

WEC CO-OP CURRENTS

WEC Heads To Barre For 69th Annual Meeting

Guest Speaker: Yankee Raconteur Willem Lange

At a time when nearly all the news about energy is bad and getting worse, Washington Electric Cooperative is practically unique among electric utilities in being able to report to its member/owners that the Co-op had a pretty good year in 2007. And that 2008 looks like it will be just as good if not better.

"As a result of the power we get from our generating station in Coventry [where in 2005 WEC installed power-generating engines that are fueled by methane from the adjoining NEWS-VT landfill], our power costs have actually gone down over the last few years," said Washington Electric's general manager, Avram Patt. "No other utility that I know of can make that statement."

As WEC has increased the portion of its power needs provided by Coventry to more than 50 percent, it has been able to replace much

of its market-priced power, resulting in lower overall costs. The Co-op also earns additional income by selling renewable energy credits (RECs) to companies elsewhere that must satisfy power-

portfolio requirements in their states. WEC Treasurer Don Douglas explains these details more fully in his Treasurer's Report on page 6 of this Annual Meeting Issue of *Co-op Currents*.

This good news will be part of the message that WEC leaders will convey to those who attend Washington Electric's 69th Annual Membership Meeting on Wednesday, May 28, 2008. The doors will open at the Barre Elks Club for Co-op members at 5 p.m., with dinner served at 5:30 and the business meeting beginning at 6:30. This year's guest speaker will be radio commentator and newspaper columnist Willem Lange, a recent



Willem Lange

import from New Hampshire who has taken up residence on WEC's lines in East Montpelier. (See the Annual Meeting Agenda on this page for the schedule of events, and turn to page 8 for the dinner menu and required dinner reservation.)

The good news, unfortunately, isn't all the news. The energy issues Vermont confronts are real ones, and serious – including decisions about the state's soon-to-expire contracts with Entergy (Vermont Yankee) and Hydro Quebec, and the role of renewable energy sources now and in the future.

"We are not immune to the problems that the state and the nation are facing," said WEC President Barry Bernstein. "Climate change, caused in large measure by fossil-fuel and energy consumption, and the rising cost of wholesale power as global competition increases for petroleum and natural gas, are issues for everyone. We can't believe that WEC and its members won't be impacted by what's going on in the world around

"Our power costs have actually gone down over the last few years. No other utility that I know of can make that statement."

— Avram Patt

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Inside

WEC's 2007 Service Quality and Reliability Performance Monitoring and Reporting Plan. The Co-op's annual "SQRP" report to the state is included in this issue's Manager's Report. Page 3.

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

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



WEC members signing in at the annual meeting.

WASHINGTON ELECTRIC COOPERATIVE, INC.

Wednesday, May 28, 2008

69th 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— Buffet
(Reservations required— see coupon on Page 8)
- 6:30 p.m.** Business Meeting Called to Order
(Ballot Boxes Open 5:00 - 7:00 p.m.)
- Reports from Officers:**
President's Report
Treasurer's Report
Manager's Report
- Question/Answer Session**
on any subject of interest to members
- Guest Speaker**— Willem Lange, storyteller and commentator, Vermont Public Radio, Sunday Times Argus and elsewhere
- 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.*

Official Notice and Annual Report

President's Report

A 'Happening' Co-op In 2007

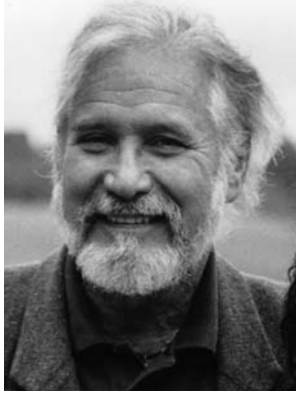
Planning Bears Fruit As WEC Produces Majority Of Its Power

By Barry Bernstein

As we get ready for the 69th WEC Annual Meeting, it is both a time to reflect on the events that took place at your Co-op during 2007 and to look forward to the goals and tasks we have set for ourselves for 2008. It is also an opportunity to review and comment on some of the major energy issues that are being addressed at our Statehouse in Montpelier.

April Storm, 2007

As I write this the temperatures are in the 70s, it's sunny, and spring seems to be upon us. It's ironic that just over a year ago, on April 15 (income tax day), Vermont was hit by a snow-and-wind storm that cut electric service to more than 60,000 homes and businesses across the state. WEC had more than 2,000 member/owners – 20 percent of our membership – without power, some for up to three days. It was one of those storms where just as we were getting a group of members back on



Barry Bernstein

line, trees fell on many of the same lines and people lost their power again. Our operations personnel, our office staff, and our contracted tree crews worked long hours to restore people's power under very difficult circumstances.

Fire and Recovery at Coventry

We had a serious fire in August 2006 at our Coventry electric-generation plant and were fortunate to get the plant and its three engines back on line in November of that year. The amazing thing is that we were able at the same time to keep preparations on track for installing a fourth engine at Coventry and bring it on line in mid-January 2007. This could not have been done without an extraordinary team effort involving our employees and consultants, regulatory officials, and others.

The fire damaged the building and one of the three engines; it resulted in significant costs to the Co-op due to the temporary loss of power generation (which had to be replaced by more

expensive "market" power) and of revenue from the renewable energy credits (RECs) that our Coventry project enables us to sell. WEC therefore undertook negotiations with a several parties, including our insurance company and the insurers representing other parties involved in our claim. We are happy to report that we achieved a nearly complete recovery of costs for Washington Electric.

I want to thank the people involved in these efforts: our Co-op management team of General Manager Avram Patt, Special Projects Administrator Denise Jacques, Engineering & Operations Director Dan Weston, our attorney Josh Diamond of Diamond & Robinson, Stan Faryniarz of La Capra Associates, John Murphy of Stantec, Chet Layman of the Pizzagalli Group, WEC director Richard Rubin, member/owner John Warshow, and the Co-op's Board of Directors. I also want to thank the Vermont Public Service Board, the Department of Public Service, and Vermont Agency of Natural Resources for working supportively with us during those trying times.

Coventry and Wrightsville, and Other Power Supply

As readers can see from Treasurer Don Douglas' charts on page 7, our two generating facilities – the Coventry station fueled by landfill gas, and our hydroelectric station at Wrightsville – together provided for 57.64 percent of our power requirements in 2007.

