

# WEC CO-OP CURRENTS

## 64th Annual Meeting Will Look To WEC's Future With Renewable Energy *Plus, Phone Cards For Everyone!*

Washington Electric Cooperative is growing, changing, and evolving. WEC has emerged as one of Vermont's leading companies in exploring pathways toward a more independent energy future in a way that is consistent with Vermont's values and economy. During the past year WEC has also branched out into new services for its members, while continuing to improve the energy-saving products and services it has provided for years.

Washington Electric invites its members to discuss these ideas and issues, as well as the nuts-and-bolts, everyday operations of their Co-op, at the 64th Annual Membership Meeting on Tuesday, May 20, at the Elks Club on Route 2 in Montpelier. Doors will open at 5 p.m., when members can register and vote in the election for three Directors to serve on the Co-op's Board, as well as on a bylaw-amendment proposal (which is presented *verbatim* on page 8 of this

issue of *Co-op Currents*).

The evening will include the traditional Annual Meeting dinner (dinner-reservation coupons are also on page 8), and the business meeting which will feature reports from WEC's officers. As always,

there will be door prizes – an array of free automotive, electrical and household products donated by local companies and by WEC itself.

And just to add a little more excitement, WEC will be giving away a total of

\$250 in cash prizes this year.

There will also be another new twist: Every Co-op member who attends the Annual Meeting will receive a free, pre-paid telephone calling card featuring the WEC logo, worth one hour of long-distance charges.

"This is compliments of the Co-op," said General Manager Avram Patt. "We're doing this to draw attention to our new long-distance telephone service,

*continued on page 5*

**To add a little excitement, WEC will give away \$250 in cash prizes this year.**



Chat and chew at a WEC annual meeting.

### Inside

Officers' Annual Reports: WEC's President (page 2), General Manager (page 3), and Treasurer (page 6) update you on your Co-op.

Three candidates for the Board of Trustees seek your support. Meet them on page 4.

Bylaw amendments would clarify and simplify Co-op membership procedures. Page 8.



*It's Annual Meeting time again at your rural electric co-op.*

## WASHINGTON ELECTRIC COOPERATIVE, INC.

# 64<sup>th</sup> Annual Membership Meeting

**Tuesday, May 20, 2002  
Montpelier Elks Lodge  
(East of Rtes. 2 & 302 Junction)**

### Agenda

- 5:00 p.m. Registration– Ballot Boxes Declared Open
- 5:30 p.m. Chicken and Meatless Mostaccioli Dinner Served (Reservations Required - Coupon on Page 8)
- 6:30 p.m. Business Meeting Called to Order (Ballot Boxes Close at 7:00 p.m.)
  - Reports from Officers: President's Report, Treasurer's Report, Manager's Report
  - WEC's Future Power Supply: A discussion and update on future power supply including renewable sources.
  - Question/Answer Session
  - Door Prizes
- 8:30 p.m. Adjournment

*(The meeting is scheduled to adjourn at 8:30, but it will continue as long as there are questions from the membership.)*

**Official Notice and Annual Report**

**Manager's Report**

# Rural Co-op Runs On A Thin Economic Margin

By Avram Patt

In preparation for our upcoming Annual Meeting and looking back on 2002, I would like to offer some comments and highlights for my report to the members of Washington Electric Co-op.

**Rates and Finances**

Financially, we are doing OK. By this I mean that we are in reasonable financial shape, that we are able to track both our costs and revenue well, and to predict with some degree of accuracy where we are heading. Treasurer Don Douglas' report on page 6 of this issue goes into much further detail.

But with that said, managing the Cooperative's finances is never easy. We charge just enough in rates to cover our



Avram Patt

costs plus maintaining the margin required by our lenders. But that margin is a fairly thin cushion, so anything unexpected causes us headaches.

Our last rate increase was filed in late 1999, and despite a number of costs that have gone up since then we have been able to avoid raising rates further. But any significant unplanned expense does make us fret. In 2001 it was a series of storms early in

the year that caused record-breaking outage expenses. As we started out 2003, we have seen unexpectedly high wholesale spot market power costs, which we hope will drop some, but which have not helped our finances in the first months of this year. Because we are a co-op, and because our very rural territory does cause our rates to be high, we are

extremely mindful of the tight ship that we need to run.

**Electricity**

We've been keeping the lights on. Being careful with our members' money does not mean that we take shortcuts when it comes to maintaining or upgrading our electric distribution system.

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***If our 1,200 miles of line were laid out straight, they would stretch from East Montpelier to somewhere south of Atlanta.***

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Reliability, as well as the safety of the Co-op's employees, is paramount. We continue to focus on improvements that really make a difference, so that the lights stay on. And when the storms do blow (and they will), these improvements assure that fewer people lose their power, and those who do experience briefer power outages. We want our employees to get to problems quickly and return safely. Those are our goals when make infrastructure improvements.

Last year was not too bad a year, especially considering that a significant portion of the outages WEC members did experience were caused by failures on the larger transmission lines of neighboring utilities that feed our substations. If our 1,200 miles of line were laid out straight, they would stretch from East Montpelier to somewhere south of Atlanta. So the responsibility is great, and everyone in our Operations Department plays a vital part in keeping the power flowing to your meter.

**Contract with IBEW, Local 300**

Last year, WEC and the union which has represented a significant number of our employees for many years negotiated a new three-year contract that began January 1, 2003. This contract also, for the first time, included several office employees who had asked to join the bargaining unit in 2001.

**Tax bills**

WEC's property tax bill has caused us, and a number of towns, a great deal of concern. As I reported a few months ago, WEC very reluctantly appealed our tax appraisals in five of the towns in our territory, and this understandably did not

please local officials or residents of those towns.

