

# WEC CO-OP CURRENTS

## Annual Meeting Will Feature Speaker From The Frontiers Of Renewable Energy

Washington Electric Cooperative will reprise an honored tradition on Tuesday, May 21, when it holds its 63rd Annual Membership Meeting at the Montpelier Elks Club, opening for registration at 5 p.m., with dinner served at 5:30 and the business meeting convening an hour later.

This year the event will be further enlivened by a guest speaker, Clint "Jito" Coleman, president of Northern Power Systems. Coleman's Waitsfield-based company designs and builds alternative energy systems that generate power for some of the most remote outposts of human existence on Earth. In fact, one Northern Power Systems (NPS) invention might someday leave the Earth. The company developed the North Wind 100/20 cold weather wind turbine for potential use as a power source on Mars, a design for which NPS won the prestigious R&D 100 Award in 2000.

Coleman was recently named Vermont's Small Business Person of the Year and will be honored by President George W. Bush at a ceremony in Washington, D.C., in May.

Coleman's appearance will be consistent not only with a theme of WEC's Annual Meeting, but of the Co-op's 63rd year in business, as well: Renewable energy, the "green" wave of the future. Washington Electric took a significant step toward that future in December 2001, when it signed a contract for electric power generated from methane at a landfill in Connecticut.

"We aren't the only utility working in this direction," said WEC General Manager Avram Patt. "The economics of renewable energy are improving, as are the technologies. At the same time, the

environmental disadvantages of other sources of energy are becoming a mainstream concern, even for people who don't subscribe to the belief that global warming is already an emergency situation; there's an uneasiness that 'something is going on.' And after September 11, security issues have become very real; people worry about our country's dependence on Mid-East oil.

"Alternative energy is where the world is going to go over the next 50 years," Patt said. "It's not just an incidental thing anymore. This is where people will get their power from."

For Coleman's customers all over the world, it's been going on for some time.

He will show slides depicting installations in far-flung parts of the world like Antarctica.

"He has done these presentations many times," said Patt. "I think people will really enjoy this."

### Come one, come all

All 9,000-plus Co-op members, from the rural reaches of 41 central Vermont towns, are invited to come to the Annual Meeting and bring their families.

While it's unlikely the turnout will even approach that number, those who do attend will be carrying on a tradition that goes back to the Co-op's founding in 1939. The Annual Meeting is their chance to hear presentations from the officers who do their business for them, as well as to gather socially, have a meal (don't forget to mail in your reservation coupon, found on page 8), maybe win a door prize, and talk about what their Co-op has been doing and plans to do in the future.



Clint "Jito" Coleman

### Inside

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

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

**Amendments would bring WEC's bylaws up to date** and in tune with Vermont statute. See explanation on page 8.



Time has passed our South Walden substation by. Voters hold the key to replacing it with a modern, more energy efficient facility. Page 5.

## WASHINGTON ELECTRIC COOPERATIVE, INC.

### 63<sup>rd</sup> Annual Membership Meeting

**Tuesday, May 21, 2002  
Montpelier Elks Lodge  
(East of Rtes. 2 & 302 Junction)**

### Agenda

- 5:00 p.m.** Registration— Ballot Boxes Declared Open
- 5:30 p.m.** Chicken and Meatless Mostaccioli Dinner Served (Reservations Required - Coupon on Page 8)
- 6:30 p.m.** Business Meeting Called to Order (Ballot Boxes Close at 7:00 p.m.)
  - Reports from Officers:  
President's Report, Treasurer's Report, Manager's Report
  - WEC's Future Power Supply:  
A presentation on renewable energy technology by Clint "Jito" Coleman, a pioneer in the field.
  - Employee Awards and Recognitions, Door Prizes
- 8:30 p.m.** Adjournment

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

*continued on page 8*

## Official Notice and Annual Report

## President's Report

*In The Shadow of Enron And September 11*

# Putting Things In Perspective After A Difficult 2001

By Barry Bernstein

2001 proved to be another full and active year for Washington Electric Co-op's Board of Directors and employees. The year began with the Co-op's implementation of levelized rates, eliminating the winter/summer cost differential for electricity used by our members. That spelled a decrease in the Co-op's revenues during wintertime, when rates under the old structure had been higher. Then, shortly into the year, the winter storms set in, leading to one of the snowiest winters in decades. As for WEC, our 2001 storm-related costs were the highest in our 63-year history.

This was followed by another weather

extreme. After those first months of heavy snowstorms, 2001 became one of the driest years in Vermont's history. On average, temperatures were higher, too, which translated into WEC members using less electricity than usual. The combined effect of these occurrences left the Board and staff to contend with a decrease in revenues at the same time that our expenses were abnormally high.



We were able to meet our financial goals by "deferring" some of the major storm expenses over the next two years – that is, by spreading those costs forward into our

2003 and 2004 budgets (see *Treasurer's Report, page 6*). While the first quarter of 2002 has continued to bring lower-than-expected sales of electricity, the

decreased revenues for the Co-op should be more than offset by the savings we will realize by replacing our Vermont Yankee power with less-expensive power generated from methane in Connecticut.

Power issues remained at the forefront for WEC.

Fortunately, with the resolution of issues regarding our two major power sources – i.e. Hydro Quebec (the settlement of a lawsuit between HQ and the Vermont utilities that buy power from the Canadian company), and Vermont Yankee (sale of our stock in the nuclear plant, and the early termination of our purchased-power agreement) – we can now direct our attention in 2002 toward securing long-term power that is renewable, economical and will provide our members stable prices over time.

The three-year methane gas contract for 2.25 to 3 megawatts of power that began on December 6, 2001 – with an option for a fourth year at third-year costs, if the power remains available – will provide us a bridge as we work on a more long-term replacement.

Finally, another significant issue for the Board and staff arose when a group of office employees chose in September to join the IBEW, the union that already represents our line workers. Their decision met with no resistance from the Board or management, but it did bring about a situation where a group of dedicated employees and WEC's Board of Directors, which has a fiduciary responsibility to our 9,400 Co-op members, had to negotiate a "first" union contract, which is often more difficult than renewing an existing contract.

