

VEC

VOLUNTEER ENERGY COOPERATIVE

www.vec.org

Volunteer Energy Cooperative

Effects

**ANNUAL REPORT
2013-2014**

Overwhelmingly Positive



Rody Blevins
President/CEO
Volunteer Energy Cooperative

In 1935 the company that would become Volunteer Energy Cooperative was formed by 55 people at a meeting at the Meigs County Courthouse. They had a very specific vision of what they wanted their electric company to be.

They demanded that the company be owned by the people who receive electricity from the cooperative, they insisted the company be not-for-profit, and they required the cooperative to be actively involved in contributing to the communities it serves – above and beyond delivering electricity. In short, they envisioned a company that provides a wealth of positive effects for communities.

For 79 years VEC has held true to those mandates and this past year shows that your electric cooperative is just as committed to these ideas as ever.

In 1935 providing low-cost, reliable electric service was a powerful tool for economic development. It helped farmers be more productive and lower their labor costs. It also opened the door for all types of commercial opportunities that would have been impossible

without electricity.

Times change, but this Annual Report will provide details about how your electric cooperative is responding to the needs of our modern member-owners in a way that upholds that pledge we made 79 years ago.

In 2014 the challenges and opportunities to create positive effects in the communities we serve still begin with providing low-cost, reliable electricity. This calendar year began with historically low temperatures that produced five of the highest 10 days for electrical demand in the history for both the Tennessee Valley Authority and for VEC. As the calendar year closes, we are being challenged by unreasonable federal regulations that would drive electricity bills significantly higher.

During the year VEC also responded to an ever-increasing demand for reliable electric service with an aggressive and wide-ranging program of improvements.

In order to keep our system as reliable as possible, VEC built new substations and made major upgrades at others.

Another program designed to prevent as many outages as possible and to shorten the duration of outages when they happen is VEC's aggressive right-of-way maintenance program.

VEC also maintains a leadership position in employing the latest technologies to monitor system components across the

cooperative's 17-county service area. Automated meter reading linked with our Supervisory Control and Data Acquisition (SCADA) system and a planned Meter Data Management system allows us to provide real-time information to our members. It also allows us to prevent many problems and respond quickly to others.

Keeping electric bills as low as possible for our members is a core objective of our founders. In keeping with that goal VEC has become a recognized leader across the region in innovative and broad-based energy efficiency and demand reduction programs.

While for-profit companies use their resources to encourage their customers to spend more and more on their products,

*"By becoming interested
in the cause, we are less
likely to dislike the effect."*

— Dale Carnegie

VEC works hard to offer programs that will help our members spend less on electricity. The added benefit of using electricity more efficiently and reducing the demand for power is the positive effect this has on our environment. Every watt of electricity that is not used is a watt of electricity that doesn't have to be generated.

This positive effect of a cleaner environment not only benefits VEC members, it pays dividends across the region.

Creating positive effects in the communities we serve doesn't stop with the economic development and enhanced lifestyle that are provided by reliable and low-cost electricity. Our founders required other community benefits and VEC worked hard to meet that demand as well.

The VECustomers Share program donated its five millionth dollar to community service organizations this year. Youth outreach programs designed to foster scholarship, leadership, and commitment to community include college scholarships, a youth leadership retreat, 4-H Electric Camp, a Washington D.C. Youth Tour, and "Electricity College" for eighth graders.

This Annual Report provides details about these programs, products, and services that VEC offers in an effort to produce the positive effects our founders and our modern members have come to expect. I hope you'll take a few moments to read about our efforts this year and learn about some of the differences between being a customer of a for-profit electric company and being a member of a not-for-profit electric cooperative – because the positive effects are evident in everything we do.

Volunteer Energy Cooperative Board of Directors



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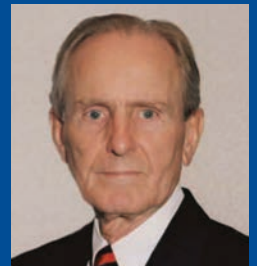
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VEC was Founded with the Goal of Creating Positive Effects in Communities

In the early 1930s only four out of every 100 farms in Tennessee were served with any form of electricity. Except for a few privately owned Delco battery power systems, the citizens of Meigs County lived and worked under primitive conditions compared to their counterparts in the larger towns and cities.

In 1933, Willis A. Shadow, University of Tennessee Agriculture Extension Agent for Meigs County, saw new hope for the residents along the Tennessee River with the enactment by Congress of the Tennessee Valley Authority Act. Mr. Shadow began talking “electricity” throughout the county. County Attorney J. W. Lillard joined the ranks, agreeing to furnish Mr. Shadow with legal advice without fee. Enthusiasm gained momentum until a mass meeting of 500 citizens at the Meigs County Courthouse resulted in the May 29, 1935 formation of the Meigs County Power Association, Incorporated, which later became the Meigs County Electric Membership Corporation and today is known as Volunteer Energy Cooperative.

