

A Look Back

As we prepare this edition of *Powerlines*, we are busy preparing the 2014-15 Volunteer Energy Cooperative Annual Report. This is a report to the membership and others about the status of the Cooperative and our progress during the year. It is a time that we reflect on the year and how we performed financially, as well as strategically and overall as an organization. We also use this time as a planning tool for the next several months.

This year, our annual report celebrates 2015 as the 80th year of operation for Volunteer Energy. It contains stories and photos from the history of VEC, from its beginning in 1935 until today.

As I look over the year, I remember vividly the ice storms of February 2015 that paralyzed several of the areas we serve. I admire the hard work that it took to get power restored after about one-third of our service area was hit with ice, snow, and cold temperatures during this devastating weather event.

During this time of reflection, I also see the progress we have made toward our Vision 2020 plan. Substation upgrades, fiber optic expansion, and enhancement of communications tools were a highlight of the year.

Sometimes in the day-to-day business of running a Cooperative – or maintaining our everyday lives – we forget to pause to reflect on how far we’ve come as organizations and as individuals. It is always good to take a breath and allow ourselves some time to be proud.

Note: The 2014-15 VEC Annual Report is available at all local VEC customer service centers or by calling 423-334-7051.



Rody Blevins
President/CEO
Volunteer Energy
Cooperative

VEC Instituting New Procedures to Protect Members' Privacy

A number of changes are scheduled to be instituted in the next several weeks at Volunteer Energy Cooperative that will make member transactions and information more secure.

Security of payment information is necessary in today's global marketplace. Payment Card Industry (PCI) Security Standards have been adopted worldwide by organizations that accept credit and debit card payments and are designed to enhance the security of these types of transactions. The Standards include software and hardware enhancements and reporting requirements.

Many VEC transaction activities, such as mobile access and customer records information, already comply with PCI requirements. Additional improvements and changes are being made to bring other activities in line with the requirements.

Some new practices that members will notice as a result of VEC's PCI compliance will include:

- VEC will no longer accept credit or debit card payments at drive-through windows. Customers can make these types of payments over the phone (where they will access a secure automated payment system), via the Internet and the VEC web page, or in person in the lobbies at any VEC office.
- Customers will swipe their cards themselves when they pay inside VEC offices.

Other changes are not so transparent such as requirements associated with document retention. Enhanced software security and data storage updates will provide the highest level of protection for VEC members.

VEC's Vice President for Information Technology Karen Davis says, "VEC members can be assured that the changes and enhancements that they notice are being put in place to make their data as secure as it can be. The protection of our members' data is of upmost importance to us."

Card payments can be made via the Internet and the VEC web page, over the phone, and with the VEC SmartHub mobile app.

A Time To Serve VEC Retiree James B. "Dee" McKenzie Remembers When the Lights Came On

An excerpt from the
2014-15 VEC Annual Report
by Connie Landrum

Born in 1920, 15 years before
the Rural Electrification
Administration was created by

President
Franklin
Delano
Roosevelt,
James B. "Dee"

