

WEC CO-OP CURRENTS

It's YOUR Co-op; Plan To Attend WEC's 72nd Annual Meeting

*Guest Speaker: DPS
Commissioner Elizabeth Miller*

It seems there's never a dearth of news related to energy: how we generate it, what its effects are upon the environment that sustains the living earth, how much it costs, and how we can conserve it. As Washington Electric Co-op prepares to hold its 72nd Annual Membership Meeting, at the Montpelier Elks Club on Wednesday, May 25, such news abounds.

The Fukushima Daiichi nuclear power installation in Japan is still in crisis, even if other events have driven it off the front pages; residents and businesses in the Gulf Coast states are struggling to regain their footing (and their markets) at the one-year anniversary of the infamous BP oil spill; gasoline in some places has reached



Elizabeth Miller

\$4 a gallon. Closer to home, Entergy Corp. has filed a federal lawsuit against to force the State of Vermont to allow Vermont Yankee to continue operating after its current license expires in 2012; proponents and opponents of commercial-scale wind farms are divided over the GMP/VEC Kingdom Community Wind project in Lowell; and Vermont's new governor has asked the Department of Public Service (DPS) to update the state's 2008 Comprehensive Energy Plan and broaden it to include a Twenty-Year Electric Plan.

Even closer to home, Washington Electric Co-op recently instituted a 23.81-percent rate increase – enacted as a surcharge on members' bills pending a ruling on the increase later this year by the Vermont Public Service Board. It's the first time WEC has raised its electric rates in 11 years; yet despite that record of accomplishment, it is a significant increase, which Co-op leadership

acknowledges has caused hardship for some members. A PSB ruling is expected in October.

Energy is, then, a paramount public issue. And by belonging to a customer-owned electric cooperative, WEC's membership has an opportunity, through the democratic process of voting and

by participating in the annual meeting, to influence Co-op policy. (Note that the January rate increase was enacted by a Board of Directors who are WEC members themselves, were voted onto the Board by their fellow Co-op members, and based their decision on their reading of WEC's financial needs.)

All this has a great deal to do with Washington Electric's May 25

Annual Meeting. So it would be a good idea to be there – and savor, among other rewards, the locally grown food products WEC features every year at the Annual Meeting dinner! Three members are running for three-year seats on the Board of Directors. In 2011, for the first time in several years, the candidates are all incumbent directors (they discuss their qualifications and positions on WEC electric policy on page 4 of this issue). They are WEC Treasurer Don Douglas of East Orange; David Magida of Middlesex; and Marion Milne of Washington. Write-ins are permitted. Members can vote by mail, or in person at the Annual Meeting.

Another connection between WEC's Annual Meeting and current energy affairs is the selection this year of Elizabeth Miller as guest speaker. A former Burlington-based attorney, Miller was appointed in

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WEC's 2010 Service Quality and Reliability Performance Monitoring and Reporting Plan. The Co-op's annual "SQRP" report to the state is included in this issue's Manager's Report. Page 3.

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 Directors seek your support. Meet them on page 4.

Hydro-Quebec contract needs membership vote. Read how this helps your Co-op. Page 8.



In 2010 the WEC Annual Meeting helped kick off the Democratic gubernatorial primary, as all the candidates attended to discuss energy. This year we'll have a lower profile, but the Annual Meeting, every year, marks a signal event and opportunity in electric co-op membership.

WASHINGTON ELECTRIC COOPERATIVE, INC. Wednesday, May 25, 2011

72nd Annual Membership Meeting

Montpelier Elks Lodge

Agenda

- 5:00 p.m. Registration– Ballot Boxes Declared Open**
- 5:30 p.m. Dinner Served— Vegetarian Lasagna or Ham/Turkey**
(Reservations required– see coupon on page 8)
- 6:30 p.m. Business Meeting Called to Order**
(Ballot Boxes Open 5:00 - 7:00 p.m.)
Employee Recognition
Officers Reports
- 7:00 p.m. DPS Commissioner Elizabeth Miller**
**"Energy for Vermonters:
Weighing Our Choices and Making a Plan"**
- 7:30 p.m. Continuation of Annual Meeting Agenda**
Election Results
Question/Answer Session
- 8:30 p.m. Tentative Adjournment**

Door prizes to be drawn at the end of the evening.

NOTE: Child care will be available (registration required).

Official Notice and Annual Report

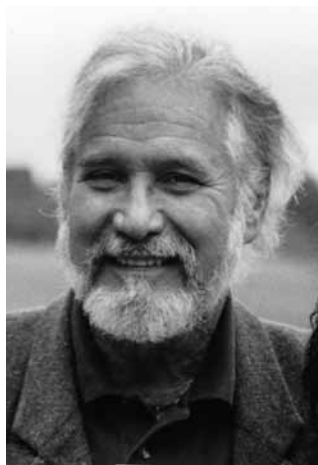
President's Report

WEC's Rate Increase, In The Overall Scheme Of Things

Challenges, Changes, and Accomplishments in 2010 and 2011

By Barry Bernstein

Spring weather has been slow to come this year, at least around my home where there are now only a few signs of brown ground appearing. The sap has at least again begun to flow this week, yet still the winter seems to be lingering. At WEC we are working on preparation for our May Annual Meeting – our 72nd -- which will be held on Wednesday, May 25. This year we will have the new commissioner of the Department of Public Service, Elizabeth Miller, as our speaker. Recently appointed by Governor Peter Shumlin, Commissioner Miller will spearhead the development of a new 20-year energy plan for Vermont, which the governor has asked to be completed in October. The new plan will help guide energy decisions that



are critical to Vermont's energy future, and hopefully will include specific action plans for the short and medium term.

I have traditionally used my President's Annual Meeting Message to highlight events that have impacted WEC during the previous year and also to provide some insight to your Co-op's direction for the current year.

I cannot do that this year without starting with the major event on most members' minds, the 23.81-percent rate increase filed in November 2010, which took effect for our members' January 2011 electric bills. While we have been talking and writing about this at our community and annual meetings and in *Co-op Currents* for nearly two years, the reality of having it appear on your bills has been difficult for many members. In talking

We urge you to consider budget billing, which will average your bills over 12 months so you can avoid higher bills during the winter periods.

and listening to many of you over the past couple of months, I, your Board of Directors, and Co-op management know that understanding the reasons we needed to file for this large of an increase at one time does not lessen the burden on your household and business budgets. I do want you to know that your Co-op will work with members who are having difficulty with their electric bills, and we urge you to contact a member service representative at WEC as early as possible if you need to discuss payment arrangements. We also urge you to consider budget billing, which will average your bills over 12 months so you can avoid higher bills during the winter periods.

upgrades of our wires and poles and all related equipment, and the rebuilding of some of our substations. It also continues our longstanding project of moving the lines close to the roads from areas that were open fields when the Co-op's system was built but are now more wooded (and hard to service). Due to the aggressive pole-inspection and -treatment program in the present CWP, we have been able to significantly reduce the rejection rate of our poles, extending their life and reducing the number of poles needing early replacement, which has freed funds for other uses.