The first lines erected in Meigs County were energized August 6, 1936.

“When you do the common things in life in an uncommon way, you will command the attention of the world.”

— George Washington Carver

In 1939, just seven years after the Tennessee Electric Power Company refused to provide electric service to Meigs County, the rural cooperative entered into a contract with TVA to purchase the power company’s distribution properties in McMinn, Bradley, Meigs, Polk, Roane, Rhea, Cumberland, Putnam and Fentress Counties for \$276,700. Recognizing it would soon be serving an area far larger than Meigs County, the corporation changed its name to Volunteer Electric Cooperative.

When those first members joined together to form their electric cooperative, they adopted seven main principles to guide their company. These “Seven Cooperative Principles” provided the blueprint for growth and service to the community.

Seven Cooperative Principles

- 1) Open and Voluntary Membership: VEC is a voluntary organization open to all people able to use its services and willing to accept the responsibilities of membership without gender, social, racial, political, or religious discrimination.
- 2) Democratic Member Control: VEC is a democratic organization controlled by its members — those who buy the goods or use the services of the cooperative — who actively participate in setting policies and making decisions. A member-elected board of directors set the policy and procedures that govern the cooperative.
- 3) Members’ Economic Participation: Members contribute equally to, and democratically control, the capital of the cooperative.

4) **Autonomy and Independence:** VEC is an autonomous, self-help organization controlled by its members. If VEC enters into agreements with other organizations or raises capital from external sources, it is done based on terms that ensure democratic control by the members and maintains the cooperative's autonomy.

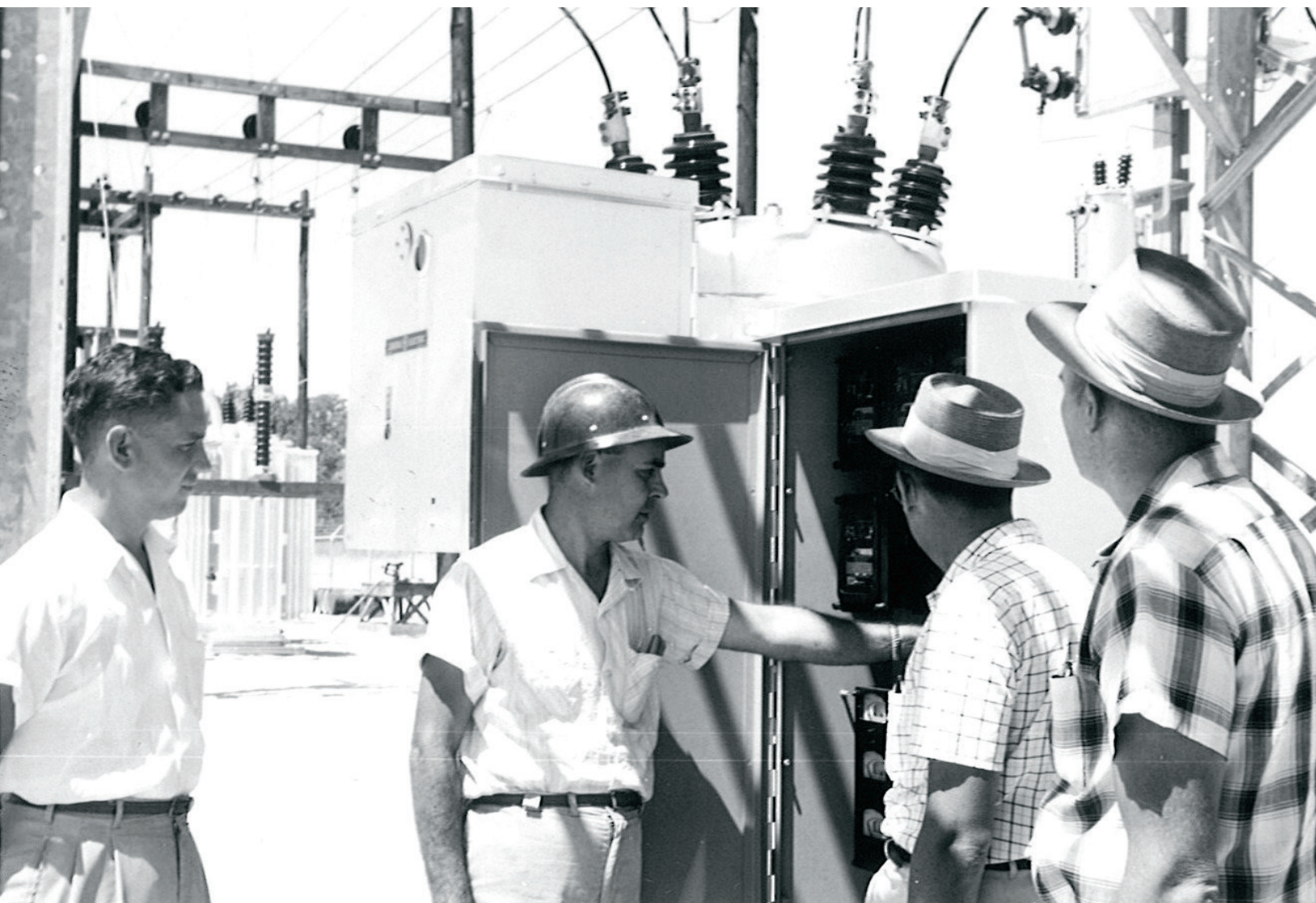
5) **Education, Training, and Information:** VEC provides education and training for members, elected representatives, managers, and employees so they can contribute effectively to the development of the cooperative.

