

# WEC CO-OP CURRENTS

Vol. 62, No. 3

The newsletter of Washington Electric Cooperative, Inc., East Montpelier, Vermont.

April 2001

## President's Report

# Power Planning, Vermont Yankee, Atop Board's Agenda In Coming Year

By Barry Bernstein

As I reflect back on the year 2000, I do so from the perspective of a quarter of the way into the new year. In these first three months we have seen the winter climb to the position of the third-snowiest on record – and we may not be done yet! We have already overspent our major storm damage budget by 400 percent, moving us toward the record set in the wake of Tropical Storm Floyd in 1999. I, like many members, have experienced long outages during this winter, reminding us that there are things, such as the weather, over which we have no control.

However, it is also true that WEC and its members experienced one of our best years ever in 2000, with system reliability significantly better than average. The weather was relatively kind to us in 2000, leaving equipment failure – due to a specific manufacturer's faulty product, as described in the December 2000 issue of *Co-op Currents* – as our leading cause of "consumer hours" without power.



WEC members also may have noticed an improvement in our telephone-response time, and our ability to provide better information, when they called in to report outages. This was a result of two improvements – a new Outage Diagnostic System (ODS), and an upgraded call-handling system. These service improvements also were put in

place in 2000.

And to step up our response even further during storm-outage situations, WEC office personnel are coming in much earlier during emergencies to answer the phones and aid the field staff in their repair efforts. These technological improvements and staffing procedures have truly been put to the test during major storms in recent months.

Your Board of Trustees continues to monitor and address issues that affect both day-to-day operations and long-term policy. We worked on a number of issues in 2000 and I will try to highlight a few of

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### Just hanging out...

No, not the dog. The clothes. Even in winter, Vermonters can use the great clothes dryer in the sky – the sun and wind – to cut down on usage. On April 19, Project Laundry List of South Royalton, Vermont, will lead us in celebration of the Fourth Annual National Hanging Out Day – a day dedicated to idling electric dryers, which account for 5 percent to 10 percent of residential energy consumption in the U.S.



## Inside

**Officers' Annual Reports:** WEC's **President** (continued on 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.



*A good meal and neighborly conversation is a staple of every WEC annual meeting.*

## Washington Electric Cooperative, Inc.

# 62<sup>nd</sup> Annual Membership Meeting

**Tuesday, May 8, 2001**  
**Montpelier Elks Lodge**  
**(East of Rtes. 2 & 302 Junction)**

## Agenda

- 5:00 p.m. Registration– Ballot Boxes Declared Open
- 5:30 p.m. Chicken and Meatless Mostaccioli Dinner Served (Reservations Required - Coupon on Page 8)
- 6:30 p.m. Business Meeting Called to Order (Ballot Boxes Close at 7:00 p.m.)
- Reports from Officers:  
 President's Report, Treasurer's Report, Manager's Report
- WEC's Future Power Supply: A Discussion**
  - Vermont Yankee – What is the future of the plant?
  - Can we increase our renewable energy sources?
  - Distributed Generation – Can members generate some of their energy needs at home?
- 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.)*

## Official Notice and Annual Report

## President's Report

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them here.

### The Legislative Arena

#### Statute Change

Last year saw the culmination of a two-year effort working with the Vermont Legislature to bring about a rewriting of the state statute that governs the structure and operations of Vermont's two electric co-ops. The statute, originally written more than 50 years ago, now allows WEC the option and flexibility to operate more in line with today's business and financial environment, improving our ability to serve our members' needs. The proposed changes to the WEC bylaws which you will be voting on at the Annual Meeting, are an effort to bring our bylaws into compliance with the newly revised statute. Your Board of Trustees urges your support in approving these changes.

#### Vermont Yankee

We have continued to monitor and respond to the roller-coaster of events regarding Vermont's only nuclear power plant, which is nearing its 30th year of operation and which has attracted a variety of potential out-of-state buyers. Because WEC is a minority owner of

Vermont Yankee, your Board has discussed this matter at length and taken the position that before any sale of the plant goes forward, all options need to be considered – including public ownership of the plant and/or early closure.

However, in light of pressures to accelerate the sale of Vermont Yankee through an auction process, and given that the wholesale power market is extremely unpredictable and there is no foreseeable solution for hazardous waste disposal other than on-site storage, we believe the future of Vermont Yankee should be a matter for full and open public discussion and debate. Therefore, we will ask the governor and Legislature to use any means at their disposal to halt the sale of the plant to any party at this time, and to consider forming a quasi-public Vermont entity to take ownership of the plant and develop plans for shutting it down by 2012 or before.

#### Restructuring

Fast-moving events in California and elsewhere, including unstable wholesale markets and significant rate impact on residential and commercial rate-payers, have demonstrated the serious consequences Vermont's consumers could have suffered if our state had jumped on the deregulation bandwagon. I applaud Gov. Dean on his recent public statements acknowledging this perspective, as well as his highlighting the nuclear waste

disposal problem and his call for full public debate on Vermont's energy options.

#### WEC's Future Power Needs

In 2000, the Board began to seriously consider WEC's options for replacing our soon-to-expire (November 2002) Vermont Yankee power contract, as well as power we currently get from other sources and from the spot market. Over the next four to five years, we will need to replace 40 percent to 60 percent of WEC's total power requirements. The Board is committed to finding power that is reasonably priced, as "green" (renewable and clean) as possible, and produced close to home, while also assuring diversity in our power portfolio.

#### 2001 - 2004 \$6.8 Million Work Plan

Your Board approved a four-year construction work-plan for \$6.8 million, which will primarily focus on system reliability. The funds, which come from the federal Rural Utility Service, will be used for new line extensions, upgrading aging lines, and replacing equipment. The plan recently received approval from the Vermont Public Service Board.

#### Moretown substation

At last year's annual meeting the membership approved the Co-op's proposal to replace our Moretown substation with a new facility on the same site, which will increase reliability and power quality for 1,200 members in that part of our service territory.