Automated Meter Reading

Officially called Automated Metering Infrastructure (AMI), "smart meters" are digital devices that will enable the Co-op to remotely read our members' electric meters. We will begin the process of replacing members' meters with the new "smart meters" in the fall and continue the project to its completion over the next year. One of the many advantages of the AMI system will be that the Co-op will be better able to pinpoint outages quickly and know where to send our crews to make repairs during storms. This will lead to faster and more efficient restoration of power. AMI is a major initiative under our new Construction Work Plan.

East Montpelier Substation

The WEC substation just up the hill from the Co-op will be rebuilt starting this spring and should be in service by the fall. It will improve reliability for all our members served by that substation, and those served by the Maple Corner and Jackson Corners substations as well. This continues our program to rebuild and modernize all eight of the Co-op's substations. The Maple Corner, South Walden, and Moretown substations all have been rebuilt over the last several years.

Coventry Generating Station

Our electric-generating plant at Coventry, Vermont, uses landfill methane to fuel five engines that produce 60 percent of the Co-op's power. The plant began operation with three engines in 2005, and has been expanded twice. After five years and 50,000 hours in operation the original three engines at the plant will undergo a major overhaul beginning later this spring. This will allow us to maximize the use of the gas available

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Co-op Currents

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

Board of Directors

President	BARRY BERNSTEIN <i>(May 2013)</i>	1237 Bliss Road, Marshfield, Vt. 05658 Bbearvt@aol.com	456-8843
Vice President	ROGER FOX <i>(May 2012)</i>	2067 Bayley-Hazen Rd., East Hardwick, Vt. 05836-9873 rfox@pivot.net	563-2321
Treasurer <i>(May 2011)</i>	DONALD DOUGLAS dondougl@gmail.com	21 Douglas Rd., East Orange, Vt. 05086	439-5364
Secretary <i>(May 2011)</i>	MARION MILNE marion.milne@milnetravel.com	1705 E. Orange Rd., W. Topsham, Vt. 05086	439-5404
<i>(May 2013)</i>	ROY FOLSOM RoyGrnsy@aol.com	2603 US Rt. 2, Cabot, Vt. 05647	426-3579
<i>(May 2011)</i>	DAVID MAGIDA vtmagida@aol.com	632 Center Road, Middlesex 05602	223-8672
	ANNE REED <i>(May 2013)</i>	3941 Hollister Hill Rd., Marshfield, Vt. 05658 annereed48@gmail.com	454-1324
<i>(May 2012)</i>	RICHARD RUBIN rrubin@sover.net	3496 East Hill Rd., Plainfield, Vt. 05667	454-8542
	SCOTT SKINNER <i>(May 2012)</i>	28 Leland Farm Rd., Middlesex, Vt. 05602 scottskinner@gmail.com	223-7123

AVRAM PATT
General Manager
avram.patt@washingtonelectric.coop

WILL LINDNER
Editor
Willind@aol.com

TIM NEWCOMB
Layout

Editorial Committee

Avram Patt Donald Douglas David Magida Will Lindner

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.

2011

Rate Case

While the filing of the rate case was completed in November 2010, the investigation of the filing by the Department of Public Service (DPS) and the requesting and sharing of information between the DPS and the Co-op is a process that will take several months and require a significant amount of time from WEC's management staff and consultants. Until the Vermont Public Service Board (PSB) reaches its final decision on the amount of the rate increase it will approve, the increase will appear as a temporary surcharge on your electric bill. After the PSB's ruling has been made, if the authorized increase is different from the temporary surcharge our members have been paying, the Co-op will make a one-time retroactive adjustment for each member's payments. The bills from that point forward will be calculated under the approved rates.

Construction Work Plan

Your Co-op staff has been working for the past several months on the next four-year (2012-2016) Construction Work Plan (CWP), which will serve as the map for work done on the backbone of the Cooperative's electric-distribution and transmission network. The nearly \$8 million CWP will guide most of the dollars spent on replacement and

Manager's Report

WEC's Service Quality and Reliability Results For 2010

Plus: A Tribute To Blair Hamilton

By Avram Patt

WEC, along with other utilities, is required

to have a "Service Quality and Reliability Monitoring and Reporting Plan" (SQRP) approved by the Vermont Public Service Board. The SQRP measures the quality of our service to members and our reliability in 12 separate categories, and we are required to report these to members each year at this time.

There are targets established for each category. The Co-op usually does well in meeting our targets and we did again this year. We did miss our target in one area, as explained below.

1. **Calls not answered within 20 seconds.** Our requirement was that no more than 15 percent of WEC's incoming calls take more than 20 seconds to answer. Our Member Services Representatives answered nearly 50,000 calls in 2010 and 9.4 percent of those took longer than 20 seconds to answer.
2. **Bills not rendered in seven days.** Our target was that no more than 0.10 percent of our bills (one in 1,000) be issued more than seven days after they were supposed to be. No bills were issued late in 2010.
3. **Bills found inaccurate.** No more than 0.10 percent of all bills sent should be found inaccurate. In 2010, two programming errors that moved a decimal point during one billing cycle resulted in separate errors affecting commercial accounts only. We missed our target for the year on this one criterion, with a score of 0.5 percent.
4. **Payment posting complaints.** Members' payments should be promptly and accurately posted to their accounts. Our target was that complaints not exceed 0.05 percent (one in 2,000). There were no complaints last year.
5. **Meter readings per month.** Although there are circumstances where a meter can't be read and we have to issue an estimated bill, this should be kept to a minimum. Our target was that no more than 5 percent of bills (five in 100) be



based on estimated readings. There were only 136 estimated bills issued last year, or 0.1 percent.

6. Requested work not done on time.

When we extend lines to new homes or do other work requested by members, we want to get the work done

for them when they expect it. Although schedules for a requested project may change, our engineering staff and line crews stay in touch with members so we can complete the job when the member expects us to. Our goal was that no more than 5 percent of requested jobs be completed after we said they would be. In 2010 as in past years, no requested jobs were completed later than expected.

- 7. Average delay days after missed delivery date.** None. If we had missed our time estimates in #6, we would have needed to report how long those delays actually were.

