.

I need your vote to continue this work; please vote for Mark Woodward for VEC Board of Directors, District 4. Please contact me with questions and concerns at markewoodward@hotmail.com or 635-7166.

**Michelle DaVia, Westford**

I’m the current District 5 Director. I was an executive with the multi-national corporation Oppit. I owned and operated a Vermont sheep farm selling lamb to Trader Joe’s. Whole Foods and many Vermont retailers for twelve years. That business was successful because I understand that a business is responsible to the environment and the people you serve.

I’m the Secretary of the VEC Board and Chair of the Board Governance Committee. I am the Vermont Director on the Board of the National Rural Electric Cooperative Association in Washington DC. I’ve been elected to serve on that national Board by the Board Members of both of Vermont’s Cooperative Electric Utilities. We advocate on Capitol Hill on national environmental and fiscal legislation impacting Electric Cooperative Utilities.

I strongly support renewable, sustainable and environmentally friendly energy development with reasonable rates done through careful business planning. VEC members’ ability to have solar PV should not be restricted by the State. VEC has a unique opportunity to empower homeowners, businesses, schools, farms, towns and nonprofits.

I respectfully ask for your vote to represent you on the VEC Board of directors. Please contact me with questions and concerns at mdaivia12@hotmail.com or 802-922-2537.
Electricity 101: The Electricity Interstate
How the Transmission System Overcame Challenges to Get Power to You
SECOND IN A FOUR-PART SERIES

In the 1880s, when a small number of pioneering villages and urban neighbor-
hoods in the U.S. and Europe began converting from gas to electric street lighting, and people with early generating systems sought to provide power to nearby shops and buildings, engineers discovered that there were challenges in getting electricity from Point A (where it had been generated) to Point B (where it would be used).

In those days, Point A and Point B had to be pretty close together, because the farther they tried to send electricity the more “line loss” they encountered. They might not have used the term “line loss” back then, but we use it today. Line loss is caused by resistance in the electric system (think of it as friction). Resistance creates heat, which turns some of the electric energy you’re trying to transport into heat energy instead. It wastes it, in other words, and that reduces the quality of the power that arrives at Point B, so maybe the machines would operate too slowly, or the lights would flicker or stay dim.

Over the next few decades electrical engineers learned how to minimize this problem, and as a result we have the transmission system as we know it today: typically, tall columns in sets of two or three or four, marching across the countryside with their high-voltage wires strung along them; or large, futuristic-looking metal structures resembling something you might construct with a giant Erector Set. They are transmission lines and wood poles (on right). This VEC-owned transmission line runs from Derby to Island Pond.

Transmission can run on steel or wood poles. Pictured on the left is VEC’s Steel Tower Line which was replaced with new transmission lines and wood poles (on right). This VEC-owned transmission line runs from Derby to Island Pond.

In a way, today’s trend toward more distributed energy (smaller, scattered generating facilities providing power from sources like wind, farm methane, and solar panels) takes us back to those earlier days when all power was local. But we’re not there yet. VEC members and the customers of most other utilities get the bulk of their power from distant sources.

In the first part of this series (“Generating Your Electric Power: Mankind’s Multiple Methods for Converting Energy”) we talked about the many ways engineers have figured out for turning mechanical energy into electricity, and solar power systems that use a chemical process to generate power. As noted then, 41.8 percent of VEC’s power comes from hydroelectric plants (mostly large systems in Quebec and New York State), and 38.2 percent comes through the regional New England grid, which relies most on plants that generate power using natural gas and oil. VEC will add some nuclear power from Seabrook beginning in 2015. The remaining percentages come from Vermont’s wind farms in Lowell and Sheffield, and from small local sources in-state.

With almost 80 percent of VEC’s power coming from some distance away, the importance of the transmission system is clear. It gets our power closer to substations that aren’t far from our homes, schools, factories, and businesses. The substations take it from there — but that’s another story.