Replacement of the old and damaged Moretown sub begins WEC's effort to upgrade virtually all of our substations

over the next decade, with two more upgrades – South Walden and Maple Corner – a part of the 2001-2004 work plan.

#### Levelized Rates

Washington Electric Cooperative requested regulatory approval for "levelized" rates – doing away with the traditional winter/summer rate differential – early last year. We obtained the Vermont Public Service Board's permission late in 2000, and instituted levelized rates for our members at the beginning of 2001.

As a result, the cost is now the same for a kilowatt hour (kWh) of electricity, whether winter or summer. The measure, which is designed to be "revenue neutral" (net your Co-op virtually the same income from power sales annually as the previous, seasonal system), also more accurately reflects the cost of purchasing power these days.

The issues confronting our Co-op and electric utilities in general continue to grow more complex. Your Trustees are committed to working diligently on behalf of our membership to keep our energy supply economical, clean and renewable, and to maintain that critical balance between system reliability and stable, predictable electric rates (we project no need for a rate increase in the near future.) We continue to look for opportunities to serve members' needs more effectively, and always welcome your input.

Finally, this report would not be complete without bringing to our members' attention the hard work and dedication of our skilled employees, whose commitment to our Co-op makes every year a success. Our thanks go to them all.

## Co-op Currents

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*The Board of Trustees' 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.*

## Check Your May Bill For 2000 Capital Credit Information

The "Bulletin Board" section of the May bill will contain specific information about members' 2000 Capital Credit Allocation. The 2000 allocation represents each member's share of the margins – that is, the total amount by which WEC's revenues exceeded its operating expenses – that were realized by the Cooperative last year. These margins have been allocated to all members in proportion to the amount they paid WEC for electricity in 2000.

The May bill will also show the total amount of capital credits that have been allocated to each members' account since they began receiving service from the Cooperative, minus any capital credit distributions that previously have been made.

The capital credit "allocation" should not be confused with a capital credit "distribution," or "refund." The Board of

Trustees has approved a 2001 capital credit refund to members who received electric service from the Cooperative in 1982 and in 2000, but that refund will not occur until late this year. We will keep you informed of when you can expect to receive your capital credit refund in a future issue of *Co-op Currents*.

In the meantime, the capital credit allocation information appearing on the May bill should be retained for your records. If you move out of WEC's service territory, keep us informed of your new address so that we can contact you when future refunds of your capital credits are to be distributed.

**The 2000 Capital Credit Allocation that is reported on the May bill CANNOT be deducted from your energy bill.**

## Manager's Report

*From Billing, To Outage Response, To Cooperative Connections...*

# Recapping A Year Of Service Improvements

By Avram Patt

For my annual report to the members of Washington Electric Co-op, I want to focus on our continuing efforts to improve and expand our service to you.

### Improvements to our system's reliability

We continue to make improvements to our distribution system in order to improve reliability. The replacement of our Moretown substation, which members approved at the last annual meeting, is underway, and the new substation will be completed and energized early this spring. At the same time, we are beginning work under our new four-year construction work plan, which I described in the July/August issue of *Co-op Currents*. Most of the projects in the work plan are aimed at improving reliability and decreasing the number and duration of outages when they do occur. Toward the end of this year we will also start the design and planning phase for replacing our South Walden substation.

### Outage response and reporting

At the end of 2000, the Co-op's staff implemented a comprehensive new Emergency Response Plan for dealing with outages large and small. While much of the plan puts in writing practices that have been in place for some time, there are some important improvements to highlight. Our automated outage-reporting computer system creates a direct link between the information our dispatchers see on their screens and what the people answering your calls see. This enables us to more quickly link calls coming in from a particular area, to predict where the problems are. We can also provide better information on the phone.

While 2000 was one of WEC's best years for minimizing outages, our new system has really been put to the test since January. The weather has not been kind to us, and we have experienced

several serious outages. The good news is that members are having a much easier time getting through on the phone, we are able to link and diagnose problems quicker, and we can give callers more information than in the past. As I write this, heavy snow is falling, again, and as pleased as we are with our new and improved outage-response systems, I wish we could give them a rest.



Avram Patt

### Vermont State Employees Credit Union

Last summer, we were pleased to announce a new co-op partnership with the VSECU, whose board voted to expand its field of membership to include all WEC members. VSECU is owned by its members, and offers comprehensive

financial services from basic checking and savings, to loans and mortgages, credit cards, investment services and more. They treat their members right, and I encourage you to take advantage of this partnership. WEC members can join by contacting VSECU at their Montpelier or Waterbury offices, by phone at (800) 371-5160, or at [www.vsecu.com](http://www.vsecu.com).

### New options for bill paying

As we reported in the last issue of *Co-op Currents*, we will be offering the option of having your bill payments debited directly from your bank account. We are pleased to be able to provide this as a convenience to those members who prefer paying their bills this way. Look for sign-up information by June.

### [www.washingtonco-op.com](http://www.washingtonco-op.com)

The WEC website went online in January. We think you will find it useful and informative, and a convenient new way to communicate with the Co-op. You can find information about our products and services, an explanation of our bill, back issues of this newsletter, a wonderful history section, information on new connections, our bylaws, energy efficiency, capital credits, reports on recent outages, policy positions adopted by your Trustees, links to other websites about energy or cooperatives and much more.

### Capital credits

One of the most important principles of a cooperatively owned business is that our margins (money we collect over and above our expenses) ultimately belong to the members who created those margins by paying their bills. In 1998, WEC reached a financial position where we were able to begin returning equity by paying capital credit refunds to our earlier members. We have done this every year since then. In 2000, your Trustees decided to also begin giving capital credit refunds to current members. Thus, last fall, every WEC member on our system in 1999 received a capital credit refund of some amount, either as a check or a credit on your bill. We intend to do the same this year for all members who were on our system in 2000, as well as continuing to pay back capital credits from the 1980s.