Since I became general manager in 1997, the total property taxes we pay in 41 towns has more than doubled and is now more than \$500,000 a year. This is not, in our opinion, caused so much by local budgets, Act 60, or improvements we have made, but by a flawed appraisal process concerning very rural utility territory like ours. We will continue to try to resolve this appraisal issue with state officials. But after a few years of trying, the WEC Board reluctantly decided that the Co-op needed to exercise the appeal rights afforded any property owner in Vermont – something many members themselves would have done if the appraisal on their home or business had doubled in four or five years.

**New products and services**

Over the past year we offered members two new services: a low-cost, no-gimmicks long distance telephone service, and affordable, locally based dial-up Internet access. We've also improved the line of surge suppressors we've had available for some time.

While our core business will always be providing you with electricity, these new services are an added benefit of your WEC membership, and I encourage you to visit our website or call us for more information.

**Power Supply**

In his report, Co-op President Barry Bernstein covers some of the major changes which occurred in our power supply last year, and also our efforts to increase our supply of affordable renewable energy. This is a lot of work for a small Co-op, but I believe the work will be worth it. Your Board, the Co-op staff, and a number of trusted consultants are developing some promising long-term power supply options. We will discuss these further at the Annual Meeting, and in future issues of this newsletter.

**Thanks**

In closing, I want to extend a heartfelt thanks for the hard work of all of WEC's employees, out on the lines, in the office, and everywhere else that the work of Washington Electric Co-op gets done. And thanks to the members of the Co-op's Board, who are elected to represent the members' interests, and who work incredibly hard in carrying out their responsibilities.

## Co-op Currents

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*The Board of Directors' regularly scheduled meetings are on the last Wednesday of each month, in the evening. Members are welcome to attend. Members who wish to discuss a matter with the Board should contact the president through WEC's office. Meeting dates and times are subject to change. For information about times and/or agenda, or to receive a copy of the minutes of past meetings, contact Administrative Assistant Deborah Brown, 802-223-5245.*



## President's Report

# A Cold Winter, And Now A Busy Summer For WEC

By Barry Bernstein

2002 proved to be another full and active year for Washington Electric Co-op's Board and employees. It also was a momentous one. While 2001 was one of our snowiest years, the winter of 2002 /2003 proved to be one of the coldest on record. Your Co-op Board, management and all WEC office and field staff continue to strive to provide excellent service and reliable power, while also managing costs to avoid or minimize rate increases. Our last rate increase was filed in December 1999 and we do not foresee any need for an increase in 2003. We also continued our capital credit distributions in 2002, returning \$219,000 to members and former members of the Co-op.

### Power Supply

On January 16, WEC sold its stock in Vermont Yankee, ending a 30-year relationship as a minority owner of the Vernon power plant. On February 28 our Co-op received our last kilowatt-hours (kWh) of nuclear power from Vermont Yankee. Your Board also took another major step by replacing most of the power we received from Vermont Yankee with renewable power generated from methane gas at a landfill in Connecticut. This enables our members to now receive energy generated from power that is 85 percent non-fossil fuel.

We are continuing our efforts, started in 2001, to secure an ownership interest in electric-generation projects that will supply WEC members with green, renewable energy at economical and stable prices over the long run. The Co-op's access to low-interest financing through federally backed financial programs for electric co-ops, and our willingness to make a long-term (20-to-30-year) commitment to take the power, provide leverage that can make it possible to develop a new, renewable-energy generation facility. In the present market, energy prices are volatile, due in part to uncertainties concerning oil and natural gas; in that environment, securing long-term power contracts with stable prices – which is our objective for the Co-op – is virtually impossible to achieve.

We are in discussions concerning



Barry Bernstein

development of an in-state landfill methane-gas generation plant. We are also continuing to work on adding wind generation to our portfolio. Readers may recall that in November 2001 the Co-op received a \$1 million federal grant, with the assistance of Rep. Bernard Sanders, to pursue wind generation. We are in contact with developers of wind projects and are looking at sites near or within our service territory.

Power purchases represent 46 percent of our budget. If we can make good choices in where and how we buy our power we have an opportunity to exercise control over a significant aspect of our costs, and thereby stabilize our rates.

### Power Reliability

Last May, WEC's membership voted to approve construction of a new substation in South Walden to replace the existing one. The site has been prepared and construction will take place this spring, with the new substation coming on line by July 2003. It will improve service to 1,400 homes, farms and businesses. The South Walden project follows, by two years, our reconstruction of WEC's Moretown substation (2001), and continues our effort to modernize and refurbish our important substation facilities.

We also began a three-year fuse-coordination program, which will add new fuses, replace problem cutouts (a faulty mechanism that has caused a number of otherwise avoidable outages), and add capacitors to our lines. These projects will improve power quality and reduce line loss, particularly for members who live toward the end of power line sections. The result for all Co-op members will be improved reliability, as well as lower long-term maintenance and energy costs for the Co-op. Our crew also replaced all three substation transformers at the West Danville substation and plans to replace two transformers at the Tunbridge substation this summer.

Special thanks go to our line workers, our engineering staff and other support staff who assist in these efforts.

### Union

At the end of 2001 our office staff chose to join the IBEW (International Brotherhood of Electrical Workers), which

also represents our field and engineering employees. In December of 2002, we agreed to a new three-year contract (2003–2005) to replace our contract that expired at the end of 2002. The WEC Board and the union ratified the new contract in January of this year.

I want to thank the IBEW, the union employees' negotiating team, and the WEC Board Negotiating Committee, for the hard work and time they devoted to negotiating this contract. All the parties involved helped to make this a productive and respectful process.

### Property Taxes

The Board of Directors made one of its most difficult decisions in 2002, and that was to file a lawsuit against five towns in Orange County, where many of our members and three WEC Board members live. The towns are Williamstown, Topsham, Chelsea, Orange and Tunbridge.