The negotiations have not yet been concluded. However, we are confident that in the end we will reach a balanced agreement that will be respectful of the employees and their needs, while also keeping in perspective the impact of costs upon our members.

### National and international events

The year also saw the bankruptcy filing by Enron. Although WEC was not directly affected, the future impact of this event on the power market is still

unknown.

What is certain is that the concerns your Board raised in regard to electric restructuring/deregulation and its potential for significant, negative impact on residential and smaller commercial/industrial ratepayers, were justified. That is exactly

***I try to remember that no matter how serious things may seem, we are very fortunate to be living in central Vermont.***

what has occurred in many states that took the restructuring path. As a result of concentration of control by Enron and other major players, rate payers in California and other states saw their rates go up significantly.

Pennsylvania, which was held up as the poster state for success in restructuring, recently reported that retail choice for residential consumers basically has failed to materialize. The large power marketers have chosen not to enter the residential market. Hopefully, Vermont will benefit from the lessons provided by deregulation where it has been tried.

September 11 sent a shock wave throughout America. It is difficult to know how long the economy will be affected. Prior to 9/11, a slowdown with significant job losses already was taking place. Fortunately, Vermont's economy often does not experience the extremes that play out in other parts of the country, but we all will be keeping a wary eye on our state's economy over the rest of this year. The events in the Middle East also will have at least a short-term effect on wholesale power prices.

This past year was fully packed at WEC, and it was often trying for both your Board of Directors and the employees who serve you. In 2002, WEC will continue to face new challenges and opportunities. As we confront them, we must try to keep things in perspective. The lessons and the emotional experiences of September 11 stay with us all. I try to remember that no matter how serious things may seem, we are very fortunate to be living in central Vermont.

In closing I again want to thank the members of Washington Electric Cooperative's Board of Directors and all of WEC's valued employees for their work, and for the commitment they have demonstrated to our Co-op over this past year.

## Co-op Currents

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

## Manager's Report

# 'Weathering' Financial Challenges, Breaking New Ground

By Avram Patt

While this past year was a very exciting one for Washington Electric Co-op, it was in some ways also a difficult and challenging one.

### Power Supply and Renewable Energy

As I look back on the past year and also look ahead, our Co-op's power supply continues to be the dominant new issue we are dealing with now. Our 1,250 miles of poles and wires do none of us any good without the electricity that we purchase or generate to deliver over those lines. It is half of our annual budget, and the decisions we have been faced with concerning our (former) Vermont Yankee nuclear supply and the need to replace it have been the most significant power-supply decisions the Co-op has faced in years.

It is significant, first, because since the early 1970s Vermont Yankee represented a third of our total supply. And it is significant because we are putting a lot of work into finding long-term supply sources to replace Vermont Yankee and also to meet other future needs.

As we have reported in these pages, we are hoping to meet our future supply needs from renewable sources, and we think we will be able to do that at costs that are both economical and relatively stable. We are breaking new ground, and we have had some false starts as well as some very hopeful prospects in our work. While the landfill methane contract we recently reported on will only last for a few years, at least for the time being we believe that WEC may have the greatest percentage of renewable energy in its supply mix of any utility in the country.

We hope it is just the start.

### Improvements to our system

Day in and day out, we continue to work on those 1,250 miles of poles and wires even as we add a few more miles each year. Our goal is always to improve reliability, to find and fix trouble spots before they cause problems. Whether it is moving lines, replacing or upgrading equipment, or maintaining our rights-of-

way, our focus is to keep the lights on and to improve our reliability.

Our data show that we are making progress. We did suffer in our reliability track record in 2001 because of the relentless series of winter storms early in the year. Overall, however, our outage statistics reveal that on an ongoing basis WEC members experience fewer outages, and when outages do occur we are getting power restored more quickly than in years past.

Last year, we completed construction of a new Moretown substation that replaced an old structure which had reached the end of its useful life. While larger-scale projects like this must be undertaken from time to time, this one was particularly significant because we did most of the work ourselves. Once the engineering, regulatory approval and site-preparation work were done, WEC employees built the new substation from the ground up.

This was an important accomplishment. It helped lower the cost of the project, and the substation was built by people who truly care how well the new facility will work for years to come.

The experience will also serve us well as we replace other substations, which is part of our construction work plans. At this year's Annual Meeting we are asking Co-op members to approve the replacement of our South Walden substation. The proposed project has just received a Certificate of Public Good from the Public Service Board as I write this, and with your approval we will move forward on this important project to improve service to many members in the northern part of our territory.

### A tight year

As Don Douglas notes in his Treasurer's Report, 2001 was a difficult year for the Co-op financially. It started with the worst series of storms in the WEC's history, costing us more than \$300,000, six times our annual budget for major storms.

Despite that damage, it looked like we would finish the year just barely meeting our lenders' financial requirements. But in the last few months of 2001 (and in the first few months of 2002), our revenue declined below our expectations, due to

our members using less electricity than projected. Since other utilities in the region have also experienced this, I believe the primary reason is the unusually warm winter. This will be something we must continue to watch closely.

Because of the storm costs we had to make certain accounting adjustments in order to meet our lenders' requirements, which put additional financial pressure on us in 2002 and 2003.

While it was a tight year, overall, we are about where our financial forecasts indicated we would be at this time. The main, positive, thing that has worked for us is the end of our Vermont Yankee supply, and its replacement at lower cost. When we first started looking at replacing Vermont Yankee a few years ago, our power-supply consultant predicted that this would be the case. Because of the settlement with Vermont Yankee reported in recent issues of *Co-op Currents*, we ended up terminating our Yankee supply several months earlier than planned.