- 8. Customer satisfaction.** WEC's SQRP requires us to perform a professional survey every five years that contains certain standard national customer-satisfaction questions. We conducted such a survey in late 2010. We got generally high marks, and will report on the results of the survey in an upcoming issue of *Co-op Currents*.

- 9. Complaints to DPS/Consumer Affairs.** Vermonters with complaints about their utility can lodge them with the Consumer Affairs Division of the Department of Public Service. The Department then contacts the utility to get more information or discuss the matter. In most cases, issues are resolved by discussion, or the Department determines that there is no basis for the complaint. However, when the Department determines that a utility has not done something right and requires that it be corrected, this is recorded as an "escalation." WEC's SQRP requires that the number of escalations not exceed 0.07 percent of our membership (or about seven per year). I am pleased to report that for the fourth year in a row, the Co-op had zero escalations.

10. Worker safety performance.

We care about the safety of our employees for their own wellbeing and as an indicator of how we operate day to day. As members know, the work many of our employees do is strenuous and relatively high-risk. Our target is that we have no more than six incidents that result in any lost work time, and that there be no more than 29 days of lost work among all employees. In 2010, we had one incident and lost only two work days.

- 11. Outage incidents.** The "System Average Interruption Frequency Index" (SAIFI) measures the average number of outage incidents that occurred per member. Our target was 3.8 outages per member, and we average 3.7 last year.

- 12. Outage duration.** The "Customer Average Interruption Duration Index" (CAIDI) measures the average time it took to restore power when there was an outage. Our target was 2.0 hours average duration and our average in 2010 was 1.4.

We Honor the Memory of Blair Hamilton

On April 8, Vermonters and many others beyond our small state's borders lost a pioneering advocate for energy efficiency and the environment. We also lost a determined and pragmatic implementer of programs that have gained wide acceptance here and elsewhere.


More than 25 years ago, Blair Hamilton and his wife and partner, Beth Sachs, formed a small nonprofit organization, Vermont Energy Investment Corporation. Together with a few other Vermonters and a few

lonely kindred spirits in other parts of the country, Beth and Blair began teaching us to think about energy in a revolutionary new way. They set out to convince the world that we could use a whole lot less energy without sacrificing our quality of life. They also made the case that it made economic as well as environmental sense to do so, and that those benefits could be accurately measured.

In the 1990s, WEC worked with VEIC to design and operate our own pioneering energy efficiency programs. When Vermont then became the first state to establish a statewide "efficiency utility" VEIC was the logical choice to operate what we now know as Efficiency Vermont. At the same time, VEIC has continued to advise utilities, state and provincial governments, municipalities, and others across this country and Canada, to operate programs in some other states besides Vermont, and to bring their expertise to Asia and other places around the world.

Blair was diagnosed with non-Hodgkins lymphoma in 1991, and for all these years kept up his determined and visionary quest to help us become smarter energy users and better stewards of our planet for future generations. Blair's obituary in the *Burlington Free Press* contains the astonishing claim that over his 25-year career, he was responsible for the installation of more than 30 million efficient light bulbs. Astonishing, but true.

If during those years, you put a compact fluorescent bulb in a fixture at home, bought a refrigerator that used a third of the energy of the old one, figured out how to use less energy at your job or business, or simply got in the habit of turning the lights off when you didn't need them, Blair Hamilton had something to do with it. Whether it was jawboning utility managers, regulators, politicians or corporate executives, or whether it was figuring out how to convey the energy efficiency message to regular folks, he was always pushing and nudging us to do better.

While Blair did receive national awards and recognition for his work, his lasting legacy is the impact he had on Vermont. If our small state is admired far and wide as an energy efficiency role model, it's thanks in no small part to Blair Hamilton. Washington Electric Co-op sends condolences to his family and to all his colleagues at VEIC and Efficiency Vermont. 



Position Statements of the 2011 Candidates for the Co-op Board of Directors

Candidate Profiles

Three candidates are seeking election to Washington Electric Cooperative's Board of Directors in 2011. Three seats are available on the nine-member board this year. All seats are for three-year terms. The candidates are **Donald Douglas, David Magida, and Marion Milne**. All three are incumbent directors, presently serving on the board. The WEC Committee on Candidates has verified that Douglas, Magida, and Milne have met the requirements of the election process as set out in the Cooperative's bylaws, submitting timely petitions with the requisite number of member-signatures.

Each year three board positions expire, which provides the membership the opportunity to elect fully a third of the board that makes leadership and policy decisions for the customer-owned, nonprofit electric utility. The seats that will terminate at the time of the 72nd Annual Membership Meeting are those of the directors running for re-election.

In ballots cast at the Annual Meeting on

Wednesday, May 25, and in mailed ballots returned to the Co-op by a deadline prior to the Annual Meeting (**check your election materials for additional balloting and deadline information**), members can vote for any three the candidates who appear on these pages. Ballots will also provide space for voters to write in the names of alternative candidates. People must be Co-op members to serve on the board.

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

The Questions

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 director?

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?

Report of the 2011 Committee On Candidates

The 2011 Committee on Candidates convened a teleconference on Thursday, March 31, at 7:00 p.m. to review the petitions and qualifications of those members who have submitted their names as candidates for the Board of Directors. There are three (3) positions to be filled. Three (3) members of the Washington Electric Cooperative, Inc. submitted their names as candidates for the three (3) Board positions to be filled. The Committee on Candidates hereby

affirms:

- that each candidate submitted a valid petition in accordance with Article III, Section 3A of the Bylaws;
- that each has signed a statement of affirmation indicating that they:

1. have been a member of the Co-op in good standing for at least six months;
2. are residents of Vermont;
3. are not employees of the Cooperative;

4. do not have a conflict of interest as defined in Article III, Section 2 of the Bylaws; and
5. have received and understand the responsibilities and time commitments required of a director.

Therefore, the Committee determines all of the candidates to be qualified for the position of director in accordance with the Cooperative's Bylaws, and hereby presents the following official listing of candidates for the Washington

Electric Cooperative 2011 election of Directors:

**Donald Douglas
David Magida
Marion Milne**

2011 Committee on Candidates:

*Dale Bartlett Dorothy Naylor
Carl Demrow Polly Stryker
Anne Dolan Charlie Wanzer
Rachel Hexter Carolyn Wells
John Hoffman*

Donald Douglas

1. I Live in East Orange at 21 Douglas Road. I bought this house in 1980 but have been a Co-op member since 1978.



I can be reached at home at 439-5364, or via e-mail at dondoula@gmail.com. (Please note that my e-mail address is missing the s from my last name.) I am always happy to talk about energy issues in general or specific issues about our Co-op.