As difficult as this decision was, after many months of discussion the Board felt that we had a fiduciary duty to our members to address the fact that we have serious issues with the Vermont Dept. of Taxes' Property Valuation Formula, which is used by these towns to assess our property taxes. In total, our taxes have doubled over the past four years.

Your Co-op serves one of the most rural territories in the state, with a density of only 7.5 members per mile, and we feel that these facts are not adequately factored into the state's formula. After going through the appeals processes in

the towns without satisfactory results, we felt our only recourse was to file suit in district court.

### The broader world

I cannot look back on 2002 without mentioning September 11, 2002. It marked a day of reflection for people around the world, and in particular for those who lost someone in the events of 9/11/01. Our war in Iraq and the live coverage on TV again cause us to stop and reflect. Whether our neighbors spoke out in favor or against going to war, we must not forget we are still neighbors, Vermont is still our home, and hopefully spring will come again this year.

In closing I want to pay special thanks to the members of the Board of Directors, and to Vice President Roger Fox, Treasurer Don Douglas and Clerk Monique Hayden for their hard work and assistance as both officers and Board committee chairs. I also want to acknowledge the efforts of General Manager Avram Patt, and senior management staff for their hard work: Janet LaRochelle, Director of Finance and Administration; Denise Jacques, Management and Projects Administrator; Dan Weston, Director of Engineering and Operations; and Bill Powell, Director of Products and Services.

Last, but definitely at the top of the list, thanks to all of WEC's valued employees for the work and commitment they have given to our Co-op over this past year, to keep the power on regardless of the weather conditions.



Co-op members participating in a WEC Annual Meeting.

## Position Statements of the 2003 Candidates for the Co-op Board of Trustees

### The Questions

Three seats are up for election to Washington Electric Cooperative's nine-member Board of Directors. All seats are for three-year terms. Three Co-op members have volunteered to run for election this year and submitted timely petitions with the requisite number of member signatures, leading to approval of their candidacies by the Committee on Candidates. Two are incumbent Directors: Roger Fox of Walden and Richard Rubin of Plainfield. Candidate Marion Milne of Williamstown would be new to the Co-op Board. In ballots cast at the Annual Meeting on Tuesday, May 20, and in mailed ballots returned to the Co-op by a deadline prior to the meeting, members can vote for any of the candidates they wish to support. Ballots will also provide space for voters to write in the names of up to three alternative candidates.

To help inform members about the qualifications, interests and backgrounds of the announced candidates, each was asked to respond in writing to the following questions developed by the Board of Directors.

1. Please introduce yourself.

- Where do you live and how long have you lived there?
- Under what town is your Co-op membership listed?
- How long have you been a Co-op member?
- How may members contact you (address, phone number, e-mail)

2. Please briefly describe your background – for example, your education, occupation and/or other experiences that you would like members to know about.

3. Why are you seeking a position on the Co-op Board? Why would you make a good Trustee?

4. What do you think are the most important issues that the Cooperative must face in the next few years? What should WEC do about those issues?

5. Is there anything else you would like to tell the members?

### Roger Fox

1. I live at Dows Crossing in Walden, in the northern part of WEC's service territory. I've been a resident of Walden and a member of the Co-op since 1971. I can be reached by mail at 2067 Bayley-Hazen Road, East Hardwick, VT 05836, by phone at 563-2321, and by email at rfox@vtlink.net.



3. I'm committed to the Board's efforts to provide affordable, environmentally sustainable power to WEC's members, and to increase the Co-op's value and responsiveness to us, its owners. As a long-serving director, I can bring to the Board's deliberations a broad perspective and familiarity with the Co-op's mission, history and operations. The effectiveness of the Co-op depends on a good mix of people with such "institutional memory," as well as those who've joined more recently. We always have new challenges to work on, and I appreciate this opportunity to make a contribution to our communities.

2. I have an aeronautical engineering degree and have worked in that field in Florida and Massachusetts. In Vermont, I've operated a screen-printing and graphic design business, Apocalypse Graphics, from my home since 1974.

I currently serve as a justice of the peace and chair of the Walden Board of Civil Authority, and as town moderator. I've previously served as selectman and town energy coordinator. I'm an active member of two other local cooperatives, Buffalo Mountain Food Co-op and the Vermont State Employees Credit Union.

I was first elected as a WEC trustee (the title has changed to "director") in 1991. I've served as vice-president of the Co-op since late 1998, and previously as clerk (now called secretary). I currently chair the Members & Markets Committee and I'm a member of the Policy Committee, and I've previously served on the Editorial and Power & Operations committees. I also represent Vermont as treasurer of the Northeast Association of Electric Cooperatives, which includes nine utilities in New York and northern New England.

4. Now that we've ended our purchase of Vermont Yankee nuclear power, our main focus is on locating or developing adequate and acceptable sources of power for our members' needs. We have some attractive prospects, but this task will require our continuing diligence.

The immediate threat of increased costs stemming from so-called "deregulation" has abated, but changes in our regulatory environment at both the federal and state level will keep having a significant impact on our staff resources. We need to work with other affected utilities to improve our leverage in protecting the interests of our members and the public at large.

Whether we can remain financially viable given our present size is an ongoing concern. We need to continue looking at creative concepts for improving our economies of scale, while preserving our function as a consumer-owned, community-oriented organization. Also, we want to take a closer look at the physical, environmental and financial aspects of siting, constructing and maintaining our system of poles and wires.

5. As control of our economy gets more remote, it's important to support our existing local institutions. Like our other town- and community-based organizations, WEC can only realize its potential when citizens take an active interest. Please consider contributing some of your time and energy to your Co-op, whether by running for the board or serving on a member committee, or by attending a meeting, writing a letter to the editor of *Co-op Currents* or contacting one of your directors if you've got a comment or suggestion.