### Union Negotiations

WEC's operations employees have been represented by Local 300 of the International Brotherhood of Electrical Workers for a great many years. Last summer we reported that eight office employees had petitioned to join the Local 300 bargaining unit. After some discussions as to which employees would be eligible to join, WEC recognized all eight employees as members of the bargaining unit, without the need for them to hold a formal union election.

Since that time, representatives of the union and management have been negotiating the terms for integrating these eight employees into the union contract. The principle issues have been compensation levels and pay structure.

WEC strongly respects the right of employees to choose to be represented by a union. We also believe that employees who work for the Co-op should be compensated fairly, in wages and benefits, for the vital work they do. As of this writing (April 14), an agreement has not yet been reached.

### New Products and Services

Over the last few years, WEC has begun offering some new products and services to our members. You can find information about these in the recently enhanced "Co-op Store" sections of our website and this newsletter, or by calling

the Co-op office. We offer a line of superior power-quality devices (surge suppressors and uninterruptible power supply units for computers), carbon monoxide detectors, and an extensive line of high-efficiency bulbs and fixtures.

We are also pleased to offer all WEC members the opportunity to join another cooperative, the Vermont State Employees Credit Union, which offers specialized loans for energy-efficiency improvements in addition to all of their other financial services.

Most recently we finalized an agreement with Vermont Link, a locally owned Internet service provider, which WEC members who use dial-up Internet access will find of interest. WEC members can now get unlimited access for only \$17.95/month — \$2 below Vermont Link's normal retail price and \$3 or more below what most other Internet service providers are charging.

While our core purpose will always be to provide you with reliable electric energy, we are pleased to be able to offer additional products and services like these, which we have researched and believe that you will find of value.

### In closing...

Managing the Co-op requires looking at things from both a short-term and a long-term perspective, every day. In the short term, we have had some financial challenges caused primarily by climatological forces beyond our control.

Yet I believe that we have achieved a degree of financial stability and predictability that will stand us in good stead for the future. This does not mean that the road ahead won't have surprises, or that rate increases will not be necessary from time to time. The cost, per member, of operating our rural system will continue to present a challenge. Our job is to both control those costs and bring you the most reliable service possible for the money.

What excites me the most is where I believe we are heading. We want Washington Electric Co-op to be a great "poles and wires" company. As we look ahead, I hope to be able to report that the electricity coming to you over those poles and wires is coming more and more from renewable-generation sources, and less and less from sources that cause major harm to the world we live in.



## Position Statements of the 2002 Candidates for the Co-op Board of Trustees

### The Questions

**F**our seats are up for election on the Cooperative's nine-member Board of Directors this year. Three of those seats are for full, three-year terms. The candidate who wins the fourth seat will serve on the Board for one year, filling out the unexpired term of a director who retired in November 2001. The three candidates who receive the most votes will serve the three-year terms.

In ballots cast at the Annual Meeting on May 21, and in mailed ballots cast before the meeting, members can vote for any or all of the four candidates who appear on these pages. Ballots will also provide spaces for voters to write in the names of up to three alternative candidates.

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.

experiences that you would like members to know about.

#### 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)

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

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

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

#### 2. Please briefly describe your background – for example, your education, occupation and/or other

### Wendell Cilley

1. I have lived in West Topsham and have been a Washington Electric Cooperative member for the past 20 years. My Co-op membership is listed under Topsham and my address is 5 Warsley Road, West Topsham, VT 05086. I can be reached by phone at 439-6138, and by email at [cilley@sover.net](mailto:cilley@sover.net).



companies.

2. I graduated from the University of Vermont with a bachelor's degree in industrial arts education and left soon after to travel and work in Australia and New Zealand. I started working with adults with developmental disabilities in Australia and have worked in human services in Australia, New Zealand and in Vermont. I am currently employed by Upper Valley Services in Bradford, where I have worked for the past 20 years in positions ranging from supervision of a yard crew to service coordination. In my current position as case manager, I supervise hourly support staff, monitor contracted home providers for our clients, and work with families, guardians, school personnel and employers to assure that the services we provide to individuals with disabilities are current, flexible and efficient. In my work, I spend much of my time traveling throughout the WEC service area – particularly Orange, Washington and Caledonia counties – talking with people in their homes and focusing on ways to improve services and supports to individuals by working cooperatively. Also, for the past 15 years I have owned and operated a small pallet manufacturing company producing custom pallets and skids for food service equipment and furniture

3. I am seeking a fourth term on the WEC Board of Directors because I feel I can continue to represent the interests of the members. During the time I have served on the Board I have come to appreciate many of the ways in which WEC can make an impact on the quality of its members' lives. I have supported and would continue to support ways to minimize the financial impact the Co-op has on members. While WEC's rates remain high, the Board continues to seek ways to provide reliable, high-quality power that puts the minimum financial burden on its member/owners. It is particularly exciting to be able to support ways to keep the cost of power affordable and to have renewable power sources constitute a substantial portion of our purchased power portfolio. I feel that one of the most important of a director's many duties is to listen. I would continue to bring to the Co-op Board a keen ear and a reasoned response.

4. While there will continue to be new issues that WEC will have to face in the future, the focus for the near future should remain on doing the core business of the Co-op better. Affordable, reliable, quality power that has a minimum negative environmental impact both in its generation and distribution should continue to be the end goal of what we do. Balancing the ability of the Co-op to use renewable power sources with availability and cost will become more important. The Board and management will need to continue to struggle with ways to keep members interested and committed to WEC. As more and younger people join the Co-op, the need to find ways to engage them in cooperative activities will grow. The Co-op will need to look for more ways to help members with their total energy needs.

5. I would like to thank the members for their support and participation.

### Donald Douglas

1. I live in East Orange with my wife, Fran, and our youngest son, Jon. We also have two children away at college. We bought our house in East Orange in 1981. I can be reached at 439-5364. My mailing address is 21 Douglas Rd, East Orange, VT 05086. I would be happy to talk with any member about the Co-op.



