

WEC CO-OP CURRENTS

Vol. 67, No. 3

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

May 2006

'The Forecast': Co-op May 23 Meeting An Excellent Event

For the first time in a while, Washington Electric Cooperative will hold its Annual Membership Meeting this year without a major issue on the table. It's not that there aren't important decisions to make: the Co-op is asking members to vote in favor of a new substation in Maple Corner, and bylaw changes on the ballot would be economically advantageous for WEC and its members (see page 8).

There are also three candidates running for WEC's Board of Directors. Plus, the Co-op is moving to a new location, holding the meeting for the first time – and with a new menu! – at the Barre Elks Club. There will be an interesting, locally familiar, guest speaker – weatherman (and Co-op member) Roger Hill from Worcester—and the door prizes and socializing Co-op meetings are famous for.

But as for "big-ticket items?" Well, WEC's biggest push of the last few years – winning member support for the new 4.8-megawatt electric-generating station in Coventry – is finished. The plant is up and running and having a significant positive impact on WEC's power supply (see President's Report, page 2, and Treasurer's Report, page 6).

"I think it's time to catch our breath," said General Manager Avram Patt. "We'll talk about what's happening elsewhere

related to energy; for example, most of Vermont's utilities except for ours have filed for, or instituted, a double-digit rate increase recently. We are not faced with that, and we can talk about why."

The choice of Roger Hill for guest speaker is consistent with recent annual meetings, which have featured interesting, well-known local people: filmmaker John O'Brien (2003), naturalist Brian Pfeiffer (2005) and renewable energy entrepreneur Jito Coleman of Northern Power Systems (2002). Hill is known for his live radio weather forecasts on WDEV.

"Everybody's interested in the weather," said Patt. "And Roger is an entertaining guy."

Hill is also known for his concerns about global warming.

"WEC doesn't have an official position," said Patt, "but we think global warming is happening, and people I talk to in the utility business are very concerned; everyone's got their radar up."

As always, the occasion provides members an opportunity to raise their own issue directly with the Co-op's leaders. A good meal, good folks, and good conversation – it's hard to figure why any WEC member would be anywhere else on Tuesday, May 23. Send in your dinner reservation (see page 8), and we'll see you there.

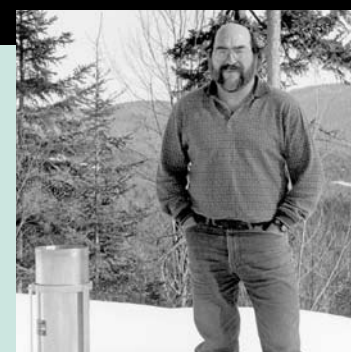
Inside

WEC's 2005 Service Quality and Reliability Performance Monitoring and Reporting Plan. The "SQRP" report required by the PSB is included in this issue's Manager's Report. Page 3.

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

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

Board seeks your approval of bylaw amendments (see explanation and changes on page 8) and **Maple Corner substation replacement** (page 5).



He's a Co-op member and a 'radio personality!' Worcester weather forecaster Roger Hill will be the guest speaker at this year's WEC Annual Meeting.

WASHINGTON ELECTRIC COOPERATIVE, INC.

Tuesday, May 23, 2006

67th Annual Membership Meeting

**Barre Elks Lodge
(10 Jefferson Street, Barre)**

Agenda

- 5:00 p.m.** Registration– Ballot Boxes Declared Open
- 5:30 p.m.** Dinner Served— Choice of Entrée (Reservations required– see 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 (including a discussion of service quality and reliability performance)
 - Update on Coventry Landfill Methane Project, Wind and Other Power Supply Issues
 - Question/Answer Session on any subject of interest
 - Roger Hill Presents:** "What's with the Weather?"— a look at local as well as global trends and how they may affect us.
- 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.)
Door prizes to be drawn at the end of the evening.*



A change of scenery. Washington Electric will hold its Annual Meeting at the Barre Elks Club this year, located behind the Aldrich Library.

Official Notice and Annual Report

President's Report

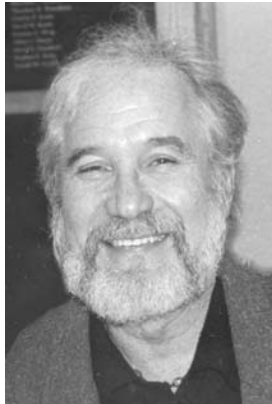
With Progress On WEC's Energy Policies, 2005 Was Anything But Typical

By Barry Bernstein

Spring is in the air and our Co-op is preparing for its 67th Annual Meeting and dinner, to be held May 23 at 5:30 p.m. I would like to encourage you to come join us, to share a meal and the evening. We will have a chance to update our members on the Coventry electric-generation plant as well as answer questions folks have on our operations.

Your Co-op had a busy and successful year. 2005 marked a major milestone when we began operating our Coventry landfill gas-to-electricity plant on July 1, which along with our Wrightsville hydroelectric plant will enable us to generate and supply more than

half the kilowatt-hours of power that our membership needs. The plant continues to increase in output and we are in the planning process for installing a fourth engine by the end of this year. We expect to ask for membership approval of this expenditure in an early-fall vote.



Barry Bernstein

I want to acknowledge our appreciation to everyone involved in making Coventry a success as well as other Co-op employees who worked on the project. As I have said in the past, it was a team effort. However, very special thanks goes to your Board of Directors, our General Manager, Avram

Patt, our Director of Administrative Services Denise Jacques, and our Director of Operations and Engineering Dan Weston for the extraordinary effort they put into the project's success. I also

want to thank Treasurer Don Douglas and Co-op member John Warshow, of Marshfield, for serving on the Coventry Oversight Committee; plant operator Innovative Energy Systems (Pete Zelif and Pete Zelif Jr., and Scott Wilson who is the on-site operator of the system); Gordon Deane, the project developer; John Murphy of DufrenseHenry, the consulting engineer; the Pizzagalli Group, the construction company; the Casella folks whose subsidiary owns and operates the landfill; special counsel Jeff Bernstein and our general counsel Diamond & Robinson; our lenders, the Rural Utilities Service (RUS) and Cooperative Finance Corp. (CFC); energy consultants La Capra Associates, electrical engineers E-Pro Consulting; and our state regulators – the Department of Public Service, the Agency of Natural Resources, and the Vermont Public Service Board. For all those I have not mentioned who worked on and supported our efforts, many sincere thanks.