### New products: surge suppressors and uninterruptible power supply units

WEC now offers its members a line of select power-quality equipment for your home or business. We have available whole house surge suppressors that protect your entire home and sensitive electronic equipment from voltage surges, as well as the more common strip surge suppressors. We also have uninterruptible power supply (UPS) units for members with computers. Look for ordering information in the coming months, but if you are interested in these products now, you can find out more by contacting Bill Powell at the WEC office.

Also, we are investigating other new products and services our members have expressed interest in. We will offer these in the future if we determine that we can stand behind their quality and offer them at competitive prices.

### Efficiency Saves

For more than 10 years, WEC has been a leader in providing extensive energy efficiency services to its members. Last year, we provided direct services to more than 400 Co-op members, and advice, information and referrals to 1,000 more. Over 60 percent of all members have received direct services over the years. Those members have seen real reductions in their electric bills as a result. If you have never participated,

please consider it.

And if you already have, there may be new opportunities to further reduce your energy usage, and your bill. You can order energy-saving light bulbs using the coupons that appear in most issues of this newsletter, by checking our website, or by calling the Co-op office. If you would like a no-cost comprehensive energy audit of your home, help with making energy-efficiency improvements or advice on appliances or energy usage, give us a call, or send us a message via the website.

### Vermont Consumers Energy Co-op

About three years ago, we reported to you about efforts to form a new consumer-owned energy co-op in Vermont in anticipation of restructuring and retail competition. Although we had our doubts about retail competition from the beginning, it was felt that if it did come to Vermont, residential customers would need an honest, consumer-owned alternative. Another purpose was to offer comprehensive energy services, including fuels and efficiency services, to Vermonters.

While retail competition has not come to Vermont, the Vermont Consumers Energy Cooperative was formed, and last fall acquired a small fuel oil company in Chittenden County. They have successfully made it through their first heating season and are beginning to look for new members. Washington Electric Co-op hopes to work with them to help bring co-op fuel services, both oil and propane, to our area in the future.

### In closing...

Over the past year, we have expanded the services and products we offer our members. Looking ahead, you can expect to hear from us about additional new products and services as they become available. At the same time, we place the highest priority on maintaining and improving our most important product: safe and reliable electric service.

I wish to thank the many WEC members who contact us with suggestions, comments, questions and criticism. It helps us serve you better. Thanks also to your Board of Trustees, Co-op members who give their time and energy to looking out for your interests and for steering WEC's course into the future.

Lastly, after more than four years as general manager, I continue to be amazed at the dedication, skill and concern for our members shown by Washington Electric Co-op's employees. Whether they are constructing new lines, restoring power in the middle of the night during a blizzard, answering billing questions, keeping our finances in order, or helping us plan new services for the future, they deserve the thanks of our members. They certainly have mine.

## Position Statements of the 2001 Candidates for the Co-op Board of Trustees

### The Questions

Three seats are up for election on the Cooperative's nine-member Board of Trustees. All seats are for three-year terms. In ballots cast at the Annual Meeting on May 8, and in mailed ballots cast before the meeting, members can vote for any three 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 Trustees.

#### 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, email)

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

members to know about.

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

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

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

### Barry Bernstein

1. I live on Bliss Road in East Calais and have owned a home there since 1976. I have been on the Co-op lines and an owner/member since 1971. If anyone has any questions they would like to discuss with me regarding the Co-op or my candidacy, I can be reached at 802-456-8843, or by mail at 1237 Bliss Road, Marshfield, VT 05658. My email address is bbearvt@aol.com .



2. I am self-employed as a partner in Better World Energy, Inc., East Calais, in the design, manufacture, sales and technical support of Messersmith Automated Wood Chip Heating Systems for schools and businesses (Barre Town Elementary, Calais Elementary and U-32 High Schools). I have been involved in management and management consulting, with both for-profit and non-profit organizations, for 35 years. I have also been active on an individual and a professional basis as a consumer advocate on issues regarding energy, disability rights, elderly, and people with low incomes.
3. I am running for re-election because as the president of the WEC Board for the past two and a half years I have been deeply involved in several areas that are unfinished, and which I would like to see to completion. I also feel my input can hopefully aid in successful outcomes. These issues include restructuring, replacement of a significant portion of our power portfolio and the resolution of what happens to Vermont Yankee. I feel that my experience as a WEC board member, board president, and 35 years of pro-

fessional management, consulting and advocacy experience, working in varied fields, including on energy and cooperative issues, brings an important perspective to the board process.

4. Several critical issues face our Co-op over the next few years.
  - a) Restructuring: Restructuring still looms as an important policy issue that will have a major impact on WEC 's future. Even though it is not on the radar screen at the Legislature this year, state policy is still in limbo on this issue, and there is a need to put the issue to rest so that WEC and other utilities in Vermont can continue to be clear about their responsibility to serve their ratepayers by providing them with power. Your WEC Board has taken a position in support of the state not moving toward retail competition. As we are all aware, the states that took the lead and jumped into retail competition, such as California and others around the country, have seen their rates skyrocket.
  - b) Power Portfolio: WEC will need to replace 40 percent to 60 percent of our power contracts in the next few years. I believe this is a unique opportunity for the Co-op to purchase power that is primarily renewable, clean, reasonably priced, and will provide our members with price stability for the next 20 years. If re-elected, I am committed to working to see these objectives met.
  - c) Stable Rates: I am committed to supporting long-term decisions that balance our needs for system reliability and our need to keep our rates and the bills we pay as member/owners stable.
5. Although serving as president of the Board of Trustees demands a good deal of time and energy, and presents some challenges in terms of time commitment, I feel my efforts and work have been worthwhile, and hopefully have benefited our member-

ship and our Cooperative. I ask for your support in this election. Please feel free to give me a call if you have any questions or wish to discuss any issues that concern WEC.

