

Bringing It All Back Home

'Going Local' and Climate Change Head WEC's Annual Meeting Agenda

In 1939, when Washington Electric Cooperative was founded as a means for bringing electricity for the first time to rural areas of central Vermont, there was no such concept as "relocalizing." Practically everything was local then, so why think about re-localizing?

As the Co-op prepares to hold its 73rd Annual Membership Meeting – on Thursday, May 24, at the Montpelier Elks Club – the world is vastly different. Since those early Co-op days the U.S. has engaged in at least five major wars, experienced vast expansions and sudden contractions of its economy, has seen a revolution in transportation that has changed Vermont's landscape and which enables people to travel virtually anywhere, and has adapted to a technological revolution that brings almost unlimited information and human contact to our desks and tabletops. Things aren't so local anymore.

But there is evidence that our state and our communities need to reverse that trend; indeed, some would say that the reversal (in other words, relocalizing) is inevitable, and the challenge before us is to prepare for it. WEC takes that message to heart and provides its members more locally generated electricity than almost any utility nationwide. Fuel prices are rising as the worldwide demand for fossil fuels explodes but the supplies of these finite resources inevitably will decrease. This threatens not only our ability to go wherever we want but also to import whatever we want (food, for example) from where it's grown, made, or extracted.

Fuel prices also have implications for energy, including electricity, and fuel consumption has implications for global climate change, which has already altered our experience of

weather and lifestyle even in Co-op country. That's not a reference solely to dramatic weather "events"; it also includes a longer growing season, the northward march of ticks and other species, and the worrisome potential effects upon signature Vermont industries like skiing and maple sugaring.



Dr. Alan Betts

The good thing is that Vermonters have demonstrated an interest and enthusiasm for re-emphasizing the local. And for that purpose there is no better vehicle than the cooperative – yes, Washington Electric Cooperative, but also the cooperative model itself. It brings people together and gives them a structure for sharing their resources; and since members have their own and their communities' self-interest at heart, cooperatives tend to target their activities and expenditures locally.

These themes are interwoven into WEC's plans for May 24th's Annual Meeting – along with the very local issues of electing three members to the Co-op's Board of Directors and voting on an important bylaw amendment (see pages 4 and 8 for information). The dinner menu will emphasize foods grown or produced in the area, which is no sacrifice because Vermont food products are among the best. (*Make sure you send in your dinner reservation, which can be found on page 8 of this issue of Co-op Currents.*) The U.N. General Assembly has designated 2012 the International Year of Cooperatives, so WEC has invited other local co-ops to feature their banners and displays around the room.

"We're making a special attempt for our meeting to be very 'co-copy' this year," WEC General Manager Avram Patt summarizes. "There's probably no better example of that

continued on page 5

Inside

WEC's 2011 Service Quality and Reliability Performance Monitoring and Reporting Plan. The Co-op's annual "SQRP" report to state regulators 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.

WEC bylaw change needs your support. The Co-op must adapt to a PSB alteration, and that requires a member vote. Page 8.

Informed and involved: that's how cooperatives work best. At right, members at an earlier Annual Meeting use the officers' reports in Co-op Currents to participate.



WASHINGTON ELECTRIC COOPERATIVE, INC.

Thursday, May 24, 2012

73rd Annual Membership Meeting

Montpelier Elks Lodge

Agenda

- 5:00 p.m. Registration– Ballot Boxes Declared Open
- 5:30 p.m. Dinner Served— Vegetarian Lasagna, Eggplant Parmesan, or Ham & Turkey Dinner
(Reservations required– see coupon on page 8)
- 6:30 p.m. Business Meeting Called to Order
(Ballot Boxes Open 5:00 - 6:30 p.m.)
Employee Recognition
Officers Reports
- 7:00 p.m. Dr. Alan Betts
"Climate Change—What's in Store for Vermont"
- 7:30 p.m. Continuation of Annual Meeting Agenda
Voting Results
AMI (Smart Meter)
Question/Answer Session
- 8:30 p.m. Tentative Adjournment

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

Official Notice and Annual Report

President's Message

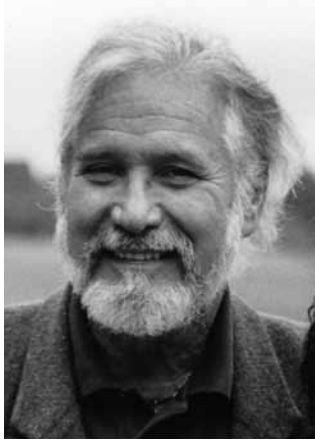
Washington Electric Co-op: At Work In A Changing Utility Landscape

By Barry Bernstein

I traditionally use my President's Annual Report as an opportunity to highlight events that have impacted WEC during the past year (2011), and to offer some reflection on the current year (2012). Two major threads related to the electric utility industry in Vermont seem to weave their way into the fabric of both years:

- The dramatic changes in weather, and their impact on our environment and the electricity infrastructure; and
- The proposed buyout of Central Vermont Public Service Corp. (CVPS) by Gaz Metro/Green Mountain Power, which represents a substantial concentration of political and economic power in Vermont, as well as the consolidation under one company of the bulk of the state's electric industry.

2011 will be indelible in our minds for the heavy rains that changed the way Vermonters will look at weather patterns now and in the future. As 2012 has



unfolded, with its strange starts and stops transitioning into spring, we will remember a winter with very little snow, a week in March when temperatures hit 80°, and the early closing of ski trails and the maple syrup season. And if the GMP/CVPS buyout goes forward as the companies plan, 2012 will also be remembered

for one of the biggest changes in the history of Vermont's electric utility industry – a merger that will create a single utility serving more than 70 percent of Vermont ratepayers.