2. I grew up in East Tennessee but my family relocated to Indiana in my senior year of high school, so I can also claim to be a Hoosier. I went to college in St. Louis, Missouri, and then graduate school at the University of Texas at Austin. I traveled extensively in South America and moved to Vershire, Vermont, from Cochabamba,

Bolivia. I have been delivering mail since 1979. My 90-mile route serves mostly Co-op members, which gives me the opportunity to answer members' questions and listen to their concerns. I have served on the Board since 1999 and have been Treasurer of the Board since 2000.

3. I am seeking another term because I enjoy the challenge of helping to chart the course for the future of our Cooperative. I have the time and interest necessary to serve on the Co-op board.
4. Last year we filed for the first rate increase since I became a Board member. We face the same economic conditions the Co-op has always faced: We serve a very rural territory with few members per mile of line, and we sell almost entirely to residential members. Our revenue per mile of line served is the lowest in the state of Vermont and among the lowest in the country. We have a stable source of power at a reasonable price from our Coventry gas-to-energy plant, but we need to continue to find ways to deliver

service of the highest quality at the lowest price possible, in order to control our rates. Smart meters and other technology can help us control some of our costs. We continue to believe that wise use of energy is the best path for our members and for the Co-op.

David Magida

1. I have lived on the Center Road in Middlesex, and been an owner-member of WEC, since July 1986. My Co-op membership is listed in Middlesex. I am completing my first term as a member of the WEC Board of Directors. I serve on both the Finance Committee and the Editorial Committee. Members are welcomed to call me at 223-8672 or contact me by email at vtmagida@aol.com.



2. I graduated from Middlebury College in 1979 with a degree in Environmental Economics. My interest in energy systems and conservation started as an undergrad. Since graduation, my professional life has focused on management of ever-larger operations in higher education. I have been the Chief Administrative Officer at Norwich University for the last 18 years. In this capacity, I am responsible for many of the support services. I am responsible for the management of operating and capital budgets that typically total tens of millions of dollars a year.

I have been a member of the WEC Board of Directors for three years. I believe that my professional experiences that have proven to be most beneficial to WEC are in the areas of energy management/conservation, budget management, and in construction/renovation. Since 1979 I have been involved in energy management and conservation at large college and university campuses. These experiences include energy data analysis, generation, procurement,

transmission, end-use control, and regulatory compliance. The team at Norwich has made the Norwich campus one of the most energy-efficient campuses in the country. Our efforts include the installation of two electricity co-generation systems and an ambitious conservation program. In addition, I have been responsible for several dozen major construction and renovation projects that have totaled more than \$200 million in value. Every project has been brought in on time and on budget.

3. I have enjoyed my first term on the WEC Board of Directors and am excited about the possibility of continuing to serve on the WEC Board. WEC has done a wonderful job of managing and improving its operations. The WEC team is clearly customer-focused. I have been so pleased to see that the Board and staff always base discussions and decisions on what is best for the WEC members. Always. While some of the decisions are difficult and have some tough short-term implications, the decisions are always about what is best for the long-term health of WEC so that it can best serve its members. The Board, management and staff have worked to upgrade the infrastructure and generating options. This has led to improved reliability. There are many challenges facing WEC in both the short and long terms. The uncertain economy of the nation in general, and the WEC service territory in particular, make planning and careful attention to operations critical. I have spent almost 32 years working on the types of issues faced by WEC. I believe that my experience allows me to help the Board work through these numerous challenges.
4. There are several important issues facing WEC. All of them have an impact on the cost paid by owner-members:
 - a. *Economy:* The state of the local, regional, and national economy has, of course, had significant impacts on WEC. For example, the plunge in the value of Renewable Energy Credits (RECs) sold as a result of generation at our Coventry plant, had the unfortunate domino effect of accelerating the implementation of our rate increase. The WEC Board must keep a constant eye on the state of the economy and closely monitor the impact that this is having on WEC and its members. I see this as being particularly critical over the next three to five years.
 - b. *Power sources:* The Coventry plant is a vital, long-term base contract. However, it is critically important that WEC not be too reliant on any one source of power in order to ensure system-wide reliability. WEC has and

should continue to evaluate opportunities similar to Coventry that provide environmentally sound, reliable, and cost-effective sources of electricity. While it is likely that we will always have to purchase some amount of power on the open market, we need to secure base sources of power that will protect WEC from the vagaries of the fossil fuel market. We need to be realistic and understand that the long-term trend shows increasing energy prices. We need to keep WEC's increases, over the long term, as low as possible. Continued innovation is required to secure attractive power sources.

- c. *Reliability:* The dedicated WEC team has made terrific strides in improving the system reliability. New technologies available and forthcoming will provide means of enhancing system reliability. Evaluation and adoption of new technologies should continue. WEC has taken, and should continue to take, advantage of government funding sources to offset our costs to introduce these new technologies.
 - d. *Conservation:* We all know the benefits of energy conservation. Encouraging conservation through attractive programs should be an on-going program.
 - e. *Demand-side Management:* In addition to paying for kWh consumption, WEC also pays for the demand it places on the electric grid. Lowering WEC's peak electricity demand will yield substantial cost savings. I would like to see WEC implement an aggressive demand-side management program. WEC has started to implement such a program and I look forward to seeing it used to its full capabilities.
 - f. *Operating Costs:* Like all organizations, WEC faces ever-increasing business operating costs for things such as health care, insurance, procurement, etc. I have had decades of experience helping organizations control these operating costs while not negatively impacting employees nor operations. Controlling these costs will control rates charged by WEC.
5. WEC is entering a very important time in its history. WEC is faced with an uncertain economy, a changing market for RECs, significant changes to regional electricity supplies, and costs that are mostly set by the much-larger external marketplace. However, I am confident that WEC can work its way through this period and come out stronger. I would welcome the opportunity to continue to serve as a member of the Board of Directors to help WEC work through these issues.

Marion Milne


1. I am proud to be a resident of the Town of Washington, where I have lived with my husband, Donald, for almost 50 years. I have been a member of the Co-op all of that time. We raised our four children here and have eight wonderful grandchildren.



2. I earned a B.A. from Goddard College as an adult. I started Milne Travel in Barre in 1975, where I am still involved. I have held various offices in the Town of Washington, including Justice of the Peace, and have been a library trustee for the last 30 years. I served in the Vermont House of Representatives from 1994 to 2000, was a ranking member of the Ways & Means Committee, and in 2000 I was named Woman Legislator of the Year. I also served for six years on the Judicial Nominating Board, and was chair during my last four years.

