

Why Does My Electric Bill Vary From Month to Month?

At one time or another, most of us have been surprised by the variation in our electric bills. And since winter is when the majority of Volunteer Energy Cooperative (VEC) customers use the most electricity, variations can sometimes be significant.

While one cold month may seem like another, there can be differences that go largely unnoticed by us but that can add up to an increase in our electric bills.

For example, wind direction and velocity can cause our heating systems to operate longer if your home is not properly weatherized. A south wind, pushing along mild Gulf temperatures, can decrease the need for home heating. Wind that whistles out of the north and the west causes our heating systems to work overtime.

Strategically placed trees, particularly evergreens, can be surprisingly effective in reducing the force of north and west winds.

Another reason our electric bills may vary is the number of days in the billing period. VEC makes every effort to read your meter on a preset schedule, such as every 30 days. But due to months of different lengths, weekends, holidays, and adverse weather conditions, sometimes bills may include a few days more or less than 30 days. This will affect the amount of your bill, especially in colder months when we use more electricity for heat.

And since we are all human and we are all capable of making mistakes, a meter can be misread. But the mistake will be automatically corrected when the meter is read again, because it records continuously, like an automobile odometer.

Why is My Neighbors Bill Higher or Lower than My Bill?

Comparing your electric bill with a friend's or a neighbor's electric bill is like comparing apples and oranges.

No two families have identical living habits and no two families have identical appliances. Families with more people living under one roof will use more energy for additional bathing, cooking, clothes washing, etc. Most homes also differ in the amount of weatherizing such as insulation, storm windows, caulking, and weather stripping. In addition the orientation of the house and the number and size of trees in the yard can also have an impact on our electric bills.

How Can I Eliminate the "Surprise Factor"?

By signing up for VEC's Levelized Billing program, you can help take the guess work out of managing your household finances. Under this program an individual customer's bill is not identical each month, but the typical variation is usually very small from month to month.

Levelized Billing calculates an average cost based on a 12-month moving average of electric usage.

The bill is calculated using the current month's meter reading and an average of the preceding 11 months.

While it is true that "life is full of surprises," if you sign up for VEC's Levelized Billing, your electric bill won't be one of those surprises.



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

President/CEO Sees Fiscal Year 2004 as Year of Milestones

by Bill Buchanan, president/CEO

By the time you receive this issue of Powerlines, the 2004 Volunteer Energy Cooperative will be a pleasant memory. In my address to the 68th meeting of cooperative members, I highlighted some milestones reached this last fiscal year.

- You continue to be a part of a growing cooperative. Volunteer Energy concluded fiscal year 2004 with energy sales of over 2 billion kWh, an increase of 1.4% over last year. At year end, we had \$181.4 million in assets, including \$14.4 million in new plant. The assets were up over \$7.8 million from last year. We added 2,300 new customers this fiscal year. A complete financial report is included elsewhere in this issue.

- This past November Volunteer Energy Cooperative gained its 100,000th customer. Our customer base currently stands at more than 101,000. VEC is one of the largest electric cooperatives in the country when measured by miles served and, as far as I'm concerned, VEC has the strongest membership in the country.

- In May a third milestone occurred when we awarded our one millionth dollar to community organizations through our VECcustomers Share program. I can honestly say that this program has the most far-reaching benefit of any program VEC has ever attempted. With the nickels, dimes, and quarters contributed from customers who allow their bills to be rounded up, we have helped build ramps for the handicapped, stocked food pantries, supported senior citizens activities, assisted boy and girl scout troops, made a difference in the lives of seriously ill or needy children and adults, and contributed to hundreds of other activities in your backyard.

- Volunteer Energy Cooperative – yes, your electric provider – will soon be bringing natural gas to Polk County. Six years ago we were approached by our member-owners in Polk County about the need for natural gas service in Benton and the surrounding area to stimulate economic development and about the fact that no one was willing to build the system. We remembered the time when the same was true for residents who wanted and needed electricity in rural Tennessee. Polk County had received grants to help fund the project and we felt an obligation to serve these Polk County residents, just as our member-owners were served so many years ago when the lights came on.

- Volunteer Energy Cooperative, in partnership with Ben Lomand Telephone Cooperative, has begun offering high speed Internet access in the city of Crossville and will complete the work to provide these customers a choice in their telephone service by December of this year. Our work to bring high speed worldwide telecommunications to rural residents may sound as impossible today as the electrification of America sounded in 1930. It may be called a "pipe dream". This VEC-Ben Lomand partnership is the beginning of quality telecommunications services to all of our residents. This includes high-speed Internet, telephone, and – in the future – perhaps video and cable.

- Not every milestone reached this year has been completely positive for VEC. This was a year of pressures on VEC and other cooperatives from a number of different venues. Increased scrutiny of TVA and its distributors had a major effect on the relationships and delivery of service. A rate increase last October was followed by a rash of public attention and resulting cost-cutting measures.