### Monique Hayden

1. My name is Monique Hayden. I live in Williamstown and have lived here for about 10 years. My Co-op membership is listed under the town of Williamstown. I have been a Co-op member for about four years. My mailing address is 407 Weir Road, Williamstown, VT 05679. Members may also contact me by phone at 433-6170 or by e-mail at mkrvt@aol.com.
2. My educational background is in accounting and data processing. I have a strong tie to my community and believe in being an active participant in whatever endeavors I undertake. During my first term on the Washington Electric Cooperative Board, I was elected clerk and treasurer and served on each of the three standing committees. In addition to my service to Washington Electric Cooperative members, I have been a member of the library board, served as town auditor and served as clerk for the Vermont State Employees Association. I have also chaired the library "Friends" group and organized a book-discussion group. I am currently employed part-time by Central Vermont Crime Stoppers and the Vermont Center for Independent Living.
3. I am seeking re-election to the WEC Board primarily because of the



changes occurring in the electric industry. These proposed changes move us into a brave new world, the results of which are unknown at this time. I would like to continue on the Board so I can monitor these changes and directly influence the discussions surrounding these new opportunities. I believe the knowledge I gained of the electric industry during my first term will help me make good decisions on these critical issues facing WEC and other utilities in the very near future.

4. I first became interested in serving on the Board when I began reading about electric deregulation, or electric restructuring as it is now referred to. During my three years on the board, many states around the country have enacted various flavors of electric restructuring with a variety of outcomes. No restructuring plan enacted thus far has proved beneficial to the types of members served by WEC – primarily residential accounts. Another major industry change is allowing electric utilities to offer products and services that are outside the usual and customary services of electric utilities. Products and services such as propane, cable television and Internet access are some of the items being considered by various utilities. WEC should continue to be a strong voice for its members and ensure that any changes in the industry are truly in the best interest of our members.

### Raymond Morton

1. I am Raymond Morton. I live in the town of Peacham with my wife and son. We have lived here for eight and a half years, since 1992, when we moved from southern Ohio to Vermont. Our Co-op membership is listed in the town of Peacham. We have been Co-op members for nine and a half years. I can be contacted at 4812 Bayley Hazen Road, West Danville, VT 05873, or by phone at 802-684-1174.

## Candidates

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2. I am a retired music teacher (high school band and chorus director). I taught in Ohio for 27 years. I have a B.S. in Education from the Ohio State University and a Master of Education from Miami University (Ohio). In 1967, I along with other volunteers started a rural water co-op in our area due to a total lack of ground water. It has grown to 7,500 meters last year. I was a board member for 25 years, serving in a variety of positions and assignments. I resigned only because we moved from the area.
3. I am seeking a position on the Co-op Board because I feel that my previous



variety of experiences on a co-op board could possibly be of value to the members of Washington Electric Cooperative. I feel that I would be a good Trustee, based on my previous track record (25 years), and that I have more time now than I did then. Further, I still feel that the impossible just takes longer.

4. While I am not conversant with all of the future issues facing the Co-op, I feel that maintaining reliable suppliers of electricity at an affordable rate with the least amount of greenhouse gas pollution possible must rank near the top of the list. California's recent problems should have been a wake-up call for all consumers, producers of electricity and utility boards.
5. If elected to our Co-op Board, I would serve in the best manner possible. I am seeking election with no hidden agenda, ax to grind, etc. If I found the learning curve too steep for my personal comfort, I would willingly step aside in favor of someone more qualified.

## Carla R. Payne

1. I have lived in Cabot, Vermont, since 1969, and have been a Co-op member at that address since then. I can be contacted at 1554 US Rte. 2, West Danville VT 05873; by phone at 802-563-2390, and by email at cpayne@together.net
2. I have been a college teacher for my entire life, with academic training in philosophy. I have been on the faculty of Norwich University (the Vermont College campus) since 1981. For 13 years before that I was a faculty member at Goddard College. I am a strong believer in community service, and served as a school board member in Cabot for six years before joining the WEC Board of Trustees in 1996.
3. I joined the WEC Board because of my commitment to the future of our state and this community, and my

interest in being a strong voice for Co-op members on issues like reliable electrical service and maintaining affordable rates.



4. WEC is a small Co-op that must meet the electrical needs of its members in an environment in which there is a great deal of uncertainty about the utility industry and the impact of market forces. We must make careful decisions about growth and about diversifying the services which we offer, while maintaining the high quality of our traditional service. Members should be encouraged to contact Trustees about current issues, such as those that are discussed in *Co-op Currents*.

## Bylaw Explanations

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for removal of a significant barrier that WEC's current bylaws present to financing new services in the future.

The barrier is found in Article IX, Section 1, which requires an affirmative vote of two-thirds (2/3) of ALL Co-op members for Washington Electric to "sell, mortgage, lease or dispose of all or a substantial portion of [its] assets" — with the exception of mortgages with the Rural Utilities Service (RUS) or Cooperative Finance Corporation (CFC). For purposes of this discussion, we are referring to Article IX, Section 1, as the mortgage-and-sale bylaw.

### Why is this a problem?

Two reasons:

1) The bylaw makes no distinction between a sellout of the Co-op's assets and the ability to mortgage its assets for legitimate business reasons, including new energy-related services. As now written, both sale and mortgage must be supported by an affirmative vote of two-thirds of ALL Co-op members. But obtaining federal financing can involve an extremely slow approval process. If a local bank or credit union offered favorable terms and quicker access, the Co-op's Board would not be able to readily pursue that option. The statute now recognizes the necessity for a cooperative to be able to mortgage its assets to any legitimate lender in the usual course of business, while still maintaining a very strict membership-approval process for selling a co-op's assets.