2. I am employed by the US Postal Service. I have been a rural letter carrier for the past 18 years. I also serve as an assistant state steward for the Rural Carriers' Association. Before joining the Postal Service I worked in a wide variety of jobs, ranging from running a scanning electron microscope to teaching high school, working with special-needs children and farming. I have a BA in history from Washington University and an MA from the University of Texas. I have been an active member in my community since moving here in 1981. For several years I was involved with the Central Vermont Refugee Assistance Program. I was also a member of the Vermont State Soccer Officials' Association. For 14 years I was a volunteer fireman with the Tri-Village Dept. I was vice-president of the Board of Directors for the Orange County Court Diversion program. Because of the time requirements necessary to serve on the Co-op Board, my involvement with other organizations has been nearly eliminated.

3. I would like to be re-elected to a seat on the board. I have been on the Board for four years and I have the time to devote to the position. I believe we are moving in the right direction. The Board members work well together. The past two years I have been serving as treasurer, focusing on our finances. I am also interested in power contracts, reliability, relations with the members, promoting the idea of co-ops, and communicating our interests to the Legislature.


4. We need to establish some long-term power contracts to replace Vermont Yankee. We have an opportunity to provide WEC with stable rates for 20 years. My hope is that we can become owners of an environmentally friendly, affordable source of electricity. Our power requirements, our ability to borrow at a reduced rate and the relatively high cost of the previous nuclear power contract position us to move to green power and lock-in the savings for the future. Although deregulation seems like a dead duck right now, with Enron in the news and the California energy crisis, my guess is that this issue will not die. The reason is that there is just too much money to be made. Those interests are not going away and we need to make sure that our views are heard in Montpelier. My goal is to provide clean energy to our members at an affordable cost. Our rates are high and I cannot believe that they will go down. However, we can continue to help members lower their consumption and save money on their monthly bills. We can also make wise power purchases and continue to operate our business with modest increases in our rates. We are a co-op because no one wanted to bring power to rural Vermont, so we had to do it ourselves. It is expensive to maintain nearly 1,300 miles of poles and wires. The calculations are complex

## Candidates

continued from page 4

because we must balance our commitment to provide electricity to the members, regardless of the weather, with our desire to hold down the costs associated with providing that service.

### Charles E. "Bud" Haas

1. I have lived on South Road in Bradford since 1972, having been a Co-op member since 1971. My membership is listed in the Town of Bradford. I may be reached by phone at home, at 439-5397, or by mail at 4733 South Road, Bradford, VT 05033. 
2. I am employed as a clerk for the Orange East Supervisory Union. I opened the South End Market in Bradford in 1981 and operated the store until selling the business in 2000. From 1973 through 1979, I served as the Orange County manager for Central Vermont Community Action, and served as the relief postmaster in Vershire from 1979 to 1981. In Bradford, I have served as a town auditor, as a trustee of the Bradford Academy and Graded School District, and as a justice of the peace and member of the Bradford Board of Civil Authority. I was a charter member of the Bradford Community Development Corporation, and a literacy tutor for Central Vermont Adult Basic Education. Currently I am a trustee of the Bradford Public Library and secretary of the Vermont Bicycle and Pedestrian Coalition, an advocacy organization. I graduated from the US Coast Guard Academy in 1963, received a Masters Degree in Management from the Naval Postgraduate School, Monterey, in 1969, and received a Certificate in Paralegal Studies from Woodbury College in 1980.
3. I am seeking reelection to the Co-op Board in order to continue to support the direction the Co-op is heading in: tight fiscal management, prudent purchase of energy, effective energy conservation, and appropriate long-term planning as we move into the 21st century as a strong member-owned energy utility. A good director must be willing to ask hard questions, and in a

mostly regulated, not-for-profit business, continually represent the long term interests of the member/owner/ratepayers.

4. The important issues that the Co-op must face in the next few years are:
  - a) Making sure that the Co-op pays attention to an energy-supply world increasingly owned by large multinational corporations;
  - b) Seizing opportunities to harness local, clean, alternative-energy sources;
  - c) Continuing to encourage a reduction in the use of energy through the use of modern efficiencies;
  - d) Capitalizing on the Co-op's assets and expertise to beneficially expand the Co-op's business, in an environmentally sound manner;
  - e) Making sure that the Right-of-Way Environment Management Program works;
  - f) Continuing strong financial planning, adequately maintaining plant, keeping borrowing costs low and rates fair, and continuing to return patronage capital to members.
5. Unlike many aspects of our civilized existence today, as owner-members of our electric company we do "have a say" in the supply and price of our energy services. If we don't pay

attention, and participate, we stand to lose that little bit of control we have over our lives.

### Richard Rubin

1. I live on East Hill Road in Plainfield and have been a Co-op member since 1973. I can be reached at 3496 East Hill Road, Plainfield, Vermont 05667, or by phone at 454-8542. 
2. I am 57 years old, married, with three kids. I grew up in the Boston area and moved to Vermont in 1972. I have practiced law in Barre for 25 years, and our office handles the public defender cases for Washington County. I was a member of the Twinfield School Board for five years and now serve on the boards of Vermont Legal Aid and the Vermont Trial Lawyers Association. I am completing my first three-year term on the Co-op Board. I also was involved with my brother Mathew Rubin in the development of the Wrightsville and Winooski 8 (in East Montpelier) hydro-

electric facilities.

3. I have enjoyed my three years on the Co-op Board and would like to serve another term. I feel I have just begun to understand how things work. I believe strongly in cooperatives and am interested in making our cooperative stronger. I feel I can ask the hard questions.
4. Our high rates are of great concern to me. We have the highest cost of power in the state, in large part because of the lack of commercial and industrial customers and the low number of members per mile of line. We will be making long-term commitments for power over the next few years, and I would like to do what I can to ensure that we make the best decisions. I was very pleased that we got ourselves out from under Vermont Yankee, and believe we will be able to replace that power source at lower cost. I am also very interested in seeing the Co-op expand into other areas, such as propane and fuel oil. I feel we have been slow to develop those opportunities for our members.
5. I hope the members will see fit to have me serve another term.