6) **Cooperation Among Cooperatives:** VEC serves its members most effectively by working together through local, national, regional, and international structures.

7) **Concern for Community:** While focusing on members' needs, VEC works for the sustainable development of communities through policies and programs accepted by the members.

Today, Volunteer Energy Cooperative is one of the largest rural electric cooperatives in the nation in terms of the area we serve. VEC delivers electricity to more than 112,000 members in all or part of 17 Tennessee counties with more than 9,000 miles of power lines strung from the Georgia to Kentucky borders.

As required in the original seven principles, the affairs of the Cooperative are governed by a board of directors consisting of 12 members representing the 17 counties served. The Board of Directors is responsible to the members for the policy making function of the Cooperative.



For seventy-nine years VEC has remained committed to educating and training.

Substation Upgrades Enhance System Reliability

Meeting the ever-increasing demand for reliable electric service requires a thoughtful plan for frequent system upgrades.

Substations are where VEC receives power from TVA. They contain equipment that regulates and lowers voltages from transmission levels to distribution levels. VEC operates 33 substations across our 17-county service area.

Recently VEC has completed – or is nearing completion – on substation projects totaling about \$6,950,000. Below is an overview of those recent projects.

"Without continual growth and progress, such words as improvement, achievement, and success have no meaning."

– Benjamin Franklin

Georgetown

VEC began construction of a new 42-MVA substation to serve the Georgetown area in the fall of 2013. The cost of the project is about \$2.1 million. The new substation is on Highway 60, about two miles west of Highway 58 in Hamilton County. It doubled the capacity from the existing Georgetown substation and increased system reliability in the area. The new substation was energized in the fall of 2014.

The new substation is served from a TVA 161 kV transmission line instead of the older 69 kV system.

Grimsley

Construction is moving forward on a new 22 MVA substation in Grimsley to serve south Fentress County.

Located at 5023 Wilder Road next to the existing Grimsley substation, the \$1.2 million project will represent a major upgrade for the area. Two 22-MVA transformers were moved to the location this summer and VEC expects to energize the new substation in early 2015.

The new substation will nearly double the capacity and improve reliability in the area.

Lantana

VEC completed a major upgrade of the Lantana substation at 68 Dunbar Road in Cumberland County in June at a cost of about \$1.4 million.

Two 20-MVA transformers were replaced with a pair of 50-MVA transformers. The first was put into service in May and the second was energized in June. The upgrade has more than doubled the capacity of this substation.

In addition to the transformers, VEC installed a new breaker bay to further enhance service reliability.

Brydstown

VEC energized the newly completed Brydstown substation at 1549 Moodyville Road in Pickett County on September 14, 2012. The \$2.2 million project includes all new equipment that has helped VEC improve system reliability in the area.

In addition to the new substation, system reliability into the Byrdstown area is also enhanced by a new 161-kV transmission line that TVA has put into service to feed the new VEC substation. The new line is fed through TVA's Kelsey Road substation in Kentucky. In addition to the increased voltage, the new line features wider rights-of-way, steel poles, higher ground clearance, and all new hardware.

The combination of new equipment has provided better service and much faster restoration of power when outages do occur.

Pruitt Tower Switch

In September of 2014 VEC completed work on a new motor-operated 69 kV switch in the Highway 68/Homestead area of Cumberland County. The \$50,000 Pruitt Tower Switch increased reliability and reduces outages on the 69 kV transmission line that serves the Crab Orchard Substation. In the event of outages, the switch also allows VEC to isolate faults and restore service faster.



Superintendent of Substations Darrel Crisp prepares a training exercise for linemen and dispatchers at VEC's new Georgetown Substation.

Right-of-Way Work is a Never-Ending Job

Aside from purchasing power, VEC's second highest expense is right-of-way (R.O.W.) maintenance. That might surprise some people, but when you consider that VEC maintains a 40-foot right-of-way for about 9,000 miles of line, the big price tag should come as no surprise.

Trimming and spraying programs are coordinated by Right-of-Way Superintendent Steve Scott who is a certified arborist.