2) For all practical purposes, requiring

that two-thirds of the entire WEC membership approve of potential economic transactions, such as loans that require a mortgage lien from a commercial lender, makes such transactions impossible. More than 6,000 of WEC's current 9,000-plus members would have to cast votes of support to enable the Co-op's leadership to move forward. Bear in mind that in a typical year, only about 1,500 people vote in the Co-op's elections. Even in past years when there were hotly contested Trustee elections or controversial issues, no more than a third of the members (at that time, around 2,300 people) participated in the voting.

### So why aren't we simply updating the mortgage-and-sale bylaw this year?

The mortgage-and-sale provision in the bylaws cannot be amended (changed) in the same way other bylaw provisions can be changed. The reason is that the section of the Bylaws which prescribes the amendment process (Article II Section 8) imposes the same strict requirement — a vote of approval by two-thirds of ALL Co-op members — for amending the mortgage-and-sale bylaw. (All other provisions in Washington Electric's bylaws can be amended simply by a majority of those members voting on the question.)

### Why is it harder to amend the mortgage-and-sale bylaw?

The unique restriction on amending the mortgage-and-sale bylaw was added in 1984. WEC's legal counsel at that time argued that it was inconsistent to have a bylaw requiring two-thirds of all

members to approve a proposal to sell, lease, mortgage or dispose of the Co-op's property, when that bylaw itself could be amended by a simple majority of members voting. He recommended that there be an additional safeguard requiring the approval of two-thirds of all members in order to amend the sale and mortgage provision in Article IX.

No one at that time anticipated the recent statutory changes that expand the kinds of products and services electric cooperatives can offer their members. The "super-majority" amendment requirement in Article II is now an unintended obstacle to the Co-op's updating its sale-and-mortgage bylaw and removing conflicts with the new law.

### How does the Board propose to deal with this obstacle?

The Board is recommending a two-step approach to resolve this situation. The first step is being proposed this year: to alter Article II by simply striking the language that makes it harder to amend the mortgage-and-sale bylaw. This is the thrust of Proposal #14.

If the membership gives its approval this year, the Board will then propose to amend Article IX, Section 1 at the Annual Meeting next year (2002), by separating the mortgage provision from the sale provision. The Board's amendment proposal in 2002 would continue to set the same very high threshold for any move to actually sell out Washington Electric Cooperative. But it would provide greater flexibility in the realms of mortgage liens and investments for new services, within the limits that the statute continues to place on the kinds (and the size) of investments electric co-ops can undertake.

### Still not sure?

If you have further questions about the proposed amendments, please contact one of the trustees, or the general manager.

## Explanation of Amended Articles of Incorporation

The recent changes to the Vermont law governing electric cooperatives caused a similar problem with the Cooperative's *Articles of Conversion* as it did with the Cooperative's bylaws. The existing language in both documents is no longer in conformance with the revised state statute.

The proposed *Amended Articles of Incorporation* repeals the provisions of the *Articles of Conversion* that are no longer in compliance with the state statute governing electric co-ops, and states the purposes for which the Cooperative is organized. These purposes of the Cooperative are in accordance with Chapter 81 of Title 30, the section of Vermont law governing electric cooperatives.

The Board of Trustees is asking members to approve the *Amended Articles of Incorporation* in order to resolve this conflict with state statute. Upon adoption by the members, these Articles will be filed with the Vermont Secretary of State's Office in accordance with Vermont law.

**Vermont law requires that any proposed amendment to the *Articles of Conversion* must be approved by the affirmative vote of not less than two-thirds (2/3) of those members voting on the issue. We urge your support.**

## Treasurer's Report

# 2000 Financial Recap Shows Growth

By Donald Douglas, Treasurer

Washington Electric Cooperative ended the year with \$477,737 in margins, which represented a TIER (times interest earned ratio) of 1.54. This was considerably better than the 1.25 minimum TIER we are required to maintain by the Rural Utilities Service (RUS) and better than the 1.35 TIER the Board approved in the operating budget. Our success in 2000 stems from the 3.5-percent rate increase, strong growth in both new members and total electric sales, favorable weather in 2000, and some cost-control measures implemented by our management team.

WEC continued with the distribution of capital credits. In 2000 we returned \$100,000 to current members and approximately \$100,000 more to members who received electric service from the Cooperative in 1981 and 1982. Capital credit retirement is reviewed each year by the Board, and distributions will continue as long as the Cooperative remains financially strong.

We also implemented levelized rates at the beginning of 2001. We assume that these new rates will be revenue-neutral. However, we will closely monitor revenues and will adjust our budget projections when and if it becomes necessary.

The staff and Board of Trustees are studying our purchased-power options. Power costs represent about 50 percent of our budget, so long-term power contracts are carefully considered. We are also focused on right-of-way clearing and the replacement of some equipment,



Donald Douglas

both of which affect our ability to reliably serve the members. In addition, we are in the process of assessing our health care options and overall employee-benefit package in order to control our increasing costs in these areas.

The total cost of providing electric service, excluding power costs, is trending downward and the increases in power costs are partly offset by our increased growth in sales. Our latest financial fore-

cast predicts that we can operate without any rate increase until 2003.

You can obtain a complete copy of the 2000 audited financial statements by contacting the Co-op office. We will also have copies available at the Annual Meeting.

Following is a brief explanation of the major items listed in the Statement of Operations:

### Revenue

Revenue in 2000 increased by \$625,444. This was partly due to the 3.5-percent rate increase that went into

effect at the beginning of the year, and also due to the fact that our growth in new members and the amount of kilowatt-hours sold exceeded our expectations. Growth in kilowatt-hour sales, if it continues, will help offset anticipated higher costs in other areas, in particular the ever-increasing cost of purchased power.

### Power Costs

Purchased-power represents the largest portion of our budget. Currently we have long-term commitments for approximately 90 percent of our purchased power requirements. The balance of our power purchases – the other (approximately) 10 percent – are tied to the volatility of the New England wholesale power market.