The coming years will demand of all of us that we be part of new solutions in a changing energy environment.

More than 70 percent of our year-round residential member households – in excess of 5,000 members – lost power for some amount of time, a few for as long as five days. It was of little consolation that more 70,000 households and businesses around the state were in the same boat, limiting mutual-aid support

from other utilities until several days after the storm. As one of the Board members who helped answer phones during that emergency, I got a renewed appreciation for the work

our office staff does in talking to members and communicating with our dispatchers, and for our crews, who worked long hours and days to bring the power back on. I want to again thank all of our Co-op employees for an incredible effort under trying conditions. I also appreciate our membership's patience, understanding and support. Of course, we do live in Vermont and are aware and respectful of Mother Nature, the seasons, and our community of neighbors and friends.

As we report and celebrate 2005, and move through 2006, your Board and Co-op employees remain committed to our electric cooperative, its goals, and our membership. We plan to get through the coming year without a rate increase, for our seventh in a row. We are working on a new rate design, which will be not change the total amount of money we collect in rates, but will make some shifts in how much we collect from different types and categories of members. We hope to have these changes in place by 2007. Our goal is to encourage further energy efficiency in our member households and businesses. We hope to couple the new rate design with a renewed and continued commitment to work with our membership to help all of us use energy in the most efficient and cost-effective ways as possible. The coming years will demand of all of us that we be part of new solutions in a changing energy environment.

I urge all of our membership to become more involved in our Co-op. The continued supply of electric energy, and the choices we make regarding production and use of electric power, are among the most important issues we and our nation and world face in these modern times. As Co-op members, we are uniquely able to participate in these important decisions.

So please join us at the Barre Elks Club – a new location – on May 23 at YOUR 67th Annual Co-op meeting!

Co-op Currents

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

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

Pursuing our power policy

In keeping with our policy committing to building a renewable power supply that is close to home, economical, and stable, your Board of Directors used most of the \$900,000 federal wind grant we received in 2001 to help pay for studies necessary to determine the feasibility of the UPC Sheffield/Sutton wind farm proposal. UPC filed its Section 248 permit application with the Vermont Public Service Board (PSB) in February. The process should take 12 to 18 months until the PSB reaches a decision. WEC is not a co-developer of the project, as is sometimes incorrectly reported; however your Board is a strong supporter of the project. If UPC is successful in building the wind farm your Co-op will enter into a 20-year contract for six megawatts of power to meet 10 percent of our power needs.

Nature wields power of her own

Even as your Co-op has increased right-of-way spending over the past 15 years, investing millions of dollars on pole and line replacement and moving lines closer to the road, when Mother Nature comes calling as she did last October, blanketing New England with a heavy, wet snow while the trees were still full with leaves, we must remain humble.

Manager's Report

WEC's 2005 Service Quality Report

Annual Review Sets Targets for Utilities

By Avram Patt

The quality and reliability of Washington Electric Co-op's service to our members is our most fundamental responsibility, day in and day out. Despite the considerable attention our management staff and board (and this newsletter) have been devoting in the last few years to securing dependable, economical and cleaner long-term energy supply sources, most of your Co-op's employees' daily effort is devoted to maintaining and improving our system, keeping the lights on, providing timely and accurate billing and other information, and extending power to new homes and businesses in our communities.



Avram Patt

For a number of years we have published an annual outage report, in the form of a graph. This graph showing our 2005 outages compared to the two previous years will appear in the next issue of Co-op Currents. Readers know that we also frequently write about specific maintenance and upgrade projects in this newsletter in an effort to keep you informed.

WEC's SQRP Results

Over the past few years, Vermont's regulators at the Public Service Board and the Department of Public Service have required that utilities each have an approved "Service Quality and Reliability Performance Monitoring and Reporting Plan" ("SQRP" for short). These plans set out measurable targets for specific areas of customer service and reliability. Utilities must measure their performance and report annually to the Public Service Board, and financial penalties may be imposed if targets are not met.

At the Co-op, we believe strongly in service to members and in minimizing the number and duration of outages and other problems on our 1,270 miles of rural line. We believe in measuring our performance, reporting the results to your elected Board of Directors and to you, and in using those results to pinpoint problems and make improvements. That's what we have been doing all along.

For WEC, the new state "SQRP" process adds an additional layer of monitoring, accounting and reporting. While we have no fundamental problem

with the concept, we do have concerns about the process, about some of the measurement criteria, and about whether this actually has the intended effect of improving service and reliability. I will discuss those briefly later in this

report, but first, here are WEC's 2005 SQRP results.

Twelve service categories are monitored. The Co-op did better than our required plan targets in 11 of those. We did not achieve the target for one of the measurements of reliability.

1. Calls not answered within 20 seconds.

People calling the Co-op should have their calls answered promptly. Our requirement was that no more than 15 percent of all incoming calls would take more than 20 seconds to answer. On average, only 3 percent of the calls taken each month by our Member Services Representatives took more than 20 seconds to answer in 2005. (They answered more than 66,000 calls.) This includes the major storm outage last October; in most months the average was well under 1 percent.

2. Bills not rendered in seven days.

Members' bills should be issued promptly, and this is apparently sometimes a problem elsewhere. Our requirement was that no more than 0.10 percent of our bills (one in 1,000) could be issued more than seven days late. No bills were issued late in 2005.