Meanwhile, some of our power-supply contracts are approaching their expiration dates, and they account for 30 percent of our power supply. Among these are our contracts with Hydro Quebec and VEPPi (better known as the Vermont independent power producers; sources are small in-state hydro facilities and the Ryegate woodchip plant). As we prepare for the termination of these contracts we will continue to look for renewable power-supply options. First to expire will be our contract with the McNeil woodchip-fired generating plant in Burlington which represented 6.1 percent of our 2007 power supply. At 12.39 cents per kilowatt-hour (kWh), McNeil has been one of our most expensive power sources. We plan to replace it with additional power from Coventry, where the methane resource from the expanding landfill continues to increase. Our staff and consultants are working to add a fifth engine at that plant, which will allow us to ramp up production. The project would necessitate a small addition to

the existing building. We hope to submit this project next month to the PSB for its approval of a Certificate of Public Good (CPG), with a vote of the membership sometime in July. Pending these approvals by the PSB and our members, the plan is to have this new engine on line before the end of 2008.

On August 8, 2007, the Public Service Board (PSB) approved UPC-Vermont Wind's Sheffield wind farm proposal, the first wind farm to be approved since Green Mountain Power's Searsburg project in 1996. Although opponents have appealed the permit to the Vermont Supreme Court, WEC hopes to receive 4 megawatts (MW) of power from Sheffield starting in 2009.

2008 – 2012 Construction Work Plan

The development of our \$7.9 million Four-Year Construction Work Plan (CWP), guiding all construction and repair work on our distribution and transmission lines, was a major staff effort in 2007. (The CWP includes funding for the fifth engine at Coventry). Special thanks go to Dan Weston, Denise Jacques, Senior Engineer Brent Lilley, our consultant Dan Crocket, and all the WEC employees who have had input in this critical planning process.

2008

Power planning and construction.

As noted, the Coventry expansion and preparations for power from UPC-Vermont Wind (Sheffield) and other additions to our power portfolio will remain center stage at WEC. These plans are developed under the guidance of the Board's Power and Operations Committee chaired by Director Wendell Cilley of Orange, with support from consultant Stan Faryniarz of La Capra Associates. The P&O Committee will also oversee progress on the 2008–2012 CWP (noted above) as WEC seeks final approval from state and federal regulators and the work unfolds.

The Pledge Program. I urge members to visit our Co-op's web page to find out if they qualify to become one of the first 400 WEC members to participate in our pilot Pledge Program, which is designed to help and encourage members to reduce their energy consumption and costs (see "Pledge Services" on our home page, www.washingtonelectric.coop). This new program marks WEC's commitment to lead the way in Vermont once again in addressing conservation issues and

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Co-op Currents

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

Manager's Report

WEC's Service Quality Report For 2007

Plus Some Excellent News About Rates

By Avram Patt

My annual report to the members of Washington Electric Co-op covers two topics this year: our rates and our service quality. In my annual reports for the two previous years I focused entirely on certain service quality statistics that we are required to publish annually. This year, I thought I should also say something about our electric rates, as we haven't reported in any detail on this in a while.



Avram Patt

Since 2000 – the last time Washington Electric raised its rates – electric rates in the U.S. have gone up an average of 29 percent.

**WEC's Rates—
No News is Good News**

WEC filed its last rate increase request with the Public Service Board in late 1999, and that increase went into effect in 2000. We have not increased rates in more than eight years, and our financial forecasts, as best we can estimate, show no need for an increase for several more years.

With only eight meters per mile of power line – 98 percent of those meters serving residential members – our operating costs per-member will tend to be higher than in more densely populated utility territories with large commercial and industrial customers. But as Treasurer Don Douglas notes in his report elsewhere in this issue, we have held our rates stable mostly because of the impact that the Coventry plant has had on our cost of power.

Since 2000, electric rates in the United States have gone up an average of 29 percent. In Vermont, every other utility has increased its rates during that time, usually by double digit amounts. The bill for an average residential WEC member is now approximately the same as, and sometimes lower than, what ratepayers at a number of other utilities pay, something we could not say a few years ago. Below are a few comparisons for moderate users (includes state Energy Efficiency Charge).

400 kWh per month		Stowe Elec. Dept.	\$82.00
WEC	\$63.51	Hardwick Elec. Dept.	\$86.50
GMP	\$64.58	Vermont Elec. Co-op	\$85.76
CVPS.	\$63.65	600 kWh per month	
Stowe Elec. Dept.	\$66.12	WEC	\$97.26
Hardwick Elec. Dept	\$69.24	GMP	\$91.91
Vermont Elec. Co-op	\$70.03	CVPS.	\$89.57
500 kWh per month		Stowe Elec. Dept.	\$97.55
WEC	\$80.39	Hardwick Elec. Dept	\$103.75
GMP	\$78.25	Vermont Elec. Co-op	\$101.49
CVPS.	\$76.61		

While everyone else's electric rates have increased in Vermont and across the country, ours have not. And when it comes to non-electric energy costs, I don't think I need to tell WEC members what fuel prices are like right now. But I do want to remind readers what fuels cost at the time WEC last raised its rates.

In January 2000, the average price for gas in Vermont was \$1.37 a gallon. Heating oil was \$1.07 and propane was \$1.15. At a time when each of us is being pinched by the impact of energy costs in everything we do, we are glad that the Co-op has been able to provide our members with an extended period of rate stability.

Service Quality and Reliability Results for 2007

WEC, along with other Vermont utilities, is required to have a "Service Quality and Reliability Monitoring and Reporting Plan" (SQRP), reviewed by the Department of Public Service and approved by the Public Service Board. The SQRP measures the quality of our customer service and our system reliability in 12 separate categories. There are targets for each category, and the potential for penalties if we miss some of them.

In 2007, we did better than our target in 11 of the categories, and just missed the target in one.

- 1. Calls not answered within 20 seconds.** Our requirement was that no more than 15 percent of WEC's incoming calls take more than 20 seconds to answer. Our Member Services Representatives answer more than 44,000 calls a year, and in 2007 6.5 percent of those calls took longer than 20 seconds to answer.
- 2. Bills not rendered in seven days.** Our target was that not more than 0.10 percent of our bills (one in

- 1,000) be issued more than seven days after they were supposed to be. No bills were issued late in 2007.
- 3. Bills found inaccurate.** No more than 0.10 percent of all bills mailed should be found to be inaccurate. WEC did not send any inaccurate bills in 2007.