The Merger and VELCO Governance

Many of the final conditions of the deal, if it is approved, will not be known until the Vermont Public Service Board issues its final order this spring or early summer. While WEC has remained focused on advocating for more public and transparent governance in VELCO – the company that owns Vermont's transmission infrastructure,

and which is owned by all the state's utilities roughly in proportion to their size and electricity consumption – two other issues have surfaced in the public debate:

- Should the PSB break with historical precedent by allowing Gaz Metro, the buyer, to share in the profits resulting from greater efficiencies that would supposedly be gained through the merger, or should the Board require the company to pass the savings on directly to the ratepayers?
- What is the fairest way to resolve the question of the \$21-million debt owed by CVPS to its customers? The PSB granted higher rates to CVPS in the early 1990s when the utility was in financial difficulty, on condition that the money would be used to benefit the ratepayers if the company was sold. The merger proposal envisions the \$21 million being invested in weatherization projects for customers, but recoverable by the company in rates. Others contend that it should be repaid directly to CVPS customers.

It is WEC's goal to keep increases to lower-single-digit numbers, but unfortunately regular, small rate increases look to be inevitable for the foreseeable future.

days we had installed a doublewide trailer in our Co-op parking lot, and that has been the workspace for many of our employees ever since.

After much soul-searching the WEC Board committed to rebuilding the current office. We hope that by the time of the Annual

Meeting in May our staff will be in the new space, and the doublewide will be gone. Work will continue outside the building – repaving the parking area and landscaping – into early summer.

Last year's wet spring also made it necessary to idle our turbines at our Wrightsville hydroelectric station for most of May. Too much water can overpower the generators, so we shut them down to avoid damage.

Then came August 28, when Tropical Storm Irene – the most significant storm event Vermont has experienced since the Great Flood of 1927 – brought damage in the \$1-billion range, and enormous emotional pain for many Vermonters. While the WEC service territory, for the most part, was not significantly harmed, the devastation to so many of our fellow Vermonters' homes, businesses, and communities was daunting. We were able to use our WEC Community Fund to contribute to three Irene-recovery funds, however, and it was heartening to see how people came together, from within our state and from afar, in a time of dire need.

Operations

Under the direction of Dan Weston, Director of Engineering and Operations, WEC continues the work of rebuilding our older sections of power line, replacing wires and poles from 1940s–1960s, and when possible moving them close to the roads from areas that once were open fields but are now grown into woods. This helps us service and maintain those lines more quickly and at less cost.

Your Co-op also continues an aggressive pole-inspection and -treatment program that has reduced the failure rate of our poles and extended their service life. In addition, the line crew has been replacing defective insulators, installed in the '90s, which have been a continual headache as well as a source of outages. I frequently hear comments from longtime WEC members about the improved reliability of our system in recent years.

East Montpelier Substation

This substation, just uphill from our headquarters in East Montpelier,

continued on page 6

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

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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.

Manager's Report

WEC's Service Quality and Reliability Results For 2011

Plus: A Glance Ahead at 'Smart Metering'

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 Co-op members each year at this time.

There are targets established for each category. WEC usually does well in meeting our targets, and we did again in 2011. We did miss one of our targets by a hair, 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 more than 43,000 calls last year, 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 bills (one in 1,000) be issued more than seven days after they were supposed to be. No bills were issued late in 2011.

3. Bills found inaccurate. No more than 0.10 percent of all bills sent should be found inaccurate. We met our target, with 0.09 percent inaccurate bills. These were due to one-time errors affecting a small number of members (the energy efficiency charge for small commercial accounts and the interest rate paid on deposits).

4. Payment posting complaints. Our target was that no more than 0.05 percent of members (one in 2,000) have complaints about payments not promptly and accurately posted to their accounts. There were no complaints last year.

5. Meter readings per month. Although there are situations where a meter can't be read and we have to issue an estimated bill, this should be kept to a minimum of no more than 5 percent of bills (five in 100). There were 811 estimated reads last year, or 0.71 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 when they expect it. Although schedules for a project may change, our engineering staff and line crews stay in touch so we can complete the project when the member expects it. Our goal was that no more than 5 percent of requested jobs be completed later than expected. In 2011, as

in past years, no requested jobs were completed later than expected.

7. Average delay days after missed delivery date. If we had missed our time estimates in #6 above, we would have needed to report how long these delays actually were.

8. Customer satisfaction. WEC's SQRP requires us to conduct a professional survey every five years that contains certain standard national customer-satisfaction questions. We conducted such a survey in late 2010 and got generally high marks. We reported on the results in the July 2011 issue of *Co-op Currents*, available on our website.

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 about 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). In 2011, 2 escalations were reported, or 0.02 percent.

10. Worker Safety Performance. We care about the safety of all our employees, for their own wellbeing as well as an indicator of how we operate as a utility. 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 39 days of lost work among all employees. I am pleased to report that we had no lost-work incidents last year.

Once our automated metering system is operating, members will have the option to choose additional services and rate structures.

But for most members, smart meters will simply mean that the Co-op will be able to improve service to you.

11. Outage incidents. The "System Average Interruption Frequency Index" (SAIFI) measures the average number of outage incidents that occurred per member. Our target was no more than an average of 3.8 outages per member, and we averaged 2.8 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 in 2011, we just missed our target with an average of 2.1.


Automated Metering Infrastructure ("Smart Meters")

As we have been reporting to members, the Co-op will this year begin installing "smart meters" throughout our system, and we plan to have this project completed and operating in early 2013. We discussed this at our member community meetings last October and wrote about it in some detail in the October 2011 issue of *Co-op Currents* (available on our website). At the May

24th Annual Membership Meeting we will again be making an updated presentation, and for members who cannot be there, we will again cover this in the June issue.

There has been much written and said about smart meters, and not all of it has been accurate. WEC is installing a "wired" system, in which WEC will communicate with meters over the existing power lines. Most other utilities are using a wireless ("radio frequency") technology, but we have determined that that is not what will work best on our rural system. In our state, Vermont Electric Co-op of Johnson has been the leader in installing smart meters, also using a wired system, and the great majority of that co-op's members have been benefitting from this new technology for some time.

