

It's Not Too Late to Get Up to Date

It you were one of the many VEC member-owners who joined us for our 78th Annual Meeting on October 4th, we'd like to thank you for taking time out of your schedule to be with us. If you were unable to attend, we can't duplicate all the displays, food, giveaways, and certainly not the entertainment of David Browning. But you can pick up a copy of VEC's 2013-2014 Annual Report "Effects" 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 how this year's events and efforts have had an effect on VEC member-owners.

In this year's Annual Report we discuss how VEC is working hard to meet the needs of all of our member-owners.

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.

VEC has been 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 2013-2014 Annual Report "Effects" at your local VEC Customer Service Center or by looking at the copy posted at www.vec.org.

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.

Making Your Home More Energy Efficient is About to Get Easier

Volunteer Energy Cooperative and the Tennessee Valley Authority (TVA) are pleased to announce eScore, a program that provides homeowners with simple ways to make existing homes as energy efficient as possible.

Through rebates on eligible improvements performed by Quality Contractor Network (QCN) members, eScore allows homeowners to work toward a perfect home energy efficiency rating of 10 at their own pace. Participants can take a break from the program or re-engage as many times as needed to achieve their home's best possible energy performance.

Participants receive a detailed eScore report that includes a customized list of recommended improvements, a list of rebates that are available for all improvements, and expert advice.

The eScore program will replace the In-Home Energy Evaluation (IHEE) program beginning December 1.

Here's How it Works

- Visit the eScore customer portal at www.2escore.com. Complete a short online registration and receive a unique customer ID.
- Decide what home improvements to do first.
- Get estimates from one or more QCN contractors. (The QCN member list is provided on the eScore customer portal under the "Find a Contractor" link.
- Provide your unique customer ID to the contractor and agree to have the work inspected at a later date.
- QCN member performs the qualifying energy efficiency improvements.
- Your rebate is mailed to you after the eScore is performed.
- Once the work is completed, you will be contacted to schedule an inspection to ensure the work was completed properly. During the inspection, an eScore evaluation will be performed. Additional recommended energy improvements and your eScore will be provided during this inspection.

Homeowners may opt to have an eScore evaluation performed before any improvements are made. Just sign up for an evaluation on the customer portal or call VEC Energy Services Specialist Paige Finnell at 423-334-7053.

Program Limitations

- Home must be a single-family dwelling.
- Home must have had permanent electric service for a minimum of one year.
- Although eScore is designed for repeat participation, some limitations on individual improvements exist.
- Self-installed improvements are not eligible for rebates.



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

VECcustomers 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 VECcustomers Share Board of Directors meets regularly based on the number of applications received to consider grant funding.

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.

CUSTOMER CHARGE
ELECTRIC (KILOWATT HOURS)
TVA FUEL COST
ELECTRIC COST
SUBTOTAL
VECUSTOMERS SHARE
TOTAL CURRENT CHARGES

If this line item does not appear on your electric bill, you are not contributing to VECcustomers Share. Consider rounding up your bill and helping organizations in your community.



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.

VEC
Customers Share
Your Change Changes Things



The VECustomers Share program funded \$29,900 in community service grants in August. Since the inception of the program in October 2001, more than \$5 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 Bill Womac, right, presents a grant check to Edward Didona of the Chilhowee Middle School Girls' Soccer Boosters.