- 4. Payment posting complaints.** Members' payments should be accurately and promptly posted to their accounts. Our target was that payment posting complaints not exceed 0.05 percent (one in 2,000), and there were no payment posting complaints last year.
- 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 target was that no more than 5 percent of bills (five in 100) be based on estimated readings. In 2007, there were 336 meters not read, or 0.4 percent.

- 6. Requested work not done on time.** A lot is involved in extending new lines to homes or doing other work requested by members. 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 so we can actually complete the job when the member expects us to. Our goal was that no more than 5 percent of requested jobs (five in 100) be completed after we said they would be. In 2007, out of 324 member-requested jobs, none were completed later than expected.

- 7. Average delay days after missed delivery date.** This category refers to the service work that was the subject of #6 (above), and WEC's average days' delay was none. If we had missed our time estimates in #6, we would have needed to report on the actual length of the delays.
- 8. Customer satisfaction.** WEC's SQRP requires us to conduct a professional survey every five years that contains certain standard national customer-satisfaction questions. Our last survey was conducted in the fall of 2005, and results were reported in the March/April 2006 issue of *Co-op Currents*. We met our targets and got generally high marks.

- 9. Complaints to DPS/Consumer Affairs.** Vermonters with complaints about their utility can lodge them with the Consumer Affairs Division of the Department of Public Service.

Our SQRP target for the average number of outages per member was 3.8, and we averaged 3.6 in 2007, an improvement over the previous year.

The Department then contacts the utility to get more information or discuss the matter. In most cases, issues are resolved by discussion or the Department staff determines that there is no basis for a complaint. However, when the

Department determines that a utility has not done something right and requires that it be corrected, this is recorded as an "escalation." WEC's SQRP requires that the number of escalations not exceed 0.7 percent of our membership (about seven per year). I am pleased to report that WEC had no escalations in 2007.

- 10. Worker safety performance.** We care about the safety of our employees 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 we have no more than six incidents that result in lost work time, and that there be no more than 39 days of lost work among all employees. In 2007 we did exceed the first target, experiencing seven incidents. However, these incidents resulted in only 22 lost work days among all employees.

- 11. Outage incidents.** The "System Average Interruption Frequency Index" (SAIFI) measures the average number of outage incidents that occurred per member. Our target is 3.8 outages, and we averaged 3.6 in 2007, which was also an improvement over the previous year.

- 12. Outage duration.** The "Customer Average Interruption Duration Index" (CAIDI) measures the average time it took to restore power when there was an outage. Our target was two hours average duration, and our average in 2007 was 1.8.

More on Outages and Reliability

The SAIFI and CAIDI indexes reported above are important measurements but they only tell part of the story about reliability: the causes of outages and the work being done to improve things. We publish a more detailed report on this annually, which unfortunately did not make it into the March/April issue of *Co-op Currents* due to space limitations. Look for that report in the June issue.

Hope to see you at the annual meeting.

As always, feel free to contact me by phone, letter, e-mail, or in person with any questions, comments, or concerns you may have.

Position Statements of the 2008 Candidates for the Co-op Board of Directors

Candidate Profiles

Four candidates are seeking election to Washington Electric Cooperative's Board of Directors in 2008. Three seats are available on the nine-member board. All seats are for three-year terms. The four candidates are **Wendell Cilley**, **Donald Douglas**, **Timothy Guiles**, and **David Magida**. Cilley, Douglas, and Guiles are incumbent directors whose seats are expiring this year. Magida is seeking election to his first term on the Board. The WEC Committee on Candidates has verified that each of the four candidates meets 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.

In ballots cast at the Annual Meeting on May 28, and in mailed ballots returned to the Co-op by a deadline prior to the Annual Meeting (check your

election materials for additional balloting and deadline information), members can vote for any three of the candidates who appear on these pages. Ballots will also provide space for voters to write in the names of 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.

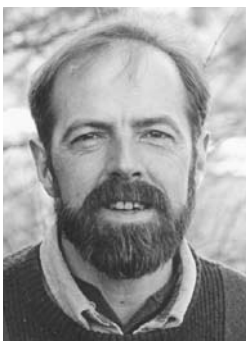
3. Why are you seeking a position on the Co-op Board? Why would you make a good director?

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?

Wendell Cilley

1. I have lived in West Topsham and have been a Washington Electric Cooperative member for the past 26 years. My residence and Co-op membership is in Topsham and my address is 468 VT Route 25, West Topsham, VT 05086. I can be reached by phone at 439-6138 and by email at cilley@tops-tele.com.



2. I graduated from the University of Vermont with a bachelor's degree in industrial arts education and left soon after to travel and work in Australia and New Zealand. I started working with adults with developmental disabilities in Australia and have worked in human services in Australia, New Zealand, and in Vermont. I am currently employed by Upper Valley Services in Bradford, where I have worked for the past 23 years in positions ranging from supervision of a yard crew to service coordination.

In my current position as a case manager, I work with individuals, families, guardians, employers, and hourly and contracted employees scattered through WEC's service territory. I spend much of my time traveling and talking with people in their homes in Orange, Washington, and Caledonia counties and focusing on ways to improve services and supports to individuals by working cooperatively.

For the past 21 years I have owned and operated a small pallet-manufacturing company, producing custom pallets and skids for food service equipment and furniture companies.

3. I am seeking a sixth term on the WEC Board of Directors because I feel I can continue to represent the interests of the members. During the time I have served on the Board I feel I have come to appreciate many of the ways in which WEC can make an impact on the quality of its members' lives. I have supported and would continue to support ways to make power more affordable to the members while minimizing the impacts that generating, transmitting, and consuming that power have on the members and their communities. It is exciting for me to be able to anticipate the long term availability of the power generated at our facility in Coventry in combination with other affordable renewable power sources that will hopefully comprise a larger and larger portion of our power portfolio.

As the chair of the Power and Operations Committee and of the Editorial Committee, I continue to feel that one of the most important of a director's many duties is to listen. I would continue to bring to the Co-op Board a ready ear and a reasoned response.

4. The issue of climate change and how we address it is for me the most important issue that WEC and its members will have to face in the next few years. The steps we have taken in energy conservation and in developing renewable energy sources for the members are a positive start, but we will need to continue to work to find more ways to lessen our contribution to climate change while keeping energy affordable and reliable. There may be a number of ways to accomplish this, but identifying, evaluating, selecting, and implementing those ways will require the combined and concentrated effort of an active board, of trained and involved staff, and of an informed membership. The Board and management will

need to continue to look for ways to keep members interested and committed to WEC. As more and younger people join the Co-op, the need to find ways to engage them in cooperative activities will grow.