Automated Metering Infrastructure is first and foremost a great step forward in operating more efficiently, improving reliability and quality of electric service, and in reducing outage-restoration time. It will provide our members with much more detailed information about their own energy use that will enable them to use electricity most efficiently. Once the new system is operating, members will also have the option to choose additional services and rate structures that may be of benefit. But for most members, smart meters will simply mean that the Co-op will be able to improve service to you and to better inform you about your use of electricity. We are always happy to answer questions about this new project.

Please contact me if you have any questions about your Co-op. (Contact information is on page 2). 



WEC Annual Meetings are busy affairs, with lots of socializing and Co-op business getting done. Each year there are also interesting booths and displays. Above, Bob Murphy of Efficiency Vermont demonstrates the wonders of modern energy-efficient lighting technology to members at the Co-op's 2011 Annual Meeting.

Position Statements of the 2012 Candidates for the Co-op Board of Directors

Candidate Profiles

Three candidates are seeking election to Washington Electric Cooperative's Board of Directors in 2012. Three seats are available on the nine-member board this year. All seats are for three-year terms. The 2012 candidates are **Roger Fox**, **Richard Rubin**, and **Mary Just Skinner**. Fox and Rubin are incumbent directors, presently serving on the board. Skinner is seeking election to the Board of Directors for the first time. The WEC Committee on Candidates has verified that Fox, Rubin, and Skinner all 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 director's 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 73rd Annual Membership Meeting are those held by Fox, Rubin, and current Director

Scott Skinner, who has chosen not to run again. Scott Skinner and Mary Just Skinner are married.

In ballots cast at the Annual Meeting on Thursday, May 24, 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 of 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, backgrounds, 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 2012 Committee On Candidates

The 2012 Committee on Candidates convened a teleconference on Thursday, March 29, 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 2012 election of Directors:

Roger Fox
Richard Rubin
Mary Just Skinner

2012 Committee on Candidates:

Carl Demrow
Anne Dolan
Rachel Fried
John Hoffman

Dorothy Naylor
Polly Stryker
Charlie Wanzer
Carolyn Wells

Roger Fox

1. I live at Dows Crossing in Walden, in the northern part of WEC's service territory, and have been a Co-op member in Walden since 1971. You can contact me



at 2067 Bayley-Hazen Road, East Hardwick, VT 05836. Phone: 563-2321; e-mail: rfox@pivot.net.

2. I have a bachelor's degree in engineering from M.I.T., and I worked on engineering projects in Florida and Massachusetts prior to becoming a Vermonter. Since 1974, I've operated a printing and graphic design business, Apocalypse Graphics, in Walden.

I have served as Walden's town moderator since 1997, and as a justice of the peace and chair of the Board of Civil Authority for more than 20 years. I've previously served as selectman and town energy coordinator. I'm a member or patron of a number of other Vermont cooperatives, including

Buffalo Mountain Food Co-op, and Vermont State Employees, North Country Federal, and Opportunities credit unions; and Co-operative Insurance Co.

I was first elected to the WEC board in 1991, and have served as the Co-op's vice president since 1998, and previously as Board secretary. My current assignments include chair of the Members & Markets Committee and membership on the Finance & Administration, Policy, and Evaluation committees. Previously I served on the Power & Operations and Editorial committees, and as treasurer of the Northeast Association of Electric Cooperatives (covering the upstate New York and Northern New England area).

3. My primary motivation is a sustained passion for the cooperative form of doing business, for local control, and for a proactive and well-considered approach to energy policy. WEC has demonstrated that it has an important public role to play in promoting the interests of our members, as well as all electric utility consumers in Vermont. An active and effective Board is essential to WEC's ongoing success.

As WEC's longest-serving current director, I can continue to bring to the Board's deliberations a broad perspective and familiarity with the Co-op's mission, history, and operations, and help our newer Board members negotiate the utility industry's steep learning curve.

4. We need to maintain our focus on securing WEC's economic and organizational viability:
 - identifying and employing cost-effective technology, such as automated metering, to improve system operational efficiency and reliability, as well as member value and satisfaction;
 - continuing efforts to sustain staff and Board capability and productivity over the long term;
 - actively engaging in public energy-policy development affecting WEC, its members, and our communities;
 - recognizing and preparing for the impacts associated with our changing physical environment and the shifting availability of and demand for energy resources.
5. WEC's ongoing success is dependent on the personal energy that you and other owners are willing to

contribute to this organization, as active members – and, for those with particular dedication, as directors. You can do your part by staying informed and involved, and encouraging your neighbors, family, and friends who are members to do the same.

Richard Rubin



1. I have lived on East Hill Road in Plainfield for 40 years. I have been a Co-op member since 1973. I can be reached at 3496 East Hill Road, Plainfield, VT 05667, or by phone at 454-8542. My e-mail is rrubin@sover.net.

2. I am 66 years old and have lived in Plainfield since I moved to Vermont 40 years ago in 1972. I was born and raised in the Boston area, attended Harvard College, and then the University of Pennsylvania Law School. After graduating law school in 1970, I practiced law in Boston, representing low-income clients for two years before moving to Vermont. I

have practiced law in central Vermont since 1972, and in Barre since 1977. My law firm – Rubin, Kidney, Myer & DeWolfe – has been in downtown Barre since 1982. We handle a wide variety of cases, and we are primarily trial lawyers. We also have been the public defenders for Washington County for many years.

I am a member of the Board of Directors of the AAJ, an organization of Vermont trial lawyers, as well as on the Board of the Dragon Dance Theatre and Upper Valley Arts. I am a former Board member of Vermont Legal Aid, and served for five years on the Twinfield School Board.

I am married to Jayne Israel and have three grown children, two of whom live close by in Plainfield. We also have two grandchildren.

Several years ago, I was involved with my brother Mathew Rubin and John Warshow in the development of the Wrightsville and Winooski 8 (East Montpelier) hydroelectric facilities.