During the past fiscal year VEC spent about \$6 million to maintain R.O.W. across the cooperative's 17-county service areas. Most of that money, about \$5.5 million, was spent on tree-trimming and tree clearing. The remaining \$500,000 was spent on an herbicide spraying program.

About 85% of outages are caused by trees or tree limbs coming into contact with power lines. To combat this threat to system reliability, VEC began this aggressive R.O.W. maintenance program in 2005. VEC's annual commitment to the R.O.W. maintenance has increased steadily since that time.

"Even if you're on the right track, you'll get run over if you just sit there."

— Will Rogers

VEC's 80 full-time certified line clearance tree trimmers typically trim between 1,500 and 1,800 miles of R.O.W. annually. In the 2013-2014 fiscal year VEC trimmed more than 2,000 miles of R.O.W. Crews trim 20 feet on each side of the poles for a 40-foot clearance. It takes about six years to complete the cycle across the system and then — since Mother Nature never rests — VEC begins the cycle again.

VEC crews use lateral cut techniques that are more beneficial for the health of the trees and they also minimize re-growth.

VEC's R.O.W. spraying program typically runs from mid-June through mid-September when growth is most active. During the average year the cooperative sprays about 4,000 acres. The spraying helps prevent extended power outages caused by falling trees and assists with quicker power restorations by improving access for our service crews.

VEC only uses EPA-approved herbicides that are rated the safest and VEC also uses low-volume, selective backpack spraying to target woody stem growth.

The aggressive R.O.W. maintenance program does represent a big commitment of manpower and resources, but the program is paying off, with fewer and shorter outages.

VEC's Eddie Geren, left, and Kevin Burgess use a derrick-digger truck to set a pole in place.



VEC Among Energy Efficiency Leaders in 2013

The Tennessee Valley Authority recently released its Energy Efficiency and Demand Reduction summary report for 2013 and once again Volunteer Energy Cooperative is among the leaders in promoting energy efficiency in the Tennessee Valley region.

Patty Hurley, VEC's vice president of Marketing and Economic Development said the report underscores VEC's commitment to low-cost power and environmental stewardship.

"The recognition of our efforts to reduce energy consumption is nice, but the real reward is seeing those efforts translated into lower electric bills for our members," Hurley said. "Most companies put a lot of money and effort into advertising in order to get people to use more of their product. We put our efforts into helping our members use our product more efficiently."

VEC's efforts in 2013 resulted in a total energy savings of seven gigawatt-hours (or 7,000,000,000 watt-hours) and more than \$1 million in savings for VEC members.



VEC Crossville Service Area Manager Bobby Randolph, right, congratulates John Smith, center, and Brian McDonald of Crossville Ceramics. The company earned more than \$300,000 in energy incentives from TVA and VEC.

The savings were spread among VEC's residential, business, and industrial customers.

Across the entire region TVA's 155 distributors and 57 direct-serve customers saved 521 gigawatt-hours through energy efficiency and demand reduction programs.

VEC's residential programs included VEC's free In-Home Energy Evaluation program, VEC's heat pump financing program, the Green Power/Generation Partners program, a water heater rebate program, and a new home incentive program.

VEC's EnergyRight Solutions for Business and EnergyRight Solutions for Industry programs save 844,216 kilowatt hours and 478,318 kilowatt hours respectively.

VEC ranked first in the region for assisting members to install energy-efficient heat pumps in mobile homes.

VEC ranked sixth in the Tennessee Valley with 634,664 kilowatt hours saved through their heat pump financing program.

Under the In-Home Energy Evaluation Program VEC conducted 556 free inspections for members in 2013 and 77% of those resulted in customers receiving rebates for making recommended improvements. Another 297 VEC members opted for the do-it-yourself energy audit program in 2013.

A total of 131 VEC members participated in the Green Power Providers/Generation Partners program and received incentives to produce their own renewable, solar energy. VEC members have the capacity to produce 607 kilowatt-hours.

VEC President/CEO Rody Blevins said he is pleased to see VEC among the leaders in the region in promoting energy efficiency.

"Every watt-hour of electricity that is saved represents a watt-hour that does not have to be generated," Blevins said. "That provides real savings for our customers and a cleaner environment for everyone."

For a complete list of activities sorted by power company visit http://www.energyright.com/pdf/highlights_report_appendix2013.pdf

Pilot Program Sets Sights on Demand Reduction

Volunteer Energy Cooperative was one of four distributors that participated in TVA's new Demand Reduction pilot program this year.

Commercial and industrial members who participated in the program agreed to voluntarily reduce their power needs during limited times to help VEC reduce its peak electric load. This pilot program provides a way to study an efficient way to bring down the peak load during extremely hot or extremely cold weather.

By lowering VEC's peak demand, these companies are helping keep the cost of electricity lower for all VEC's member-owners.

