

Two Incumbents Re-Elected, One New Board Member Elected to VEC Board of Directors

VEC member-owners in McMinn County have elected a new representative to the VEC Board of Directors.

Mike Frazier, of Riceville, was elected to the District 4 position on the VEC Board of Directors. He is the director of schools for the City of Etowah and serves as chairman of the Board of Deacons at Eastanella Baptist Church. He and his wife, Kathy Landers Frazier, have four children: Heath and his wife, Stacie; Ryne and his wife, Beth; Justin and his wife, Katie; and Leah and her husband, Justin Hicks.

Frazier has earned degrees from U.T. Knoxville, Tennessee Tech, Lincoln Memorial, and East Tennessee State.

In this year's only other contested race Aubie Smith won re-election to represent District 3 which covers Hamilton County. Smith, a native of Ooltewah, began serving on the VEC Board of Directors in 2001.

He is a graduate of Ooltewah High School and received degrees from Chattanooga State Technical Community College and U. T. Chattanooga.

He operates a 400-acre farm. In addition to farming, Smith is a school bus contractor for Hamilton County Schools.

In the District 7 race, which was uncontested, Tim Handler won re-election to represent Roane and Loudon counties on the VEC Board of Directors.

Handler is a senior Account Manager for Nexeo Solutions LLC. He and his wife, Cindy, are Kingston residents and attend Ten Mile Methodist Church. He earned his Bachelor's Degree in Chemistry from Maryville College.

All three of the Directors began their new terms on October 5 at VEC's Annual Meeting.



Mike Frazier



Aubie Smith



Tiim Handler

VEC Will Pass Along TVA Rate Increase

The Tennessee Valley Authority (TVA) recently approved a rate increase that VEC will pass along to member owners. Residential customers will see an increase of about 1.7% to their monthly electric bill beginning October 1.

VEC will not receive any additional revenue from the increase.

"Our Board of Directors declined to add a VEC rate increase," said VEC president/CEO Rody Blevins. "This is strictly a pass-through."

TVA President and CEO Bill Johnson said the TVA increase, the first in two years, is smaller than the growth in inflation since TVA's late rate increase.

"While we never like to raise rates, this small adjustment is necessary to meet our 2014 revenue requirements and operate our system safely and reliably," Johnson said. "We will also make critical capital investments to keep reliability high and meet environmental standards and contribute to paying down debt."

Johnson said TVA is executing a plan to reduce operations and maintenance costs by \$500 million by 2015. He said nearly \$150 million in reductions have been achieved during this fiscal year with plans for an additional \$150 million by the end of 2014 and another \$200 million in 2015.

"We're taking action to improve TVA's operations and financial health so it continues to serve the region for years to come," Johnson said.

Volunteer Energy Cooperative sends about 80 cents of every dollar collected to TVA to pay for electricity.

VEC Protects Personal Information

Policy Regarding Privacy of Customer Information

Volunteer Energy Cooperative values you as an owner and as a customer and understands how important it is to protect the personal information that you have entrusted to us. We, therefore, treat such personal information in accordance with applicable law and the provisions of this policy.

Information We May Collect

We only collect information that is needed to serve you and administer your cooperative's business. We may collect nonpublic personal information about you from the following sources:

- Information we receive from you on applications or other forms;
- Information about your business transactions with us or others; and
- Information we receive from a consumer reporting agency.

Protection of Your Information

We are committed to upholding our pledge to maintain security of our customers' personal and accounting information. To ensure such information is used only in the manner we have described in this notice, we restrict access to your personal and account information to those employees who need to know that information to provide products or services to you. We maintain physical, electronic, and procedural safeguards to maintain the confidentiality of the information we collect and to guard against its unauthorized access.

Information We May Disclose

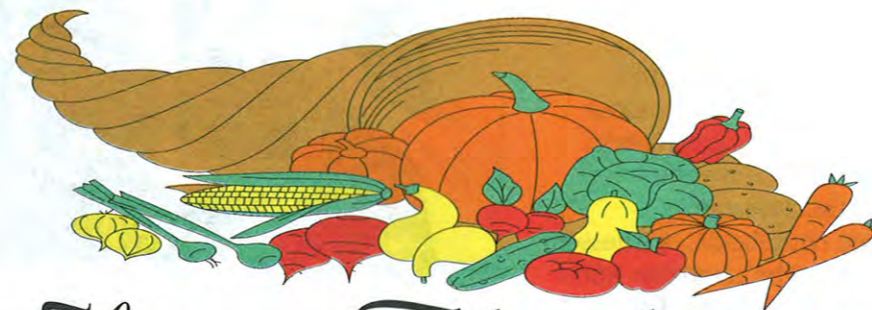
All of the information that we collect, as described above, may be disclosed when necessary to assist us in servicing your accounts to third parties as designated by you, in response to subpoenas or court orders, and to a credit bureau or similar information reporting agency. We do not disclose any nonpublic personal information about our customers to anyone, except as permitted by law.