I enjoy hiking, gardening, golf, and generally being outside with my family.

- I have been a Co-op Board member for 10 years and have enjoyed my experience on the Board a great deal. I enjoy working with my fellow Board members and management, and would enjoy serving another term. I believe in cooperatives and cooperative principles, and I am committed to keeping our Co-op strong. My experience as an attorney brings a critical perspective to the Board and helps me ask the hard questions.

I am particularly proud that our Co-op obtains its energy from renewable sources such as the Coventry landfill-methane generation plant and the Sheffield wind farm.

We have been able to rid ourselves of dependence on Vermont Yankee and the use of fossil fuel to generate our energy. Much of our power is also produced inside Vermont. Our Co-op's example is an important one to our policy makers and to other utilities as we move deeper into the 21st century. It was exciting to see the Sheffield project come on line. We received a \$1 million grant through Bernie Sanders' efforts and invested in this project several years ago. It took a long time, but as a result we now have a 20-year contract for energy from that project at very favorable rates.

I also continue to be proud of the efforts of our Community Fund, which has donated roughly \$20,000 each year to nonprofit groups in our service area, all from members turning back their annual patronage refunds. I urge all members to sign up and contribute. It's a good way to help our neighbors.

- I was very disappointed by our need to raise our rates by 20 percent last year. I was proud that it had been more than 10 years since our last rate increase. There were several factors

which caused this increase and I will work hard to try to anticipate problems in the future and plan so that we can avoid rate shock.

I am proud also that our Board and Co-op have been out front on the closure of Vermont Yankee. I believe the plant is unsafe, too big, and no longer justifies the risks. I also oppose the concentration of so much economic power in the hands of out-of-state owners who have no concern in our people or our environment. We had a recent setback with the Federal Court decision, but the battle is not over.

I am also excited about the remodeling of our office building. It should be attractive and state-of-the-art energy efficient. The building was not much to start with, but I think we will all be proud of the final product. Thankfully, a significant part of the cost was paid for by insurance funds we received from substantial flood damage last spring. I know the staff has had to suffer for months with very unpleasant working conditions. They deserve better, and our appreciation for their good attitude. Hopefully, we will have an open house later this spring and will be able to show off our new "digs" – good for the next 60 years, at least.

- The Co-op is healthy and run by terrific men and women who are dedicated to reliable, clean, and friendly electrical service. We all need our electricity, but at least we produce and distribute it in the best interest of all of us, instead of the best interests of large shareholders and overpaid private utility executives.

Mary Just Skinner

- I have lived in Middlesex since 1977. I have been a WEC member for 35 years, and before that I was a Vermont Electric Co-op member for seven years. I am married to Scott Skinner and we have two sons, one an immigration lawyer and the other a middle school teacher. I can be reached at 223-7123, and by e-mail at mskinner@sover.net.



- I graduated from Barnard College and earned my law degree from Columbia University. I have been a practicing lawyer in Montpelier since 1972. I worked for Vermont Legal Aid for four years and then opened my own law practice in 1976. My practice primarily involves family law and real estate, but earlier in my career, I was involved in a number of utility cases. I represented a group of low-income Vermonters in what was known as the "purchased power" case in 1974. In the late 1970s, Attorney General Jerry Diamond hired me as a Special Assistant Attorney General to represent the state in opposing a

150-percent increase in the cost of a pay phone call. We were successful in defeating the proposal.

I have been a member of the Middlesex Selectboard for the last 15 years. I also served seven terms in the Vermont State Senate, including a period as chair of the Senate Finance Committee, which handles utility legislation. I am a member of the Central Vermont Home Health and Hospice Community Relations and Development Committee, and of the Advisory Board of RSVP (Retired Senior & Volunteer Program). I have recently been appointed by Gov. Shumlin to the state Natural Gas and Oil Conservation Board.

- I have past experience and a longstanding interest in public utility issues. I am concerned about the increasing consolidation of the electric utility industry in Vermont and I am especially concerned that the overwhelming majority of Vermonters will have to depend on a foreign power company for their electricity. I believe strongly that WEC has a role to play as a small but effective counterweight to this concentration of power.


I applaud the fact that the Co-op has spoken out strongly in the past on issues such as Vermont Yankee and the danger of having our electric transmission company controlled by a foreign utility holding company. I am in favor of having WEC continue to provide leadership and reasoned analysis on utility issues that impact our members and the citizens of Vermont.

- The Co-op must do everything it can to hold down expenses and avoid rate

increases as much as possible. This is a challenge since the Co-op's revenue is relatively flat while costs inevitably creep higher. At the same time, we must be careful not to target savings that cost us money in the long run. For example, if we cut the budget for right-of-way clearing we'll end up paying more later because of more frequent power outages caused by trees falling on the lines, not to mention the harm caused to Co-op members by outages.

It is clear that the Coventry waste-to-power generation plant has been a major success in not only producing non-polluting power but in keeping electric rates down for Co-op members. But I worry about the extent of the Co-op's reliance on Coventry for half of its power supply, and believe the Co-op needs to continue to develop additional sources of sustainable and reliable non-fossil fuel power.

I would like to see the Co-op continue its efforts to benefit members through energy efficiency programs. I also think that the Co-op should explore offering members opportunities to purchase heating oil and propane at discounted rates. That is the benefit of a co-op: it can act in the best interest of its members as opposed to shareholders whose primary interest is financial profit.

- I would be honored to serve on the Board and to help build on the Co-op's considerable achievements over the past several decades. The Co-op has in the past been remarkably innovative and I would like to participate in continuing that tradition. I welcome inquiries from Co-op members regarding their concerns or ideas for the future. 

2012 Annual Meeting

continued from page 1

than our choice of guest speaker, Dr. Alan Betts from Pittsford, Vermont. Dr. Betts' grandparents were members of the world's first modern cooperative, the Rochdale Society of Equitable Pioneers, which was founded in England in 1844 and which drafted the Seven Cooperative Principles that are the guiding principles for modern co-ops today.