I was an outreach worker and manager of the Barre office for Central Vermont Community Action. I have served as chair of the Green Mountain United Way campaign twice and president of its board of directors. I was the first woman president of the Central Vermont Chamber of Commerce and was named Businesswoman of the Year by the BPW (Business & Professional Women's Foundation). I am past president of the Community of Vermont Elders, serve on the Commission of Women and the Governor's Commission on Healthy Aging, and have been a member of the U.S. Civil Rights Board for the last two years. In 2010 I was

honored by being named Citizen of the Year in the Town of Washington, together with my husband.

3. I have been a member of the Co-op Board since 2003. During that time, I have served on several committees, including the Policy Committee (which I serve on as Secretary of the Board), the Finance Committee, the Members and Marketing Committee, and the union negotiating team. I have been very impressed with the other members of the Board and value their opinions, but am not afraid to voice mine when they might be different. I have a great deal of respect for our staff and their efficiency and dedication. If reelected I will continue to do my best for the interests of our members.
4. I believe these are challenging times and we have to continue to look at alternate means for producing affordable energy. I am very proud of the Co-op's leadership in the methane plant at Coventry. In this difficult time in our economy, we have to continue to look at cost-saving measures while making sure our staff and members continue to have the best service available. I continue to be impressed with the efforts our great staff puts in on a daily basis to see that our members' needs are served willingly and cheerfully even in the most difficult conditions. Having started my own small business 35 years ago, I feel my experiences can be an asset to the Co-op.
5. I have learned a great deal in the last eight years while serving as your representative on the Board. I don't profess to have all the answers but I will continue to work hard to represent you to the very best of my ability. 

President's Report

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at the landfill as we increase our electricity output.

Sheffield Wind

First Wind's 40-megawatt project in Sheffield is now under construction and the company plans to begin generating power in the fall. The Co-op will be receiving a portion of that power once the system is up and running.

2010

Vermont Yankee

Following a strong WEC tradition of speaking out on issues affecting our Co-op and our members, your Board of Directors passed a resolution in January 2010, calling on the Vermont Legislature to vote

NO on the continuation of Vermont Yankee past its license-expiration date in March 2012. The Vermont Senate voted 26-4 not to re-license the plant.

Rate Design

In October, we received approval of our proposed Cost of Service Study and new rate design from the Public Service Board – the first for the Co-op in 20 years. The new rate design, which does not increase the total revenues that WEC collects from its members, went into effect last November. Although the change resulted in a small bill decrease for some members and a small increase for others, it represented an equitable and fair distribution of costs for all our members. The approved rate design maintains the Co-op's longstanding practice of providing two "blocks" of power for its members

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Treasurer's Report

In 2010 WEC's Reserve Account (From REC Sales) Was Key

By Don Douglas
Treasurer

Washington Electric Cooperative had a difficult year in 2010 from a financial perspective. As reported in past years, we had been depositing excess revenues from Renewable Energy Certificate (REC) sales in order to be able to draw on them at a later date when the money was needed. In 2010 we successfully met all of lenders' requirements, but we had to draw down nearly the entire deferred revenue account in order to meet expenses. We also had to file for a rate increase in order to continue to meet necessary expenses and satisfy our loan obligations. We knew the need for a rate increase would come, but the need arose sooner, and required a larger amount of revenues from rates, than we had expected a few years ago.

The cooperative went 11 years without an increase in rates, which was largely due to the fact that we produce a large share of our own energy and because we were selling more than \$2 million in RECs annually. Our energy is still mostly produced at our Coventry gas-to-energy plant and the costs associated with production are still stable. But the market value of the RECs has dropped dramatically. This represents more than half of the need for our rate increase.

From a public policy perspective, the drop in value of the RECs is a good thing. The creation of that market was intended to encourage the development of renewable energy; the plan worked, and that is one reason why the market price has dropped. The recession also played a major part in it. More renewable energy projects being built is a good thing even though it does have a negative effect on REC revenue.

Operating Expenses

Purchased Power. To understand the power-purchasing details in this section, please refer to the pie chart titled "2010 Sources and Costs of Power."

Our purchased-power costs rose from \$3,180,956 in 2009 to \$3,372,614 in 2010. Our power is based on predictable and fairly stable prices, but our costs vary a little due to a variety of factors. Clearly, we pay more when we use more, which was the case in 2010 in relation to



2009. But our cost of purchased power also changes with the weather.

The amount of energy we must buy from small hydro and biomass ("Small Power Producers") varies with the rainfall. We take a portion of the output, as do the other utilities in the state, together purchasing

all of the energy these small in-state producers generate. Currently this is our most-costly power, but it is only 5.16 percent of our portfolio and the contracts are due to expire in 2020. The Co-op also buys power from Hydro-Quebec. We get 21.04 percent of our energy from Canada and this contract expires in 2015. NYPA, our cheapest source of power, comes from large hydroelectric plants in New York. We get 10.86 percent of our energy from this source and we expect this to be a reliable and stable source of energy. Coventry supplies nearly 60 percent of our energy and we expect this to continue to grow. The cost is stable, and although the value of the RECs associated with the production of energy at Coventry has declined by more than half, we expect to continue to be able to sell RECs even though the price is and will be lower.

Wrightsville hydroelectric is another source of power that the Cooperative owns. Its production varies with the rainfall but this past year it provided us with 3.39 percent of our total energy. Additionally, thanks to our Coventry plant, we presently have a bit more power than we need and we sold 5.63 percent of excess power resources into the wholesale market, which reduced our total purchased power.

Operation and Maintenance.

2010 operations expenses were \$1,390,659, compared to \$1,352,970 in 2009. Maintenance expense was also up slightly over the prior year; in 2009 we spent \$1,459,832 on maintenance, and in 2010 we spent

\$1,567,991. In a system that serves more than 10,000 member-connections, this is a very small increase in keeping the lights on for all of us.

These two budgets tend to vary with the weather. When there are major storms the outage account goes way up, and when we have better weather the crews are busy working on other projects, like building new lines or installing new equipment.

Margins

In 2010 we ended with \$743,563 in net margins. The year before we ended with \$654,169. In order to meet our loan obligations we had to use the deferred revenue account. In the future we most likely will not have a cash reserve from REC sales to draw down from.

President's Report

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— a basic block at a lower rate to help cover people's necessities, and a more-expensive "tail block" for power above that amount. The new design increased the base block in the residential class by 50 kilowatt-hours (kWh), which is now set at 200 kWh. It raised the price per-kWh in the second block. In addition, the rate design lowered the small commercial and industrial (schools, larger farms, etc.) rates in order to represent the actual costs to the Co-op of serving them, as determined by our Cost of Service study.