3. Bills found inaccurate.

WEC sends out about 106,000 bills during the course of a year, and our target was that no more than 0.1 percent (one in 1,000) be found to be inaccurate. In 2005, we only had four inaccurate bills reported, and our average rounds to zero percent.

4. Payment-posting complaints.

Mistakes can happen, but members should not have to worry about whether the payments they send are accurately and promptly credited to their account. Our target was that complaints about payment posting not exceed 0.05 percent (one in 2,000). With one complaint in 2005, our average was essentially zero percent.

5. Meter readings per month.

Although there are circumstances where a member's meter cannot be read and we have to issue an estimated bill, this should be kept to a minimum. Our requirement was that no more than 0.05 percent (one in 2,000) bills be based on estimated readings. The number of meters not read essentially averaged zero percent last year.

6. Requested work not done on time.

A lot is involved in extending a new line to a home, moving a line, or doing other work requested by members, and there are sometimes complications. Although schedules for a requested project may change for any number of reasons, our engineering staff and line crews stay in touch with the members to discuss these so that we can actually complete jobs when the member expects us to. Our goal was that no more than 5 percent (five in 100 jobs) be completed after we had said they would be. We are pleased that, with more than 500 member-requested jobs in 2005, none (zero percent) were completed late.

7. Average delay days after missed deliver date.

If we had missed our time estimates on any member-requested projects in #6, then we would have needed to report how long those delays actually averaged. Fortunately we have nothing to report for this one.

8. Customer satisfaction.

WEC's SQRP requires us to conduct a professional survey every five years that contains at a minimum some standard national customer-satisfaction questions. This survey was done last fall. WEC's ratings on the required questions were better than the targets in our SQRP. Generally, customer satisfaction levels were high, although the company conducting the survey noted that WEC's results tended to be a little bit lower than electric cooperatives elsewhere in the country. The survey results were reported in the March/April issue of Co-op Currents, which is archived on our website.

9. Complaints to DPS/Consumer Affairs.

Vermonters with complaints about their utility can lodge them with the Department of Public Service. The Department then contacts the utility to get more information or discuss the matter. We receive regular summaries about the number and type of

calls the DPS gets about WEC, and there are fortunately not that many of them. Often, the issues are resolved by discussion, or the Department staff determines that there is no basis for a complaint. However, when the Department finds that a utility has not done something right and instructs the utility to correct the situation, that is recorded as an "escalation." WEC's SQRP requires that the number of "escalations" not exceed 0.7% of our membership (about seven per year). While we have in some years had an escalation or two, I am pleased to report that we had none (zero percent) in 2005.

10. Worker Safety Performance.

The safety of our employees is of paramount importance, both for their own well-being as well as an indicator of how we operate day-to-day. The work that many of our employees do is strenuous and relatively high-risk. Our target is that there be no more than six incidents per year that result in any amount of lost work time, and in 2005 there were two such incidents. Another target is that we have no more than 39 days of lost work time among all employees during a year, and in 2005 that number was 29.5. While we did do better than our targets, this is one area where no score higher than 0 is a good score.

11. Outage Incidents.

The "System Average Interruption Frequency Index" (SAIFI) measures the average number of outage interruptions, or incidents, that occurred per-member over the course of the year. The target in our SQRP was no more than 3.8 outage incidents per member. This is the one service area where WEC did not meet our target, as we averaged 5.0 incidents per member. (See comments below.)

12. Outage Duration.

The "Customer Average Interruption Duration Index" (CAIDI) measures the average amount of time it took to restore power when there was an outage. Our CAIDI target was 2.7 hours, and the Co-op did considerably better than targeted for this measure, at 1.9 hours. (Utilities do not count extraordinary storms such as the one in October 2005 in the CAIDI measurement, as that would skew the results and not accurately measure how a utility is really performing from year to

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Position Statements of the 2006 Candidates for the Co-op Board of Directors

Candidate Profiles

Three candidates are seeking election to Washington Electric Cooperative's Board of Directors this year. Three seats are available on the nine-member Board. All seats are for three-year terms. All three of the 2006 candidates – **Roger Fox**, **Marion Milne**, and **Richard Rubin** – are incumbent directors, presently serving on the Board. The WEC Committee on Candidates has certified that Fox, Milne, and Rubin met the requirements of the election process as set out in the Cooperative's bylaws, submitting timely petitions with the requisite number of member signatures.

Each year three Board positions expire, which enables the membership to elect a third of the Board that makes leadership and policy decisions for the customer-owned, nonprofit utility. The seats that are terminating in 2006 are those of the directors running for re-election.

In ballots cast at the Annual Meeting on May 23, and in mailed ballots returned to the Co-op by a deadline prior to the Annual Meeting (check your election

materials for additional balloting information), members can vote for any three of the candidates who appear on these pages. Ballots will also provide spaces for voters to write in the names of up to three alternative candidates. People must be Co-op members to serve on the Board.

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

The Questions

1. Please introduce yourself.

- Where do you live and how long have you lived there?
- Under what town is your Co-op membership listed?

- How long have you been a Co-op member?
- How may members contact you (address, phone number, e-mail)?

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

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

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

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

Roger Fox

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



and as treasurer of the Northeast Association of Electric Cooperatives (with members in New York, Vermont, New Hampshire and Maine.)

3. I am committed to the Board's efforts to provide affordable, sustainable and environmentally responsible power to WEC's members, to help make this part of Vermont a better place to live, and to increase the Co-op's value to all of us who own it. As a long-serving director, I can bring to the Board's deliberations a broad perspective and familiarity with the Co-op's mission, history and operations. The Co-op's effectiveness depends on a good mix of directors with "institutional memory," as well as those who've joined the Board recently. We always have new challenges and opportunities to work on, and I appreciate being able to make this contribution.