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

Don Douglas

1. I live in East Orange at 21 Douglas Road. We have been here since 1980 when we bought our house. I have been a Co-op member since 1978. I can be reached at home at 439-5364 or by email at dondougl@gmail.com (please note that my email address is missing the s from my last name). I am always happy to talk about energy issues in general or specific issues about our co-op.



2. I grew up in East Tennessee, graduated from high school in Kokomo, Indiana, and went to college in St Louis, Missouri, and then graduate school at the University of Texas at Austin. I traveled extensively in South America before moving to Vermont from Cochabamba, Bolivia. I have been delivering the mail as a rural carrier since 1979. My 90-mile route serves mostly Co-op members, which gives me many opportunities to answer people's questions. I have been a board member since 1999 and have served as the treasurer of the board since 2000.

3. I am seeking another term because I enjoy the challenge of helping to chart our best course of action through the difficult energy future that

I see ahead. I have the time, interest, and the energy to devote to serving on the board.

4. We need to seek more power contracts or another ownership position of a generating plant so that we are prepared to add new sources as the old contracts expire. We need to do more with small-scale renewable energy. We need to continue to improve our reliability. We have been re-constructing a substation every four years and we recently began a very ambitious pole-treatment and -inspection program. We have an aging infrastructure and will have to continue to invest in replacement of poles and wires (some of the poles and wire date from the very beginning of the Co-op). We study our needs and weigh the costs and manpower and try to prioritize the projects that will most improve our service, or deliver us the least-expensive power and have the least impact on our environment.

5. We see Peak Oil and very high costs for oil in our future, which will result in high energy prices throughout, including heating oil, gasoline, propane, and electricity. Solar seems expensive, as is small-scale wind, but how expensive will it be if gasoline is \$12/gallon and electricity is \$1/kWh? We are trying to educate the members about how to be efficient in their use of electricity as well as how to conserve their use of all forms of energy. If we are wrong and there is a breakthrough in cold fusion or some other technology, we will still be saving money and using energy wisely.

Timothy Guiles

1. I live off Baptist Street on Young Road in Williamstown. Though I have lived here for 16 years, I have been a Co-op member for only the last

nine years. Prior to that I made most of the electricity I needed with solar panels. I can be reached through the mail at 746 Young Road, Williamstown, VT, 05679; by phone at 279-2168; or with e-mail at TimothyGuiles@gmail.com.



reap considerable benefits from this approach in the future.

I have been very interested in the debate about harnessing wind energy in Vermont. Even though I am an avid promoter of clean, renewable energy (like wind power), I believe that wind power should only be placed in already commercialized areas. Thus, I support wind power on farm land or other areas which have already been made accessible for commercial development, but I do not support placing wind power on ridge lines which would require building roads and power lines through currently un-commercialized areas to connect the wind towers to the power grid infrastructure. I also believe that scale matters; thus I believe that it is more fair and just to place smaller-scale wind projects nearer to the final users so that the people using the power are the same ones effected by its generation (i.e., sound, visual, and other externalities).

It is my belief that, in the not-so-distant future most of us will be making most of our energy ourselves. This is called distributed power generation. This type of system has many potential benefits, including much greater efficiency, less vulnerability to large-scale outages, and clean, renewable, low-cost power. I am trying to be one of those to help prepare Washington Electric Coop to take advantage of this paradigm shift.

- I feel it is essential that we be as thoughtful and responsible as we can be about our energy choices, so that members of future generations, like my 17-year-old son, Zachary, will have not only plenty of energy to help power their dreams, but also a cleaner and more peaceful world than the one we inherited.

David Magida

- I have lived on the Center Road in Middlesex, and been an owner-member of WEC, since July 1986. My Co-op membership is listed in Middlesex. Members are welcome to call me at 223-8672 or contact me by email at vtmagida@aol.com.




- I graduated from Middlebury College in 1979 with a degree in Environmental Economics. My interest in energy systems

and conservation started as an undergrad. Since graduation, my professional life has focused on management of ever-larger operations in higher education. I have been the Chief Administrative Officer at Norwich University for the last 15 years. In this capacity, I am responsible for many of the support services. I am responsible for the management of operating and capital budgets that typically total tens of millions of dollars a year.

My experiences that will likely prove most beneficial to WEC are in the areas of energy management/conservation, budget management, and in construction/renovation. Since 1979 I have been involved in energy management and conservation at large college and university campuses. These experiences include energy data analysis, generation, procurement, transmission, end-use control, and regulatory compliance. The team at Norwich has made the Norwich campus one of the most energy-efficient campuses in the country. Our efforts include the installation of two electricity co-generation systems and an ambitious conservation program. In addition, I have been responsible for several dozen major construction and renovation projects that have totaled more than \$200 million in value. Every project has been brought in on time and on budget.

- I am excited about the possibility of being elected to the WEC Board. WEC has done a wonderful job of managing and improving its operations. The WEC team is clearly customer-focused. The Board, management, and staff have worked to upgrade the infrastructure and generating options. They are to be commended. As I write below, there are many challenges facing WEC in both the short and long terms. I have spent almost 30 years working on the types of issues faced by WEC. I believe that my experience will allow me to "hit the ground running" and help the Board work through these numerous challenges.
- There are several important issues facing WEC. All of them have an impact on the cost paid by owner-members:
 - Power sources:** Up to half of the existing power contracts expire in the next seven years. The Coventry plant is a vital, long-term base contract. However, it is critically important that WEC not be too reliant on any one source of power in order to ensure system-wide reliability. WEC should be evaluating opportunities similar to Coventry that provide

environmentally sound, reliable, and cost-effective sources of electricity. While it is likely that we will always have to purchase some amount of power on the open market, we need to secure base sources of power that will protect WEC from the vagaries of the fossil fuel market. We need to be realistic and understand that the long-term trend shows increasing energy prices. Continued innovation is required to secure attractive power sources.

