

Restoring Power after an Outage

Spring and summer are thunderstorm seasons in the Tennessee Valley. These storms often bring high winds, lightning, and tornadoes that have the ability to take down lines, snap off utility poles, or even damage underground cables, causing widespread power outages to homes and businesses.

Even brief power outages can be inconvenient. But when a major storm interrupts electric power for hours – or sometimes even days – the lives of our customers are significantly disrupted and the situation is much more than just an “inconvenience.”

That's why Volunteer Energy Cooperative is dedicated to restoring the power after an outage as quickly as humanly possible. VEC's preparations to respond to power outages are in high gear even before threatening weather approaches.

Before the Storm

VEC has recently upgraded outage reporting and response procedures. Now, when a customer calls to report an outage, the call is recorded by sophisticated software that assists VEC in grouping related outages and dispatching crews in the most efficient manner.

When a storm happens, trees and tree limbs falling across power lines is the number one cause of power outages. In keeping with the adage “An ounce of prevention is worth a pound of cure,” VEC crews continually monitor rights-of-way and trim tree limbs that threaten power lines. By keeping rights-of-way clear, we can help minimize the threat of outages.

VEC has also entered into mutual aid agreements with neighboring utilities so if damage is severe, we can count on our neighbors – and they can count on us – to provide all available assistance.

When bad weather threatens VEC managers monitor the storms progress, anticipate trouble spots, and place crews on standby alert.

During and Immediately After the Storm

We rely on the information we get from our customers to help us respond to power outages. The outage reporting system is our tool for identifying the extent of the problems and areas that have been hardest hit. This information is also important in helping us identify the equipment and facilities that are not operating so we can better target our work. When the extent of damage to our system is severe, it is necessary from both a safety and efficiency standpoint to prioritize our efforts. Because the safety of the public and our crews is our top priority, we don't necessarily respond to power outage reports on a first-call, first-serve basis. And since the initial work following a major storm is often limited to correcting hazardous conditions, progress in getting the electricity back on may be limited in the very early stages.

Once the system is safe and free of hazards, we assess the total system damage and prioritize work to efficiently restore power to the largest number of customers. Once the safety hazards have been eliminated, we typically prioritize work in the following order:

1. Essential public and emergency services.

Repair work that will restore service to essential public and emergency services such as hospitals, police, fire and rescue, communications, and water pumping stations receive the highest priority.

2. Substation and large distribution line repairs.

Substations are a critical link in our system. If just one substation is out of service, thousands of customers can be affected. Substations and major distribution lines must be repaired first to energize the smaller lines that bring power to our homes and businesses.

3. Individual transformers and individual service wires.

During an outage, customers in the same neighborhood – or even the same street – may not get their power back on at the same time. That is because it may take several repairs at various locations before the power to your home can be restored. Different parts of the same neighborhood are sometimes served by different circuits and we may not be able to energize all of them at the same time. A problem with a single transformer or service wiring serving your home or business may leave you temporarily without power after your neighbor's power has been restored.

Estimating Restoration Times

Being in the dark about when your electricity will be restored can be frustrating. We can't always tell exactly when your power will be restored. But we can assure you that our crews will be working around-the-clock if necessary and reporting their progress to our customer contact centers.

When storm damage and weather damage is significant, it's difficult to know exactly what kinds of damage our crew will encounter when they travel to a community. That makes it very difficult to predict with absolute certainty when repairs will be completed.

After the Storm

What most people consider “after the storm” is really just the next “before the storm” period for VEC. When power is restored to all customers, VEC managers are at work assessing the storm, the damage, how well our outage reporting system, crews, and equipment performed, and determining what improvements may be made for the next storm.

Preparing and responding is a continuous effort at VEC. We are also continuously appreciative of the patience and support we receive from our customers.

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VOLUNTEER ENERGY COOPERATIVE

Powerlines is produced by the Volunteer Energy Cooperative's Member Services Department as a service to customers. Comments and suggestions can be e-mailed to vec@vec.org or mailed to VEC Member Services Department, P.O. Box 277, Decatur, TN 37322.