3. The Co-op has changed over the years, growing in sophistication and professionalism, and taking its place as an equal among the other utilities that serve the needs of all Vermonters. Its Board of Directors has also had to change, to meet the legal, financial and practical challenges of the business of providing electricity to rural residents.

I am most interested in ensuring that we have a sound plan for the future of the Co-op. Without adequate and affordable sources of power, well-maintained delivery systems, and responsive line-maintenance workers, we're going to find ourselves sitting at home in the dark and the cold. I want to do my part to ensure that the Co-op remains a good provider of power to our communities.

### Marion Milne

1. I am proud to be a resident of Washington, Vermont, where I have lived for 40 years, raising a family, serving in various town offices, and as a member of the Vermont House of Representatives for three terms. Through all those years, we have been members of the Co-op. As members, we have followed the changes in the Co-op during that time, and remained interested in its issues. I can be reached at Milne Travel in Barre at 479-0541, at my home, 439-5405, and by email at mmilne@together.net.



2. I earned a B.A. from Goddard College as an adult. I started Milne Travel in 1975 in Barre and helped make it a successful business. I have led the local United Way campaign, served as President of the Central Vermont Chamber of Commerce, and held offices in many other community organizations. I have three grown children and eight wonderful grandchildren.

4. The Co-op has a good record of managing resources. Last May, it successfully purchased methane-generated electricity from a Connecticut landfill, as a replacement for nuclear-based power. It has obtained a grant to build a wind generator to serve our needs. It is now offering long-distance and Internet services, under special contracts with providers. In the future, the Co-op is investigating offering propane-driven fuel cells, advancing its efforts at net metering, and community loan and grant programs. Clearly, the Co-op is much more than an electric utility. It is an organizing and supportive part of our lives, and one of our most important assets. I want to be a member of the Board because I believe what the Co-op is doing now is too important to be left to chance. The Co-op needs our support, and I want to help it maintain its progress.

5. We choose to live in rural Vermont, in spite of the hardships of weather, muddy roads and long drives for groceries and other necessities. It's fair



## Candidates

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to say that without the Co-op most of us wouldn't live where we do. Electricity is something we take for granted, but its value is obvious as soon as the lights go out, particularly after a winter storm. How the Co-op is managed is the one true guarantee of its success or failure. It matters who serves on the Board. I hope the members will support my bid to join the Board. If so, I will do my best to represent your interests and concerns in an effective and efficient manner.

## Richard Rubin



- I live on East Hill Road in Plainfield and have been a Co-op member since 1973. I can be reached at 3496 East Hill Road, Plainfield, Vermont 05667, or by phone at 454-8542.
- I am 57 years old and have lived in Plainfield for 30 years. I have practiced law in Barre for 25 years and our law firm handles a variety of cases. We are also the public defenders for Washington County. I was a member of the Twinfield School Board for five years and am a former board member of Vermont Legal Aid. I am currently a board member for the Vermont Trial Lawyers Association.  
  
I have been a member of the Co-op Board for four years. I also was involved with my brother Matt Rubin and partner John Warshow in the development of the Wrightsville and Winooski 8 (East Montpelier) hydro-electric facilities.
- I have enjoyed my experience on the Co-op Board and would enjoy serving another term. I believe in cooperatives and would like to help keep our Co-op strong. As the only lawyer on the Board (one is enough), I believe I bring unique training and experience which help me ask the hard questions.
- Our high rates are of great concern to me. Our members pay the highest rates in Vermont, largely because of our lack of industrial and commercial customers and our low number of members per mile of line. I am proud that our management has avoided a rate increase for several years and no new rate increases are on the immediate horizon.

We were able to get out of the Vermont Yankee contract on very favorable terms and are now working on developing long-term, low-cost sources of power from Vermont-based renewable energy sources. The Board has acquired power from a plant in Connecticut that uses the methane created at a solid waste landfill for fuel. This is a three-year contract at low cost. We are now working on a similar project in Vermont. If the project is successful,

we will have a long-term source of clean and inexpensive electricity produced in-state.

- I am very interested in the creation of the Co-op Community Fund. This is a Board project to create a fund to make contributions to non-profit organizations throughout our service area. The plan is to ask members to contribute their annual patronage refunds back to the Fund so that the money can be pooled and used to support

local charities and community groups. The Co-op will discuss the program at length in the next few months. Finally, I would like to see the Co-op expand into other areas, such as fuel oil and propane. We have introduced some telecommunication services at competitive rates, which is a good start.

I hope the members will contact me with their interests and concerns.

## Bylaw Amendments

continued from page 8

### Section 5. Termination of Membership.

... Upon withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate, ~~and the membership certificate of such member shall be null and void~~ in Section 4 above. . . .

### ARTICLE V, Officers:

#### Section 5. President.

The President shall: . . .

(b) Sign, ~~with the Secretary or Treasurer, certificates of membership, the issue of which shall have been authorized by resolution of the Board of Directors, and may sign~~ deeds, mortgages, deeds of trust, notes, bonds, con-

tracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors, or by these bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and

(c) In general ~~shall~~ perform all duties incident to the office of the President, and such other duties as may be prescribed by the Board of Directors from time to time.

#### Section 7. Secretary.

The Secretary shall: . . .

(c) Be custodian of the corporate records, which shall be kept within the State of Vermont, and of the seal of the Cooperative, and see that the seal of the Cooperative is affixed ~~to all certificates of~~

~~membership prior to the issue thereof and to all documents, the execution of which, on behalf of the Cooperative, under its seal is duly authorized in accordance with the provisions of these bylaws; . . .~~

(e) ~~Sign with the President certificates of membership, the issue of which shall have been authorized by resolution of the Board of Directors;~~

(f) (e) Have general charge ... kept;

(g) (f) Keep on file ... member;

(h) (g) Procure and file ... annual report;

(i) (h) In general ... and

(j) (i) (Any member of record ... State Statutes, Title 11 VSA, Chapter 17, §1896(C).