## Co-op Requests Voters' Support For New South Walden Substation

**T**his year Co-op members are being asked to vote on a construction proposal to replace Washington Electric's outdated South Walden substation.

If this sounds familiar, it's because WEC came to the members two years ago with a similar request. The Co-op needed voter support for building a new substation in Moretown. The project was approved, and last spring WEC constructed the new facility, using its own line staff and operations employees.

Now it's South Walden's turn, where the Co-op's existing substation is substandard. Replacing it with a new facility, to be erected 500 feet from the present site, will improve electric service to Co-op members in South Walden, Cabot, Wheelock, Stannard, West Dan-ville, Woodbury and parts of East Calais.

In all, some 1,400 Co-op members would see electrical quality and reliability improved by the project.

"Our other goal, besides obtaining efficiency improvements and enhancing our

capacity for growth, is to improve safety for our workers," said Engineering and Operations Director Dan Weston.

After design work by Dufresne & Henry and site preparation by local contractors, WEC's staff will take over.

"Performing the construction enables our crews to build the facilities to their liking, in terms of work spaces and the placement of equipment. It familiarizes people with an environment where they may have to work later under very stressful circumstances," said Weston.

By building its own substations, the Co-op also reduces the costs of the projects. Eventually, with the voters' continued support, most of WEC's substations will need to be replaced with more modern, energy-efficient and safer facilities.

### Members have final word

WEC has now secured the "Certificate of Public Good" from the Vermont Public Service Board that is necessary before a utility construction project can go forward. The property has been purchased and

the money for construction costs is in hand. Building the substation will not cause a rate increase because the funds were included in a low-interest federal loan from the Rural Utilities Service covering WEC's current four-year work plan. Repayments on that 35-year loan are already structured into WEC's budget.

Nevertheless, Vermont law requires that WEC put the project to a membership vote. The statute ensures that the member-owners of electric cooperatives are consulted on significant construction and spending projects, even in this situation where the project will not affect rates.

"Although the members in a particular part of our service territory are the ones who benefit most directly when we upgrade our local equipment and facilities," said WEC General Manager Avram Patt, "reducing outages and gaining efficiencies in any area improves the service we can provide everywhere on the system, and lowers our operating costs as well."

## Treasurer's Report

### A Time Of Constant Adjustments

# Costs Were Up, But Revenues Down, In 2001

By Donald Douglas, Treasurer

Washington Electric Cooperative ended the year with \$367,020 in margins, which represented a TIER (times interest earned ratio) of 1.42. We are required to maintain a minimum TIER of 1.25 by the Rural Utilities Service (RUS).

2001 was a challenging year for WEC. The succession of storms from late January until spring caused several widespread outages, which resulted in storm costs exceeding our budget by \$250,000.

In the previous year, 2000, we experienced unusual growth in power sales to our members. That growth contributed to the healthy margins earned in that year. In 2001, we were surprised to see a drastic decline in residential kilowatt-hour (kWh) use. We continued to add new members at nearly the same rate as the previous year, but our revenue from the sale of electricity did not meet our expectations. Anticipating that this trend in lower kWh sales will continue in 2002, we have projected only a very modest increase in revenue in the budget for this year.

WEC continued its program for annual



distribution of capital credits to members. In 2001, we returned \$100,000 to people who received electric service from WEC in 2000, and approximately another \$100,000 to members who had received electric service in 1982. Capital credit retirement is reviewed each year by the Board.

#### Revenue

Revenue in 2001 declined by \$60,000. We believe the biggest reason was the unseasonably warm weather we experienced late into the year. Temperatures averaged 15-20 percent warmer than normal. While we cannot always predict the power needs of the members, we can adjust to the changing marketplace. Lower electric use results in smaller electric bills for the members, and we are certainly happy about that.

#### Power Costs

Purchased power represents the largest portion of our budget. Our cost of purchased power declined by about \$130,000 from the previous year. This was in part due to the decline in sales; we did not need to buy as much electricity to deliver to the members.

Another reason for the decline in our cost was that we made good choices for spot market power, which accounts for about 8 percent of our power portfolio.

#### Operations & Maintenance

Mother Nature is clearly in control. We can anticipate and plan, but in the end we can only respond to the weather conditions. 2001 was a difficult winter for everyone at Washington Electric. The linemen spent many hours trying to restore power under very difficult conditions. We deferred \$200,000 over the

***In 2000 we had experienced unusual growth in power sales, which contributed to the healthy margins earned in that year. In 2001, we were surprised to see a drastic decline in residential kilowatt-hour use.***

next two years to help pay for the costs associated with those storms.

The Moretown replacement substation was energized in July last year. There were 172 new connections in the Co-op's service area, 65 of which required a line crew to set two or more poles. We are currently adding roughly six miles of line to our system each year.

#### Consumer Accounts & Customer Service Expense

This area increased by about \$14,000 over our expenses in 2000. This represents 9 percent of the total dollars spent in 2001, which is the same percentage of the total dollars spent in the previous year.

#### Administrative & General

This area increased by about \$33,000 over 2000. Administration and General continues to represent 7 percent of the total dollars spent.

#### Depreciation & Amortization

Again, in this category, this year showed a modest increase over the previous year. This is due to the continued growth in capitalized plant. The WEC 2001-2004 construction work plan anticipates spending approximately \$1,250,000 for plant investment per year.

#### Taxes

Taxes declined by almost \$6,000. This is a gross revenue tax and is based on the sale of electricity. Because we sold less electricity compared to the previous year, we paid a smaller tax.

#### Interest on Long-Term Debt.

This area decreased by about \$12,000. We were projecting continued modest growth here, due to new advances of construction loan funds. That projected modest increase was offset by a reduction in interest rates for WEC's variable rate mortgage notes.