The famous “hose” analogy

There are so many words associated with electricity that it can drive the ordinary person nuts trying to figure them out. For transmission, though, there are just two main concepts to consider: current and voltage. A common and useful analogy for understanding these is the humble garden hose. The electricity passing through power lines is the current, which is easy to remember because we also use the word “current” for water in a stream or river. In the garden hose, the force that pushes the water along is called pressure; the “electromotive” force that pushes electric current through the transmission lines is the voltage.

And just as there are mechanisms for increasing water pressure, we have devices that increase, and also decrease, electric voltage. Their name makes sense: transformers.

Transformers were a breakthrough technology when the electric industry was in its infancy. Before there were transformers electric power was dispatched to the users at the same voltage they would use for their lights and mechanical loads. And since different usages (lights and machinery) required different voltages, separate electric systems had to be built, even if the users were at or near the same location.

There is an electric car called the Tesla, and it’s named after the engineer whose innovations began to change all that. Thanks to Nikola Tesla’s work in the 1880s and ’90s, the industry was able to move to a “universal system” with transformers that stepped up voltage for transmission and reduced it at the receiving end. This was doubly important because high-voltage power moves more efficiently, with less line loss, than low-voltage power; and the larger, thicker cables used for transmission, made of copper or aluminum, also reduce resistance.

The power generated at large power plants today enters the transformer at around 25,000 volts, and is increased for transmission up to 400,000 volts. The power that enters your home is set at 240 volts. Quite a difference.

In Vermont, a “collaborative” effort

Another transformation in the power industry came as a result of The Great Northeast Blackout of 1965. In response to this event the region’s electric utilities, which had been operating pretty independently from each other, realized they would be less vulnerable if they created a “pool” that could provide electricity, more reliably, to all of them. NEPOOL – the New England Power Pool, which is now operated by ISO (Independent System Operator) New England – was formed in 1971. It coordinates electric generation from the region’s major power plants and ensures that all 6.5 million households and businesses in the six New England states have access to the electricity they need.

High-voltage energy is conveyed around Vermont by the VELCO transmission system. VELCO – the Vermont Electric Power Company – is older than NEPOOL. Vermont’s electric utilities created VELCO in 1956 for the purpose of importing and sharing large amounts of affordable hydroelectricity. VELCO was the nation’s first statewide, jointly owned transmission company.

Today, VELCO owns 738 miles of transmission lines, encompassed within 13,000 acres of cleared and managed rights-of-way. They transport power to 55 substations and other installations where the power is taken over by distribution utilities like VEC.

But it wouldn’t be economical to build high-voltage lines to every local substation, so there is also a network of “sub-transmission” lines, which carry power at lower voltage (34.5 kV – kilovolts – or 46 kV) than the high-voltage lines, but yet higher voltage than is suitable for most customers. VEC owns (or in some cases leases) and operates 159 miles of sub-transmission lines; Green Mountain Power (GMP) has a lot, and in some places bridges the gap between a VELCO substation and VEC’s electric system. VELCO, too, operates sub-transmission lines. This is no longer akin to the interstate highway system; it’s more like a network of two-lane country roads, intersecting all around the state.

“Besides feeding the substations that provide electricity to our members,” says VEC Chief Operating Officer Jeffery Wright, “we transport energy to the villages of Barton, Orleans, and Enosburg. We also transport 63 megawatts of wind-generated power from Lowell to the VELCO system located in Jay. Managing the sub-transmission grid is done by a very collaborative effort on the part of VEC, VELCO, and GMP.”

As new distributed-energy facilities come into play – from a 2-MW solar system like VEC’s planned Co-op Community Solar, to small farm-methane systems – it will make electric transmission even more complicated than it already is. But it’s the way of the future, and with the technologies available and in use today it won’t be as much of a challenge as it was for engineers in the late 19th century to figure out how to get their current from Point A to Point B.

In the next installment of our series, we’ll introduce Point C. If you’re a VEC member, Point C is you. Stay tuned.
Net metering is when consumers use small-scale generation from renewable sources to offset a portion of their electric bill. The most common type of net metering is solar, but small-scale hydropower and methane can also be used for net metering.

### How is net metering different from traditional net metering?

On-site rooftop and pole-mounted installations are common in Vermont and have been available for many years. In recent years, their popularity has increased as the cost has fallen.