We may disclose the information that we collect, as described above, to companies that perform marketing services on our behalf. This information may be shared with our affiliates so they can market their services. However, *Volunteer Energy Cooperative does not share personal customer information with unaffiliated third parties for any reason.*

If you decide to terminate your relationship with us, we will continue to adhere to the privacy policies and practices described in this notice.

More Information

Questions regarding this policy can be directed to the Office of the President/CEO, Volunteer Energy Cooperative, P.O. Box 277, Decatur, TN 37322 or to your local VEC service center.



Happy Thanksgiving

It's Not Too Late to Get Up to Date

If you were one of the many VEC member-owners who joined us for our 77th Annual Meeting on October 5th, I'd like to thank you for taking time out of your schedule to be with us. If you were unable to attend, I can't duplicate all the displays, food, giveaways, and certainly not the entertainment of James Rogers. But I'd like to encourage you to pick up a copy of VEC's 2012-2013 Annual Report at your local VEC Customer Service Center or check out the electronic copy on www.vec.org.

It's a second chance to learn more about what your electric cooperative has been doing over the past year to improve service and keep costs down.

In addition to VEC's official Financial Statements (which is also included in this issue of *Powerlines*), the Annual Report includes numerous articles on system improvements, VEC's efforts to promote energy efficiency, and efforts to tailor VEC programs to custom fit programs to meet the needs of our member-owners.

In serving a territory that includes all or part of 17 different counties and about 112,000 members, a couple of things become very clear. Firstly, in order to serve our members, we have to be able to communicate with our members. We have to listen and we have to communicate all the options we offer for our members.

The second thing that is very clear is that one size definitely does NOT fit all.

That means we have to communicate in a variety of ways in order to reach out to as many of our member-owners as possible. Some of our members prefer websites, text messages, emails, and interactive telephone systems. Others would rather stop by our office and chat face-to-face with one of our Customer Service Representative, and some just want to speak to a Customer Service Representative on the phone.

In this year's Annual Report we discuss how VEC is working hard to meet the needs of all of these members.

There are also articles about how VEC is working to be proactive when it comes to power outages. Instead of just responding to an outage after it happens, we've been making a big effort over the past several years to prevent outages and to be able to respond more quickly when outages occur. We broke some new ground this year and we also made significant strides in our multi-year projects in this area.

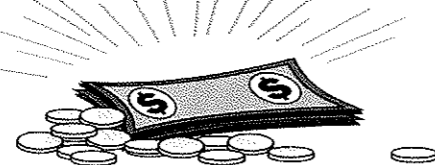
We also developed a new billing option in an effort to meet the needs of a few specific groups of members.

In short, we've been pretty busy this year pursuing the goal of making sure VEC offers the best and most personalized service we can while keeping your electric bills as low as possible. You can get more details on these efforts by picking up your free copy of our 2012-2013 Annual Report at your local VEC Customer Service Center or by looking at the copy posted at www.vec.org.