- Reliability:** The dedicated WEC team has made terrific strides in improving the system reliability. New technologies available and forthcoming will provide means of enhancing system reliability. I am pleased to see WEC's installation of reclosers. Evaluation and adoption of new technologies should continue.
 - Conservation:** We all know the benefits of energy conservation. Encouraging conservation through attractive programs (perhaps in conjunction with Efficiency Vermont or other utilities) should be an on-going program.
 - Demand-side Management:** In addition to paying for kWh consumption, WEC also pays for the demand it places on the electric grid. This demand charge can represent a sizable portion of the bills paid by WEC. Lowering WEC's peak electricity demand will yield substantial cost savings. I would like to see WEC implement an aggressive demand-side management program. There are numerous systems in place throughout the country that could be introduced into the WEC area.
 - Operating Costs:** like all organizations, WEC faces ever-increasing business operating costs for things such as health care, insurance, procurement, etc. I have had decades of experience helping organizations control these operating costs while not negatively impacting employees nor operations. Controlling these costs will control rates charged by WEC.
- WEC is entering a very important time in its history. WEC is faced with uncertain supplies and costs that are mostly set by the much larger external marketplace. However, I am confident that WEC can work its way through this period and come out stronger. I would welcome the opportunity to be a part of the Board as it works through these issues. 

Half of your home's energy consumption goes toward heating and cooling.

Have you remembered to replace the filter(s)? Your system will run more efficiently, and you'll save money.

Treasurer's Report

2007 Treasurer's Report

WEC Feeling The (Positive) Impact of Coventry Generation

By Donald Douglas
Treasurer

Washington Electric Co-op had a very strong financial year. When the Coventry plant was re-built after the fire in 2006, we added a fourth engine. With four engines producing power the output has sometimes exceeded our needs, which has allowed us to sell power back into the grid.

As illustrated in the "2007 Energy Resources Allocation Chart" (page 7), we sold almost 10 percent of the total power supply we had available because of the output from the Coventry plant. We hope to be adding a fifth engine sometime in 2008. At that point we will most likely be selling even more power back into the grid or looking to enter into an agreement with another utility to sell some portion of the power which exceeds our needs. As the contracts with our other energy sources drop out, we will begin to use rather than sell that excess power. You can read the President's Report (page 2) for details of the contracts that begin to expire in May of 2008.

Looking at the chart "Sources and Costs of Power" you can see that the prices we pay for power vary from \$0.03 per kilowatt-hour (kWh) to \$0.14/kWh. As the contracts for the relatively expensive power expire we will be able to add more of our low-cost Coventry power, and that will have a positive impact on our financial health. We are continuing to sell all the renewable



Donald Douglas

energy certificates (RECs) associated with the power generated at Coventry. This means we cannot consider the energy the Co-op receives from Coventry as renewable in our own power-supply mix.

A portion of the RECs revenue is used to run our operations. The rest goes into a deferred account. This year we deferred \$1,530,000

(\$1.53 million). We expect to be able to continue adding to this account for the next several years. Eventually we believe that the REC market will accomplish the goal of encouraging the growth of "green energy" and we will not be able to sell our certificates for as much money. Therefore, in future years, we will begin to draw down from the account to avoid having to have a rate increase.

We have not had a rate increase since 2000 and we hope to go several more years before it becomes necessary. We have been very fortunate both in the timing of building the Coventry plant and in the sale of our RECs. We calculate the cost of Coventry power at about \$0.04/kWh, which includes the debt financing from our borrowing to build the building and the transmission line, as well as the equipment and all costs associated with the operation and maintenance of the plant. But the \$0.04 does not include the sale of the RECs. When the sale of the RECs is included in the calculation, we are for the time being actually making about \$0.01 for every kWh produced.

We made our lenders' TIER requirements in 2007 (TIER is a ratio of margins to debt that our lenders require). In 2006 our patronage capital – or margins – was \$336,639; in 2007 our margins reached \$805,996. In addition to the RECs revenue, we also had some additional "one-time" revenue resulting from settlement of our 2006 Coventry fire claim. We decided to increase our year-end margins for

2007 in order to make some necessary investments without the need for short-term borrowing. Also, the additional margins help keep our ratio of debt-to-equity high enough for us to continue to retire your capital credits

Revenue

Our operating revenue for 2007 was \$12,074,449, which is a decrease from 2006 when the revenue was \$12,789,617. Normally a decrease of more than \$700,000 would be cause for concern. However, that revenue decrease is after we deferred \$1,530,000. This deferral will help lessen the impact of rate increases in future years. We budgeted operating revenue at \$13,665,060, which means that when you add in the deferred revenue account we were off budget by \$60,611. On a \$13,600,000 budget, \$60,000 is very nearly on the mark.

Power Costs

Our total power costs, including both purchased power and generation, went down for the third year in a row. Last year's decline in power cost was \$384,274. This year our power costs declined by \$1,109,607. The total cost of purchased power in 2007 was \$3,013,165. Some of this reduction is due to a re-calculation of transmission charges, but the largest part comes from the Coventry plant, which enabled us to sell 10 percent of our power back into the grid, greatly reducing our total power bill. Also, the additional power

production means that WEC buys very little power on the "spot market" where power costs can really soar.


Operation and Maintenance

Our total Operating and Maintenance expense was \$8,573,302, which is \$800,000 less than in 2006 and \$783,598 below our budget. Most of this good news comes from the large savings in purchased power. We are paying much higher prices for equipment and basic materials like steel, poles, and wire, as well as labor costs.

Capital Credits

The Board of Directors authorized paying capital credits to both current and former members in 2007. The total of retired capital credits was \$276,266.90. That completes our obligation to members for 1987 and reduces our allocation from the 2007 margins by \$100,000. That \$100,000 is about equal to a 1-percent decrease in your electric rates.

WEC has paid \$2,522,125.93 to the members since 1998. Returning capital credits to the member-owners of Washington Electric Cooperative demonstrates the commitment of the Board of Directors to cooperative principles.

On behalf of the Board of Directors I want to thank the entire Finance Department for their good work this past year. Copies of our audit are available at the Co-op office and on our website. 

President's Report

continued from page 2

global warming. The pilot has been developed under the leadership of WEC Products & Services Director Bill Powell and Vermont Energy Investment Corp. consultant Paul Scheckel. It is a very promising program, but **we need your participation to make this work.**

Cycle Billing. Our changeover to a more sensible billing cycle in 2008 hit some rough patches despite the hard work and planning done by Member Services Supervisor Susan Golden and our Member Services Representatives. We know that in the end we will be better able to serve you as a result of the change, but on behalf of the Co-op I wish again to apologize for the difficulties and inconvenience the change caused for some individual members.