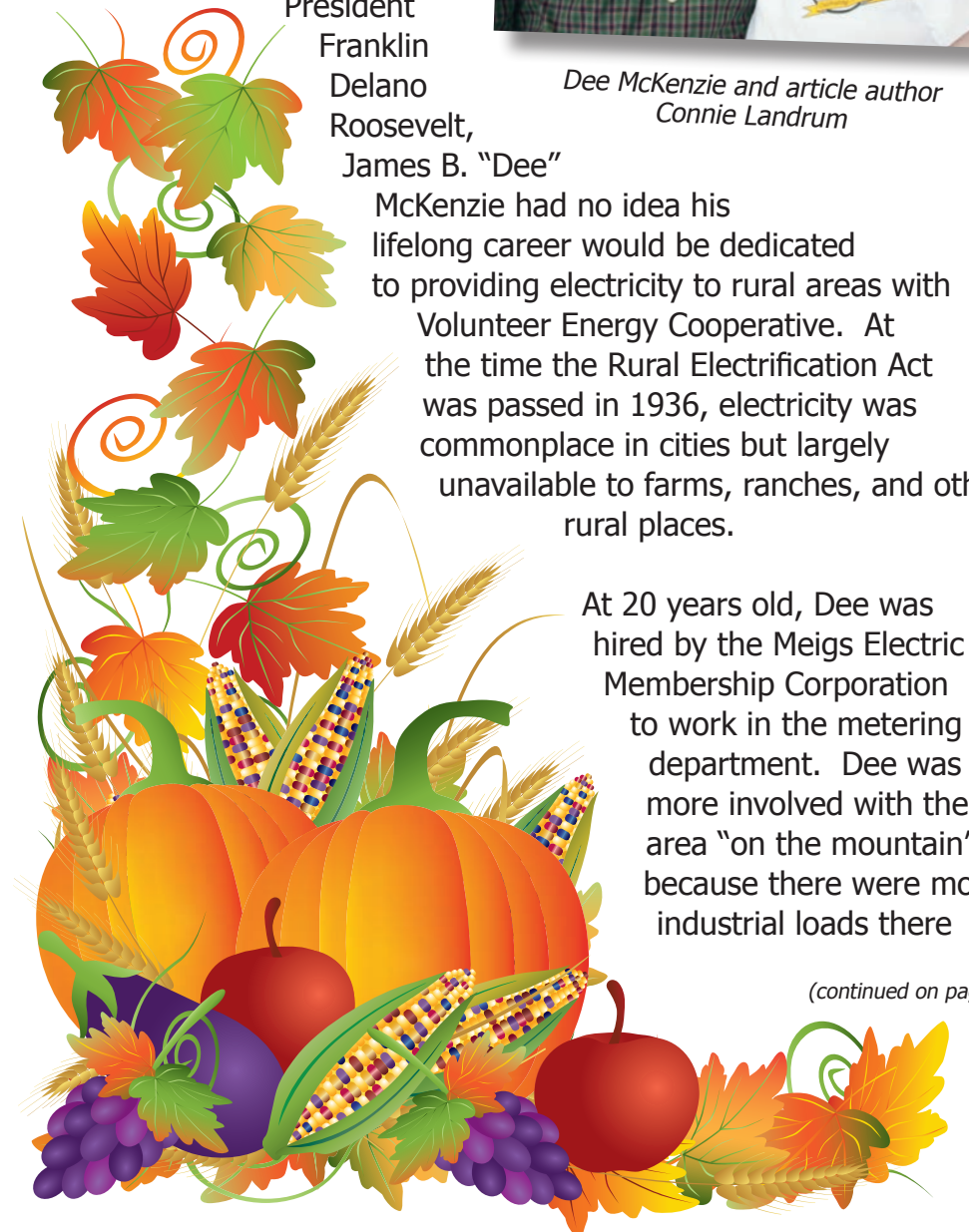
McKenzie had no idea his
lifelong career would be dedicated
to providing electricity to rural areas with
Volunteer Energy Cooperative. At
the time the Rural Electrification Act
was passed in 1936, electricity was
commonplace in cities but largely
unavailable to farms, ranches, and other
rural places.

At 20 years old, Dee was
hired by the Meigs Electric
Membership Corporation
to work in the metering
department. Dee was
more involved with the
area "on the mountain"
because there were more
industrial loads there

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Dee McKenzie and article author
Connie Landrum





The VECustomers Share program funded \$28,350 in community service grants in September. Since the inception of the program in October 2001, more than \$5.4 million in grants has been awarded. 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.



VECustomers Share Board member Bob Scott, left, presents a grant check to C.R. Harris of the Highway 58 Volunteer Fire Department.

Organizations receiving grants in September

Fentress County Food Bank	\$2,000	BonAir Mountain Historical Society & Museum	\$500
Pickett County High School Boys Basketball Boosters	\$1,500	Midway Golf Association	\$500
Friends of the Library of Spring City, TN	\$1,350	Mrs. Rena's 4th Grade Future Scientist Club	\$500
Highway 58 Volunteer Fire Department	\$1,300	South Roane County Volunteer Fire Department	\$500
Meigs South Elementary PTO	\$1,000	North Cumberland Elementary Football Boosters	\$500
Creating Christmas Memories	\$1,000	Frank P. Brown Elementary Journalism Club	\$500
Monterey Ministerial Association		The Senior Living Foundation	\$500
Back Pack Ministry	\$1,000	Midway Elementary Celebration of Nations Club	\$500
Mineral Springs Hunger Relief	\$1,000	Martin Elementary Football Boosters	\$500
Bread of Life Rescue Mission	\$1,000	West Polk Empty Stocking Fund	\$500
Calhoun Rural Fire Department	\$1,000	Operation REACH (Roane Enriches Another Child's Holiday)	\$500
Bradley County Scottish Rite Shoe Fund	\$1,000	Benton Fall Festival Booster Club	\$400
Crossville Lions Club Charities	\$1,000	Conasauga Lodge #396 F&AM	\$300
Cumberland County Teens Against Drugs (TAD) Center	\$800	Miracle Lake	\$260
North McMinn Fire & Rescue	\$740	Cleveland/Bradley Keep America Beautiful Systems, Inc.	\$250
Polk County High School Golf Boosters	\$700	Tri-State Therapeutic Riding	\$250
Brown Middle School PTO	\$600	Meigs Lodge #213	\$200
Ooltewah High School Band Boosters (#2 Application)	\$600	Meigs County Historical Society	\$200
Meigs High Golf Boosters	\$600	Chilhowee Middle School Jr. Beta Club	\$200
Rhea County Health Council - Give A Kid A Chance/Stuff the Bus	\$500	Benton Elementary School Jr. Beta Club	\$200
Order of the Eastern Star Chapter #404	\$500	Polk County High School Volleyball Club	\$200
Midway High Cheer Boosters	\$500	Hales Chapel Community Center	\$200
Women's Prayer Team	\$500		