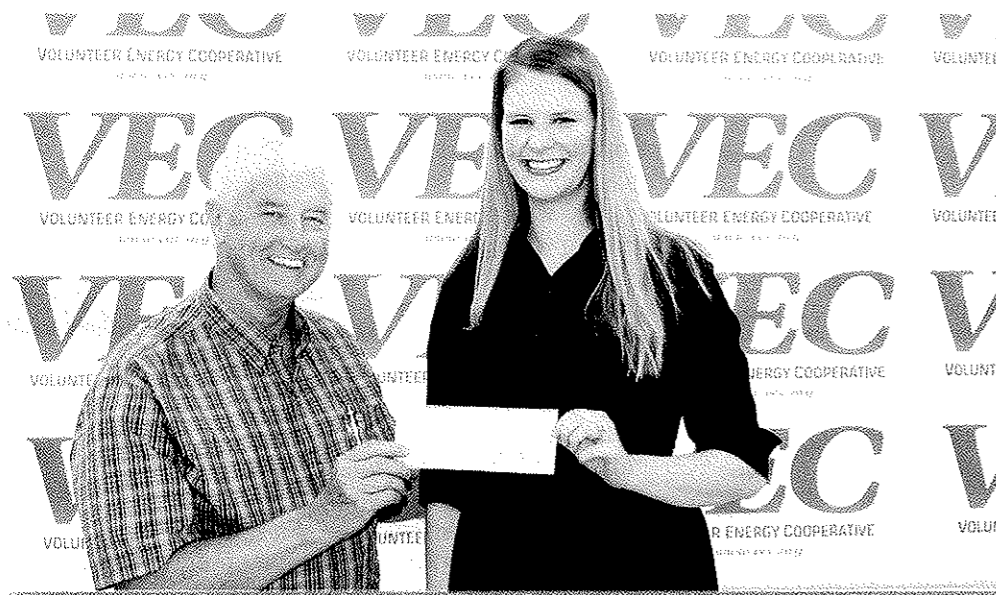


Rody Blevins
President/CEO
Volunteer Energy
Cooperative

VEC Customers Share Your Change Changes Things



The VECustomers Share program funded \$29,600 in community service grants in August. Since the inception of the program in October 2001, more than \$4.6 million in grants has been awarded. The deadline for grant applications is the last day of each month. For additional information, contact the office of Marketing and Economic Development, at 423-334-7051. Applications are also available online, at www.vec.org.



VECustomers Share Board Member Harold Reno, left, presents a grant check to Tracie McCartney, president of Junior Achievement of the Ocoee Region.

Organizations receiving grants in August

Maple Grove Senior Citizens Program, Harrison	\$1,500	Mrs. Pauletta Dowdy's 8th Grade Reading/Language Arts Club, Byrdstown	\$600
Rhea County Touchdown Club	\$1,500	Lindsale Community Service Center, Delano	\$600
Midway High School PTO	\$1,000	Monterey Dinner Theater	\$500
Fair Park Senior Citizens Center, Crossville	\$1,000	Meigs County Historical Society	\$500
Luminary Community Backpack Program, Ten Mile	\$1,000	Nocutula Civitan Club, Decatur	\$500
Arts Exploration Committee, Decatur	\$1,000	Meigs County-Decatur Public Library	\$500
Monterey High School Boys Basketball Booster Club	\$1,000	Junior Achievement of Chattanooga, Inc. Christian Counseling Center of Cumberland County	\$500
Rogers Creek Elementary School PTO	\$1,000	Morgan Scott Project, Deer Lodge	\$500
Senior Citizens of Cumberland County	\$1,000	United Way of Bradley County	\$500
National Alliance on Mental Illness of Cumberland County	\$1,000	Cherokee Removal Park - Blythe Ferry, Birchwood	\$500
Fentress County Senior Citizens Center	\$1,000	BASIC of TN, Inc., Birchwood	\$500
Junior Achievement of the Ocoee Region, Cleveland	\$1,000	Polk County Education Foundation	\$500
5 Loaves Food Pantry, Crawford	\$1,000	Pickett County Kindergarten Enrichment Club	\$500
United Way of Rhea County	\$1,000	The Salvation Army of Cleveland	\$500
Polk County High School Golf Boosters	\$750	Athens Lions Club	\$500
The Manna From Heaven Food Pantry, Crossville	\$750	Dragon Renaissance, Jamestown	\$500
Crossville Housing Authority Residents Council	\$750	Allardt Volunteer Fire Department	\$500
Mrs. Pendergrass' 3rd Grade Reading/Language Arts Club, Byrdstown	\$700	Behavioral Research Institute, Inc., Cleveland	\$500
Ms. Brittany's 1st Grade Reading Wizards Club, Byrdstown	\$700	Rogers Creek Youth Football and Cheerleading Association	\$500
		Polk County High School Band Boosters	\$250
		Benton Elementary School Junior Beta Club	\$250
		People Helping People, Benton	\$250

VEC Recognized by Sierra Club as an Energy Efficiency Star

The Tennessee Chapter of the Sierra Club has presented Volunteer Energy Cooperative (VEC) with the Energy Efficiency Star Award for its leadership and work to help its customers take advantage of cost-effective opportunities to improve the efficiency of their electricity usage. The award was presented to VEC President/CEO Rody Blevins.

"The Sierra Club thanks VEC for its dedication to the fastest, cleanest and most affordable energy solutions available," said Louise Gorenflo, a volunteer with the Sierra Club's Tennessee Healthy Energy Campaign. "VEC has been a state leader in the In-Home Energy Evaluation Program, which is benefitting consumers and the environment every day. The opportunities for energy efficiency technologies and programs are enormous. The Sierra Club looks forward to working with VEC and other local power companies to achieve even higher energy savings."