Storms

Last July 25 we were hit with a microburst (extremely strong winds), which leveled a section of our power lines in the Brookfield area. The destruction forced us to rebuild three-quarters of a mile of distribution line, including replacing all the poles, which were broken in half. Congratulations to our crews and our right-of-way contractors, who did the work in just two days.

On December 1, WEC was again hit with high winds at higher altitudes, breaking poles and wires and causing more than 3,000 members to lose their power, some for longer than 24 hours. The Co-op had nearly 100 separate outage incidents in our service territory during this storm. In other areas of the state these winds reached more than 90 mph, resulting in 35,000 Vermonters losing electric service, many for up to five days.

Capital Credits

The Board of Directors, with an eye on maintaining an appropriate equity level for the Co-op, decides each year if we are able to retire capital credits and how much we should retire. In 2010 the Board of Directors authorized paying capital credit refunds to both current members and former members. We decided to retire \$273,000. Of this amount, \$198,000 accounted for 72 percent of our remaining 1991 capital credit obligation and \$75,000 went toward retiring 14 percent of the margins from 2009.


On behalf of the Board of Directors I want to thank our Director of Finance, Cheryl Willette, and the entire Finance Department for their good work this past year. Copies of our audit are available at the Cooperative's office and on our website. 

Staff Changes

Two senior management staff, Denise Jacques and Steve Anderson, chose to take advantage of the Co-op's early retirement offer in October. Denise had been at WEC for 25 years, starting as a secretary and retiring as Administrative Services Director. Steve Anderson was at the Co-op for 16 years; he was WEC's Safety and Environmental Coordinator, and oversaw operation of our 1-MW Wrightsville hydroelectric station, among other responsibilities. Their departure led to a partial restructuring of duties among WEC staff, and, at least temporarily, a reduction of staff size (reducing costs).

Community Dinners

Our fall community meetings were held in East Corinth and Calais in 2010. Both meetings were lively and well attended. Following a dinner put on by a local nonprofit in each community, the main topic of discussion was the then-pending rate increase. Other subjects discussed were the new rate design and our Coventry power plant.

In conclusion: 2010 was a very busy year for Washington Electric Co-op, and the plans outlined above for 2011 indicate that this year also will be a busy and productive one. The work we are undertaking will continue to improve our service to you, our members, and prepare the Co-op for the new challenges that lie ahead in the electric-utility industry. 

Copies of the audited financial statements of Washington Electric Cooperative are available by contacting the Co-op's office, and will be available at the Annual Meeting. The audited financial statements are also posted on our web site under "Member Info."

Balance Sheet

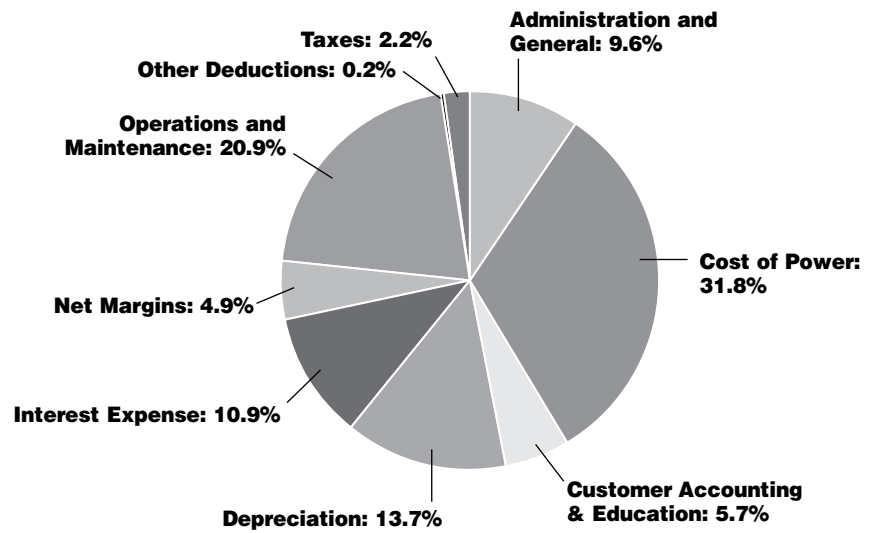
Assets and Other Debits			
	12/31/09	12/31/10	Increase (Decrease)
Utility Plant			
Total Utility Plant in Service	\$63,296,613	\$65,366,026	\$2,069,413
Construction Work in Progress	1,188,225	981,884	(206,341)
Total Utility Plant	64,484,838	66,347,910	1,863,072
Accum. Provision for Depreciation	18,546,103	20,032,169	1,486,066
Net Utility Plant	\$45,938,735	\$46,315,741	\$377,006
Other Property and Investment - At Cost			
Invest. in Assoc. Org. - Patronage Capital	162,887	176,913	14,026
Invest. In Assoc. Org. - Central Vt. Mem. Civic Center	164,216	121,352	(42,864)
Invest. in Assoc. Org. - Other	461,511	459,174	(2,337)
Other Investments	3,892,460	4,565,120	672,660
Total Other Property and Investments	\$4,681,074	\$5,322,559	\$641,485
Current Assets			
Cash - General Funds	329,570	277,709	(51,861)
Temporary Investments	1,907,470	614,160	(1,293,310)
Notes Receivable - Net	1,941	107	(1,834)
Accounts Receivable - Net	2,963,272	2,480,374	(482,898)
Materials and Supplies	304,823	260,445	(44,378)
Prepayments	86,772	115,200	28,428
Total Current and Accrued Assets	5,593,848	3,747,995	(1,845,853)
Deferred Debits	306,721	253,360	(53,361)
Total Assets and Other Debits	\$56,520,378	\$55,639,655	\$(880,723)
Number of Consumers	10,511	10,581	70
kWh Sold	68,407,548	70,162,421	1,754,873