Vermont Statehouse issues

The Vermont Energy Efficiency and Affordability Act. I want to thank Gov. Douglas, Chairman Robert Dostis of the House Natural Resources and Energy Committee, House Speaker Gaye Symington, Senate President Pro

Tem Peter Shumlin, and State Rep. (and WEC member) Tony Klein for their efforts to put aside differences from last year's session to get this significant legislation passed. I also want to thank VPRIG – the Vermont Public Interest Research Group – for its tireless, continued effort in this cause on behalf of all Vermonters. This new legislation provides for an entity similar to Efficiency Vermont to help Vermont homes and businesses address non-electric energy needs. This legislation provides an additional building block as we move forward in a rapidly changing energy world.

Vermont Yankee. As a result of a 2005 agreement between the state and Entergy Corporation, Vermont Yankee's owner, to proceed with a 20-percent power uprate, the Legislature has the responsibility to ensure that a proposed 20-year extension of the nuclear plant's operating license would be safe and in the best interests of Vermonters and our state.

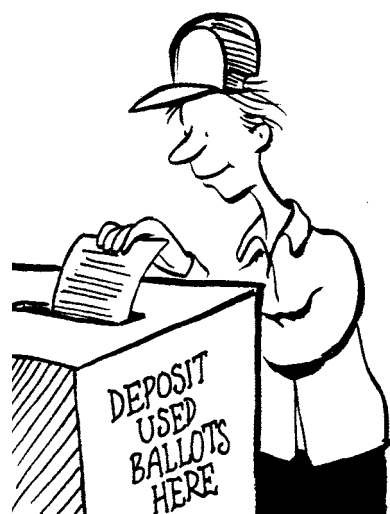
WEC no longer receives power from Vermont Yankee, having ended our involvement in nuclear power in 2000.

continued on page 7

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 2007 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 28 or by ballots accompanying this issue of *Co-op Currents*. Mailed ballots must be received at the Barre Post Office no later than 3 p.m. on Tuesday, May 27. Members mailing their ballots from out of state are advised to mail them several days before the deadline to be sure that their ballots will qualify. Local members, too, are encouraged to allow a few days for postal delivery. Ballots hand delivered to WEC's office will be treated as spoiled ballots. Anyone with questions about voting or deadlines can call Debbie Brown at the Co-op.



Balance Sheet

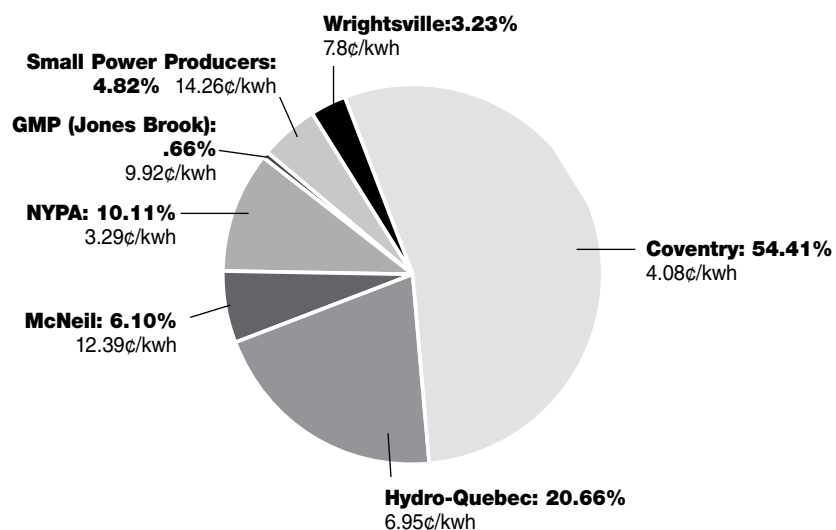
Assets and Other Debits			
	12/31/06	12/31/07	Increase (Decrease)
Utility Plant			
Total Utility Plant in Service	\$52,577,970	\$55,897,965	\$3,319,995
Construction Work in Progress	1,852,092	545,348	(1,306,744)
Total Utility Plant	54,430,062	56,443,313	2,013,251
Accum. Provision for Depreciation	14,600,825	15,894,306	1,293,481
Net Utility Plant	\$39,829,237	\$40,549,007	\$719,770
Other Property and Investment - At Cost			
Invest. in Assoc. Org. - Patronage Capital	138,098	143,891	5,793
Invest. In Assoc. Org. - Central Vt. Mem. Civic Center	292,808	249,944	(42,864)
Invest. in Assoc. Org. - Other	477,699	465,765	(11,934)
Other Investments	1,169,140	2,736,530	1,567,390
Total Other Property and Investments	\$2,077,745	\$3,596,130	\$1,518,385
Current Assets			
Cash - General Funds	422,673	295,317	(127,356)
Temporary Investments	132,428	139,559	7,131
Notes Receivable - Net	182,445	174,119	(8,326)
Accounts Receivable - Net	4,454,621	3,435,905	(1,018,716)
Materials and Supplies	339,704	323,162	(16,542)
Prepayments	39,645	43,608	3,963
Total Current and Accrued Assets	5,571,516	4,411,670	(1,159,846)
Deferred Debits	446,530	333,756	(112,774)
Total Assets and Other Debits	\$47,925,028	\$48,890,563	\$965,535
Number of Consumers	10,265	10,383	118
kWh Sold	68,545,345	69,335,492	790,147

Liabilities and Other Credits			
	12/31/06	12/31/07	Increase (Decrease)
Memberships	\$88,470	\$101,475	\$13,005
Patronage Capital Credits	5,903,237	5,995,396	92,159
Contributions-in-Aid-of-Construction	8,543,464	8,945,102	401,638
Operating Margins - Prior Years	0	0	0
Operating Margins - Current Year	233,716	(5,890)	(239,606)
Non-Operating Margins	102,923	811,886	708,963
Other Margins and Equities	188,393	180,257	(8,136)
Total Margins and Equities	\$15,060,203	\$16,028,226	\$968,023
Long-Term Debt			
Long-Term Debt - RUS	23,599,351	23,697,108	97,757
Central Vt. Memorial Civic Center	292,808	249,944	(42,864)
Long-Term Debt - Other	3,242,592	3,904,404	661,812
Total Long-Term Debt	\$27,134,751	\$27,851,456	\$716,705
Current Liabilities			
Notes Payable	3,408,145	1,987,175	(1,420,970)
Accounts Payable	1,499,127	622,245	(876,882)
Consumer Deposits	161,678	155,356	(6,322)
Other Current and Accrued Liabilities	477,223	511,735	34,512
Total Current and Accrued Liabilities	\$5,546,173	\$3,276,511	\$(2,269,662)
Deferred Credits	183,901	1,734,370	1,550,469
Total Liabilities and Other Credits	\$47,925,028	\$48,890,563	\$965,535