## Annual Meeting

continued from page 1

which we introduced a few months ago through the National Rural Telecommunications Cooperative.

"We've had good response to this offer, but we want to keep getting the word out."

### Brass tacks

The meeting will feature a discussion on WEC's energy future. (For more on this subject, see the President's Report on page 2 and the Manager's Report on page 3.)

"The Co-op's Board of Directors have set Washington Electric on a course to increase our percentage of power from local, renewable sources," said Patt, "providing it can be cost-competitive. With turmoil in the Middle East and with pricing volatility in the oil and natural gas markets, turning to secure, local sources makes more and more sense. We are looking forward to bringing our members up to date on

what their Co-op has been doing, and fielding any questions or advice they have."

But Co-op members always come to the Annual Meeting with their own subjects in mind – points to raise, and questions, complaints and challenges for the Board and staff.

"That's one of the purposes of bringing members, Board and staff together once a year," the manager said. "All subjects are fair game."

### Still poles and wires

In very basic, important ways, Washington Electric Cooperative is still the same old electric co-op it has been for 64 years. Its central purpose is to provide electricity, reliably and at the most affordable rates it can achieve, to its growing membership in the rural areas of 41 central Vermont towns. It is owned by its customers, and it is they, rather than a group of investors, who sit on WEC's Board of Directors. The elected Board makes all the budget and policy decisions.

This year there are three candidates

for three seats on the nine-member Board. Two are incumbent Board members running for re-election: Roger Fox from Walden and Richard Rubin from Plainfield. The three-year term of Board member Cornelia Swayze of Tunbridge also is expiring, but she is not running again. Barre businesswoman Marion Milne, who has been a Co-op member in Williamstown for some 40 years, is seeking the third available Board seat.

For further information about these candidates, please turn to page 4 of this issue of *Co-op Currents*.

All members will receive a ballot enclosed with this issue. Your election materials tell you how to vote by mail, and when your deadline for mailing your ballot will be. Members who attend the Annual Meeting can vote there instead, if they wish.

Remember, the members who participate *will* make the decisions for Washington Electric; the only question is whether they will be a small percentage or a large percentage of the Co-op's membership.

Don't miss the opportunity to be among the decision-makers.

***The only question is whether the decision-makers will be a small or a large percentage of the Co-op's membership.***

## Treasurer's Report

# Increased Power Sales Resulted In Greater Revenues In 2002

*But Costs Increase, Too*

By Donald Douglas, Treasurer

Washington Electric Cooperative ended 2002 with \$279,302 in margins, which gives us a TIER (times interest earned ratio) of 1.34. Our primary lender, the federal Rural Utilities Service, requires that we maintain an average TIER of 1.25. The WEC Board adopts a budget designed to yield a 1.35 TIER. Rate increases become necessary when we cannot make the minimum margins required by our lenders. We strive each year to balance the need to improve the reliability of our electric system while controlling our costs and still meeting our financial goals.

Meeting the minimum requirements while avoiding a rate increase is not easy. In many areas of the budget

where we have experienced rapid cost increases we have very little control. Everyone is aware of the rapidly rising costs of healthcare, and WEC is facing large increases in our health insurance.

Another budget area that is increasing dramatically is the property tax WEC pays to the 41 towns in our service area. Our property tax has doubled in four years. We are also facing large increases in the cost of workers' compensation insurance.



Donald Douglas

The Board of WEC makes difficult choices in how to spend our revenue in a number of areas. One choice we have made is to increase our investment in the maintenance of our transmission and distribution lines. Spending on right-of-way clearing has increased by about \$78,000 over the past three years. We have invested in this area in an effort to reduce

the number and the duration of service interruptions.

WEC continued with the distribution of capital credits in 2002. We retired \$218,951 in capital credits to both current and former Co-op members. Each year the Board reviews our financial condition to determine whether we should continue to retire capital credits.

***In many areas of the budget we have very little control. WEC is facing large increases in our health insurance, and property tax has doubled in four years.***

### Revenue

The Co-op's revenues increased in 2002. This is not a surprise, because we bought and sold more power. Growth contributes to our power sales, which increased in 2002 by 1,817,222 kWh (kilowatt hours), to a total for the year of 61,978,100 kWh. Of course when you sell more energy you have to buy more, and we bought 68,223,736 kWh in 2002, which was 2,727,067 kWh more electricity than we purchased in the prior year.

Every year we add new members and build a little more power line to provide service to more locations. Adding new connections helps the Co-op build equity because each line extension adds to our infrastructure. New members pay for these line extensions, and we book the value of these as "contributions in aid of construction." Those, plus the year's margins, increased WEC's equity in 2002 to \$12,877,021. That is an increase of \$418,012 over the previous year.

### Power Costs

Power Costs were up in 2002 compared to 2001. The biggest change in our power portfolio was the replacement of our nuclear power with methane. Presently nearly one-third of our electricity comes from landfill gas (methane).

The total price we paid for power in 2002 increased (over purchases in 2001) by \$155,000. This is mostly due to our increased sales and does not reflect an increase in the price of power under our contracts. Almost half of our annual budget is reflected in our power portfolio.

The chart ("2002 Sources and Costs of Power") shows where WEC obtains the electricity we all use, and how much per-kWh we have to pay for it. It shows that WEC received 7 percent of its power in 2002 from Vermont Yankee. We purchased power in January and February of 2002 from Vermont Yankee, and then replaced this power with power from methane gas at a savings of \$.014 per kWh.