"Energy conservation is the foundation of energy independence."

—Thomas H. Allen

The Effect of . . .

COMMUNITIES THAT CARE

VECcustomers Share Donations Top \$5M

Imagine a mountain of pennies, nickels, dimes, and quarters that adds up to \$5,000,000. Now imagine that mountain being divided up among community service organizations. That will give you a good picture of Volunteer Energy Cooperative's VECcustomers Share program.



The program recently donated its five-millionth dollar, thanks to the generosity of VEC members who opt to round their monthly electric bill up to the next whole dollar. Their spare change is pooled together with other members' donations to provide about \$30,000 per month to support youth, seniors, veterans, food pantries, literacy, emergency responders, historic preservation, the arts, school booster groups, and a wealth of other community service projects that help make life better for all members of the community.

The five-millionth dollar in grants was awarded on September 8 to the Rhea County Give a Kid a Chance program that provides back-to-school necessities to students as well as support for families.

Steve Keck of Bryan College, who serves as the Give a Kid a Chance committee co-chair, said this year's event drew 640 students and their families. This is the seventh year the event has been held in Rhea County.

About 77% of VEC members participate in the program which began in 2001.

The VECustomers Share fund is a separate and independent fund of VEC, designated expressly for grant awards. No VECustomers Share funds are used in the operations or maintenance of electric service.

VECustomers Share grants are reviewed by an independent board, made up of non-paid volunteers from VEC service areas. Neither members of the Volunteer Energy Cooperative Board of Directors nor employees of VEC serve on this board.

The VECustomers Share Board of Directors meets monthly.

The deadline for grant applications is the last working 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.

VECcustomers Share Board members past and present joined to celebrate the awarding of the five-millionth dollar to Steve Keck of the Rhea County Give a Kid a Chance program.



"That's what I consider true generosity: You give your all, and yet you always feel as if it costs you nothing."

— Simone de Beauvoir

VECustomers
Share 

The New Year Started with a Blast – An Artic Blast

The New Year got off to a frigid start as the Tennessee Valley was hit by the lowest temperatures that have been recorded in 20 years on January 7th and 8th. Those frigid temperatures – and the demand for home heating that followed - also prompted a new record for electricity consumption across Volunteer Energy Cooperative's 17-county service area.

The highest previous demand for electricity across our system occurred in January of 2009 when we moved 634.5 megawatts of electricity. This January's event shattered that mark as our peak demand reached 729.4 megawatts. We exceeded our previous record by 15% - or roughly enough electricity to run an entire city the size of Athens, Tennessee.

VEC and the Tennessee Valley Authority (TVA) were both hard pressed to keep up with the soaring demand for electricity.

The effect on VEC and our member-owners was significantly influenced by a new rate structure that TVA adopted. When the demand for electricity spiked, it increased the demand charge that TVA charges VEC. But the vast majority of VEC's revenue doesn't come from the demand charge, it comes from kilowatt hours sold.

Since the arctic blast sent demand sky high but it didn't last for very long, VEC was not able to sell enough kilowatt hours to cover the huge demand charge.

As a result VEC's operating margin was impacted. Typically VEC sends about 80 cents of every dollar collected from member-owners directly to TVA to purchase electricity. During January, however, VEC sent 83 cents of every dollar collected to TVA. VEC's operating margin shrank from 20% to 17%.

VEC, along with other electricity distributors across the region, are

working with TVA now to develop a rate structure that does not penalize us so severely for short, severe weather events such as this.

The cooperative completed improvements to better equip the system to handle higher peak demands. VEC also works with customers to reduce demand and lower electricity bills.

Details about these system improvements and energy efficiency and demand reduction programs can be found elsewhere in this Annual Report.

During the summer temperatures moderated and overall the area enjoyed a slightly milder than usual summer. Several evenings produced record nighttime low temperatures and cooler daytime high temperatures. Instead of the high bills usually seen in the summer from air conditioning load, VEC member-owners enjoyed stable electric bills throughout most of the warm months.

*"Everybody talks
about the weather,
but nobody does
anything about it."*

– Charles Dudley Warner



VEC linemen Travis Kowanetz, left, and Jason Crabtree, right, work to keep the power flowing during frigid winter weather.

JANUARY TEMPERATURES:

How Low Did They Go?

In January record low temperatures drove electric bills higher. How low did the temperatures go? Here are some interesting facts about the record demand for electricity the frigid temperatures caused.

- Five of the highest days for electricity demand in the history of VEC and TVA were recorded in January of 2014.
- During these five days TVA used 3,400 gigawatt hours of electricity.
- That's enough electricity to power an iPhone for 1.7 billion years.
- That's also enough electricity to power the entire city of Nashville for 10 months.
- VEC's record peak demand was set in January of 2014 and exceeded the previous record by 15%.
- Just the increase in VEC's peak demand was enough electricity to power a city the size of Athens, Tennessee.