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POWERLINES

Keep a Power Outage “Survival Kit” Handy

In the event of an extended power outage, having a few necessities close at hand can help make it easier to cope. We recommend the following items:

- Flashlight
- Battery powered lantern
- Battery powered radio
- Extra batteries
- Bottled water
- Emergency numbers for fire, police, rescue squad, doctor and electric company
- Canned or other easily prepared food
- Manual can opener

During the power outage remember to follow these steps:

- Call the electric company to report your outage.
- Turn off/unplug major appliances to prevent a sudden drain on the system when power is restored.
- Avoid frequently opening refrigerators and freezers. They will maintain cooler temperatures better if they are not opened.
- Stay away from downed power lines and anything the lines touch. Be sure to report downed lines or obvious damage to poles or equipment when you report your outage.

Photo courtesy of Beverly Harvey, Caddo Electric Cooperative

Beware of the Scam Artists

Warmer temperatures bring out the blooms and blossoms of spring and summer. Unfortunately, they also often bring out a swarm of scam artists intent on separating us from as much of our money as they can.

In the past Volunteer Energy Cooperative has gotten reports of criminals posing as VEC employees and trying to take advantage of the unsuspecting.

Last year in Rhea County, a woman posing as an electric company employee conned \$50 from an elderly resident claiming she was from the electric company and was there to collect payment for the utility pole at the resident's home.

Other than normal collections for overdue bills, VEC employees NEVER request that money be paid on site for work being done on lines or service equipment.

VEC employees can also be readily recognized in two major ways.

1. VEC employees and crews can be identified by the VEC logo on their uniforms, vehicles, and hard hats.
2. Every VEC employee is issued an identification badge with his or her photograph. These badges are worn on the shirt or blouse of VEC employees.

Recently, there have been reports of a company offering insurance policies that are available to “VEC Customers.” At VEC we do NOT sell, endorse, or promote any insurance products or policies.



Setting the Record Straight

by Bill Buchanan, President/CEO

Last month a lawsuit was filed in federal court alleging that electric cooperatives and the Tennessee Valley Authority conspired to keep rates high by failing to reduce rates or refund member's equity in the form of capital credits. As is normal in such a debate, facts and figures are often distorted to validate the claims of each side of the issue. I feel compelled to spell out some facts about Volunteer Energy Cooperative in relation to this issue.

Does VEC have large cash reserves?

No. VEC's net income for last year was \$5.5 million after a depreciation expense of \$7.5 million. We have cash reserves of less than \$700,000. This means that VEC has only a fraction of the margins on hand as cash for operating working capital. VEC has the third smallest cash reserves of all cooperatives in Tennessee.

What happens with the \$5.5 million in total net income?

The net income is used for debt service of \$1.5 million and to help finance \$14.8 million in plant additions.

What would happen if VEC cashed out part of its equity and returned the money to its members?

VEC members' equity is found in the cooperative's poles, lines, transformers and substations. If VEC cashed out equity, we would have to borrow the money, send the money to the members and then raise rates in order for the members to pay back the debt. In addition, because the TVA contract does not currently allow payment of capital credits, the contract would need to be amended before VEC could consider such a move.

Would members be hurt if VEC began returning capital credits?

We believe they would. VEC members have historically been best served by re-investing member equity as opposed to returning capital credits. We do not believe that it would make sense to raise rates so that capital credits could be returned.

If VEC had been giving capital credits since its inception, would members be better off today?

Returning capital credits to our members would limit our ability to fund growth and system improvements. As a result of re-investment, we have been able to pay for system growth and improvement that saves our membership thousands of dollars each year and allows us to offer better service.

How much lower are our rates than other cooperatives?

Tennessee cooperative rates are 20 percent below other co-ops in the nation, and among Tennessee cooperatives, VEC's rates are at midpoint.

Is VEC informing its members regarding its financial condition?

We think it is very important to inform our member-owners of the financial position of their cooperative. Our financial statements are published each year in *Powerlines*, a publication which is sent to every residential customer. In addition, this financial information is distributed at the October annual meeting.