Liabilities and Other Credits			
	12/31/09	12/31/10	Increase (Decrease)
Memberships			
Patronage Capital Credits	\$108,455	\$112,865	\$4,410
Contributions-in-Aid-of-Construction	6,874,824	7,170,063	295,239
Operating Margins - Prior Years	9,484,262	9,770,647	286,385
Operating Margins - Current Year	0	0	0
Non-Operating Margins	148,707	194,000	45,293
Other Margins and Equities	505,462	549,563	44,101
Total Margins and Equities	\$17,267,246	\$18,049,182	\$781,936
Long-Term Debt			
Long-Term Debt - RUS	24,018,660	23,293,917	(724,743)
Central Vt. Memorial Civic Center	164,216	121,352	(42,864)
Long-Term Debt - Other	9,506,536	11,857,721	2,351,185
Total Long-Term Debt	\$33,689,412	\$35,272,990	\$1,583,578
Current Liabilities			
Notes Payable	1,378,054	316,827	(1,061,227)
Accounts Payable	1,272,743	696,469	(576,274)
Consumer Deposits	170,017	174,196	4,179
Other Current and Accrued Liabilities	504,097	608,580	104,483
Total Current and Accrued Liabilities	\$3,324,911	\$1,796,072	\$(1,528,839)
Deferred Credits	2,238,809	521,411	(1,717,398)
Total Liabilities and Other Credits	\$56,520,378	\$55,639,655	\$(880,723)

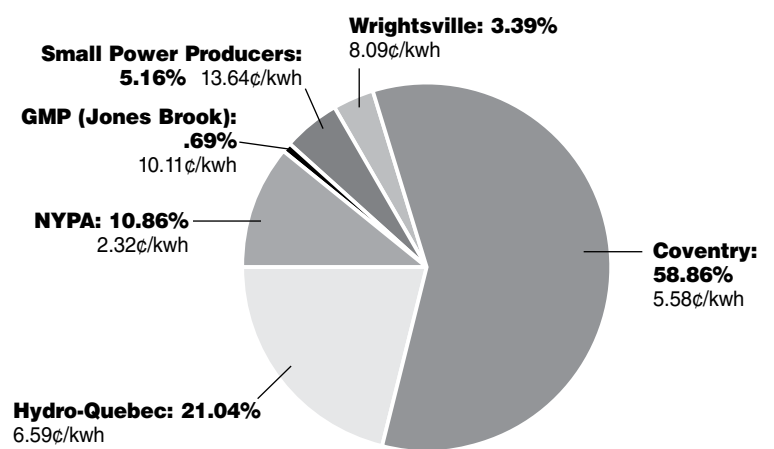
Statement of Operations

Item	Actual 12/31/09	Actual 12/31/10	Increase (Decrease)
Operating Revenue	\$13,616,575	\$14,540,934	\$924,359
Cost of Purchased Power	3,180,956	3,372,614	\$191,658
Cost of Generated Power - Wrightsville & Coventry	1,257,433	1,428,777	\$171,344
Total Cost of Power	\$4,393,224	\$4,438,389	\$45,165
Other Operation & Maintenance Expense			
Transmission Expense	22,480	29,916	7,436
Distribution Expense - Operation	1,352,970	1,390,659	37,689
Distribution Expense - Maintenance	1,604,045	1,734,100	130,055
Consumer Accounts Expense	720,507	753,380	32,873
Customer Service & Education	129,592	108,014	(21,578)
Administrative and General Expense	1,344,615	1,441,217	96,602
Total Other Operation and Maintenance Expense	\$5,174,209	\$5,457,286	\$283,077
Fixed Expenses			
Depreciation and Amortization Expense	1,920,183	2,073,132	152,949
Tax Expense - Property	282,778	209,525	(73,253)
Tax Expense - Other	129,804	128,061	(1,743)
Interest on Long-Term Debt	1,463,722	1,607,057	143,335
Interest Expense - Other	23,572	38,137	14,565
Other Deductions	35,211	32,345	(2,866)
Total Fixed Expenses	\$3,855,270	\$4,088,257	\$232,987
Total Cost of Electric Service	\$13,467,868	\$14,346,934	\$879,066
Operating Margins	148,707	194,000	\$45,293
Non-Operating Margins - Interest	445,752	519,853	74,101
Non-Operating Margins - Other	59,709	29,710	(29,999)
Extraordinary Item			
Net Margins	\$654,168	\$743,563	\$89,395
Times Interest Earned Ratio (TIER)	1.45	1.46	0.02

Where the Dollars Went

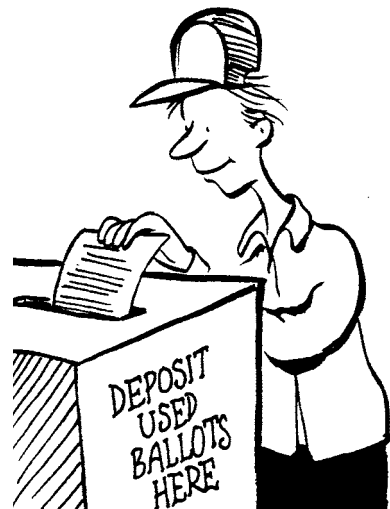


2010 Sources and Costs of Power

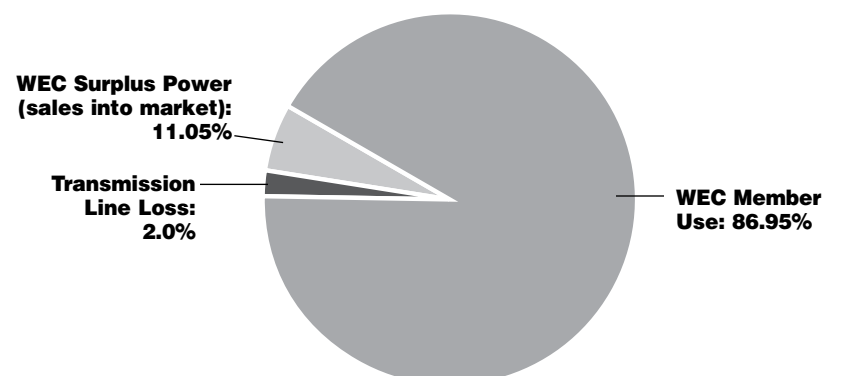


Notice

Members may vote at the Annual Meeting on May 25 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 Tuesday, May 24. 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. **Ballots hand delivered to WEC's office will be treated as spoiled ballots.** Anyone with questions about voting or deadlines can call Debbie Brown at the Co-op.



2010 Energy Resource Allocation



WEC Members To Vote On Hydro-Quebec Contract

Vote Will Be Concurrent With Annual Meeting Ballots

As the owners of an electric cooperative, Washington Electric's members get to vote on decisions that the customers of other utilities have no say in – such as whether to approve the upcoming 22-year contract with Hydro-Quebec, one of the region's major providers of electric power. Voting on significant decisions such as this illuminates the difference between consumer-owned electric co-ops (and municipal utilities) and the state's for-profit, investor-owned utilities. For major investments of various kinds – including major long-term out-of-state power contracts – the owner-members of Vermont's electric co-ops, and voters who are served by municipal utilities, must ratify those proposals. WEC's Board and management are now asking members to vote in favor of the contract.