TVA and the Tennessee electric cooperatives are defendants in a lawsuit involving the retiring of capital credits. Capital credits are the level of ownership that each member has in the cooperative. You and I, as members of Volunteer Energy Cooperative, own a piece of the electric system because a portion of what we pay each month helps purchase fixed assets (lines, poles, transformers, etc.). Some cooperatives in the country retire capital credits each year and award each member a small annual check. We reinvest this equity into our electric grid.

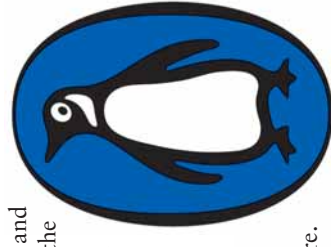
In the TVA power contract, we as TVA distributors are required to keep power costs as low as possible for our member-owners. And we do. Electric rates in the Tennessee Valley are among the lowest in the nation. If we are stripped of our ability to reinvest this equity, rates would increase and VEC would be forced to borrow more money for plant additions.

In short, if the lawsuit against TVA and the cooperatives is successful, we all will pay more for our electric service. The lawsuit itself promises to be extremely expensive for us, the other Tennessee cooperatives, and TVA itself. This increased cost of litigation is contributing to rising costs, not preventing them. We will continue to fight to maintain lower rates for our customers.

2004 was truly a year of milestones and Volunteer Energy Cooperative will see many more in the years ahead. Here's to a great 2005!

November 2004 POWERLINES

Prepare Your Home for COLDER WEATHER



The leaves are starting to change color, there's a cooler nip in the air, and footballs are flying through the air. That means fall is here and now is the time to start preparing your home for the colder weather ahead.

Putting in a little time and effort on home maintenance now can help you save a bundle on your winter electric bills. It can also help keep this winter a more comfortable one and a safer one for you and your family. Here are a few you may want to keep in mind:

• Inspect the roof. *

Replace missing or broken shingles, shake pieces, or tiles. Make sure the flashing around vent pipes, skylights, and chimney is secure.

• Clean the chimney and fireplace. *

Remove build-up of combustible creosote from the chimney, hearth, and firebox. If you only use your fireplace a few times each year, you can do this every few years instead of annually. Make sure the chimney, as well as outdoor electrical fixtures, and vents are clear of birds' nests.

• Unclog the gutters. *

Clean the gutter channels, and clear downspouts of debris. Make sure that downspouts funnel water away from the foundation. Replace broken or deteriorating gutters and downspouts.

• Inspect the foundation. *

Look for signs of water damage. Make sure that dirt around the house is graded to drain water away from the foundation. If you have any underground drainage systems or sump pump, make sure it operates properly.

• Check the heating system. *

Change filters and check registers and ducts for blockages. Consider hiring a professional to have your furnace inspected for rust and cracks in the heat exchanger, gas leaks, burner operations, carbon monoxide, combustion air, safety controls, blower systems, the condition of venting, and humidifier.

• Insulate. *

Replace or add caulk or weather stripping around doors or windows, between the foundation and siding, and wherever bricks and wood make contact. Both of these flexible sealants degrade over time. Make sure you have sufficient attic insulation. Most areas require at least six inches of insulation materials.

• Winterize your windows. *

If you have window units or doors with combination screen/storm windows, remove the screen, wash and store, and install storm windows. Remove window air conditioning units.

• Run gas-powered lawn equipment until the fuel tank is empty. *

This keeps you from storing flammable liquid in the garage until next spring. Also make sure there are no dirty or oily rags stored. These can spontaneously combust.

• Change batteries in your smoke detectors. *

Daylight Savings Time ends on October 31. That's the traditional time to take care of smoke detector maintenance. Change the batteries and clean and test the unit.

* When working on your roof or on ladders, be sure to stay clear of power lines. Consider hiring a professional to handle these more dangerous maintenance tasks.

VEC Customers Share

If all do some, none are forced to do all

Volunteer Energy Cooperative (VEC) customers who pooled their pennies through the VEC Customers Share program in August helped fund grants totaling \$31,550. Since the inception of the program in October 2001, a total of \$1,139,668.20 in grants has been awarded.

The deadline for grant applications is the last day of each month. For additional information, contact Patty Hurley, vice president of marketing and economic development, at 423-334-7050. Applications are also available online, at www.vec.org.

Below is a partial list of organizations receiving grants in August:

Meigs County Fair Association	\$ 1,750
Make a Wish Foundation	1,750
Polk County Education Foundation	1,750
Fair Park Senior Center	1,750
Byrdstown/Picket County Volunteer Fire Department	1,750
Helping Hands Ministry	1,750
Monterey Food Bank	1,200
Kids on the Block	1,000
Fentress County Food Bank	1,000
Voiture 735 40 & 8 Society	1,000
Riceville Volunteer Fire Department	1,000
Love Memories Support Group	950
Tri-State Resource and Advocacy Corp., Inc.	950
The Little Village Center for Christian Education	900
Riceville Youth Football Program	800
MAC	600
Midway Quarterback Club	600
Johnston Cemetery	600
Pleasant Hill Explorers	600

VEC Customers Share Board Member Bill Sparkman, right, presents a grant check to Heather Anderson, left, of the Make-A-Wish Foundation of East Tennessee.