VECcustomers Share

VECcustomers Share
A Little Can Go a Long Way

Hunger relief, eyeglasses for the needy, and a variety of youth programs were among the causes assisted by Volunteer Energy Cooperative customers who pooled their pennies through the VECcustomers Share program in March. The VECcustomers Share board of directors funded grants totaling \$32,200 in March. Since the inception of the program in October 2001, a total of \$974,604.25 in grants has been awarded. VECcustomers Share is a non-profit, tax exempt charitable organization covering VEC's 17-county service area. The foundation's funds are derived from Volunteer Energy Cooperative members who allow their electric bills to be rounded up to the nearest \$1. The additional amount goes into the VECcustomers Share fund, which is administered by the foundation's board of directors whose 12 members serve as volunteers. VECcustomers Share contributions average 50 cents per month or \$6 per year for each participating residential customer. Approximately 80 percent of VEC's customers are donating to the program. The deadline for grant applications is the last day of each month. For additional information, contact Patty Hurley, manager of member services, at 423-334-7050. Applications are also available online, at www.vec.org.

Organizations receiving grants in March include:

NAMI of Cumberland Plateau - Crossville	\$2,200
McInturff Cemetery Fund - Birchwood	1,500
Claxton Community Volunteer Emergency Services - Athens	1,500
Cumberland County Drug Alliance/TAD Center - Crossville	1,400
Rhea County Softball Booster Club - Grandview	1,200
Meigs County Historical Society - Decatur	1,000
Putnam County Rural Health Clinics, Inc. - Baxter	1,000
Athens Civitan Club - Athens	1,000
The Family Mission, Inc. - Jamestown	1,000
Bradley County Scottish Rite Club - Cleveland	1,000
Dale Hollow Lakers AAU Basketball - Byrdstown	1,000
Solid Rock Outreach Ministries - Jamestown	900
Fentress County Library and AARP Tax Volunteers - Crossville	900
Pickett County High School Beta Club - Byrdstown	800
Monterey High School Softball Booster Club - Monterey	650
McDonald Cemetery Association - Ooltewah	650
Burks Middle School Baseball Boosters Club - Monterey	650
South Roane County Volunteer Fire Department	620
Spring City Chamber of Commerce - Spring City	600
Kingston Lions Club - Kingston	560
Midway Quarterback Club	560
Boy Scout Troop 304 - Ten Mile	560
Tennessee Top Guns Basketball - Old Fort	540
Polk Country Katz - Benton	540
Chestuee Community Club - Calhoun	540
Ocoee Ruritan Club - Ocoee	540
Polk County High School Band Boosters - Benton	540
Agri-Business Committee - Crossville	500
Bread of Life Rescue Mission - Crossville	500
Blue Springs Elementary PTO - Cleveland	500
Monterey Volunteer Fire Department - Monterey	500
Junior Achievement of Ocoee Region - Cleveland	500
Food Pantry Luminary United Methodist Church - Ten Mile	500
Skills USA "VICA" - Cleveland	500
Meigs County Longbeards - Decatur	500
On the Rise - Crossville	500
Stone Elementary School PTO Outdoor Committee - Crossville	500
Meigs County High School Choir Boosters - Decatur	400
AmVets 2nd District - Decatur	400
Tennessee Valley Theatre, Inc. - Spring City	350
Rogers Creek Youth Football League - Athens	300
Cleveland Civitan Club - Cleveland	300

VECcustomers Share Board Member Peggy Parrot, left, presents a grant to Jane Kissane, center, and Jan Regen, of Putnam County Rural Health Clinic, Inc.

Levelized Billing Comes to VEC

It's a predictable cycle. Each year, electric customers experience "sticker shock" as temperatures dip in the winter and more electricity is used to heat their homes. In the summer, the same shock occurs as warmer temperatures require air conditioning units to use more electricity. As a result many Volunteer Energy Cooperative customers see electric bills spike in winter and again in the summer due almost exclusively to increased usage brought on by temperature fluctuations. This spring, VEC will introduce a program that will keep electric bills more consistent from month to month: Levelized Billing.

Levelized Billing will replace the current Equal Monthly Payment (EMP) plan. Levelized Billing calculates an average cost based on a 12-month moving average of electric usage. Unlike EMP, Levelized Billing customers will not have a yearly "true-up" - the average simply will re-calculate each month. As the name implies, the goal of Levelized Billing is to make customer bills more LEVEL.