Organizations receiving grants in August

Laurel Bluff Youth Backpack Program, Kingston	\$2,000	Morgan Scott Project, Deer Lodge	\$600
25th Annual Monterey Fall Festival	\$1,500	Spirit Horse at Black Fox, Cleveland	\$590
Chilhowee Middle School Girls' Soccer Booster Club, Benton	\$1,500	South Roane County Volunteer Fire Department Smalley Lane	\$500
Adult and Family Education of McMinn County	\$1,400	Family Promise of Bradley County	\$500
Rhea County Give-A-Kid-A-Chance	\$1,300	Stone Memorial High School Band Boosters, Crossville	\$500
Fentress County Children's Center	\$1,250	Meigs County High School Cheerleader Boosters	\$500
Good Neighbors Theatre, Byrdstown	\$1,000	Cumberland County High School Jet Football Boosters	\$500
Next Level Fastpitch, Benton	\$1,000	Clearwater Volunteer Fire Department	\$500
Ooltewah High School Band Boosters	\$1,000	Cumberland County Imagination Library	\$450
Toys for Children, Monterey	\$1,000	Hospice of Cumberland County	\$450
Cleveland Amateur Radio Club	\$1,000	Bradley County Master Gardeners	\$410
The Great Pumpkin Festival and Weigh-Off, Allardt	\$900	Fair Park Senior Center, Crossville	\$400
Meigs County Ministries	\$900	Meigs County Historical Society	\$300
McMinn County Living Heritage Museum	\$850	Martin Elementary School Junior Beta Club, Crossville	\$300
Meigs County Give-Kid-A-Chance	\$850	Crossville Quilts of Valor	\$250
Eagle Dugout Club, Evensville	\$800	The Compassionate Friends of Fairfield Glade	\$250
Ooltewah Harrison Education Foundation	\$750	Visually Impaired Support Group of Cumberland County	\$250
Harrison Recreational Booster Club	\$750	Hannah Brooke Health and Care Center	\$250
Martin Elementary School PTO Positive Behavior Support Team, Crossville	\$700	American Legion Auxiliary 163, Crossville	\$250
Rhea Alliance	\$650	Korean War Veterans Association, Fairfield Glade	\$250
Mrs. Emily Bilbrey's 5th Grade Math Club, Byrdstown	\$600	Martin Elementary School Football Boosters, Crossville	\$200

TVA Increases Rates
Effective October 1

Fourth in a Series

Over the last several months I've been discussing financial issues that affect VEC and our member-owners. In this month's issue we will take a look at the recently approved TVA budget for 2015 and how it will impact VEC members.

The first thing that most folks will be interested in knowing about the TVA budget is whether or not it will mean higher electric bills. For VEC members the answer is a very small "yes."

In August TVA's directors approved a \$10.7 billion budget for fiscal 2015 that will raise wholesale electric rates (the rate TVA charges distributors like VEC) by nearly 2%. The new TVA rates take effect October 1st.

VEC will have no choice but to pass an increase of about 1.6% on to our customers. As a not-for-profit cooperative, VEC has no profit margin to "dip into" to offset our higher costs. We have no choice except to pass along some of this increase. But your VEC Board of Directors has been working hard to make our operations as efficient and as cost effective as possible in order to keep this pass-through rate increase as low as possible.

For a residential customer who uses about 1,000 kWh per month, the increase will translate into a monthly bill that is about \$1.70 higher. The rate increase is expected to generate an additional \$199 million for TVA – money that TVA plans to use to help finance several capital projects.

VEC will receive no additional revenue from this rate hike.

In fiscal year 2015 TVA is planning to spend \$3.5 billion on new projects including finishing the Unit 2 reactor at Watts Bar, installing scrubbers to cut emissions on the Gallatin Fossil Plant near Nashville, and starting construction on new natural gas-fired plants to replace aging coal plants at the Paradise Fossil Plant in Kentucky and the Allen Fossil Plant in Memphis.

TVA's 2015 budget also includes an 18% reduction – or about \$500 million - in operating expenses from the previous year. In order to achieve those cuts TVA is eliminating more than 2,000 jobs. TVA is also restructuring energy efficiency programs but will still spend about \$100 million during 2015 on programs such as energy audits, demand-response programs, and other incentives.

TVA president Bill Johnson said the driving force behind the rate hike is the amount of capital spending that TVA is taking on to add more capacity and to add cleaner generation into TVA's power mix.

As a member of the Tennessee Valley Public Power Associations Rates and Contracts Committee, I am encouraged by the work TVA has been doing over the past few years to keep rates as low as possible. But I, along with your VEC Board of Directors, will continue to press for the best possible service at the lowest possible cost.



Rody Blevins
President/CEO
Volunteer Energy
Cooperative

Financial Statements for VEC
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
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	5,958,957

Total assets \$ 294,995,539

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

Other noncurrent liabilities 9,226,014

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

Deferred credits 11,800,185

Total capital and liabilities \$ 294,995,539

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 5,766,328

Total operating revenue 242,221,822

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

Operating Income 11,080,077
Other income 1,217,307

Net Income \$ 12,297,384

Earnings Reinvested in System Assets

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



Tennessee Valley Authority (TVA)

Residential & Outdoor Lighting Fuel Cost Adjustment
Effective October 1, 2014

2.324¢

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