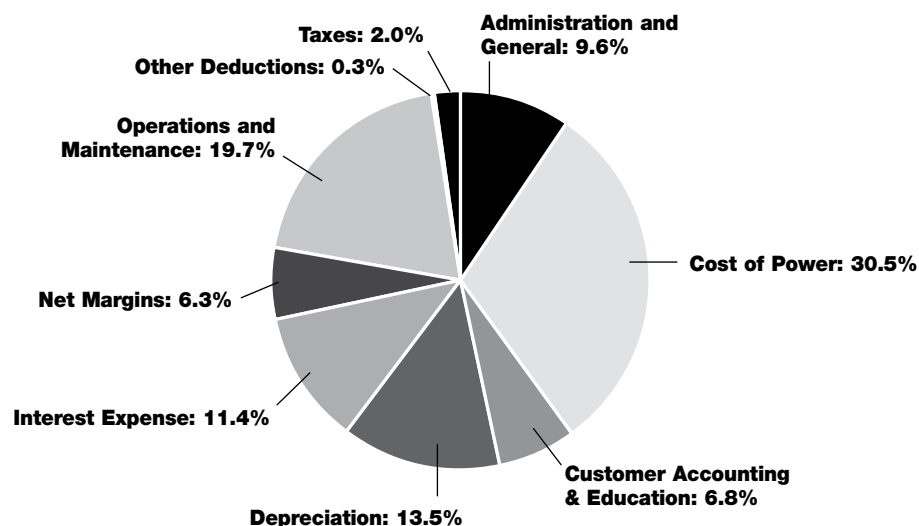
Statement of Operations

Item	Actual 12/31/06	Actual 12/31/07	Increase (Decrease)
Operating Revenue	\$12,789,617	\$12,074,449	\$(715,168)
Cost of Purchased Power	4,360,054	3,013,165	\$(1,346,889)
Cost of Generated Power - Wrightsville & Coventry	677,076	914,358	\$237,282
Total Cost of Power	\$5,037,130	\$3,927,523	\$(1,109,607)
Other Operation & Maintenance Expense			
Transmission Expense	17,400	19,671	2,271
Distribution Expense - Operation	961,468	1,005,454	43,986
Distribution Expense - Maintenance	1,495,455	1,510,956	15,501
Consumer Accounts Expense	632,989	711,972	78,983
Customer Service & Education	113,904	164,716	50,812
Administrative and General Expense	1,115,252	1,233,009	117,757
Total Other Operation and Maintenance Expense	\$4,336,468	\$4,645,778	\$309,310
Fixed Expenses			
Depreciation and Amortization Expense	1,580,804	1,736,444	155,640
Tax Expense - Property	116,837	136,655	19,818
Tax Expense - Other	119,831	124,611	4,780
Interest on Long-Term Debt	1,276,760	1,363,909	87,149
Interest Expense - Other	69,936	102,875	32,939
Other Deductions	18,135	42,544	24,409
Total Fixed Expenses	\$3,182,303	\$3,507,038	\$324,735
Total Cost of Electric Service	\$12,555,901	\$12,080,339	\$(475,562)
Operating Margins	233,716	(5,890)	\$(239,606)
Non-Operating Margins - Interest	113,518	182,696	69,178
Non-Operating Margins - Other	(10,595)	629,190	639,785
Extraordinary Item			
Net Margins	\$336,639	\$805,996	\$469,357
Times Interest Earned Ratio (TIER)	1.26	1.59	0.33

2007 Sources and Costs of Power



Where the Dollars Went



President's Report

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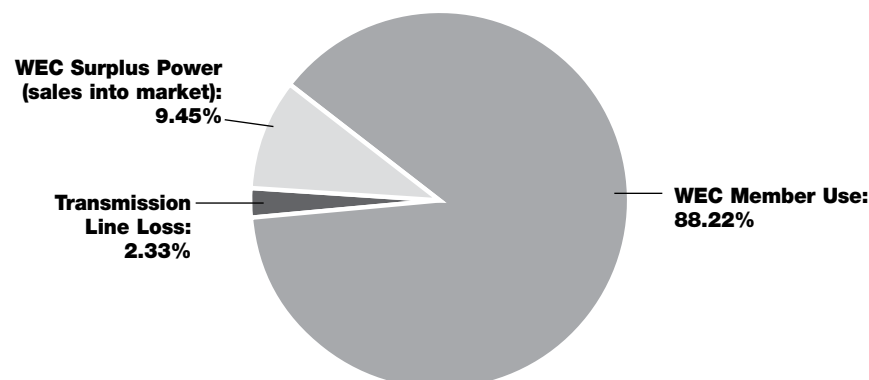
However, any extension of Yankee's operating license, especially given the rubber-stamp mentality of the Nuclear Regulatory Commission (NRC) and the age of the plant (36 years), deserves an extremely critical review from the Vermont Legislature; any problems at the plant or with on-site long-term fuel storage could affect the entire state and region. In recent years there have been several incidents, including the collapse of a water-cooling tower, coupled with lack of any safe long-term disposal of nuclear waste after 35 years of promises

by the nuclear industry and the U.S. government, that have shaken public confidence and made me and many other Vermonters extremely nervous about the plant operating for even a limited time past 2012, the end of its current license.

I therefore wish to thank the leaders in the Legislature for putting forth several bills this session to make sure that a comprehensive independent review and analysis is done on both the safety and financial implications of decommissioning of the plant. Power from the plant may originally have been sold as "too cheap to meter" and as clean energy, but

continued on page 8

2007 Energy Resource Allocation



Annual Meeting

continued from page 1

us.

"At the same time," Bernstein continued, "our electric costs and our rates have remained stable, which is a good thing we can share with our members. And the Coventry plant will soon be producing even more of WEC's power, because we expect to be able to add a fifth engine to the plant later this year, with membership approval. In that sense the Annual Meeting will be a bit of a celebration for us all."