4. With the scarcity and costs of traditional forms of energy increasing significantly, our most obvious challenge will be securing adequate sources of power to meet our members' future needs, and balancing this with the related environmental impacts. Efficiency and conservation promise to be among the most economical options available to us, and we need to renew our efforts to work with our members to realize this potential.

Increasing member access to affordable high-speed ("broadband") information services is another important aspect of promoting economic viability and quality of life in the rural areas we serve. We should continue to actively encourage and support local initiatives working to provide these services.

Beyond these immediate goals, I believe the major concern for WEC will be sustaining your Board's ability and commitment to lead this organization. Our Co-op will need thoughtful and conscientious members to serve as directors in the future, to maintain and improve on the standard we've aimed to set.

5. WEC's Coventry landfill generation project is probably the most significant opportunity our Co-op has enjoyed in many years, and we can be proud of this accomplishment. Not surprisingly, making it happen has required a tremendous amount of foresight, effort and perseverance by both directors and staff.

However, at this point our overall energy and environmental future looks to be an even bigger challenge. If we want our Co-op to respond effectively to this situation, we need our members to be active participants, not just bystanders.

Learn about energy issues. Talk with your friends, neighbors, directors, legislators, and other elected officials. Ask candidates about their positions. Attend public meetings. Write letters to the editor. Be thoughtful, get involved in the debate, and make a difference.

Marion C. Milne

1. I am proud to be a resident of Washington, Vermont, where I have lived for 43 years raising a family, serving in various town offices and as a member of the Vermont House of Representatives for three terms. Through all those years, I have been

a member of the Co-op. As a member, I have followed the changes in the Co-op during that time, and remained interested in its issues. I can be reached at Milne Travel in Barre (479-0541), at my home (439-5404), and by email at marion.milne@milnetravel.com.



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

3. I very much appreciated your support in being elected to the Board in 2003. Since then, I have served on the Financial and Policy committees and currently serve as Secretary of the Board. The Co-op is a very special institution. Over the last three years I have been very impressed with the other members of the Board and the professionalism of the staff. I am still learning, but if I am reelected, I will continue to do my best for the Co-op and its members.

4. The most important issue facing the Co-op is always the same: ensuring an affordable supply of electricity for 10,000 homes with reliable and safe equipment. There is good news to

report on all fronts. Rates have not increased since 1997. The Coventry methane plant is in full operation. The Co-op has never been more innovative and inspired than it is right now. That spirit needs to be fostered.

- As members of this Co-op, we have a special connection to each other, beyond a string of electrons running down a wire. We are all in this together. The Co-op Board is elected by the members to represent their interests. In my experience, that obligation is being met by dynamic, thoughtful trustees who understand the worlds of business, government, law, and energy, and how they fit together. Please vote for the best candidates running. This election does make a difference in our lives.

We choose to live in rural Vermont, in spite of the hardships of weather, muddy roads, and long drives for groceries and other necessities. It's fair to say that without the Co-op, most of us wouldn't live where we do. Electricity is something we take for granted, but its value is obvious as soon as the lights go out, particularly after a winter storm. How the Co-op is managed is one true guarantee of its success or failure. It matters who serves on the Board. I hope the members will support me in reelection to the Board. I will certainly do my best to represent your interests and concerns in an effective and efficient manner.

Richard I. Rubin

- I live on East Hill Road in Plainfield and have been a Co-op member since 1973. I can be reached at 3496 East Hill Road, Plainfield, VT 05667 or by phone at 454-8542.



- I am 60 years old and have lived in Plainfield for more than 30 years. I was born and raised in the Boston area, attended Harvard College, and then the University of Pennsylvania Law School. After graduating law school in 1970, I practiced law in Boston, representing low-income clients for two years before moving to Vermont. I have practiced law in central Vermont since 1972, and for many years our law firm – Rubin, Kidney, Myer & DeWolfe – has had offices in downtown Barre. Our firm handles a variety of cases, and we

are primarily trial lawyers. We also have been the public defenders for Washington County for many years. I was a member of the Twinfield School Board for five years and am a former board member of Vermont Legal Aid and the Vermont Trial Lawyers Association.

I am married to Jayne Israel and have three grown children, two of whom are still living in central Vermont.

I was also involved with my brother, Matt Rubin, and our partner, John Warshow, in the development of the Wrightsville and Winooski 8 (East Montpelier) hydroelectric facilities.

- I have been a Co-op Board member for seven years and have enjoyed my experience on the Board a great deal. I enjoy working with my fellow Board members and would enjoy serving another term. I believe in cooperatives and cooperative principles, and

Manager's Report

continued from page 3

year.)

Some Additional Comments about Outage Reporting and SQRPs

While we are pleased to report the results for 11 out of 12 of the measurements in WEC's SQRPs, we do not really agree that the results for #11, SAIFI, accurately measure performance in this area, or that a portion of those outage incidents should even be attributed to WEC. In reviewing this result, it appears to us that the target of 3.8 outage incidents per member may actually have been set in error in our SQRPs, and we are discussing this with regulators presently.

In addition, members served by certain of our substations experienced outages caused by an unusual number of problems on Green Mountain Power's transmission lines supplying those substations. Also, a large number of brief outages were *scheduled outages* to replace faulty fusing devices from a certain manufacturer – preventive work that avoids much longer outages at more inconvenient times.

We have reported on both the cutouts and GMP transmission problems in previous issues of *Co-op Currents*, and either of these factors alone was enough to cause us to exceed the 3.8 target. Since regulators first instituted SQRPs for Vermont utilities, we have argued that it makes no sense that outages caused by transmission suppliers be counted against the performance of local utilities like WEC, who neither caused the problem to begin with, nor could do

would like to continue to help keep our Co-op strong. I think my experience and training as an attorney brings a unique perspective to the Board and helps me ask the hard questions.