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at that time. It was his responsibility to ensure that the billing was accurate and that the information was delivered to the Cleveland office of the Central Service Association every week. He also performed maintenance on the meters.

In 1942, Dee volunteered to serve in the US Navy and returned to work at VEC in 1945. "They were waiting on me. They were really nice to me," Dee said.

Then, as now, weather was always on the minds of the utility workers. "We used to say it got so bad in Crossville that the train came through with chains on." He laughs.

Dee celebrated his 95th birthday on August 20th. As VEC celebrates its 80th birthday this year, dedicated employees such as Dee have made VEC one of the largest and most respected cooperatives in the nation.

To read the full article, pick up a copy of the [2014-15 VEC Annual Report](#) at your local customer service center or call 423-334-7051.



VEC Customers Experience Rate Change

VEC and TVA instituted rate changes, effective with the October 1, 2015 billing. For residential customers who use 1,500 kilowatt hours per month, the increases total approximately 3%. The TVA rate increase accounts for approximately 2% of the total rise.

VEC President and CEO Rody Blevins explained that VEC's rate change is a direct result of the way TVA charges the Cooperative for the power it purchases.

"About three years ago, TVA began charging its distributors more during the hours of the highest electrical demand," Blevins said. "This has caused a drop in margins for VEC and other local power companies across the Valley. We normally operate on about 20% margin; however, recently the margin has been dropping and we can no longer absorb the higher costs."

Financial Statements for VEC For the Fiscal Year Ended June 30, 2015

Volunteer Energy Cooperative Balance Sheet as of June 30, 2015

Assets

Electric plant in service	\$ 417,944,487
Less depreciation	<u>186,001,917</u>
Total	231,942,570
Other property and investments	5,474,810
Current and accrued assets	
Cash and temporary cash investments	29,832,083
Accounts receivable	22,236,382
Materials and supplies	2,924,669
Prepayments	-0-
Other current assets	<u>1,388,145</u>
Total	56,381,279
Deferred debits	
Receivables-conservation	5,870,857
Other deferred debits	<u>1,012,060</u>
Total	6,882,917
Total assets	\$ 300,681,577

Capital and Liabilities

Capital	
Membership certificates	\$ 434,580
Earnings reinvested in system assets	<u>226,926,116</u>
Total	227,360,696
Long term debt	27,030,686
Other noncurrent liabilities	9,135,205
Current and accrued liabilities	
Other notes payable	-0-
Accounts payable	18,202,393
Customer deposits	4,718,855
Taxes and interest	1,160,615
Other current liabilities	<u>805,358</u>
Total	24,887,221
Deferred credits	12,267,769
Total capital and liabilities	\$ 300,681,577

Volunteer Energy Cooperative Statements of Income and Earnings Reinvested in System Assets Fiscal Year Ended June 30, 2015

Operating Revenue	
Sale of electric energy	
Residential	\$ 150,342,751
Commercial	23,232,676
Industrial	58,383,387
Street and other lighting	<u>4,085,196</u>
Total sale of electric energy	236,044,010
Other revenue	<u>5,619,838</u>
Total operating revenue	<u>241,663,848</u>
Operating Expenses	
Cost of power purchased from TVA	\$ 191,441,614
Distribution and transmission expense	16,076,513
Customer accounts expense	3,882,303
Customer service, sales and information expense	488,824
Administrative and general expense	7,901,892
Depreciation	14,401,800
Taxes	2,916,013
Interest expense	<u>1,646,546</u>
Total operating expense and interest	234,988,020
Operating Income	6,675,828
Other income	<u>1,135,754</u>
Net Income	\$ 7,811,582
Earnings Reinvested in System Assets	
Beginning of fiscal year	\$ 219,114,534
End of fiscal year	<u>\$ 226,926,116</u>



Tennessee Valley Authority (TVA)

Residential & Outdoor Lighting Fuel Cost Adjustment
Effective October 1, 2015

2.263¢

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

Volunteer Energy Cooperative is an Equal Opportunity provider and employer