The meeting will feature the usual door prizes, timed to spice up the proceedings once in a while. And members who attend annually see a side of their Co-op that others don't see: Washington Electric as a community institution, made up of neighbors – even if there are 10,000 of us now.

Voting and other business

Of course, the Annual Meeting is also a formal occasion, required by the Co-op's bylaws. Reports from the treasurer, president, and general manager, and the opportunity for dialogue between members and leadership help to provide both groups the information they need to make decisions about their Co-op.

The primary annual decision that members make is electing three people to serve on WEC's board of directors. In most years, including 2008, there are three vacancies on the Board, as the terms of three directors expire. (Occasionally an additional seat or two may be open due to resignations.) This year, there are four candidates running for those three positions – Wendell

Cilley of West Topsham, Donald Douglas of East Orange, Tim Guiles of Williamstown, and David Magida of Middlesex – and you can learn more about them by turning to page 4, where they respond to a series of questions about their experiences and their views on issues important to Washington Electric.

"I first realized Willem was a member when I was reading a column of his that mentioned he was going over to talk to 'the co-op boys.'"

— Avram Patt

Members can vote for the directors at the annual meeting if they wish. Ballots are included with this issue of *Co-op Currents*, providing the option of voting by mail whether people attend the meeting or not. (Be sure to check your voting materials for the deadlines, which are firm.) Mailed ballots will be added to ballots cast at the Annual Meeting, and the results will be announced before the meeting is adjourned.

Lange to regale fellow WEC members


Washington Electric Co-op is fortunate to have many notable and interesting people among its membership, who make excellent guest speakers at the Annual Meeting. Recent speakers have included, in 2003, filmmaker John O'Brien (*Man With A Plan*), naturalist and bird expert Bryan Pfeiffer (2005), and meteorologist Roger Hill (2006). Last year Michael Dworkin, a former chair of the Vermont Public Service Board and an international consultant on energy issues, was the speaker. O'Brien, Pfeiffer, Hill, and Dworkin all are Co-op members.

And so, for the last half-year, is Willem Lange. Lange's commentaries and special holiday features have been heard over Vermont Public Radio for years. He writes a column for the Sunday Times Argus/Rutland Herald that combines social and political commentary with

Joe Bongiovanni, a WEC member and former manager, who represents WEC and our sister co-op, Vermont Electric Cooperative, as a director on the board of the NRECA, our national co-op organization.

And last but, never least, I am thankful to Administrative Assistant Debbie Brown, who pulls all the details together for our Annual Membership Meeting, takes minutes at all our board meetings, and has overseen our Capital Credit Distribution program and too many other tasks to mention; and to Will Lindner and Tim Newcomb, editor and designer, respectively, of *Co-op Currents*, for the outstanding job they have done for 13 years.

Annual Meeting

Remember to sign up for the Annual Meeting dinner scheduled for Wednesday, May 28, and bring your family! We would love to see more of our younger members join those of us who have been coming to the Annual Meeting for many years. It's your Co-op, your future. We are investing in renewables, energy efficiency, and energy conservation in an effort to make our energy future brighter. 

Dinner Menu

RESERVATIONS ONLY. To make your reservation, return this coupon **no later than Friday, May 16.**

Meal tickets can be picked up at the meeting.

- Roast Turkey Breast/Oven Roast Pork
- Scalloped Potatoes
- Bowtie Pasta w/Butter, Garlic, and Parsley
- Mixed Vegetables/Tossed Salad
- Rolls
- Pie
- Milk, Tea or Coffee

Dinner Reservation

69th Annual Meeting on May 28, 2008

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

Name(s) _____

Address _____

Account # _____

Number of persons attending _____

Amount enclosed: \$ _____

(\$7 per person. Make checks payable to WEC and return to:
PO Box 8, East Montpelier, VT 05651)


Yankee commonsense and a poetic appreciation of the natural world.

"I first realized Willem was a member when I was reading a column of his in which he wrote about the drive from his old home in New Hampshire through towns that were in Co-op territory," said General Manager Patt. "He mentioned that he was going over to talk to 'the co-op boys,' which meant getting an electric service connection as his house was being built."

Lange accepted Patt's invitation to be WEC's Annual Meeting guest speaker.

"He's a storyteller and a bit of a naturalist, as well as a commentator on the world and the nation," said the manager. "I didn't have any expectations about what he would talk about at our meeting. And I'm still curious."

Lange has titled his Co-op address, "I Don't Know Where It's Likely To Go Better," a line from Robert Frost's poem "*Birches*." Lange is a warm

and engaging speaker, and WEC members – welcoming both Willem and his lifelong companion whom he calls "Mother" in his narratives – might conclude that his title refers to Co-op Country. 



WEC members from Plainfield contribute to the discussion at the Co-op's annual meeting in 2007.

President's Report

continued from page 7

when all costs and factors are weighed in neither assumption meets the "truth in lending" doctrine.

I also want to thank Gov. Douglas and his administration, and our Congressional delegation, for supporting an independent review to be done outside of the NRC.

Saluting our Board and Staff

Finally, I want to give very special thanks to the members who serve with me on our Co-op Board of Directors; to our Manager Avram Patt and the rest of the management staff (previously named in this report); to Steve Anderson, Scott Martino, George Mears, and Kevin Stevens, our invaluable staff members who oversee the operation of our Wrightsville hydro station; and to all of our office and field staff, who work extremely hard to make WEC a co-op we can be proud of. I also want to acknowledge Vice President Roger Fox, Treasurer Don Douglas, and Secretary Marion Milne, who have put in countless hours working selflessly for our cooperative. Also, thanks to

Considering A New TV? Don't Touch That Dial!

With the end of analog broadcasting coming next February, and with federal tax rebate checks on the way, experts in consumer trends are predicting a run on high-definition, flat screen, digital TVs. But did you know that a high-end plasma or LCD television can use two to four times as much electricity as the standard analog tube-type TV? In the next issue of *Co-op Currents* we examine who will be affected by the mandated digital changeover, and what smart shoppers can do if they want a new, high-definition set but don't want their electric bills to go off the deep end. (Hint for Co-op Members:

Visit the Co-op Store at Washington Electric's web site, and read about Smart Strips.)

Also in the June issue: Washington Electric's annual System Reliability Report, which reviews the Co-op's outage and repair record in 2007, and explains how WEC is working to improve reliability year by year.