I am particularly proud of our Co-op's creation of the renewable generation facility in Coventry, which converts landfill trash to electricity. This project has been very successful and will help stabilize our rates for years to come. I also obtained a lot of satisfaction out of the establishment of our Cooperative Community Fund. This fund relies on the donations of our members and has resulted in more than \$15,000 in contributions to community organizations each year for the past several years. We hope to continue and grow the fund in future years.

- While most other utilities are requesting substantial rate increases, our Co-op has managed to avoid a rate increase for more than five years. For the first time in memory, our rates are no longer the highest in the state. We have terrific employees and staff, and hopefully are responsive to our members' needs. The Co-op is healthy and we can look forward to stable rates for several years to come and continued good service. I want to be able to help the Co-op continue the good work and to find additional sources of renewable energy at reasonable rates.

Finally, I would like to see our Co-op expand into other areas, such as fuel oil and propane. I think we should be able to provide these energy sources to our members at below-market rates.

I urge members to contact me with their interests and concerns.


anything to fix it. This is one example of how the SQRPs process, in our opinion, can sometimes be more of a bureaucratic reporting activity than a real and useful measure of reliability or customer service, and we hope regulators will eventually realize this.

Because we have some questions and disagreements about how "SAIFI" is determined and what WEC's target should be, we are discussing this with state regulators. However, WEC did not in fact meet our SAIFI target for 2005. A penalty may be imposed if this is not resolved, which would be approximately \$800 to be donated to the WARMTH program.

What Really Matters

With or without a state-mandated SQRPs, we take customer service and reliability seriously, and we would be measuring performance and making improvements in any event. As I wrote

the descriptions of the 12 performance measures above, I was thinking not so much of the reports we filed at the Public Service Board, but more about Washington Electric Co-op's employees. Our managers, member services representatives, administrative staff, and the linemen, engineers and technicians who keep the lights on really care about service quality, and are the first to want to make improvements when those are called for.

I want to end by again thanking you, our members, for your support of the work we do, for your interest in our new power-supply projects, and for your patience and understanding when the weather occasionally sends us more than anyone can handle. I hope to see you at our Annual Meeting, and please feel free to contact me at any time during the year. 



If approved by the voters, WEC's substation near Maple Corner will be replaced by a more modern, energy-efficient facility with environmental protections for nearby wet areas. The substation replacement project will be on your 2006 Co-op ballot.

Treasurer's Report

Market Costs For Power Were Up in 2005; Coventry Plant Is Helping WEC Avoid Those Prices

By Donald Douglas,
Treasurer

2005 was a difficult year for electric utilities. The price of energy has been rising very fast. Last year I reported that we had obtained permission from our regulators to deposit excess revenue in an account which we anticipated would grow. Because our purchased-power expenses were so large this past year we were unable to add to that deferred revenue account we started in 2004. We are hopeful that with our Coventry plant now generating power we will be able to begin growing that account, which will be used to forestall rate increases.

WEC ended 2005 with \$329,825 in net margins, which was a decrease of \$4,175 from last years' margins but was sufficient to meet the requirements of the Rural Utilities Service (RUS) and National Rural Utilities Cooperative Finance Corporation (CFC). Our loan agreements require that we maintain at least a times-interest-earned ratio (TIER) of 1.05 on the construction debt for the Wrightsville hydroelectric project, and 1.25 on the remaining long-term debt, and a debt-service coverage (DSC) of not less than 1.25. The 1997 RUS loan agreement requires us to maintain an operating times-interest-earned ratio (OTIER) of 1.05 on the Wrightsville debt and 1.10 on the remaining long-term debt. The Cooperative met these requirements in 2005. Under the terms of the 2003 financing with CFC, we must maintain a modified debt-service coverage (MDSC) of not less than 1.35. These requirements measure our ability to repay our loans. The Cooperative satisfied our lenders' requirements in 2005 without a rate increase to the members.

It's worth noting that Washington Electric Cooperative is one of the few electric utilities in Vermont neither to implement a rate increase nor apply for a rate increase over the past year or so. We have not raised our rates since 1999. The large increases other utilities have been forced to implement, continuing into this year, have been due to the large increases in the price of fossil fuels, especially natural gas.

Our landfill gas-to-energy plant in



Donald Douglas

Coventry, which began operations in July 2005, has been an important factor in sparing us these price increases. Power production increased at Coventry during the summer and fall, and now – four months into 2006 – we are producing almost half of our electric power. This has reduced our exposure to spot market prices and generated revenue from the sale of the

renewable energy certificates (RECs) we earn with every kilowatt-hour (kWh) produced.

Weather is always a factor in our operations. This past year witnessed the destructive forces of hurricane Katrina. The lowest barometric pressure ever recorded in the Atlantic Ocean delivered to Vermont a freak October snowstorm that caused the most significant power outage in Vermont history. We had a large number of members without power for several days. Some of the expenses for that storm were absorbed in 2005, but we will be paying for that storm over the next two years. In addition, we will need to budget a little higher for large storms going forward.

Operating Revenue

Our revenue from electricity sales for 2005 was \$11,990,295, which is an increase of \$412,597 over 2004. (As noted above, however, our "margins" – comparable to profits for investor-owned companies – were smaller than in 2004.) This was a smaller increase than last year, which reflects the cooler summer and warmer winter experienced in 2005.

Power Costs

The total cost of purchased power (the electric power the Co-op buys to sell to its members) was \$5,095,940, which was \$470,286 less than in 2004. As stated above, other electric utilities across the state are not paying less for their electricity. For us, Coventry has had a very positive financial impact. Before we began producing power in July we were experiencing large power-cost increases due to our exposure to the spot market (for purchasing about 20 percent of our power needs) and the increases in the cost of fossil fuels.