In an article written in 2007, Betts recalled his grandparents proudly showing him around the Rochdale store. And praising the activities of Rutland-area food cooperatives of which he is a member, he wrote, "It is one vital step in the re-localization of our food supply."


Betts will bring more than a commitment to co-ops to WEC's Annual Meeting. A British native with a Ph.D. in meteorology from Imperial College of London, Betts heads an organization called Atmospheric Research in Pittsford and is considered Vermont's leading climate scientist. He contributes regularly to the Environmental section of the *Sunday Rutland Herald/Times Argus*, and is co-chair of the Vermont Climate Collaborative. His writings

(see <http://alanbetts.com/writings>) are particularly interesting because of his passion for gardening, grounding his observations as much in his experience in the sun and soil as in science.

"Something important that Dr. Betts contributes is that he talks about what climate change means for Vermont, how we need to act to prepare for it and what that means for Vermonters," says Patt. "He is an eminent scientist, but he makes it understandable for the rest of us, in plain English."

WEC will also use this year's Annual Meeting as another opportunity to speak with Co-op members about Automated Metering Infrastructure (AMI), better known as "smart meters," which WEC will be installing system-wide over the next year or so.

"This is a major technological step forward for the Co-op, and it will bring a lot of advantages to our members," says Patt. "AMI was a big part of our community meetings last fall in Williamstown and Moretown, and we've been writing about it in *Co-op Currents*. We'll have more information for our members at the Annual Meeting, and in the June issue of the newsletter.

"It's another reason we are looking forward to a large turnout on May 24th." 

Treasurer's Report

Living In A New Reality: Lower REC Revenues and Small But Steady Rate Increases

By Don Douglas
Treasurer



Washington Electric Cooperative filed for a 23.81-percent increase in electric rates in November of 2010 and began collecting that increase on January 1, 2011. WEC staff responded to numerous data requests throughout the year from the Department of Public Service (DPS). In late fall WEC and the DPS reached an agreement, which they proposed to the Vermont Public Service Board (PSB) for a decision. In November 2011, the PSB issued an order approving the rate increase at 19.44 percent. The Co-op's November electric bills reflected that 4.37 percent difference as a credit on members' bills. For former members, who had been on WEC's system for part of 2011 but had moved away before the PSB decision went into effect, the Co-op sent them a check refunding their overpayment.

We are expecting now to file for small annual rate increases, but we'll be working to try to hold down the costs that are associated with seeking yearly increases to our electric rates. From 2000 to 2010 we were able to forego rate increases due to selling renewable energy credits (RECs). We are still selling those credits – which are associated with the production of our methane-to-energy plant in Coventry and First Wind's Sheffield wind farm – and we have also applied for certification for our hydro energy plant at the Wrightsville dam, which would enable us to sell RECs based on that facility, too. However, the market value of energy credits is much lower than it used to be, even as our production has expanded. Our rate increase was largely due to the loss in REC sales.

Another important factor that contributes to our rates is dramatic increases in transmission charges. Like the market for RECs, we have no control over how much we have to pay for transmission of energy. Most of the increasing costs of electric transmission are due to very necessary improvements in the transmission

infrastructure within the state of Vermont. The costs of transmission construction are shared on the basis of load among all the utilities, and the tariff is determined by a federal regulator.

Revenue

Washington Electric's total operating revenue for 2011 was \$14,847,197, which is an increase of \$306,263 from the prior year when our operating revenue was \$14,540,934. Member revenues actually increased \$1.9 million over 2010, but that was offset by a reduction in our REC revenue of \$1.6 million. As mentioned above, the primary driver of our 2011 rate increase was loss in these revenues.

Power Costs

The total cost of purchased power for WEC in 2011 was \$3,661,779. When this is combined with the cost of generated power – which was \$1,514,780 – our total cost for the power we provide our members was \$5,176,559. These factors – generating and purchasing the electricity our members use – account for about one third of the Co-op's total operating costs.

President's Report

continued from page 2

was completely dismantled and rebuilt last summer, largely by our own WEC crew, and energized in October. That reconstruction, and the associated upgrading of the lines between our East Montpelier substation and the Jackson Corner substation in Williamstown, allows for greatly improved reliability for Co-op members served by those facilities, because when outages occur we can often provide those members with power from either substation.

This is part of our long-range plan to build more "redundancy" into our system, as well as to modernize all of our substations – four (out of eight) of which we have rebuilt over the last 10 years. I want to express my heartfelt thanks to our management staff, our system engineers, and our line workers for their commitment to improved reliability for the WEC membership. It is a real cooperative effort.

Automatic Meter Infrastructure (AMI); or "Smart Meters"

Planning and groundwork begun in 2011 will culminate in a major initiative financed by jointly by the federal American Recovery & Reinvestment

Operation and Maintenance Expense

This is the part of Washington Electric that we all see: It's the poles and wires, and the work done to maintain our system as well as to restore power after a storm. It is the work done to keep our lines clear of trees, and includes the day-to-day operation of our Cooperative. Total operations and maintenance costs for the Co-op in 2011 were \$5,476,605, which was an increase of \$184,428 over the previous year. Most of this increase is attributed to an increase in spending to clear WEC's right-of-way – some 1,300 miles of power line corridor that we have to maintain. The Board approved this spending in order to provide our membership with improved reliability.

Fixed Expenses

In 2010 the total fixed costs were \$4,242,790, and in 2011 they were \$3,989,324. The decreases in fixed costs were due to the amortization of a regulatory liability WEC had been accruing for water-heater timer credits, and a reduction in depreciation expense associated with the Coventry landfill-gas generating facility. Both of these items were agreed to during the rate


case negotiations in an effort to lessen the rate increase impact.

The Bottom Line

We ended the year with \$832,315 in net margins, which is sufficient to meet our lenders' loan covenant requirements.