Community solar, on the other hand, is a new option for VEC members. For renters, those interested in making smaller investments, and members without an appropriate site, community solar offers a new way to take advantage of solar benefits. Members purchase an interest in panels located at a centralized solar farm where many others have invested in as well. Members receive credit on their bills depending on how many panels they have an interest in and how much energy those panels produce.

Community solar is typically less costly than small-on-site installations due to economies of scale.

### What is net metering?

Members interested in solar soon become familiar with the term "net metering." Net metering is when consumers use small-scale generation from renewable sources to offset a portion of their electric bill. The most common type of net metering is solar, but small-scale hydropower and methane can also be used for net metering.

### How can I participate in solar net metering?

Members have two basic options when choosing the type of system that is right for them: an on-site home installation or off-site community solar. On-site installations can come in the form of rooftop systems or pole-mounted, depending on the characteristics of the property and the homeowner’s preferences. Off-site community solar is a centralized solar farm where members can buy an interest in panels and receive solar credits on their bills. VEC’s Co-op Community Solar program is in development and targeted to become available in 2015.

### How is community solar different from traditional net metering?

Community solar, on the other hand, is a new option for VEC members. For renters, those interested in making smaller investments, and members without an appropriate site, community solar offers a new way to take advantage of solar benefits. Members purchase an interest in panels located at a centralized solar farm where many others have invested in as well. Members receive credit on their bills depending on how many panels they have an interest in and how much energy those panels produce.

Community solar is typically less costly than smaller-on-site installations due to economies of scale.

### What are the benefits of investing in solar?

Not all of the benefits of solar can be easily quantified. For example, many invest in solar because they’re interested in supporting renewable energy. Others like the idea of producing a portion of their own power. Those are personal considerations that we’ll leave to you.

The financial benefits, however, can more easily be tallied. Vermont’s net metering law requires that utilities credit solar net metering participants at $0.1762/kWh for the energy they consumed.

In addition, they earn two credits: $35.24 (200 kWh x $0.17620), which is the retail rate for the 200 kWh that they produced and did not use; and $14.28 (600 kWh x $0.0238), which is the additional per-kWh credit for all the energy they produced, which increases their compensation to the $0.20/kWh required under Vermont law.

Those two credits will automatically be applied to the monthly customer and energy efficiency charges on their bill. Any leftover credit will be available for use during the next twelve months.

### When deciding which type of system is right for you, here are some things to consider:

- **On-site: rooftop or pole-mounted system**
  - You have a south-facing roof or an open area in your yard.
  - You like how solar panels would look on your property.
  - You want to generate power on your property.
  - You own your home.
  - You are comfortable taking care of the maintenance of the system.
  - You want to increase your property value.

- **Off-site: community solar**
  - You do not have an appropriate site for solar.
  - You don’t find solar panels attractive.
  - You want to take advantage of solar benefits without installing panels on your property.
  - You rent your home or may be considering relocating.
  - You would rather not have to deal with any maintenance.
  - You want the flexibility to transfer or sell your interest to another VEC member.

*Leasing options where maintenance is included are also available and solar PV systems typically do not require much maintenance.

**Check to see if this option is available.

### Below is a hypothetical example, using typical monthly consumption for a residential member.

<table>
<thead>
<tr>
<th>Assumptions: Current consumption: 500 kWh/month</th>
<th>Size of system: 3 kW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assumptions: System expected to produce 5,500 - 6,500 kWh annually</td>
<td></td>
</tr>
<tr>
<td>Gross Cost of the system: $5/watt</td>
<td>$25,000</td>
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<tr>
<td>Federal Investment Tax Credit: 30% of total cost</td>
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<tr>
<td>VT SSREIP®: $0.25/watt up to 10 kW</td>
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<tr>
<td>Net Cost</td>
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<tr>
<td>Total First Year Benefits: Avoided payments to utility: 6,000 kWh x $0.176</td>
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<tr>
<td>Credit for solar generation: 6,000 kWh x $0.0238</td>
<td>$142.80</td>
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</tbody>
</table>