We ended the year with a decrease in power costs because the landfill-gas (LFG) plant is producing even more

Washington Electric Cooperative is one of the few electric utilities in Vermont neither to implement nor apply for a rate increase over the past year or so. The large rate increases other utilities have been forced to implement have been due to price hikes for fossil fuels.

electricity than we had anticipated. We had a few glitches at start-up but we ended the year at nearly 4 megawatts (plant capacity is 4.8 MW). In total, Coventry and Wrightsville – our two Co-op owned generating stations – supplied about 22 percent of our power needs in 2005. These two sources are our most economical power supply. Coventry costs the Co-op \$0.034/kWh, and Wrightsville costs \$0.069/kWh. We anticipate that with the Coventry plant running for the whole year we should be producing about 50 percent of our power needs in 2006.

Operation and Maintenance

Our total expenses under Operation and Maintenance (see chart for Statement of Operations) grew at about 3 percent over the previous year. "Transmission Expenses" were \$253 more, for a total of \$11,338. "Distribution Expenses-Operation" decreased \$11,159; it was \$856,945 in 2004, and last year we needed \$845,786. "Distribution Expense-Maintenance" increased from \$1,161,862 in 2004 to \$1,215,115 in 2005. "Consumer Accounts Expense" rose \$41,761 to \$587,065. "Customer Service and Education" was \$268,032 in


2004, and in 2005 was \$190,561, which is a reduction of \$77,471. "Administrative and General Expense" was up \$82,679 over the previous year, to \$934,998. The Total Operation and Maintenance Expense was \$3,784,863.

Long-Term Debt

The totals for long-term debt increased substantially in 2005 due to the construction of the LFG facility in Coventry. We owed RUS \$14,561,496 in 2004, and now we owe RUS \$22,727,865 – an increase of \$8,166,369. We have a wonderful asset up in Coventry but we do have large loans to pay. That debt is included in the total cost of what we expect to be a growing source of low-cost power.

Capital Credits

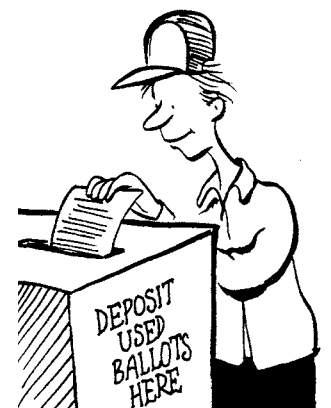
The Board of Directors authorized paying capital credits to both current members and former members. A total of \$248,742 was returned to the members in 2005. We hope to be able to continue re-paying the members their capital credits.

On behalf of the Board of Directors I want to thank Linda Nelson, our Director of Finance, for another year of service to Washington Electric Cooperative. 

Copies of the audited financial statements of Washington Electric Cooperative are available by contacting the office and will be available at the annual meeting. WEC's 2006 Equity Distribution Plan will also be available at the annual meeting and is posted on our website.

Notice

Members may vote at the Annual Meeting on May 23 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 22. 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 Debbie Brown at the Co-op.



Balance Sheet

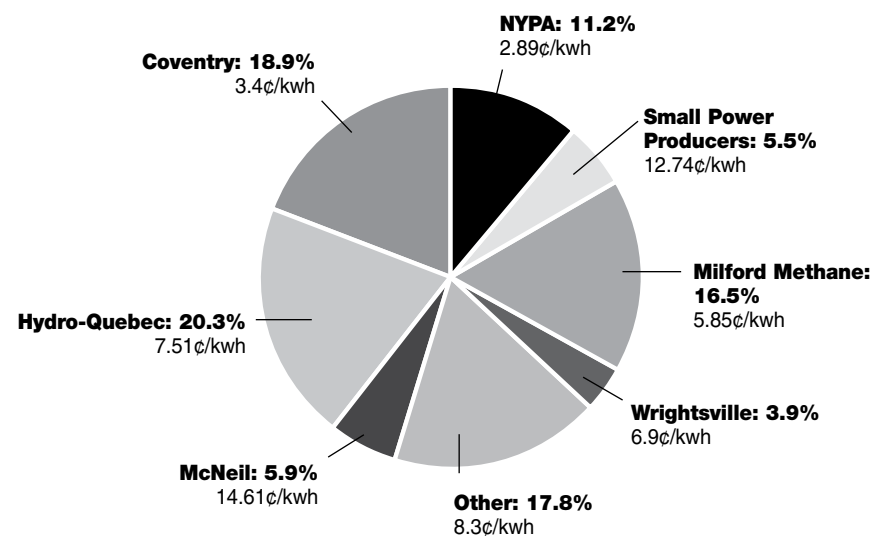
Assets and Other Debits			
	12/31/04	12/31/05	Increase (Decrease)
Utility Plant			
Total Utility Plant in Service	\$40,400,449	\$50,150,960	\$9,750,511
Construction Work in Progress	5,384,263	770,313	(4,613,950)
Total Utility Plant	45,784,712	50,921,273	5,136,561
Accum. Provision for Depreciation	12,637,453	13,470,696	833,243
Net Utility Plant	\$33,147,259	\$37,450,577	\$4,303,318
Other Property and Investment - At Cost			
Invest. in Assoc. Org. - Patronage Capital	126,513	130,511	3,998
Invest. In Assoc. Org. - Central Vt. Mem. Civic Center	377,112	335,672	(41,440)
Invest. in Assoc. Org. - Other	487,474	479,923	(7,551)
Other Investments	372,972	364,387	(8,585)
Total Other Property and Investments	\$1,364,071	\$1,310,493	\$(53,578)
Current Assets			
Cash - General Funds	281,055	306,758	25,703
Temporary Investments	428,914	126,053	(302,861)
Notes Receivable - Net	16,530	190,849	174,319
Accounts Receivable - Net	2,333,423	3,034,415	700,992
Materials and Supplies	176,688	314,764	138,076
Prepayments	37,540	81,172	43,632
Total Current and Accrued Assets	3,274,150	4,054,011	779,861
Deferred Debits	750,662	696,800	(53,862)
Total Assets and Other Debits	\$38,536,142	\$43,511,881	\$4,975,739
Number of Consumers			
	9,934	10,111	177
kWh Sold			
	67,244,026	68,790,742	1,546,716