In 2012, VEC was ranked among the top 10 of Tennessee Valley Authority's 155 local power distributors for total energy savings. More than 600 took advantage of VEC's In-Home Energy Evaluation recommendations that offers rebates for customers who install measures to save electricity. VEC was also first among TVA distributors in the number of heat pumps installed in manufactured homes.

"Energy efficiency is something that is important to our customers and a priority for us," said Blevins. "We are pleased that so many of our customers have taken advantage of energy efficiency programs offered to residential and business customers, and that they have chosen to implement energy efficiency measures."

The successful In-Home Energy Evaluation program offered by VEC in partnership with TVA reduces power usage and provides cash incentives and financing assistance to homeowners who install energy-efficiency upgrades.

Recent survey results show that 78% of participants across the Valley were highly satisfied with the program. Additionally, 57% noted they would not have implemented energy-efficiency measures at home without the In-Home Evaluation program in place.

According to TVA, participants have been able see a reduction in their energy usage by about 9%, which amounts to more than 1,300 kilowatts in savings per year per customer.

"The Sierra Club appreciates VEC's commitment to reducing customers' bills, avoiding the need for additional power plants, and creating real environmental benefits through energy efficiency," said Jonathan Levenshus, senior campaign representative for the Sierra Club's Beyond Coal Campaign.

To learn more about the VEC home energy audit program, contact VEC at 423-334-7053.

The Sierra Club's Tennessee Healthy Energy campaign seeks to expand the energy-efficiency opportunities available to Tennessee households, businesses and industry. The campaign works with power distributors, TVA and the public to improve the quality of life in our region through wider adoption of energy efficiency.



Louise Gorenflo, a volunteer with the Sierra Club's Tennessee Healthy Energy Campaign, (left) presents VEC President/CEO Rody Blevins with the Energy Efficiency Star Award.

Financial Statements for VEC For the Fiscal Year Ended June 30, 2013

Volunteer Energy Cooperative Balance Sheet as of June 30, 2013

Assets

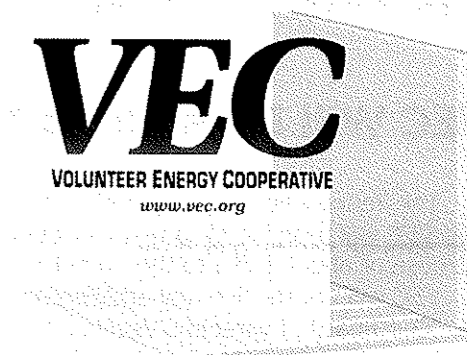
Electric plant in service	\$ 389,213,071
Less depreciation	162,322,793
Total	226,890,278
Other property and investments	3,275,023
Current and accrued assets	
Cash and temporary cash investments	31,068,120
Accounts receivable	15,982,954
Materials and supplies	2,987,479
Prepayments	-0-
Other current assets	1,334,971
Total	51,373,524
Deferred debits	
Receivables-conservation	5,947,687
Other deferred debits	333,099
Total	5,280,786
Total assets	\$ 287,819,610

Capital and Liabilities

Capital	
Membership certificates	\$ 427,015
Earnings reinvested in system assets	206,268,613
Total	206,695,628
Long term debt	38,483,590
Other noncurrent liabilities	9,433,232
Current and accrued liabilities	
Other notes payable	-0-
Accounts payable	15,254,526
Customer deposits	44,873,908
Taxes and interest	1,125,403
Other current liabilities	713,419
Total	21,979,272
Deferred credits	11,227,888
Total capital and liabilities	\$ 287,819,610

Volunteer Energy Cooperative Statements of Income and Earnings Reinvested in System Assets Fiscal Year Ended June 30, 2013

Operating Revenue	
Sale of electric energy	
Residential	\$ 152,348,674
Commercial	20,952,697
Industrial	51,020,114
Street and other lighting	3,784,550
Total sale of electric energy	228,020,928
Other revenue	5,923,379
Total operating revenue	233,944,307
Operating Expenses	
Cost of power purchased from TVA	\$ 176,591,693
Distribution and transmission expense	12,892,920
Customer accounts expense	3,958,310
Customer service, sales and information expense	705,570
Administrative and general expense	7,153,955
Depreciation	12,541,094
Taxes	2,837,650
Interest expense	2,287,963
Total operating expense and interest	218,969,156
Operating Income	14,975,150
Other income	1,250,162
Net Income	\$ 16,225,312
Earnings Reinvested in System Assets	
Beginning of fiscal year	\$ 190,043,310
End of fiscal year	\$ 206,268,613



Tennessee Valley Authority (TVA)

Residential & Outdoor Lighting Fuel Cost Adjustment
Effective October 1, 2013

2.102¢

For the most current FCA information, visit www.vec.org