**Vermont Small Scale Renewable Energy Incentive Program**
Continued from pg 1

The FEMA declaration was critical, but it did not address the full impact of the storm's costs on VEC's financial profile. Because those costs were so extensive, even the 75-percent federal reimbursement still left more than $2 million of unrecoverable costs, which could have jeopardized VEC's financial covenants. VEC is a capital-intensive business and relies heavily on relationships with our banking partners. In turn, they require VEC to maintain minimum financial performance standards (financial covenants) that provide the banks with reassurances that they will be paid back for financing VEC's capital plan. Without banks willing to contribute 60 percent of our capital requirements, all capital improvement costs would have to come from our members up-front, which would drive up rates. Additionally, our power suppliers, too, require minimum financial performance levels to ensure that we will honor our power-supply contracts. Lastly, our positive financial rating is critical to access services we need to run this business on credit. Without service partners willing to extend credit, we would need to pay for our operations up front, which is financially impractical.

To help address this remaining issue, VEC turned to the PSD, which reviews and examines the rates that Vermont utilities charge their customers. The PSD functions as the customer advocate, which utilities must work with before going to the Public Service Board for a formal decision. Because of the storm's extraordinary costs, there is a mechanism for the state's utilities to seek an accounting order to allow for deferral of unusual, abnormal, unplanned events beyond management control. There was no other reasonable mechanism for VEC to recover the costs associated with this storm in time to cure the financial impacts of the storm in 2013.

Working with the PSD, VEC created an accounting order that allows for the deferral of operating and maintenance expenses incurred during the storm response until the next time VEC seeks a rate adjustment. The deferral allows VEC to potentially mitigate some or all of the ice storm costs in the interim by applying all FEMA-reimbursed costs to offset this account and other agreed-upon mitigation strategies. VEC's Board of Directors will be monitoring this account closely and will determine if, when, and over what period of time, VEC will seek recovery of the remaining ice storm costs through a rate adjustment.

Controlling electric rates

Despite the fact VEC had to raise our rates in January for the first time since 2011, VEC has worked hard to control costs in the past five years. We have averaged annual increases of less than 1.4 percent per year (1.88 percent in 2010; 2.13 percent in 2011; 0 percent in 2012; 0 percent in 2013; and 2.93 percent in 2014). While many of our core business costs and the costs of transmission have increased at a much higher pace, we focused a great deal of attention on our largest cost driver, which is power supply. By securing favorably priced, mid-term and long-term power supply contracts from electricity generators like Hydro-Quebec and others, we have built a diversified portfolio characterized by long-term cost stability.

VEC is one of the most efficient utilities in the state, with one of the lowest ratios of employees per consumers served and one of the highest ratios of miles of electric lines per employee. On top of that, our focus on reliability has improved service. We reduced the frequency of outages that the typical VEC member experiences each year during this same five years of rate stability.

Patronage capital, a co-op advantage

In 2013, VEC reached a milestone when we returned patronage capital to members for the first time. One of the great things about the cooperative model
CEO update

Continued from pg 1

financial barriers to allow all VEC members to participate in solar net metering. There are two major benefits of the bill:

1. The bill includes wording that enables VEC’s Co-op Community Solar project to move forward as a pilot net metering project. With this project, VEC intends to demonstrate that we can make solar energy accessible to more VEC members. Our community solar project is a utility-scale solar farm that, when completed, will provide a convenient alternative to costly rooftop or small on-site solar installations. With VEC’s project, members with shaded yards and rooftops, as well as those who don’t own their own homes, will have a way to participate in solar net metering. Additionally, members will be able to participate at varying financial levels in this “group” net metering project rather than shouldering the entire cost of a home-based solar generating system.

VEC’s solar offering is targeted for 2015. The cost of the power will be highly competitive because VEC’s program will be more cost effective and efficient than smaller installations due to economies of scale. We’re collaborating with about 20 other cooperatives across the country, and VEC intends to demonstrate that with the cost of solar technology coming down, solar generation will be able to stand on its own without the need for cross-subsidies.