### Operations and Maintenance

The other chart, "Where The Dollars Went," reveals that Operations & Maintenance is the Co-op's second-

largest expense after purchased power. In 2002 it accounted for 15 percent of the total budget. The total expensed was \$1,655,465, which is an increase over the previous year of more than \$200,000.

### Consumer Accounts and Customer Service

This category of costs declined from the previous year by about \$5,000. WEC's total expenses here were nearly \$848,000. This area represents 8 percent of the total budget, down from 9 percent last year.

### Administrative and General

These costs account for 8 percent of our total expenditures. In actual dollars, the total expensed was \$855,603, which represents an increase of \$124,970 over the previous year.

### Fixed Expenses

This category shows a \$77,892 decrease over the previous year. The primary reason for the decline is the interest on WEC's long-term debt. We all know about the challenges to our economy; one of the few advantages to the harsh economic realities is that some of WEC's debt now has a lower interest rate.

I want to thank Janet LaRochelle and her staff for another year of dedicated service to Washington Electric Cooperative. The Board and the members are fortunate to have her attention to our finances. She always provides the Board with the information necessary to make sound decisions, and I have enjoyed working with her this past year.

Copies of the audit for 2002 are available to you at the Co-op office.

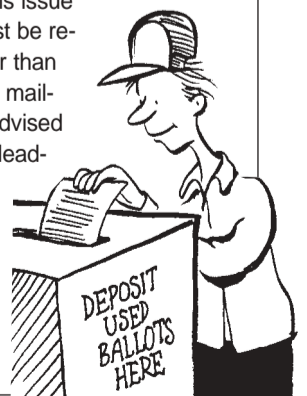


Banquet table for Co-op members.

The audited financial statement of Washington Electric Cooperative for the year ending December 31, 2002, is available upon request at the Cooperative's office on Route 14 in East Montpelier. Contact the Co-op at 223-5245.

## Notice

Members may vote at the Annual Meeting on May 20 or by ballots accompanying this issue of *Co-op Currents*. Mailed ballots must be received at the Barre Post Office no later than 3 p.m. on Monday, May 19. Members mailing their ballots from out of state are advised to mail them several days before the deadline to be sure that their ballots will qualify. Local members, too, are encouraged to allow a few days for postal delivery. Anyone with questions about voting or deadlines can call Denise Jacques at the Co-op.





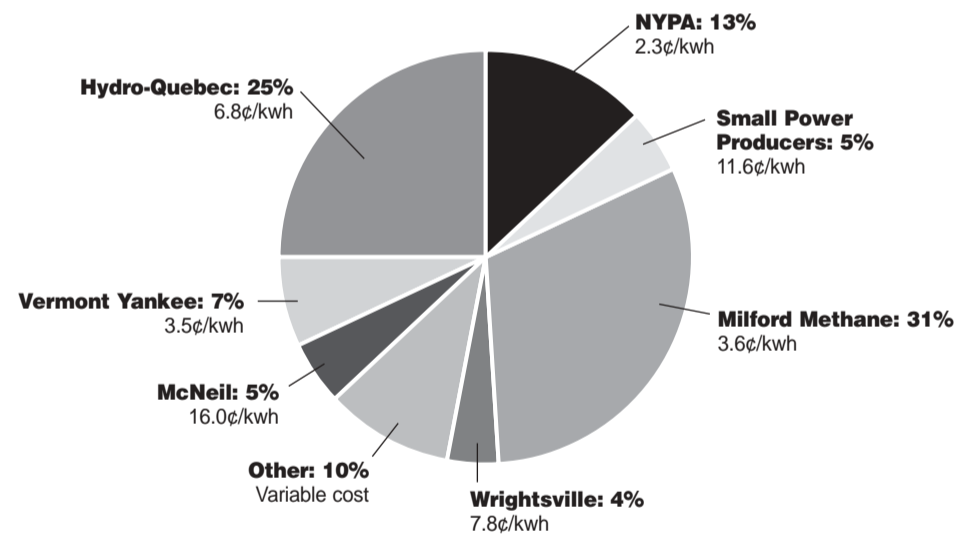
## Balance Sheet

Assets and Other Debits			
	12/31/01	12/31/02	Increase (Decrease)
<b>Utility Plant</b>			
Total Utility Plant in Service	\$35,402,480	\$37,085,986	\$1,683,506
Construction Work in Progress	548,024	792,484	244,460
Total Utility Plant	35,950,504	37,878,470	1,927,966
Accum. Provision for Depreciation	10,445,111	11,116,199	671,088
Net Utility Plant	\$25,505,393	\$26,762,271	\$1,256,878
<b>Other Property and Investment - At Cost</b>			
Invest. in Assoc. Org. - Patronage Capital	119,427	116,651	(2,776)
Invest. In Assoc. Org. - Central Vt. Civic Center	503,556	460,692	(42,864)
Invest. in Assoc. Org. - Other	493,003	491,537	(1,466)
Other Investments	342,674	149,948	(192,726)
Total Other Property and Investments	\$1,458,660	\$1,218,828	\$(239,832)
<b>Current Assets</b>			
Cash - General Funds	255,615	177,378	(78,237)
Temporary Investments	209,912	695,998	486,086
Notes Receivable - Net	81,095	57,157	(23,938)
Accounts Receivable - Net	1,597,937	1,879,187	281,250
Materials and Supplies	173,486	162,624	(10,862)
Prepayments	45,434	42,757	(2,677)
Total Current and Accrued Assets	2,363,479	3,015,101	651,622
Deferred Debits	1,603,065	1,190,503	(412,562)
Total Assets and Other Debits	\$30,930,597	\$32,186,703	\$1,256,106
<b>Number of Consumers</b>			
	9,400	9,605	205
<b>kWh Sold</b>			
	60,160,878	61,978,100	1,817,222