### Distribution-Operations & Maintenance

In total, there was a small decrease in this category. Because 2000 was a good year in terms of limited storm damage, the Cooperative saved a great deal in reduced overtime costs associated with storms. Also, this allowed the crews to work more in operations and less on maintenance. This area is very sensitive to adverse weather.

### Consumer Accounts & Customer Service Expense

This area increased by about \$3,300 over 1999. The elimination of a position offset any inflationary increases in this area.

### Administrative & General

This area was down about \$32,000 from 1999. The comparison chart for A&G (at left) shows the increases and decreases in 2000 versus 1999.

### Depreciation & Amortization

This area increased \$21,817, which reflects growth in capitalized plant. The WEC 2001-2004 construction work plan anticipates spending approximately \$1,250,000 for plant investment per year.

### Taxes

This area has gone up more than \$8,000. This represents the gross revenue tax increase, which is based on our increased revenue for 2000. Property taxes are allocated to various operating accounts in accordance with RUS accounting standards, and are not reflected in this line item. Actual property tax paid in 2000 was \$338,053, an increase of \$64,295 over the amount paid in 1999.

### Interest on Long-Term Debt.

This area increased due to the new advances of construction loan funds during 2000, and an increase in the variable interest rate on our CFC (Cooperative Finance Corp.) loans.

### Total Cost of Service

The total cost of service increased by \$453,746 over 1999. Of this amount, \$448,460 was due to increased purchased-power costs.

In closing, I and the other members of the Board of Trustees want to express our thanks and appreciation to the Co-op's Director of Finance and Administration Janet LaRochelle and her staff. They have once again provided the Co-op with accurate and reliable financial and accounting information, a fact confirmed by the excellent audit report for 2000 from our independent auditors. We are indebted to the staff.

## Administration and General

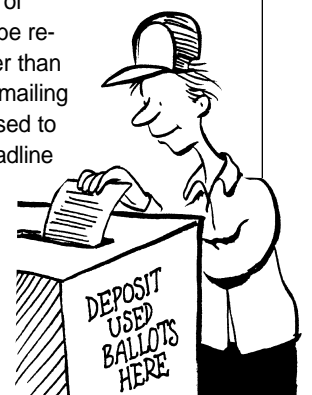
	1999	2000	Increase (Decrease)
Salaries (inc. benefit allocation)	\$309,858	\$335,887	\$26,029
Office Supplies and Expenses	78,761	68,297	(10,464)
Outside Services	62,619	57,895	(4,724)
*Insurance Expense	43,349	29,764	(13,585)
Employee Training	25,031	28,275	3,244
Regulatory Commission Expense	46,632	37,382	(9,250)
Own Power Usage	(14,994)	(16,898)	(1,904)
Annual Meeting Usage	28,086	19,260	(8,826)
Cooperative Alliances	9,884	3,120	(6,764)
Outside Meetings	14,907	6,230	(8,677)
Property Tax Reappraisal	25,472	15,484	(9,988)
Trustee Expense	33,978	35,232	1,254
Dues to Organizations	16,371	17,567	1,196
Miscellaneous	942	369	(573)
Maintenance of WEC Bldgs.	48,132	58,887	10,755
<b>Total</b>	<b>\$729,028</b>	<b>\$696,751</b>	<b>\$(32,277)</b>

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

The audited financial statement of Washington Electric Cooperative for the year ending December 31, 2000, 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 8 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 7. 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

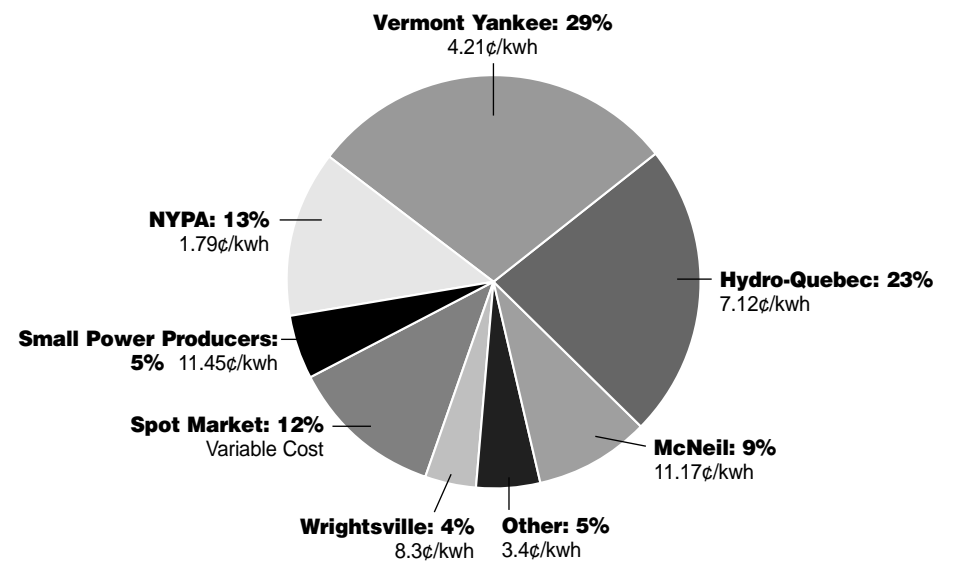
Assets and Other Debits			
	12/31/99	12/31/00	Increase (Decrease)
<b>Utility Plant</b>			
Total Utility Plant in Service	\$32,511,464	\$33,677,236	\$1,165,772
Construction Work in Progress	296,699	748,964	452,265
Total Utility Plant	32,808,163	34,426,200	1,618,037
Accum. Provision for Depreciation	9,259,065	9,929,409	670,344
Net Utility Plant	\$23,549,098	\$24,496,791	\$947,693
<b>Other Property and Investment - At Cost</b>			
Invest. in Assoc. Org. - Patronage Capital	115,260	116,445	1,185
Invest. In Assoc. Org. - Cen. Vt. Mem. Civic Center	589,284	546,420	(42,864)
Invest. in Assoc. Org. - Other	554,005	544,380	(9,625)
Other Investments	341,100	335,125	(5,975)
<b>Total Other Property and Investments</b>	<b>\$1,599,649</b>	<b>\$1,542,370</b>	<b>\$(57,279)</b>
<b>Current Assets</b>			
Cash - General Funds	112,505	162,988	50,483
Temporary Investments	36,361	244,774	208,413
Notes Receivable - Net	123,402	104,304	(19,098)
Accounts Receivable - Net	1,927,583	1,908,819	(18,764)
Materials and Supplies	137,742	171,437	33,695
Prepayments	21,402	27,469	6,067
Total Current and Accrued Assets	2,358,995	2,619,791	260,796
Deferred Debits	1,720,769	1,448,671	(272,098)
<b>Total Assets and Other Debits</b>	<b>\$29,228,511</b>	<b>\$30,107,623</b>	<b>\$879,112</b>
Number of Consumers	9,102	9,277	175
kWh Sold	58,392,847	60,864,758	2,471,911