New EPA Rules Will Mean Higher Electric Bills

Volunteer Energy Cooperative and other Tennessee electric cooperatives have expressed concern following the release of the U.S. Environmental Protection Agency's proposed guidelines that will limit emissions from thousands of existing power plants, including 11 coal plants operated by the Tennessee Valley Authority (TVA).

The EPA's proposal calls for a seismic shift in the way that electricity is generated and used. In order to meet the EPA's guidelines, coal fired power plants will be shut down, demand for natural gas will surge, new infrastructure will need to be constructed and American families will have to make significant financial investments to reduce their energy use. American families and businesses will bear all of the costs these changes entail.

"Estimates indicate that Tennessee will be among the hardest hit by the state requirements, calling for a 38 percent reduction in carbon dioxide emissions by 2030," says David Callis, executive vice president and general manager of the Tennessee Electric Cooperative Association. "These regulations will hurt Tennessee families, and we are just beginning to understand how severe the impacts will be."

Consumers, who are already on the hook for investments in coal plants built and upgraded to meet their needs, will also have to pay more for the resources required to replace that coal capacity: new gas generation, gas pipelines, and gas storage capacity; new renewable generation and the transmission it requires; and hundreds of billions of dollars in new energy efficiency investments.

As a cooperative, all of these costs will be borne by our members, many of whom cannot afford any increases in their cost of energy. The cost of electricity directly impacts the quality of life in the communities served by electric cooperatives.

"The problem is that agencies sometimes lose sight of common sense as they create regulations."

— Fred Thompson

Increased costs may slow economic growth, reduce job opportunities and force families to make tough budget choices. For our most vulnerable members, an increase in the cost of electricity could force families to choose between filling up the car and keeping the lights on.

Tennessee has already taken significant steps to improve energy efficiency and reduce carbon emissions. "The average monthly residential energy use in Tennessee has fallen 16 percent since 2010, and TVA has reduced its carbon emissions by 30 percent since 2005," says Callis.

"It is important that we make our voices heard. Affordable energy and a strong Tennessee economy depend on an all-of-the-above approach to energy generation."

The EPA will hold a 120-day public comment period, and you can submit your comments to the EPA by visiting takeactionTN.com.

"The economic challenges faced by many cooperative members make it critical that EPA regulatory programs be cost effective and provide environmental benefits that exceed the implementation and compliance costs," says Callis.

The Tennessee Electric Cooperative Association is a trade group representing the interests of Tennessee's 23 electric distribution cooperatives and the 1.1 million rural and suburban consumers they serve.



**LOW RATES
RELIABLE POWER**

SEND A MESSAGE TO WASHINGTON **TAKEACTIONTN.COM**

**TELL THE EPA
WHAT MATTERS
TO YOUR FAMILY**

Technology Upgrades Benefit VEC Members

At Volunteer Energy Cooperative employing new technologies is done for one reason – to benefit member-owners.

Delivering electricity to 113,000 members who are spread across 17 counties is a daunting task. Employing the latest proven technologies helps VEC accomplish the task more cost-effectively and more efficiently. New technologies are helping VEC meter electricity use, monitor and operate the cooperative's distribution system, and provide members with real-time information that helps them make wise and informed energy choices.

VEC's Automated Meter Reading (AMR) system is now essentially fully deployed. The system collects usage data and sends it to VEC offices. It eliminates the need for meter readers to drive approximately 10,000 miles per month. Through the AMR system VEC is able to collect information more efficiently, more accurately, and at a lower cost to our members and to the environment.

VEC is in the process of installing a Meter Data Management system in order to effectively manage this data and make it readily available to members. Plans for 2015 also include upgrading the cooperative's Supervisory Control and Data Acquisition (SCADA) so dispatchers and engineers can maintain remote communications with substations and make system adjustments quickly and efficiently.

Communicating with Members

In the 1930s and 40s it was not unusual for VEC members to report outages by writing a letter and mailing it to the cooperative. Today's members demand immediate and interactive choices in how they communicate with VEC.

"What new technology does is create new opportunities to do a job that customers want done."

—Tim O'Reilly

VEC works hard to provide choices that meet the needs of individual members.

An Interactive Voice Response (IVR) telephone system allows customers to report an outage, pay their bill, and conduct all

types of business quickly and efficiently whenever and wherever it is most convenient. The IVR menu has been simplified to make the system user-friendly.

Today's customers also demand effective web-based communications and to meet that need VEC recently redesigned their website and launched a FaceBook page.

The website (www.vec.org) features an intuitive design that provides exceptional convenience and functionality whether users access the site from a desk top, a laptop, a pad, or a phone. It's also loaded with a wealth of information and feedback features.