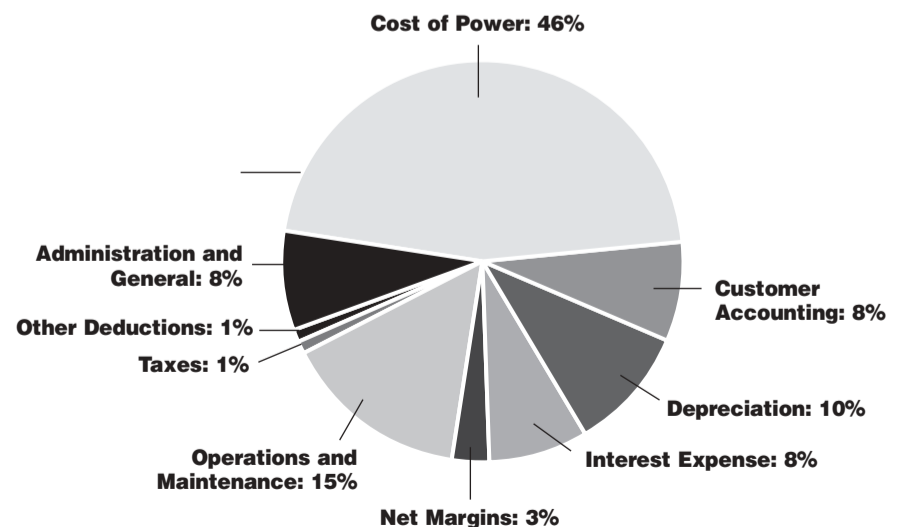
Liabilities and Other Credits			
	12/31/01	12/31/02	Increase (Decrease)
<b>Memberships</b>			
	\$74,815	\$76,500	\$1,685
<b>Patronage Capital Credits</b>			
	5,522,397	5,670,466	148,069
<b>Contributions-in-Aid-of-Construction</b>			
	6,337,494	6,687,814	350,320
<b>Operating Margins - Prior Years</b>			
	0	0	0
<b>Operating Margins - Current Year</b>			
	129,042	147,279	18,237
<b>Non-Operating Margins</b>			
	237,978	132,023	(105,955)
<b>Other Margins and Equities</b>			
	157,283	162,939	5,656
Total Margins and Equities	\$12,459,009	\$12,877,021	\$418,012
<b>Long-Term Debt</b>			
Long-Term Debt - RUS	13,261,284	13,950,149	688,865
Central Vt. Memorial Civic Center	507,128	464,264	(42,864)
Long-Term Debt - Other	3,756,128	3,588,223	(167,905)
Total Long-Term Debt	\$17,524,540	\$18,002,636	\$478,096
<b>Current Liabilities</b>			
Notes Payable	0	0	0
Accounts Payable	521,828	631,954	110,126
Consumer Deposits	113,447	115,960	2,513
Other Current and Accrued Liabilities	288,944	322,143	33,199
Total Current and Accrued Liabilities	\$924,219	\$1,070,057	\$145,838
Deferred Credits	22,829	236,989	214,160
Total Liabilities and Other Credits	\$30,930,597	\$32,186,703	\$1,256,106

Statement of Operations			
Item	Actual 12/31/01	Actual 12/31/02	Increase (Decrease)
Operating Revenue	\$9,740,966	\$10,188,594	\$447,628
Cost of Purchased Power	4,458,504	4,613,535	155,031
Cost of Generated Power - Wrightsville	50,271	48,845	(1,426)
Total Cost of Power	\$4,508,775	\$4,662,380	\$153,605
<b>Other Operation &amp; Maintenance Expense</b>			
Transmission Expense	18,661	15,761	(2,900)
Distribution Expense - Operation	593,631	667,063	73,432
Distribution Expense - Maintenance	843,505	988,402	144,897
Consumer Accounts Expense	504,009	535,999	31,990
Customer Service & Education	349,338	311,906	(37,432)
Administrative and General Expense	730,633	855,603	124,970
Total Other Operation & Maintenance Expense	\$3,039,777	\$3,374,734	\$334,957
<b>Fixed Expenses</b>			
Depreciation and Amortization Expense	1,006,885	1,034,932	28,047
Tax Expense - Property	27,475	22,003	(5,472)
Tax Expense - Other	95,517	100,323	4,806
Interest on Long-Term Debt	871,966	816,303	(55,663)
Interest Expense - Other	15,718	10,692	(5,026)
Other Deductions	75,841	31,257	(44,584)
Total Fixed Expenses	\$2,093,402	\$2,015,510	\$(77,892)
Total Cost of Electric Service	\$9,641,954	\$10,052,624	\$410,670
Operating Margins	99,012	135,970	\$36,958
<b>Non-Operating Margins - Interest</b>			
	84,518	53,742	(30,776)
<b>Non-Operating Margins - Other</b>			
	195,490	89,590	(105,900)
Extraordinary Item	(12,000)		12,000
Net Margins	\$367,020	\$279,302	\$(87,718)
<b>Times Interest Earned Ratio (TIER)</b>			
	1.42	1.34	(0.08)

## 2002 Sources and Costs of Power



## Where the Dollars Went



# Bylaw Changes Address New, And Joint, Co-op Memberships

A set of related bylaws amendments is being proposed this year by WEC's Board of Directors that would eliminate certain procedures that have traditionally been associated with becoming a member of Washington Electric Cooperative. The goal is to increase the efficiency of that process. These amendments will be voted upon in the 2003 annual Co-op

elections, and will appear on your ballot. The new provisions would do away with the requirement that the Board formally vote to approve applications for membership in the Cooperative. (Membership derives from an individual or business establishing an electric account with the Co-op.) Another provision would remove the requirement that WEC issue membership certificates to

new members. The sense of the Board is that these long-held, traditional procedures are outdated, serve no real purpose in modern times, and add unnecessary further steps as the Member Services staff processes some 50-100 new memberships per month. The bylaw amendment proposals also address joint memberships, in which two or more people enter their names on an

account for electric service. These changes would resolve some inconsistencies and obsolete provisions in the bylaws, and clarify the way in which joint members exercise their rights in, and responsibilities to, the Co-op.