Liabilities and Other Credits			
	12/31/99	12/31/00	Increase (Decrease)
Memberships	\$71,035	\$73,000	\$1,965
Patronage Capital Credits	5,099,931	5,232,020	132,089
Contributions-in-Aid-of-Construction	5,706,931	6,020,143	313,212
Operating Margins - Prior Years	0	0	0
Operating Margins - Current Year	205,209	380,303	175,094
Non-Operating Margins	172,300	97,434	(74,866)
Other Margins and Equities	145,833	151,369	5,536
<b>Total Margins and Equities</b>	<b>\$11,401,239</b>	<b>\$11,954,269</b>	<b>\$553,030</b>
<b>Long-Term Debt</b>			
Long-Term Debt - RUS	12,072,232	12,497,051	424,819
Long-Term Debt - Economic Dev. Loan			
Central Vt. Memorial Civic Center	592,856	549,992	(42,864)
Long-Term Debt - Other	4,232,127	3,898,508	(333,619)
<b>Total Long-Term Debt</b>	<b>\$16,897,215</b>	<b>\$16,945,551</b>	<b>\$48,336</b>
<b>Current Liabilities</b>			
Notes Payable	0	0	0
Accounts Payable	523,334	805,405	282,071
Consumer Deposits	102,620	109,700	7,080
Other Current and Accrued Liabilities	282,320	260,213	(22,107)
Total Current and Accrued Liabilities	908,274	1,175,318	267,044
Deferred Credits	21,783	32,485	10,702
<b>Total Liabilities and Other Credits</b>	<b>\$29,228,511</b>	<b>\$30,107,623</b>	<b>\$879,112</b>

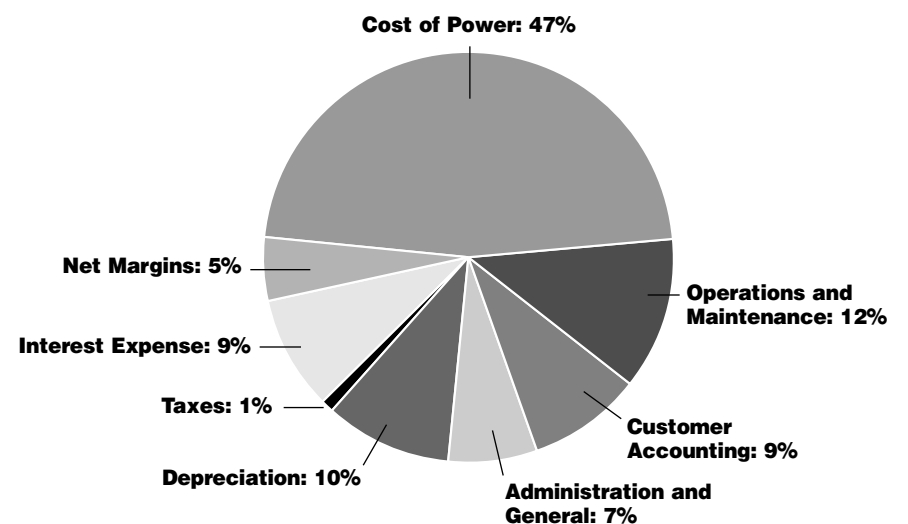
## Statement of Operations

Item	Actual 12/31/99	Actual 12/31/00	Increase (Decrease)
Operating Revenue	\$9,176,208	\$9,801,652	\$625,444
Cost of Purchased Power	4,142,966	4,600,127	457,161
Cost of Generated Power - Wrightsville	53,296	44,595	(8,701)
<b>Total Cost of Power</b>	<b>\$4,196,262</b>	<b>\$4,644,722</b>	<b>\$448,460</b>
<b>Other Operation &amp; Maintenance Expense</b>			
Transmission Expense	12,681	10,134	(2,547)
Distribution Expense - Operation	450,446	511,120	60,674
Distribution Expense - Maintenance	768,403	691,300	(77,103)
Consumer Accounts Expense	476,714	471,649	(5,065)
Customer Service & Education	359,480	367,880	8,400
Administrative and General Expense	729,028	696,751	(32,277)
<b>Total Other Operation and Maintenance Expense</b>	<b>\$2,796,752</b>	<b>\$2,748,834</b>	<b>\$(47,918)</b>
<b>Fixed Expenses</b>			
Depreciation and Amortization Expense	969,039	990,856	21,817
Tax Expense - Property	30,350	31,450	1,100
Tax Expense - Other	89,867	97,304	7,437
Interest on Long-Term Debt	839,018	883,943	44,925
Interest Expense - Other	8,643	5,307	(3,336)
Other Deductions	61,531	42,792	(18,739)
Total Fixed Expenses	\$1,998,448	\$2,051,652	\$53,204
Total Cost of Electric Service	\$8,991,462	\$9,445,208	\$453,746
Operating Margins	184,746	356,444	171,698
Non-Operating Margins - Interest	97,854	99,180	1,326
Non-Operating Margins - Other	94,908	22,113	(72,795)
Net Margins	\$377,508	\$477,737	\$100,229
Times Interest Earned Ratio (TIER)	1.45	1.54	

## 2000 Sources and Costs of Power



## Where the Dollars Went



# Bylaw Amendments Now Go To The Voters

The members of Washington Electric Cooperative have an important decision to make this year when they cast their annual ballots, in addition to electing three people to the Co-op's Board of Trustees. The Trustees, in concert with WEC's legal counsel and members of the Co-op's staff, have, after a great deal of work, put forth a list of proposed amendments that would revise, update and modernize several provisions in the Cooperative's bylaws.