#### Total Cost of Service

The cost of service increased by about \$197,000 over the previous year. While the cost of purchased power declined and our fixed costs remained fairly stable, our maintenance expenses soared.

In closing, I and the other members of the Board of Directors want to express our thanks and appreciation to the Co-op's accounting staff, who have once again provided accurate and reliable financial information.

### Administration and General

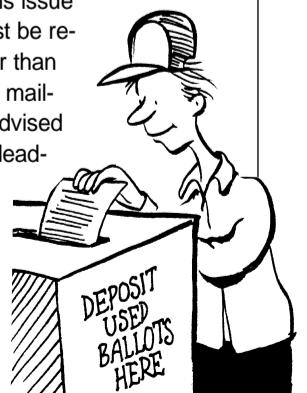
	2000	2001	Increase (Decrease)
Salaries (inc. benefit & ins. allocation)	\$335,887	\$403,648	\$67,761
Office Supplies & Expenses	68,297	37,667	(30,630)
Outside Services	57,895	70,883	12,988
*Insurance Expense	29,764	30,605	841
Employee Training	28,275	13,807	(14,468)
Union Negotiations	0	14,620	14,620
Regulatory Commission Expense	37,382	11,257	(26,125)
Own Power Usage	(16,898)	(17,042)	(144)
Annual Meeting Usage	19,260	21,192	1,932
Cooperative Alliances	3,120	931	(2,189)
Outside Meetings	6,230	16,407	10,177
Property Tax Reappraisal	15,484	23,851	8,367
Trustee Expense	35,232	26,629	(8,603)
Dues to Organizations	17,567	19,381	1,814
Miscellaneous	369	1,700	1,331
Maintenance of WEC Bldgs.	58,887	55,097	(3,790)
<b>Total</b>	<b>\$696,751</b>	<b>\$730,633</b>	<b>\$33,882</b>

(\*A portion of insurance expense is allocated elsewhere.)

The audited financial statement of Washington Electric Cooperative for the year ending December 31, 2001, is available upon request at the Cooperative's office on Route 14 in East Montpelier. Contact the Co-op at 223-5245.

### Notice

Members may vote at the Annual Meeting on May 21 or by ballots accompanying this issue of *Co-op Currents*. Mailed ballots must be received at the Barre Post Office no later than 3 p.m. on Monday, May 20. Members mailing their ballots from out of state are advised to mail them several days before the deadline to be sure that their ballots will qualify. Local members, too, are encouraged to allow a few days for postal delivery. Anyone with questions about voting or deadlines can call Denise Jacques at the Co-op.



## Balance Sheet

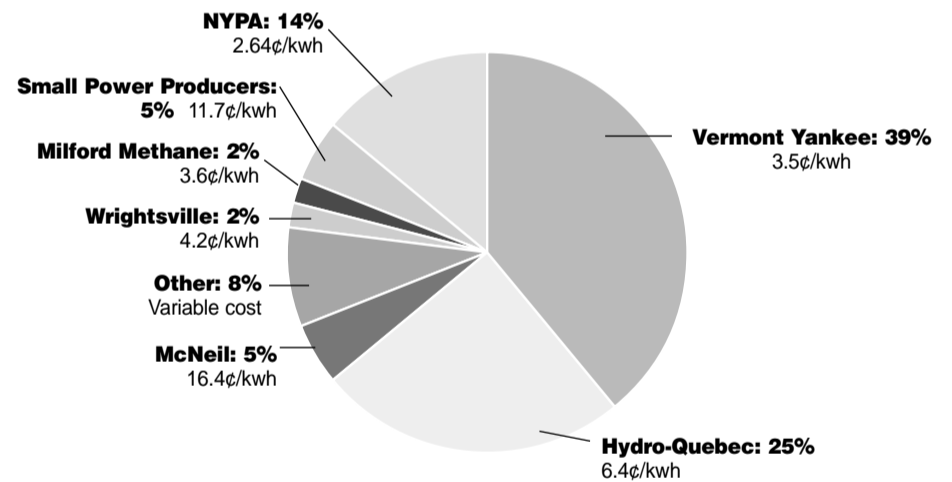
Assets and Other Debits			
	12/31/00	12/31/01	Increase (Decrease)
<b>Utility Plant</b>			
Total Utility Plant in Service	\$33,677,236	\$35,402,480	\$1,725,244
Construction Work in Progress	<u>748,964</u>	<u>548,024</u>	<u>(200,940)</u>
Total Utility Plant	34,426,200	35,950,504	1,524,304
Accum. Provision for Depreciation	<u>9,929,409</u>	<u>10,445,111</u>	<u>515,702</u>
Net Utility Plant	\$24,496,791	\$25,505,393	\$1,008,602
<b>Other Property and Investment - At Cost</b>			
Invest. in Assoc. Org. - Patronage Capital	116,445	119,427	2,982
Invest. In Assoc. Org. - Cent. Vt. Mem. Civic Center	546,420	503,556	(42,864)
Invest. in Assoc. Org. - Other	544,380	493,003	(51,377)
Other Investments	<u>335,125</u>	<u>342,674</u>	<u>7,549</u>
Total Other Property and Investments	\$1,542,370	\$1,458,660	\$(83,710)
<b>Current Assets</b>			
Cash - General Funds	162,988	255,615	92,627
Temporary Investments	244,774	209,912	(34,862)
Notes Receivable - Net	104,304	81,095	(23,209)
Accounts Receivable - Net	1,908,819	1,597,937	(310,882)
Materials and Supplies	171,437	173,486	2,049
Prepayments	<u>27,469</u>	<u>45,434</u>	<u>17,965</u>
Total Current and Accrued Assets	2,619,791	2,363,479	(256,312)
Deferred Debits	<u>1,448,671</u>	<u>1,603,065</u>	<u>154,394</u>
<b>Total Assets and Other Debits</b>	<b>\$30,107,623</b>	<b>\$30,930,597</b>	<b>\$822,974</b>
Number of Consumers	9,277	9,400	123
kWh Sold	60,864,758	60,160,878	(703,880)