Capital Credits

WEC retired \$250,147 in capital credits in 2011. Former members receive their capital credit refunds in the form of a check, when we have an address for them, while current members receive a credit on their November electric bill. Each year the Board of Directors must vote on whether to have a capital credit retirement that year, and how much cash to use toward this retirement. Capital credits are our margins, which we as a cooperative maintain and distribute back to the members.

On behalf of the Board of Directors, I want to thank the Finance Department at Washington Electric Co-op for their attention to detail and for their hard work. Copies of our audit are available on our web site and at the Co-op office. 

My fellow WEC Board members and I want to thank DPS Commissioner Elizabeth Miller and her staff for their openness, hard work, and diligence on the matter of broadening public participation on the VELCO Board as a condition of the Department's support for the proposed GMP/CVPS merger.

Act (a.k.a. "the stimulus") and our 2012–2015 Construction Work Plan (CWP). We will be replacing all of the meters at our members' homes and businesses with power-line-based "smart meters" in the coming year, with completion slated for April 2013. This will enable the Co-op to read meters remotely, and to better pinpoint outages electronically, directing our crews to trouble spots so they can restore the power more quickly and efficiently – thus, saving money.

Power Generation

Sheffield Wind – First Wind's 16-turbine, 40-MW project in Sheffield started producing power on October 19. WEC will be receiving 10 percent of the Sheffield power, or a minimum of 9,000

KW annually, along with the associated portion of the project's renewable energy credits (RECs).

Coventry landfill-methane electric power plant – After six years and over 50,000 hours in operation, production from our generating plant in Coventry, Vermont, provides us with 60 percent of our base-load power needs. It also provides us with additional revenues from the sale of renewable energy credits (RECs). Producing power close to home, at an economical price, and bringing in revenue makes this project a winner for our Co-op. Thanks for its successful operation go to Dan Weston, John Murphy (our consultant, from Stantec), and the staff at IES, the company contracted to operate the plant.

WEC Rate Cases

Our first rate increase in 11 years went into effect in January 2011, and after a long regulatory process it was approved at 19.44 percent by the PSB last October. A smaller, still provisional, increase of 2.27 percent went onto members' bills in January 2012, and the Public Service Board's decision is still pending. It is WEC's goal to keep increases to lower-single-digit numbers, but unfortunately regular, small rate

continued on page 8

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 "About WEC."

Balance Sheet

Assets and Other Debits

	12/31/10	12/31/11	Increase (Decrease)
Utility Plant			
Total Utility Plant in Service	\$65,366,026	\$67,250,506	\$1,884,480
Construction Work in Progress	981,884	969,489	(12,395)
Total Utility Plant	66,347,910	68,219,995	1,872,085
Accum. Provision for Depreciation	20,032,169	21,224,577	1,192,408
Net Utility Plant	\$46,315,741	\$46,995,418	\$679,677
Other Property and Investment - At Cost			
Invest. in Assoc. Org. - Patronage Capital	176,913	195,684	18,771
Invest. In Assoc. Org. - Central Vt. Mem. Civic Center	121,352	78,488	(42,864)
Invest. in Assoc. Org. - Other	459,174	456,685	(2,489)
Other Investments	4,565,120	4,815,120	250,000
Total Other Property and Investments	\$5,322,559	\$5,545,977	\$223,418
Current Assets			
Cash - General Funds	277,709	162,325	(115,384)
Temporary Investments	614,160	589,005	(25,155)
Notes Receivable - Net	107	99	(8)
Accounts Receivable - Net	2,571,292	3,187,320	616,028
Materials and Supplies	260,445	239,936	(20,509)
Prepayments	115,200	207,955	92,755
Total Current and Accrued Assets	3,838,913	4,386,640	547,727
Deferred Debits	253,360	213,826	(39,534)
Total Assets and Other Debits	\$55,730,573	\$57,141,861	\$1,411,288
Number of Consumers	10,581	10,629	48
kWh Sold	70,162,421	69,329,264	(833,157)