These proposals have been the subject of extensive discussion in recent issues of *Co-op Currents*. In this final edition before WEC's 62nd Annual Meeting, and in the ballot and voting materials enclosed with this newsletter, members will find a comprehensive presentation of the proposed amendments and the reasons the Board has brought them to the members' attention.

There are three essential reasons why your Board of Trustees is proposing revisions to the bylaws at this time:

- To bring the bylaws into conformance with the recently revised state statute;
- To eliminate or correct language that is either outdated or inappropriate;
- To pave the way for the Co-op to meet more of the energy needs of its members (including cooperative purchase and distribution of propane and fuel oil), and to be able to offer other services (such as telecommunications, Internet access and cable TV), if they are economically viable and the members want them.

## Effects of a "Yes" Vote

- WEC's Bylaws and Articles of Incorporation would be brought into conformance with the recently revised law governing electric cooperatives.
- Outdated and/or unnecessary language in the Bylaws would be eliminated.
- WEC would be able to proceed towards offering its members more services besides electric energy. Potential new services could include Internet service, cable television, propane and fuel oil, if they are economically viable and the members want to receive them from their cooperative.
- The Co-op's financing flexibility would be expanded beyond the Rural Utilities Service and Cooperative Finance Corporation. New sources of financing could include local banks and credit unions, if they offer more favorable financing terms and quicker access.
- The obstacle that is preventing WEC from updating its mortgage-and-sale bylaw provision (Article IX) would be removed. The WEC Board could introduce an amendment to Article IX in 2002 that sep-

## What is the Board's Recommendation?

The Board of Trustees is recommending that members vote "YES" on both the Bylaw ballot and the Amended Articles of Incorporation ballot (see page 5), because the Trustees believe the benefits of approving the proposed changes are significant, and the risks comparatively minor. In fact, the Board believes there are greater risks if the Co-op does not update its bylaws (these risks are enumerated in the sidebar "Effects of a 'No' Vote," below). However, it is ultimately your responsibility to consider these proposals and decide whether they should be adopted.

arates the mortgage provisions from the sale provisions, thereby giving WEC greater financing flexibility to run its business, while maintaining the same high protection against a sellout of the Co-op's assets.

## Effects of a "No" Vote

- WEC's Bylaws and Articles of Association would continue to be contrary to Vermont law, a situation which could hinder the Cooperative's ability to function effectively.
- WEC would not be able to provide or readily obtain financing for new services and activities now allowed by Vermont law.
- WEC's ability to operate efficiently and cost-effectively in a competitive environment would be hampered, because financing for ordinary business would be subject to the same stringent member-approval requirement as a complete sellout of the Co-op's assets — that is, approval by 2/3 (6,000+) of ALL WEC members.
- WEC's financing options would continue to be limited to mortgages with the Rural Utilities Service and Cooperative Finance Corporation.

These materials include: the proposed bylaw revisions themselves, containing both the language the Trustees believe should be eliminated and the new language that the Board is asking the membership to approve (this material is enclosed on a separate sheet of paper along with the ballot); a recap of the reasons that the Board, WEC's attorney, and our senior staff are bringing these amendments to the membership (see the article below); and a brief summary of the Amended Articles of Incorporation, which is also on the ballot (see page 5).

We encourage you to review this information. The Trustees believe that your understanding and support of these changes is important to the future of the Cooperative.

## An Explanation of the Proposed Amendments

The majority of the proposed bylaw revisions stem from changes made in 2000 by the Vermont Legislature to the state laws governing electric cooperatives. Many of those statutory changes were requested by both WEC and the Vermont Electric Co-op of Johnson. We sought to eliminate certain restrictions that have historically been imposed upon co-ops, so that we can consider offering new kinds of services to our members — services that investor-owned electric utilities have always been allowed to offer. At the same time, the Legislature was careful to maintain assurances in the law that new services by co-ops would be generally related to their existing business, and that the board and management could not make major investments without the members' consent.

The Legislature also approved other, less significant, revisions to the statute that were essentially "housekeeping" measures. Those changes either brought the statute up to date with modern terminology or deleted unnecessary and outdated language, some of which had been unchanged for several decades.

**While we were at it...** With changes

*continued on page 5*

being proposed by the Board of Trustees to bring Washington Electric's bylaws into conformance with the revised Vermont statute, the Board decided it was a good time to do some "housecleaning" ourselves. Our current bylaws, which were originally adopted in 1958, contain a number of outdated provisions. For example, they refer in places to the Rural Electrification Administration (REA), but that federal agency has been superseded by the Rural Utilities Service (RUS). Also, our bylaws require the Cooperative to provide the REA with written notice of any proposed change in electric rates, but such notice is no longer a requirement of the RUS.

These are examples of outdated provisions we propose to fix through the amendments we are offering this year.

## Are there any proposed bylaw revisions that are out of the ordinary?

There is one bylaw revision, Proposal #14, that does not directly fall into either of the two categories above (conformance with state law, and housekeeping). This revision lays the groundwork

## 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, April 30.* Meal tickets can be picked up at the meeting.

## Dinner Reservation

for May 8 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