Liabilities and Other Credits			
	12/31/00	12/31/01	Increase (Decrease)
Memberships	\$73,000	\$74,815	\$1,815
Patronage Capital Credits	5,232,020	5,522,397	290,377
Contributions-in-Aid-of-Construction	6,020,143	6,337,494	317,351
Operating Margins - Prior Years	0	0	0
Operating Margins - Current Year	380,303	129,042	(251,261)
Non-Operating Margins	97,434	237,978	140,544
Other Margins and Equities	<u>151,369</u>	<u>157,283</u>	<u>5,914</u>
<b>Total Margins and Equities</b>	<b>\$11,954,269</b>	<b>\$12,459,009</b>	<b>\$504,740</b>
<b>Long-Term Debt</b>			
Long-Term Debt - RUS	12,497,051	13,261,284	764,233
Central Vt. Memorial Civic Center	549,992	507,128	(42,864)
Long-Term Debt - Other	<u>3,898,508</u>	<u>3,756,128</u>	<u>(142,380)</u>
<b>Total Long-Term Debt</b>	<b>\$16,945,551</b>	<b>\$17,524,540</b>	<b>\$578,989</b>
<b>Current Liabilities</b>			
Notes Payable	0	0	0
Accounts Payable	805,405	521,828	(283,577)
Consumer Deposits	109,700	113,447	3,747
Other Current and Accrued Liabilities	260,213	288,944	28,731
Total Current and Accrued Liabilities	1,175,318	924,219	(251,099)
Deferred Credits	<u>32,485</u>	<u>22,829</u>	<u>(9,656)</u>
<b>Total Liabilities and Other Credits</b>	<b>\$30,107,623</b>	<b>\$30,930,597</b>	<b>\$822,974</b>

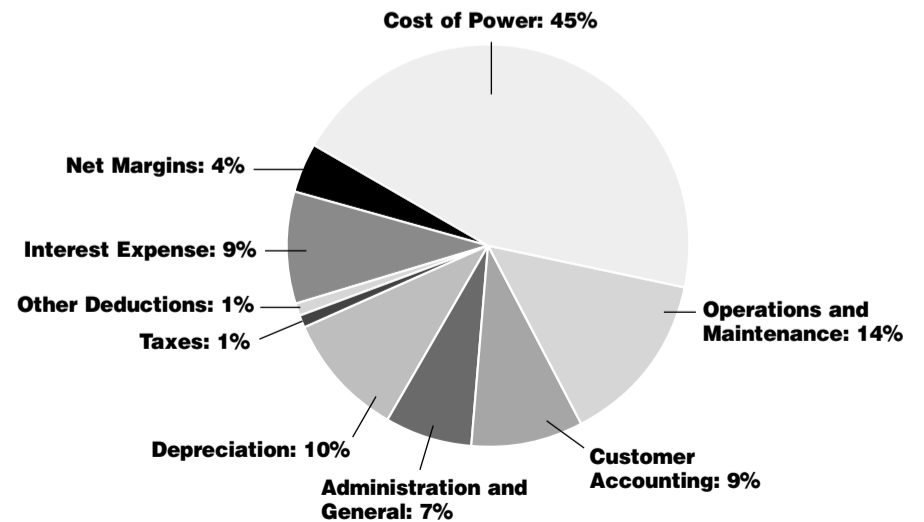
## Statement of Operations

Item	Actual 12/31/00	Actual 12/31/01	Increase (Decrease)
Operating Revenue	\$9,801,652	\$9,740,966	\$(60,686)
Cost of Purchased Power	4,600,127	4,458,504	(141,623)
Cost of Generated Power - Wrightsville	44,595	50,271	5,676
<b>Total Cost of Power</b>	<b>\$4,644,722</b>	<b>\$4,508,775</b>	<b>\$(135,947)</b>
<b>Other Operation &amp; Maintenance Expense</b>			
Transmission Expense	10,134	18,661	8,527
Distribution Expense - Operation	511,120	593,631	82,511
Distribution Expense - Maintenance	691,300	843,505	152,205
Consumer Accounts Expense	471,649	504,009	32,360
Customer Service & Education	367,880	349,338	(18,542)
Administrative and General Expense	696,751	730,633	33,882
<b>Total Other Operation &amp; Maintenance Expense</b>	<b>\$2,748,834</b>	<b>\$3,039,777</b>	<b>\$290,943</b>
<b>Fixed Expenses</b>			
Depreciation and Amortization Expense	990,856	1,006,885	16,029
Tax Expense - Property	31,450	27,475	(3,975)
Tax Expense - Other	97,304	95,517	(1,787)
Interest on Long-Term Debt	883,943	871,966	(11,977)
Interest Expense - Other	5,307	15,718	10,411
Other Deductions	42,792	75,841	33,049
Total Fixed Expenses	<u>\$2,051,652</u>	<u>\$2,093,402</u>	<u>\$41,750</u>
Total Cost of Electric Service	<u>\$9,445,208</u>	<u>\$9,641,954</u>	<u>\$196,746</u>
Operating Margins	356,444	99,012	(257,432)
Non-Operating Margins - Interest	99,180	84,518	(14,662)
Non-Operating Margins - Other	22,113	195,490	173,377
Extraordinary Item	0	(12,000)	(12,000)
Net Margins	\$477,737	\$367,020	\$(110,717)
Times Interest Earned Ratio (TIER)	1.54	1.42	

## 2000 Sources and Costs of Power



## Where the Dollars Went



# Amendments Would Bring WEC Bylaws, VT Statute Into Line

Picking up where WEC left off a year ago, when the members approved a set of changes to WEC's bylaws by a vote of 913-69, this year the Board of Directors has proposed a second set of revisions. Largely, these amendments are designed to complete what was begun in 2001—that is, to bring WEC's bylaws into conformance with changes to Vermont's state law governing electric cooperatives. The Legislature revised the law in 2000, allowing consumer-owned electric utilities to provide a wider array of customer services, as investor-owned utilities had always been permitted to do.