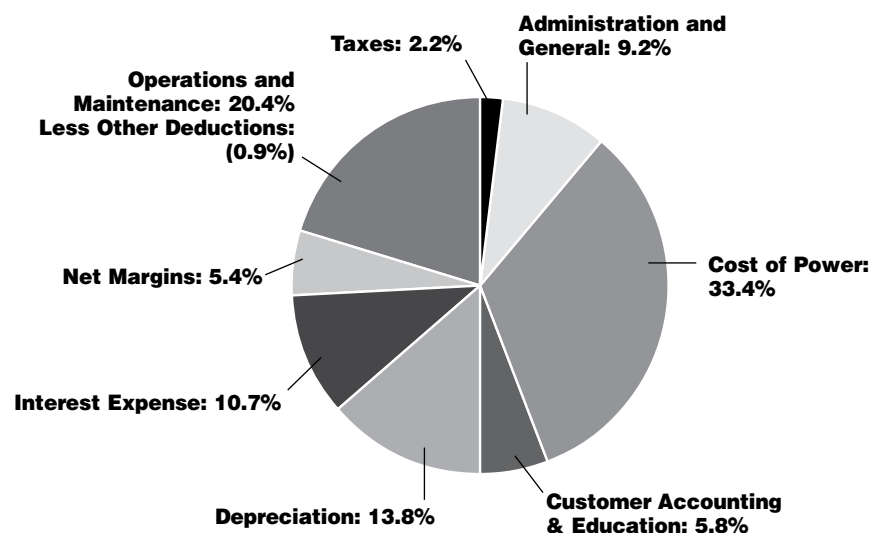
Liabilities and Other Credits

	12/31/10	12/31/11	Increase (Decrease)
Memberships			
Patronage Capital Credits	\$112,865	\$116,145	\$3,280
Contributions-in-Aid-of-Construction	7,170,063	7,664,439	494,376
Operating Margins - Current Year	9,770,647	9,983,373	212,726
Non-Operating Margins	205,576	204,709	(867)
Other Margins and Equities	537,987	627,606	89,619
Other Margins and Equities	252,044	258,764	6,720
Total Margins and Equities	\$18,049,182	\$18,855,036	\$805,854
Long-Term Debt			
Long-Term Debt - RUS	23,293,917	22,534,163	(759,754)
Central Vt. Memorial Civic Center	121,352	78,488	(42,864)
Long-Term Debt - Other	11,857,721	13,556,529	1,698,808
Total Long-Term Debt	\$35,272,990	\$36,169,180	\$896,190
Current Liabilities			
Notes Payable	316,827	0	(316,827)
Accounts Payable	696,469	1,076,567	380,098
Consumer Deposits	174,196	198,258	24,062
Other Current and Accrued Liabilities	608,580	600,933	(7,647)
Total Current and Accrued Liabilities	\$1,796,072	\$1,875,758	\$79,686
Deferred Credits	612,329	241,887	(370,442)
Total Liabilities and Other Credits	\$55,730,573	\$57,141,861	\$605,434

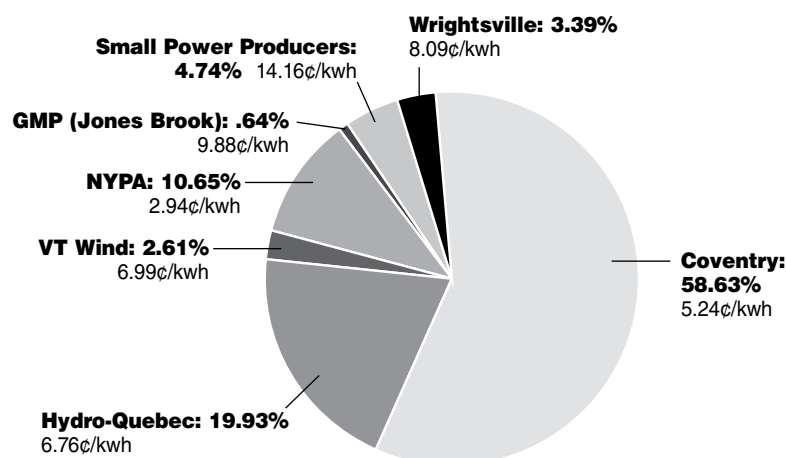
Statement of Operations

Item	Actual 12/31/10	Actual 12/31/11	Increase (Decrease)
Operating Revenue	\$14,540,934	\$14,847,197	\$306,263
Cost of Purchased Power	3,372,614	3,661,779	\$289,165
Cost of Generated Power - Wrightsville & Coventry	1,427,777	1,514,780	\$87,003
Total Cost of Power	\$4,800,391	\$5,176,559	\$376,168
Other Operation & Maintenance Expense			
Transmission Expense	29,916	46,039	16,123
Distribution Expense - Operation	1,390,659	1,503,620	112,961
Distribution Expense - Maintenance	1,567,991	1,607,948	39,957
Consumer Accounts Expense	753,380	783,681	30,301
Customer Service & Education	108,014	116,202	8,188
Administrative and General Expense	1,442,217	1,419,115	(23,102)
Total Other Operation and Maintenance Expense	\$5,292,177	\$5,476,605	\$184,428
Fixed Expenses			
Depreciation and Amortization Expense	2,197,625	2,141,681	(55,944)
Tax Expense - Property	209,525	201,635	(7,890)
Tax Expense - Other	127,172	139,605	12,433
Interest on Long-Term Debt	1,607,057	1,642,965	35,908
Interest Expense - Other	38,137	8,244	(29,893)
Other Deductions	63,274	(144,806)	(208,080)
Total Fixed Expenses	\$4,242,790	\$3,989,324	\$(253,466)
Total Cost of Electric Service	\$14,335,358	\$14,642,488	\$307,130
Operating Margins	205,576	204,709	\$(867)
Non-Operating Margins - Interest	519,853	591,837	71,984
Non-Operating Margins - Other	18,134	35,769	17,635
Extraordinary Item			
Net Margins	\$743,563	\$832,315	\$88,752
Times Interest Earned Ratio (TIER)	1.46	1.51	0.04

Where the Dollars Went



2011 Sources and Costs of Power

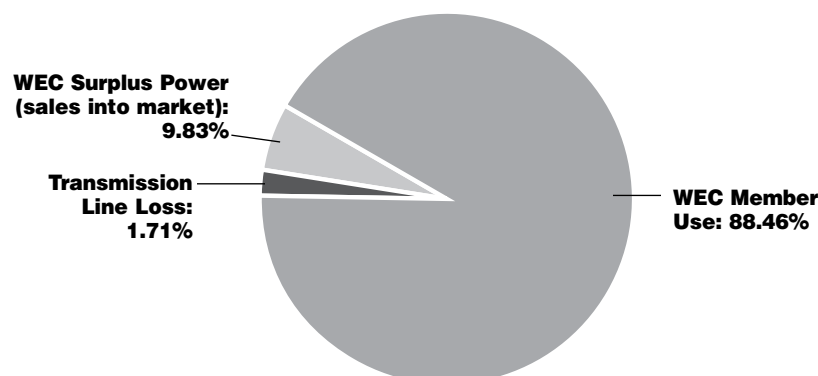


Notice

Members may vote at the Annual Meeting on May 24 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 Wednesday, May 23. 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.



2011 Energy Resource Allocation



President's Report

continued from page 6

increases look to be inevitable for the foreseeable future.

WEC Staff


It's easy for members to get in the habit of taking our Co-op employees for granted as the electricity flows to our homes and businesses without problem almost all the time – a cornerstone of modern living. But it's our staff that makes it happen, maintaining and improving the power system, restoring connections in terrible weather when storms cause outages, responding to members' concerns on the phone, and managing all the daily elements of our business. And they have been doing it under abnormal, often crowded and stressful working conditions for almost a year now while our office building is restored.