VEC's FaceBook page (www.facebook.com/volunteerenergycoop) was launched in 2014. It's a great way to keep up to date on important information and to connect with VEC in a casual and informative format.

At VEC technology isn't the objective, it's a means to the objective of providing the best possible service at the lowest possible price.

Investment in Young People Pays Big Dividends for Communities

When the founders of Volunteer Energy Cooperative were creating a vision for their cooperative back in 1935, their goal was to create a company that would be committed to serving the community in ways that go beyond delivering power.

VEC remains faithful to that vision in many different ways – and one of the most effective ways to support communities is to support the young people in that community. From school safety programs to scholarships and leadership development trips, VEC offers a broad range of activities designed to inspire and equip young people to assume leadership roles in their communities.

Lillard-Shadow Scholarships

Willis A. Shadow was the University of Tennessee Agricultural Extension Agent for Meigs County in 1933. He saw the great potential in bringing electricity to the Decatur/Meigs County area. His leadership helped to create Meigs County Power Association, the organization that would become the Meigs County Electric Membership Corporation and ultimately, Volunteer Energy Cooperative.

J.W. Lillard's roots ran deep in the county; he lived and practiced law in Decatur for many years. As a gift to the community he loved, Mr. Lillard volunteered his time and expertise to assist Mr. Shadow in his efforts. Mr. Lillard was the cooperative's first president, providing the necessary consistency of leadership for the first seven years.

Because of their vision and commitment to the community, Mr. Shadow and Mr. Lillard were instrumental in improving the lives and livelihood of thousands of residents through electric power. This scholarship honors the community spirit of Willis A. Shadow and J. W. Lillard.

Because of this history, Volunteer Energy Cooperative is committed to the strength of individuals and organizations in its service area and recognizes the importance of volunteerism and community activities to a young person's growth. This scholarship program will reward students who have "given back" to their communities by assisting the students with college costs.

A total of four awards of \$500 per semester are distributed each year. These awards are renewable for up to four semesters, with a \$2,000 maximum award per student.

This year's Lillard-Shadow Scholarship recipients are Keli R. Stephens, a 2014 graduate of Clarkrange High School; Zachariah Andrew Cole, a 2014 graduate of Cumberland County High School; Caleb Stephen Zimmerman, a 2014 graduate of Rhea County High School; and Jennings Caroline Kelley, a 2014 graduate of Walker Valley High School.

"If your actions inspire others to dream more, learn more, do more, and become more, you are a leader."

– John Quincy Adams

(continued . . .)



State Representative Cameron Sexton met with (from left) Meagan Burgess, Robert Claflin and VEC chaperone Robert McCarty during the Youth Leadership Summit.

Youth Leadership Summit

Meagan Burgess and Robert Claflin of Cumberland County High School were sponsored by VEC to attend the Tennessee Electric Cooperative Association's 2014 Youth Leadership Summit March 24-26 in downtown Nashville.

Burgess, daughter of Chuck and Tina Burgess of Crossville, and Claflin, son of Tim and Diane Claflin, were among 46 high school juniors representing the state's 23 electric cooperatives who attended the annual event.

VEC President/CEO Roddy Blevins said VEC was proud to help these students further develop their leadership skills.

"Meagan and Robert are fine examples of the future leaders we're raising in our local communities," said Blevins. "VEC is pleased to provide motivated students with this

opportunity to join their peers from across Tennessee to learn about state government and rural electric co-ops."

During the three-day event students met with their state legislators, attended a Tennessee Senate Committee meeting, participated in creative problem solving and leadership development activities at a Nashville-area YMCA camp, and competed in games designed to encourage leadership.

Washington Youth Tour

Cody Brantley of Rhea County High School, Anna Lowery of Meigs County High School, Sara Johnson of Pickett County High School, and Haley Snyder of Walker Valley High School joined more than 140 other high school students from across the state as VEC guests on the week-long 2014 Washington D.C. Youth Tour.

The Electric Cooperative Youth Tour is a joint effort of Volunteer Energy Cooperative, the Tennessee Electric Cooperative Association, and the National Rural Electric Cooperative Association. Each school year, VEC sponsors a short story contest for high school juniors. Winners are awarded an expense-paid trip to our nation's capital the following June as part of the Washington Youth Tour. This year's trip was June 13-19.

"Youth Tour is one of the most rewarding things I do all year," said VEC Communications Coordinator Robert McCarty who served as a chaperone along with VEC's Paige Finnell. "These students not only learn about our nation and their electric cooperatives, but they also learn leadership skills that will benefit them in college and beyond."

Youth Tour participant Anna Lowery of Meigs County High School said the Washington Youth Tour was one of the best experiences of her life.

"The friendships I've made and the things I've learned will last a lifetime," Lowery said. "I don't think I've ever enjoyed a trip as much as I have this one. It's truly the trip of a lifetime, and I would not trade the week I had with some of the most amazing people for anything."