Statement of Operations			
Item	Actual 12/31/04	Actual 12/31/05	Increase (Decrease)
Operating Revenue	\$11,577,698	\$11,990,295	\$412,597
Cost of Purchased Power	5,566,226	5,095,940	\$(470,286)
Cost of Generated Power - Wrightsville	48,710	325,464	\$276,754
Total Cost of Power	\$5,614,936	\$5,421,404	\$(193,532)
Other Operation & Maintenance Expense			
Transmission Expense	11,085	11,338	253
Distribution Expense - Operation	856,945	845,786	(11,159)
Distribution Expense - Maintenance	1,161,862	1,215,115	53,253
Consumer Accounts Expense	545,304	587,065	41,761
Customer Service & Education	268,032	190,561	(77,471)
Administrative and General Expense	852,319	934,998	82,679
Total Other Operation and Maintenance Expense	\$3,695,547	\$3,784,863	\$89,316
Fixed Expenses			
Depreciation and Amortization Expense	1,100,608	1,355,772	255,164
Tax Expense - Property	9,107	24,783	15,676
Tax Expense - Other	112,527	114,415	1,888
Interest on Long-Term Debt	833,598	1,088,852	255,254
Interest Expense - Other	14,134	18,044	3,910
Other Deductions	25,933	31,306	5,373
Total Fixed Expenses	\$2,095,907	\$2,633,172	\$537,265
Total Cost of Electric Service	\$11,406,390	\$11,839,439	\$433,049
Operating Margins	171,308	150,856	\$(20,452)
Non-Operating Margins - Interest			
	56,014	83,547	27,533
Non-Operating Margins - Other			
	106,678	95,422	(11,256)
Extraordinary Item			
	\$334,000	\$329,825	\$(4,175)
Net Margins			
	\$334,000	\$329,825	\$(4,175)
Times Interest Earned Ratio (TIER)			
	1.40	1.30	(0.10)

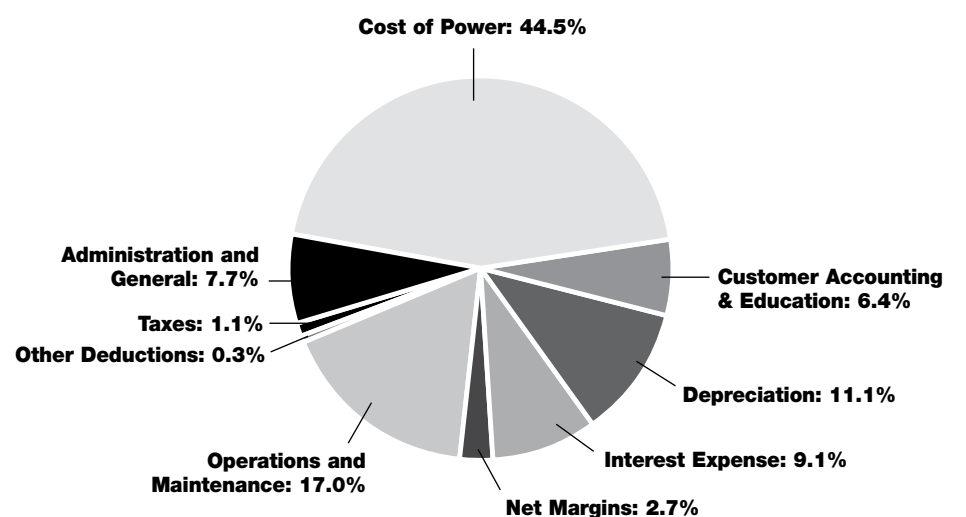
Liabilities and Other Credits

	12/31/04	12/31/05	Increase (Decrease)
Memberships	\$79,680	\$81,505	\$1,825
Patronage Capital Credits	5,735,276	5,822,650	87,374
Contributions-in-Aid-of-Construction	7,553,661	8,059,883	506,222
Operating Margins - Prior Years	0	0	0
Operating Margins - Current Year	199,382	150,856	(48,526)
Non-Operating Margins	134,618	178,968	44,350
Other Margins and Equities	174,149	184,111	9,962
Total Margins and Equities	\$13,876,766	\$14,477,973	\$601,207
Long-Term Debt			
Long-Term Debt - RUS	14,561,496	22,727,865	8,166,369
Central Vt. Memorial Civic Center	378,536	335,672	(42,864)
Long-Term Debt - Other	3,879,578	3,559,465	(320,113)
Total Long-Term Debt	\$18,819,610	\$26,623,002	\$7,803,392
Current Liabilities			
Notes Payable	1,361,819	461,675	(900,144)
Accounts Payable	3,730,188	1,221,550	(2,508,638)
Consumer Deposits	132,585	150,631	18,046
Other Current and Accrued Liabilities	374,918	414,458	39,540
Total Current and Accrued Liabilities	\$5,599,510	\$2,248,314	\$(3,351,196)
Deferred Credits	240,257	162,592	(77,665)
Total Liabilities and Other Credits	\$38,536,143	\$43,511,881	\$4,975,738

2005 Sources and Costs of Power



Where the Dollars Went



Bylaw Changes Address Membership For REC Customers, Boost Initial Fee

Co-op members will be asked to approve a group of related bylaw amendments when the ballots for the 67th Annual Membership Meeting are mailed in May. The amendments would slightly expand the definition of WEC membership to conform with Vermont statute. Presently, the bylaws define a member as a person, business, or other entity that purchases electricity from WEC. The changes would extend membership to those who purchase "renewable energy credits" from Washington Electric Cooperative. The pertinent sections of the bylaws, with the proposed changes, are printed below.