How does Levelized Billing differ from the Equal Monthly Payment (EMP) program?

Under EMP, the amount a customer pays is calculated once a year based on an average of the previous year's usage - the amount due never changes throughout the 11 months of the EMP period. At the end of the EMP period (the 12th month), the difference between actual usage and the amount a customer paid for the entire year is calculated. The customer either pays the difference (if the usage was higher than the previous year) or there is an electric bill credit (if the usage was lower).

With Levelized Billing, the amount paid each month is a moving average calculated based on the current meter reading and the usage for the 11 months immediately preceding that reading. The amount due for December, for example, will be

calculated from the electrical usage from January through November. January's bill will be based on usage from January through December. With Levelized Billing, the amount paid each month will vary slightly but there is never any "true-up" for customers unless electric service is cancelled.

What is the advantage of Levelized Billing?

Because Levelized Billing is calculated based on a moving average, the amount due is a truer reflection of the amount actually used. If there is a change that either negatively or positively affects a customer's electrical usage (i.e. more energy efficient appliances installed, a child leaves home, a room is added on the house, etc.) the change will be reflected on the calculation sooner. Adjustments caused by unusually warm or cold weather are figured in quickly. The biggest advantage to Levelized Billing is the absence of a "true-up" month. With Levelized Billing, there aren't any big surprises as there can be with the EMP program.

How will the switch be made to Levelized Billing?

Customers currently participating in the Equal Monthly Payment (EMP) plan will receive their "true-up" statements with the June billing

statement. Levelized Billing will begin with the July statements. Levelized bills for July will be calculated based on usage during August 2003 - July 2004. Customers not currently participating in the EMP program may sign up for Levelized Billing anytime after July.

How do I sign up or get further information about how Levelized Billing will affect me?

Contact your local VEC customer service center for more information. You can sign up at your service center or by completing the form below and returning it to your local VEC customer service center.



Fee for Credit Card Payments Set

As of April 30th, the convenience fee charged on credit card payments of electric bills will no longer be on a sliding scale depending on the amount charged.

Volunteer Energy Cooperative is now charging a \$4.50 convenience charge for each credit card transaction. VEC only accepts credit card payments of \$500 or less per transaction.

This fee allows VEC to cover the costs associated with providing credit card processing services.

Did You Know...?

Although many think electric cooperatives receive a great deal of federal subsidies, cooperatives actually receive less in subsidies than municipal and investor-owned utilities. Investor-owned utilities (IOUs) receive more than \$3.5 billion annually in federal subsidies. Municipal utilities receive almost \$1 billion. Electric cooperatives receive less than \$100 million, according to a 2003 report by the National Rural Electric Cooperative Association.

And electric cooperatives receive less in subsidies even though:

- Electric cooperatives have to provide electricity at a price competitive with IOUs while constructing and maintaining thousands more miles of distribution lines. The average electric cooperative has 13 consumers per mile (VEC has only 11) compared to an average of 34 for investor-owned utilities and 44 for municipal utilities.

- Electric cooperatives have fewer large industrial and commercial consumers than investor-owned utilities. Our revenue comes from serving many small accounts, homes, farms and communities.
- Our consumers are mainly residential, creating a low load factor. Our power demand can skyrocket depending on the time of year. That's why every cooperative works hard to level out its load factor.

Innovation and creativity have always been a part of the cooperative system. Despite our low population density and high cost of bringing electricity to rural America, we continue to work to maintain stable rates. In fact, VEC provides electricity at one of the lowest rates in the country - less than 6.3 cents per kilowatt hour. That's just part of our commitment to you, our owners and members.

There is something different about receiving your electricity from an electric cooperative. We think it's a difference you can be proud of.

Sign up for Levelized Billing today!

Complete this form and bring or mail to your nearest VEC service center!

Please sign me up for *Levelized Billing* to begin in July 2004. I have read and understand the program specifics.

Account Name: _____

VEC Customer #: _____

Address: _____

Signature of Account Holder: _____

Date: _____