VEC's 2014 Washington Youth Tour delegation poses at the U.S. Capitol Building.

Electricity College

Volunteer Energy Cooperative hosted about 140 sixth graders from Meigs County Middle School for “Electricity College.” The students attended several “classes” on the cooperative business model, electricity generation and distribution, the math of electric company billing, communications and outage response, electrical equipment, and safety.

Students were also escorted to their classes by VEC volunteers who shared their own educational and career paths.

“We wanted to develop something that complimented their classroom instruction on electric circuits and math, and also give them a good overview of the business of electricity distribution,” said VEC Vice President of Operations Clyde Jolley. “But we also wanted to make sure it was something that was going to be fun for the students.”

Students were split into morning and afternoon sessions. After an introduction, an overview of electricity generation and distribution, and a brief history of VEC, students were separated into three groups. Each group rotated to three different stations where VEC volunteers taught about safety and right-of-way maintenance; a lineman’s tools of the trade; and outage management systems and call center operations. At each station students received answers for their “final exam” that they turned in to earn their diplomas.

“The students were really excited about visiting VEC,” said Meigs County Middle School sixth grade science teacher Misty Meadows. “And when we got back to school they couldn’t stop talking about it.”

4-H Electric Camp

Three hundred rising seventh and eighth graders from across the state of Tennessee are exploring the world of energy, electricity and the basic sciences at the 2014 4-H Electric Camp. VEC offered 34 scholarships to the camp – two for each of the 17 counties in VEC’s service area. This year 16 students accepted VEC grants.

While visiting the University of Tennessee, Knoxville campus, 4-H members discovered the world of electricity by participating in various camp learning centers.

Kristy Kelly, member services specialist with VEC, taught an electric vehicles class to campers this year.

“This is an outstanding experience for these students,” Kelly said. “These learning centers provide hands-on activities where 4-H’ers learn by doing.”

School Programs

Volunteer Energy Cooperative offers classroom speakers and staffing for school programs such as safety demonstrations, energy efficiency and sustainability presentations, health and safety fairs, career fairs, and personal economics workshops for schools and youth organizations within the cooperative’s service area.

This year VEC conducted 23 classroom programs.

Programs and presentations can be customized to fit curriculum needs, for time, age appropriateness, and other classroom needs. For more information, visit www.vec.org/youth-programs/.



VEC Superintendent of Construction and Safety Greg Hutsell was one of VEC’s “Electricity College” faculty members.

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2014

Volunteer Energy Cooperative Balance Sheet as of June 30, 2014

Assets

Electric plant in service	\$ 402,380,980
Less depreciation	<u>172,859,315</u>
Total	229,521,665

Other property and investments	4,866,751
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Current and accrued assets

Cash and temporary cash investments	33,012,408
Accounts receivable	16,327,493
Materials and supplies	2,923,265
Prepayments	-0-
Other current assets	<u>1,385,000</u>
Total	53,648,166

Deferred debits

Receivables-conservation	6,001,009
Other deferred debits	<u>957,948</u>
Total	6,958,957

Total assets	<u><u>\$ 294,995,539</u></u>
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Capital and Liabilities

Capital

Membership certificates	\$430,550
Earnings reinvested in system assets	<u>219,105,057</u>
Total	<u>219,535,607</u>

Long term debt	30,491,339
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Other noncurrent liabilities	9,226,014
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Current and accrued liabilities

Other notes payable	-0-
Accounts payable	17,292,162
Customer deposits	44,812,972
Taxes and interest	1,152,568
Other current liabilities	<u>684,693</u>

Total	23,942,394
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Deferred credits	11,800,185
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Total capital and liabilities	<u><u>\$294,995,539</u></u>
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Volunteer Energy Cooperative Statements of Income and Earnings Reinvested in System Assets Fiscal Year Ended June 30, 2014

Operating Revenue

Sale of electric energy	
Residential	\$151,628,511
Commercial	23,362,924
Industrial	57,389,008
Street and other lighting	<u>4,075,050</u>

Total sale of electric energy	236,455,494
Other revenue	<u>5,766,328</u>

Total operating revenue	242,221,822
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Operating Expenses

Cost of power purchased from TVA	\$188,158,421
Distribution and transmission expense	13,362,026
Customer accounts expense	4,121,904
Customer service, sales and information expense	803,470
Administrative and general expense	6,892,004
Depreciation	12,963,047
Taxes	2,857,073
Interest expense	<u>1,983,800</u>

Total operating expense and interest	231,141,745
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Operating Income	11,080,077
Other income	<u>1,217,307</u>

Net Income	<u><u>\$12,297,384</u></u>
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Earnings Reinvested in System Assets

Beginning of fiscal year	\$206,268,613
End of fiscal year	\$219,105,057



This institution is an equal opportunity provider and employer. If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Ave, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442, or email at program.intake@usda.gov.

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