2. The new law specifically instructs the Public Service Board to work with utilities, developers, and interested Vermonters to develop a long-term policy for net metering that addresses the issue of cross-subsidization. Today, with 372 net metered installations on VEC’s system, which represents 4 percent of the peak load, net metering is costing the other (non-net metered) members $580,000 annually. This is because net metered members are allowed to roll their electric bills to zero, essentially using the grid and not paying their share of the grid costs. The legislation directs the PSB to finalize new net metering rules by July 1, 2016, to be effective on January 1, 2017.

The legislation went into effect immediately upon signing, and it raises the net metering cap to 15 percent of a utility’s peak load, from the current 4 percent. A provision of the bill allows VEC to set aside 4 percent of the total net metered capacity for the VEC Co-op Community Solar project. Since we are already at 4 percent, VEC members will have the opportunity to provide the additional 7 percent over the three years covered by the legislation. This allows VEC to add 2.5 percent more net metering per year, which will be awarded on a first-come, first-served basis.

Employee Wellness

I’d like to recognize VEC employees who received the “Gold” class wellness award from Governor Shumlin at the annual Vermont Worksite Wellness Conference held on March 27. This was the highest award for companies with 50 to 150 employees. VEC has a very active wellness committee as part of our safety program. The committee has sponsored running, walking, and snow shoe events, nutrition and wellness seminars, and annual health screenings, as well as financial support for physical fitness programs.

At the conference, we learned that for every $1 invested in wellness, companies get $5 in savings through reduced illness, greater productivity and positive outlook. This is important for an organization like the Co-op, because when we save money, our members save money.

In closing, I would like to remind members that our VEC Annual Meetings are a great, traditional way to celebrate the arrival of spring, while participating in the progress of your member-owned electric co-op. We look forward to seeing you there.

Morris, Ryan Forkey, David Young and Governor Peter Shumlin. Photo by Andy Bishop

Financial Highlights

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is that our customers are also our owners. Patronage capital is a member’s share of the money remaining after VEC pays its operating expenses. When the financial condition of the cooperative is strong enough, the Board of Directors may decide to refund a portion of patronage capital to the membership. Alternatively, the Board may decide it’s more prudent to invest these funds or to upgrade the system by refunding a portion of patronage capital to the membership. There are two major benefits of the bill:

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Solar FAQs

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to increase. Investing in solar helps to hedge against future rate increases, but how much you’ll save depends on how much rates increase. Many solar installers project savings based on a 5% annual increase in energy rates. However, from 2010 to 2014, VEC’s annual average rate increase was just 1.39%. We suggest that you ask solar sales representatives to share their assumptions with you. If you’re comparing one product with another, make sure the assumptions are the same so that you are comparing apples to apples.

Finally, even with favorable conditions, solar should be viewed as a long-term investment in your energy future and weighed against other potential investments. In some cases there are home investments (e.g., adding insulation, envelope improvements, more efficient HVAC equipment, lighting, appliances, and mode of transportation) that may achieve comparable savings in the long run, help reduce your environmental impact, and conserve energy. Consider contacting Efficiency Vermont for an assessment of your home.

How much will it cost to purchase a system?

The cost of your system will depend on your average usage and how much of your usage you would like to cover. A federal tax credit is available to those whose tax liability is high enough to take advantage of it. Vermont offers an additional incentive in the form of a rebate that can help reduce the cost of a PV system.

The net cost, after tax credits and incentives are applied, is about 55% lower than the gross cost. Note that federal tax credits are available through 2016.

What type of financing is right for me?

Once you’ve decided which type of solar system is best for you, the next step is to decide whether to purchase or lease the system. Each approach has pros and cons, and evaluating your individual needs, means, and goals will help determine which approach is best for you.

VEC Annual Election

April 22 to May 17

Please vote by mail, online, or in-person!

Check your mailbox for ballot materials

Questions about the election? Call 1-800-832-2667 or visit www.vermontelectric.coop
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www.vermontelectric.coop

Signs of Spring!

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 on-site electricity to operations ranging from small, “hobby” sugarhouses to large-scale operations utilizing the latest energy-intensive technology, VEC helps to ensure that producers get the most out of each sap run.

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