The 2003 bylaw amendment proposals were reviewed at length in the March issue of *Co-op Currents*, which is still available from the Co-op if you no longer have your copy. The actual text of the proposed amendments is printed below, including the existing text that would be deleted or changed. People can call the Co-op or a member of the Board of Directors for further explanation or discussion of the proposals.

## Current Bylaws and Proposed Amendments

Language proposed to be deleted is ~~stricken out~~. Proposed new language is highlighted. Text not printed but remaining in the bylaw is represented by . . .

**Shall Article I, Membership, and Article V, Officers, be amended as follows:**

### ARTICLE I, Membership

#### Section 1. Qualifications and Obligations.

Any natural person, firm, association, corporation, business trust, partnership, federal agency, state or political subdivision or agency thereof, or a body politic or other entity may become a member in the Cooperative by at such time as the following criteria have been met: . . .

(c) Executing an application for membership and agreeing to comply with and be bound by the Articles of Incorporation of the Cooperative and these bylaws and any amendments thereto, and such rules and regulations as may from time to time be adopted by the Board of Directors ~~provided, however, that no natural person, firm, association, corporation, business trust, partnership, federal agency, state or political subdivision or agency thereof, or a body politic or other entity shall become a member, unless and until he, she or it has been accepted for membership by the Board of Directors or by the members of the Cooperative. At each meeting of the members held subsequent to the expiration of a period of six (6) months from the date of incorporation of the Cooperative, all share subscriptions and all applications for membership (hereinafter called "Application for Membership") received more than ninety (90) days prior to such meeting, and which have not been accepted by the Board of Directors, shall be submitted by the Board of Directors to such meeting of the members, and, sub-~~

~~ject to compliance by the applicant with the conditions set forth in subdivisions (a), (b) and (c) of this section, such application for membership may be accepted by a vote of the members of such meeting. The Secretary shall give any such applicant at least ten (10) days prior notice of the date of the members' meeting to which his or her application will be submitted, and such applicant may be present and heard at the meeting.~~

#### Section 2A. Membership Certificate Record of Members.

Membership in the Cooperative shall be evidenced by a membership certificate ~~which shall be-~~ The Cooperative shall maintain a record of members at its business office in such form and manner ~~contain such conditions as determined by the Board of Directors. Such certificate shall be signed by the President and Secretary of the Cooperative and the corporate seal shall be affixed thereto. Each certificate shall contain a statement on the face thereof that the holder is entitled to only one (1) vote. No membership certificate shall be issued for less than the service connection or transfer fee affixed by these bylaws under Article 1, Section 2B, or until such service connection fee has been fully paid for in cash and such payment has been deposited with the Treasurer. In case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefore upon such terms as the Board of Directors may prescribe.~~

#### Section 2C. Joint Membership.

A joint certificate membership may be issued to held by two or more owners or occupants using one service connection, and if approved by the Board of Directors and the membership accepted subject to their compliance with the requirements set forth in Section 1 of Article One. . . .

(a) In case any membership is issued jointly, the person whose name appears

~~first on a membership certificate in that membership listing on the record of members, if present at the meeting of the Cooperative, shall have the voting right of that certificate membership, if not present, the name next appearing shall have the voting right; . . .~~

~~(d) Expulsion of any one of the joint members shall terminate the joint membership;~~

~~(e) (d) Notice to any one of the joint members shall terminate the joint membership constitute notice to all;~~

~~(f) Withdrawal of any one of the joint members shall terminate the joint membership;~~

~~(g) (e) Only one of the joint members may be elected or appointed as an officer or a Director, provided that the one so chosen meets the qualifications for such office; and~~

~~(h) (f) In case of any dispute arising between the owners holders of a joint certificate membership, the Cooperative shall consider the person whose name appears first on said certificate in that membership listing on the record of members as having preferred rights.~~

#### Section 2D. Conversion of Membership.

(a) A membership may be converted . . . the Board of Directors. ~~The outstanding certificate shall be surrendered, and shall be re-issued by the Cooperative in such manner as shall indicate the changed membership status if approved by the Board of Directors.~~

(b) Upon the withdrawal, death, cessation of existence or expulsion of any of the joint holders of a joint membership, such membership shall be held solely by the remaining or surviving holder(s). ~~The outstanding certificate shall be surrendered and shall be re-issued in such manner as shall indicate the changed membership status if approved by the Board of Directors; provided, however, that the estate of the a deceased member shall not be released from any debts due the Cooperative. If the person whose name appears first in a joint membership listing on the record of members withdraws, dies, ceases to exist or is expelled, the remaining holders shall then be entitled to the rights of membership in the order in which their names appear in that membership listing.~~

*continued on page 5*

## Dinner Menu

- Oven-Baked Chicken
- Meatless Mostaccioli
- Salad, Rolls
- Milk, Tea or Coffee
- Ice Cream Brownie

RESERVATIONS ONLY -  
To make your reservation, *return this coupon no later than Monday, May 12.*  
Meal tickets can be picked up at the meeting.

## Dinner Reservation

for May 20 Annual Meeting

**To be returned with check or money order**  
(Please do not return in ballot envelope.)

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Number of persons attending: \_\_\_\_\_

Amount enclosed: \_\_\_\_\_ Cost: \$6 per person