By federal law a cooperatively owned utility must receive at least 85 percent of its total income from members in order to qualify for its nonprofit income tax exemption. WEC has never had non-member income approaching 15 percent of its revenue, but with production of electric power at its Coventry landfill-gas project the Co-op now earns renewable energy credits (RECs), which it can sell to power companies in New England that must meet green-energy requirements in their states. Revenue from those sales has contributed to WEC's bottom line and helped WEC avoid a rate increase. A 2005 amendment to Vermont's electric co-op statute allows WEC to extend membership to the purchasers of RECs. Changing WEC's bylaws in the same way – to broaden the definition of membership – would ensure that it can continue to sell RECs and still conform to the "85/15 (percent)" federal rule.

The Board of Directors also proposes to increase the membership fee – which in most cases is paid just once, at the time a new member joins the Co-op – from \$10 to \$20. It would be only the second time in WEC's history, and the first time since 1976, that the fee would be raised.

These amendments were fully discussed in the March/April 2006 issue of *Co-op Currents*. People who missed that article but would like to know more about the amendments before voting can read that issue online at www.washingtonelectric.coop, or call WEC's office for another copy. They can also discuss the proposed changes with members of the Board of Directors, for whom contact information is listed on page two of this issue.

The Board requests your careful consideration, and approval, of the proposed bylaw changes.

(Proposed language to be inserted is underlined italic and language to be deleted is ~~stricken-out~~.)

Amendment #1: Shall Article I, Section 1, Qualifications and Obligations be amended as follows:

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

(a) Paying the membership or service fees hereinafter specified in Section 2(b);

(b) Using electric energy or other services, goods or products furnished by the Cooperative when they are made available through its electric distribution facilities, or by purchasing and paying the Cooperative for renewable energy certificates or other environmental attributes associated with the generation of electricity, pursuant to state statute; and. . .

Amendment #2: Shall Article I, Section 2B, Membership and Service Connection Fees, be amended as follows:

Section 2B. Membership, and Service Connection and Transfer Fees.

For payment of a membership, service connection or transfer ~~fee fees~~ in the amount of ~~ten twenty dollars (\$10.00) (\$20.00)~~, a the member shall be eligible to receive utilize one service connection. ~~A~~ The member shall be charged a service fee of ~~ten twenty dollars (\$10.00) (\$20.00)~~ for each additional service connection.

Amendment #3: Shall Article I, Section 3, Purchase of Electric Energy be amended as follows:

. . . It is expressly understood that amounts paid for electric energy and renewable energy certificates or other environmental attributes associated with the generation of electricity in excess of the cost of service are furnished by the members as capital and each member shall be credited with the capital so furnished as provided in these bylaws.

Each member receiving electric energy shall pay to the Cooperative such minimum amount per month regardless of the electric energy consumed, as shall be fixed by the Board of Directors from time to time, and subject to the approval of the Public Service Board. Each member shall also pay all amounts owed by that member to the Cooperative as and when the same shall become due and payable. . .

Dinner Menu

RESERVATIONS ONLY. Please return the form below, with payment, **no later than Friday, May 12, to WEC.**
Meal tickets will not be mailed to you, but will be distributed at the meeting.

- | | | |
|---|---|--|
| • Baked Stuffed Chicken Breast,
Baked Potato with sour cream,
Green Beans, or | • Tuscan Blend Vegetables over Angel Hair Pasta (<i>blend of whole green beans, carrots, squash, zucchini, and red peppers</i>) | <i>Both meals include:</i>
Salad & Dinner Rolls,
Ice Cream,
Coffee/Tea/Milk |
|---|---|--|

Dinner Reservation

for May 23, 2006 Annual Meeting

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

Name(s) _____

Map # _____ Telephone # _____

Number of persons attending _____

Indicate number of each entrée: [] Baked Stuffed Chicken [] Tuscan Blend

Amount enclosed: \$ _____

(\$6 per person. Make checks payable to WEC)

Amendment #4: Shall Article I, Section 4. Property Interest of Members be amended as follows:

Members shall have no individual or separate interest in the property or assets of the Cooperative, except that upon dissolution, the property and assets of the Cooperative remaining after all debts and liabilities of the Cooperative are paid, including Capital Credits as provided by Article X hereinafter set forth, shall be distributed among the members and those former members in proportion to the patronage of the respective members and former members receiving and paying for electric energy during the preceding seven years in the proportion which the aggregate patronage of each member bears to the total patronage of all members during the seven years next preceding the date of the filing of the certificate of dissolution.

Amendment #5: Shall Article I, Section 5. Termination of Membership be amended as follows:

. . . Upon withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate. Membership shall terminate 30 days from the date that a member ceases to use electric energy or other services, goods or products furnished by the Cooperative when they are made available through its electric distribution facilities, or one year from the date a member ceases to purchase and pay for renewable energy certificates or other environmental attributes associated with the generation of electricity. . . .

Amendment #6: Shall Article X, Section 2. Patronage Capital in Connection with Furnishing Electric Energy be amended as follows:

Section 2. Patronage Capital in Connection with Furnishing Electric Energy or Selling Renewable Energy Certificates or Other Environmental Attributes Associated with the Generation of Electricity.

In furnishing of electric energy or selling renewable energy certificates or other environmental attributes associated with the generation of electricity, the Cooperative's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric energy or sale of renewable energy certificates or other environmental attributes associated with the generation of electricity in excess of operating costs and expenses properly chargeable against all such amounts the furnishing of electric energy; i.e., operating margins. All such amounts in excess of operating costs and expenses at the moment of receipt such amounts are booked as receivable by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses.

Amendment #7: Shall Article X, Section 6. Retirement of Credits be amended as follows:

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis pursuant to a plan adopted by the Board of Directors before any payments are made on account of property rights of members. . .

The Board of Directors may adopt rules providing for the separate retirement of that portion of capital credited to the accounts of patrons as Construction Capital or for the purchase of and payment for of renewable energy certificates or other environmental attributes associated with the generation of electricity. . . .