On behalf of the Board and our membership I want to say "THANK YOU, THANK YOU" to our General Manager, our Management Staff, our Member Services Representatives, our accounting and support staff, and our engineering and operations staff. Your work is truly appreciated.

Community Dinners, and our Co-op Members

Our annual fall member meetings were held in Moretown and Williamstown in 2011. Our hosts, who prepared excellent dinners, were the Moretown Fire Department Auxiliary and the Williamstown Middle/High School Class of 2013. WEC staff – General Manager Avram Patt, Products & Services Director Bill Powell, and Operations Director Dan Weston – gave an informative presentation on smart meters and their rollout in 2012/2013. They will be making a similar, and updated, presentation at our Annual Membership Meeting on May 24, which is well worth hearing!

Finally, in this Annual Message I like to thank our General Council, Josh Diamond (of Diamond & Robinson, P.C.); our power-supply and energy consultant, Patti Richards of La Capra Associates; Stantec; our auditing firm Mudgett Jennett & Krogh-Wisner PC; Will Lindner and Tim Newcomb, editor and graphic designer, respectively, of *Co-op Currents*; WEC Finance Director Cheryl Willette and her staff; Products & Services Director Bill Powell; Member Services Supervisor Susan Golden and her staff; and our Administrative Assistant Debbie Brown.

Please join us for Washington Electric Cooperative's 73rd Annual Meeting on May 24 – an opportunity for participation that is available only to members of an electric co-op. 

WEC's building renovations are nearly completed!

We will be holding an Open House to celebrate, so please stay tuned for further information.

WEC'S 73rd Annual Meeting Dinner Reservation

Deadline for reservations is Friday, May 11, 2012

Vegetarian Lasagna, Eggplant Parmesan, or Vermont Ham & Turkey Featuring Vermont Products

Please list all attendees (for name tag purposes) and be sure to indicate each attendee's dinner choice.

Name _____	Adult	Child	Vegetarian Lasagna	Eggplant Parmesan	Ham & Turkey
_____ Please Print	<input type="checkbox"/>	<input type="checkbox"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
_____ Please Print	<input type="checkbox"/>	<input type="checkbox"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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_____ Please Print	<input type="checkbox"/>	<input type="checkbox"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Mailing address: _____ Telephone #: _____

Account #: _____ OR Map #: _____

\$8 per adult/\$4 per child (under 12) Amount enclosed: \$ _____

Please make checks payable to WEC and return to PO Box 8, East Montpelier, VT 05651 by May 11.

A Bylaw Change On Your 2012 Ballot

WEC Must Comply With PSB Policy

In addition to the election of three members to the Board of Directors, Washington Electric Co-op members are being asked this year to vote on a proposed amendment to the Cooperative's bylaws. Your Board of Directors and WEC's management urge you to vote "yes" to approve this change. The change deals with how WEC accounts for "Contributions-in-Aid-of-Construction" (CIAC), the money that members pay for the construction of a new line extension, most often to connect a new home to our system. Co-op members who are building a new home that requires a line extension pay WEC for the cost of that construction, as is true for customers of all Vermont electric utilities.

A change in accounting for CIAC

For many years, Vermont's two electric cooperatives (WEC and Vermont Electric Co-op) were instructed by the Vermont Public Service Board to account for CIAC on our books in a different way than other utilities in Vermont and the rest of the nation do. This was because back in the late 1960s and early 1970s, both co-ops were experiencing significant financial problems and their equity levels had dropped to unacceptable levels. ("Equity" is the amount of WEC's accumulated margins above expenses that have not been returned to members through capital credit refunds.)

In 1973, the Public Service Board (PSB) issued an Accounting Order instructing both co-ops to count funds received for line extensions as equity, which is a departure from the Generally Accepted Accounting Principles used

Now that the PSB has rescinded the 1973 Accounting Order, our bylaws should state that we follow current PSB rules and regulations regarding contributions-in-aid-of-construction.

by other utilities. The effect of this Accounting Order was that WEC was able to rebuild its equity over time to an acceptable and stable level without undue rate impact

In 2010, the PSB opened a proceeding (Docket No. 7554) to consider whether WEC and VEC should continue to use this unusual accounting treatment. Although WEC's position was that a change was not needed, in February 2011 the PSB rescinded the 1973 Accounting Order and instructed both co-ops to treat CIAC in the same manner as other utilities do, with WEC's change to begin in 2013.

The proposed bylaw change simply removes existing language allowing the accounting that the PSB had previously authorized in 1973. Since the PSB has rescinded its previous directive, the bylaws would now simply state that WEC will account for line-extension payments in conformance with "...the current rules, regulations and applicable Orders of the Public Service Board."

What impact does this have on members?

With the passage of this bylaw amendment, WEC will need to maintain adequate equity levels based solely on revenue from electric rates and other sources, and will not count new

line-extension payments towards equity. This will have no immediate or direct impact on individual members, although it has some financial impact on WEC overall. The portion of WEC's total equity that is now attributed to past CIAC for line extensions will continue to be counted as part of the Co-op's equity. However, in 2013, this amount will be incorporated into the total amount of WEC's equity derived from energy patronage (rate revenue), rather than counted separately.

WEC will continue to pay capital credit refunds to members, as we have since 1998, subject to an annual financial determination and plan adopted by your Board of Directors.

Why is the bylaw amendment needed?

Because our accounting method for CIAC has been different from what is generally done at other utilities, we have had language in our bylaws specifically describing the method that the PSB authorized in 1973. Now that the PSB has rescinded the 1973 Accounting Order, our bylaws should state that we follow current PSB rules and regulations regarding contributions-in-aid-of-construction.

For these reasons, we ask members to vote "yes" and to approve this necessary bylaw change. Please mark the "Proposed Bylaw Amendment Ballot" and return it, following the voting instructions included in this mailing. (Or you may vote in person at the Annual Meeting on May 24th.)

If you have questions, contact General Manager Avram Patt (contact information on page 2).