This year's amendments fall into two categories (the second category is unrelated to the statute change):

- clarifying when the Board of Directors must submit potential financial transactions to the membership for a vote;
- defining conflicts of interest for Board members.

You can refer to the accompanying voting materials, where you will find copies of the relevant sections of the bylaws with the current language and the proposed new language visible for comparison.

## Members and mortgages

Financial transactions, and the members' involvement in them, are addressed in Article IX of the bylaws, pertaining to "Disposition of Property." At issue is the question of which transactions the Board of Directors is authorized to conclude on its own and which potential transactions would require a vote of the membership.

These considerations pertain to loans large enough to require a mortgage lien on WEC's assets.

The Legislature gave electric co-ops greater financing flexibility (permitting them to seek loans from local institutions in some circumstances), and allowed them to branch out into new services for their members as long as such services are connected to energy, electricity and communications.

The primary purpose of the co-ops will continue to be providing electric power for rural consumers. Section I of Article IX essentially repeats a key provision of the Vermont statute: it says that WEC's Board of Directors "shall have full power and authority, without authorization by the members of the Cooperative," to take a mortgage loan for projects and activities related to "the ordinary course of the Cooperative's electric business."

On the other hand, before mortgaging assets of the Cooperative for purposes authorized by statute *other than the operation of the Cooperative's electric business*, the Co-op would be required to hold a vote and win the approval of two-thirds of the members who participated.

Section 2 of Article IX, also rewritten under the new proposals, states that "Investment of member equity in business activities (that are permitted to electric co-ops) other than electric activities, shall be as permitted by statute."

The statute imposes limits on investments that are not essential to the Co-op's basic service of providing power to rural consumers. Investments in such "other than electric" activities must not exceed 50 percent of the Co-op's total equity and no individual project of this

nature could exceed an investment of 3 percent of WEC's equity, unless the Board called a vote and won the backing of at least two-thirds of those who voted.

The proposed amendments would enter these state restrictions into our own bylaws.

Finally, Section 3 of Article IX addresses the issue of actually selling the Co-op, or selling a "substantial portion" of its assets and property. Either would require the approval of "two-thirds of all the members of the Cooperative."

The Board is not proposing to change that requirement. But with this year's amendment proposals, the bylaws would, for the first time, define what "a substantial portion" of the Co-op's assets means: "a portion which would substantially diminish the ability of the cooperative to accomplish its core function as an electric distribution utility."

## Annual Meeting

*continued from page 1*

For some people, it's just part of living in rural central Vermont. Said Director Wendell Cilley, who grew up in a WEC-member household in Topsham, "I didn't realize until later in life that not everybody attends their power company's annual meeting every year."

## Matters at hand

The somewhat festive nature of the event does not obscure the fact that WEC has serious business to conduct. Among those issues will be the election of four people to serve on the Board of Directors, the consideration of amendments to the Co-op's bylaws, and a vote on a proposed new substation to replace the inadequate facility in South Walden.

It is important to note that **WEC members do not have to attend the Annual Meeting to vote.** Ballots and other voting materials are included with this copy of *Co-op Currents*. Please carefully read the information provided, so that you don't miss the deadline for sending in your ballot. It would be a shame to let the Co-op's policy and financial decisions be made without your participation, considering the economic impact an electric utility has on its customers — you and your neighbors. Another reason to participate is that WEC is a community-centered organization that is active in many ways in our villages and towns.

Remember: the person in whose name the electric account is registered is the Co-op member. Unless you have a joint account there is only one qualified, voting-eligible Co-op member in your

## Which "conflicts" matter?

The other bylaw proposal set forth this year pertains to Article III, Section 2 (d), addressing conflicts of interest for Board members.

Currently, the provision states that "No person shall be eligible to become a Director... who... is in any way financially interested in... any entity selling electric energy or supplies to the Cooperative." Instead, the proposed amendment would bar anyone who "has a direct, material interest in" such an entity (an equipment supplier, for example, or an electricity wholesaler).

Technically, the current language disqualifies people if they have mutual funds, retirement accounts or other such investments which, however briefly, include stock in some national or international company associated with electric utilities. The Board reasoned that people frequently do not have personal control over every stock or bond in their portfolios. WEC could be deprived of the services of talented, dedicated people if the current bylaw were enforced literally.

The changes to Article III, in the Board's opinion, continue to hold to the spirit of the original prohibition.

household.

This year there are four candidates and four open positions on the Board of Directors. The candidates are Wendell Cilley of West Topsham, Donald Douglas of East Orange, Charles "Bud" Haas of Bradford, and Richard Rubin of Plainfield. Turn to page 4 to read about them and their views on the issues facing your consumer-owned utility.

The bylaw amendment proposals are presented on page 8. Last year the members approved changes that responded to revisions made by the Legislature in 2000 to the state statutes governing electric cooperatives. This year's proposed amendments would complete the process. Primarily, they deal with economic issues, such as what kinds of financial transactions would require membership approval and which would not. An unrelated amendment addresses the subject of Board member conflict-of-interest.

As explained on page 5, the ballot item concerning a new substation in South Walden requests the members' approval of a construction project that is already included in WEC's budget as part of a four-year work plan financed by a federal loan. Even though the project would have no impact on WEC members' electric rates, state law mandates that the Cooperative obtain the voters' approval before the plan can go forward. If approved, the substation and related service improvements would benefit some 1,400 Co-op members.

So read your ballots, become as informed as you can be, and vote. Take part in the affairs of your electric cooperative. It's in your own best interests.

## Dinner Menu

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

### RESERVATIONS ONLY -

To make your reservation, *return this coupon no later than Monday, May 13.* Meal tickets can be picked up at the meeting.

## Dinner Reservation

for May 21 Annual Meeting

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

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

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

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

Amount enclosed: \_\_\_\_\_ Cost: \$5 per person