State law requires that, following approval by the Public Service Board (PSB) of a contract such as the new one with Hydro Quebec, there must be a duly warned vote of Co-op member-owners. Consequently, Washington Electric will conduct a membership vote on whether to approve the Co-op's participation in the contract between Hydro-Quebec (HQ) and 21 Vermont utilities, which the PSB awarded a Certificate of Public Good on April 15, 2011. The contract will run from November 1, 2016, to October 31, 2038.

The current contract between HQ and Vermont's utilities will expire in 2015. With that in mind, WEC's major utilities undertook negotiations with the Canadian provincial power company to have a new contract in place. Washington Electric participated even though our future power needs will be different from those of other Vermont utilities. Washington Electric currently receives just over 21 percent of its power from HQ, but in the early years of the new contract WEC foresees having enough power from its own generation facilities (at Coventry and Wrightsville) and competitively priced contracted sources (such as First Wind) that it won't need HQ power right away. Eventually, though – by 2024, according to current forecasts – it will. Additionally, the Co-op's Board felt it was in WEC's interest to have access to the HQ power in case of some unforeseen, major short- or long-term interruption in the Co-op's power supply – which happened in 2005 when a fire sidelined WEC's new generating facility in Coventry

for months.

With these thoughts in mind, WEC's leadership – its Board of Directors and senior staff, legal counsel Joshua Diamond, and power-supply consultant Patricia Richards of La Capra Associates – crafted a unique role for the Co-op in the Hydro-Quebec contract. Under the provisions, approved by the PSB as part of the contract, Washington Electric will hand off its HQ power (roughly 2.4 megawatts) to Vermont Electric Cooperative at the outset, with VEC paying the full cost of the power.

"We're reserving what we think is a pretty good deal – electricity from a reliable, non-fossil and non-nuclear source, at a competitive price – for a time when we'll need it," explained WEC General Manager Avram Patt. "Meanwhile, VEC will use the power and will pay a very fair price for it. It's a win for both co-ops."

There are provisions giving Washington Electric access to the HQ power temporarily or permanently when the need arises. Under those circumstances WEC could either claim all or part of its contracted HQ power.

"If it's a temporary situation we need to give VEC just 30 days notice, and then we can claim the power. When we no longer need HQ power it goes back to VEC," said Patt. "Thirty days is good for us because it limits the time we might have to purchase electricity on the wholesale market, which could be more expensive. It also gives VEC time to line up its replacement power."

There's a separate provision for WEC permanently reclaiming its allotted HQ power.

"When we start seeing that in a certain year we're going to need Hydro-Quebec power on a permanent basis, we'll have to give VEC a year's notice. We can reclaim the power in small increments if we want, but whether we do that or claim it all at once it will not revert back to VEC. We will definitely need the power and will start taking our share permanently at some point in the contract."

It's a creative and unique contract provision, to be sure, and the Vermont Department of Public Service (DPS) opposed the plan in filings that occurred mostly in 2010. WEC made a stronger case that the WEC-VEC arrangement benefitted both co-ops, with little or no risk. The Public Service Board in its April

WEC'S 72nd Annual Meeting Dinner Reservation

Deadline for reservations is Friday, May 13.

Vegetarian Lasagna or Baked Ham & Roast Turkey
Featuring Vermont Products

Please list all attendees and each attendee's dinner choice.

Name _____	Child <input type="checkbox"/>	Dinner Choice	
		Ham/Turkey <input type="checkbox"/>	Lasagna <input type="checkbox"/>
Name _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Name _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Name _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Name _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Child care requested. Age(s) of child(ren) _____

Address _____

Account # _____ or Map # _____

Number of persons attending _____ Amount enclosed: \$ _____

\$8 per adult/\$4 per child (under 12).
Make checks payable to WEC and return to: PO Box 8, East Montpelier, VT 05651

15th Order disagreed with the DPS, ruling that the agreement provided Washington Electric's members power when we need it at a price likely to be more favorable than market costs. The Board actually liked the provision so much that it instructed a small municipal utility (Swanton), which also presently has a surplus of power supply, to develop a partnership agreement similar to WEC's and VEC's.


Cost

In voting, members will be concerned about the cost of HQ power – even though WEC will most likely not be taking or paying for its share in the early years of the contract.

The starting price for HQ power, for all the involved Vermont utilities, will be 5.8 cents per kilowatt-hour (kWh) in 2016. That cost was arrived at through a formula which, itself, is written into the contract. There will be annual adjustments to the price, using an index of current energy prices, the inflation rate, and other factors. Patt said that having the formula in place means that future price adjustments will not be subject

to argument and re-negotiation. He pointed out that the formula has already proved its value to Vermont consumers by arriving at the 5.8-cents/kWh starting price – a reasonable, competitive price in today's market.

"There's also what's called a 'collar' in the contract, which governs how much the price can change from one year to another," said Patt. "That will result in a relatively stable price for power as time goes on, which was another factor that interested us. Stable, long-term, competitively priced contracts are the ideal in terms of power supply."

WEC members can find the PSB's Final Order on the 2016 Hydro-Quebec contract at the Public Service Board's website. Members are also invited to call General Manager Patt or members of WEC's Board of Directors with questions. Information on the Hydro-Quebec contract and the provisions for WEC's participation also will be included with the package of voting materials and ballots that accompany this Annual Meeting issue of *Co-op Currents*. 

Annual Meeting

continued from page 1

January by Gov. Peter Shumlin to serve as commissioner of the Department of Public Service, and will be overseeing the drafting of the Comprehensive Energy Plan & Twenty-Year Electric Plan. Fittingly, her talk will be titled, "Energy for Vermonters: Weighing Our Choices and Making A Plan."

"We don't expect Commissioner Miller to speak only about the Comprehensive Energy Plan," said General Manager Avram Patt. "But it will feature largely in her address, I'm sure. We've had an opportunity to interact with her at meetings and have seen her testify at the Legislature. We're pleased that under her leadership the Department is

taking its role in preparing a state energy plan very seriously and having an open process that enables everyone to be involved. We thought it would be a good idea to have her be involved with Co-op members at the Annual Meeting, and get to know our Co-op. We were very pleased that she accepted our invitation."

There will also be the fun parts of every WEC Annual Meeting: a good dinner that supports local producers (reservations required; see coupon, above), door prizes; service awards for our wonderful staff members who have reached employment milestones; and socializing with friends and neighbors.

Energy these days is serious business. But Co-op annual meetings mix business with pleasure. Make your plans now to attend. 