Cody, a 15-year-old Make-A-Wish child, received a sports room redecoration, courtesy of the Make-A-Wish Foundation. VEC Customers Share sponsored the wish.



VEC Chief Announces Retirement Plans

William M. Buchanan, president/CEO of Volunteer Energy Cooperative, announced his plans to retire at the annual meeting of cooperative members on October 2nd. Buchanan, who began his 42nd year of employment at VEC this year, said he will step down in June 2005. He called his tenure at VEC a "labor of love."

The VEC Board of Directors is currently developing strategies for naming a successor to Buchanan at VEC, one of the largest electric cooperatives in the country when measured by square miles served.

Buchanan began his career with VEC in 1963 in the accounting department. He was promoted to office manager in 1972 and manager of finance and administration in 1980. He has been chief executive officer of the cooperative since 1982, the longest tenure of any of the organization's CEOs. Buchanan has held numerous leadership roles in state and national organizations, including the Tennessee Valley Public Power Association, the Tennessee Electric Cooperative Association, and the National Rural Electric Cooperative Association. He currently serves on the Board of Directors for Southeast Bank and Trust.

In announcing his impending retirement, Buchanan said, "It is time for me to step aside and allow younger and more energetic voices to lead the way. I look forward to pursuing other interests and to spending more time with my wife, children, and grandchildren." Gene Carmichael, chairman of the VEC Board of Directors, said that Buchanan's experience will leave a void. "We will miss his commitment to the cooperative and its customers. Volunteer Energy Cooperative is better today because of Bill Buchanan."



Bill Buchanan will step down from the president/CEO position that he has held since 1982 in June of 2005.

Financial Statements Volunteer Energy Cooperative

June 30, 2004
Assets

Electric plant in service	\$250,706,214
Less depreciation	90,136,990
Total	160,569,224
Other property and investments	2,109,834
Current and accrued assets	813,240
Cash and temporary cash investments	10,735,206
Accounts receivable	1,824,994
Materials and supplies	0-
Prepayments	781,253
Other current assets	14,155,373
Total	14,155,373
Deferred debits	3,116,979
Receivables-conservation	1,490,489
Other deferred debits	4,607,468
Total	\$181,441,899

Capital and Liabilities

Capital	\$453,385
Memberships/certificates	108,281,295
Earnings reinvested in system assets	109,434,680
Total	46,478,662
Long term debt	5,422,678
Other noncurrent liabilities	0-
Current and accrued liabilities	10,551,757
Other notes payable	1,918,961
Accounts payable	832,450
Customer deposits	487,271
Taxes and interest	13,790,419
Other current liabilities	6,315,460
Total	\$181,441,899

Volunteer Energy Cooperative Statements of Income and Earnings Reinvested in System Assets Fiscal Year Ended June 30, 2004

Operating Revenue	\$87,642,606
Sale of electric energy	12,930,789
Residential	34,121,122
Commercial	2,838,060
Industrial	137,532,577
Street and other lighting	3,450,402
Total sale of electric energy	140,982,979
Other revenue	
Total operating revenue	\$107,143,351
Operating Expenses	7,677,375
Cost of power purchased from TVA	3,683,019
Distribution and transmission expense	
Customer accounts expense	759,200
Customer service, sales and information expense	5,449,004
Administrative and general expense	8,024,138
Depreciation	2,094,674
Taxes	2,076,013
Interest expense	136,906,774
Total operating expense and interest	4,076,204
Operating Income	408,653
Other income	
Net Income	\$4,484,857
Earnings Reinvested in System Assets	\$104,496,438
Beginning of fiscal year	\$108,981,295
End of fiscal year	

VEC's Spring City Office Falls Victim to Flooding

Volunteer Energy Cooperative's (VEC) Spring City Customer Service Center was among the many buildings damaged as the remnants of Hurricane Ivan swept through the Tennessee Valley September 16th and 17th.

Heavy rains and high winds knocked out power to more than 6,000 VEC customers with Bradley, Rhea, Meigs, Roane, and Cumberland counties suffering the most damage. VEC's telephone and computer lines were



Flooding caused by the remnants of Hurricane Ivan inundated Volunteer Energy Cooperative's Spring City Customer Service Center.



Volunteer Energy Cooperative officials are weighing options and hope to have a solution for the situation in the near future.

also damaged in the northern part of the VEC service region and VEC's Spring City Customer Service Center was heavily damaged by flooding.

The damage to the Spring City Customer Service Center was so severe VEC was forced to set up a temporary office for service orders, at Southeast Bank & Trust. Electric bill payments were also being accepted at First Bank of Tennessee.

"We apologize for any inconveniences this may cause," said VEC President and CEO Bill Buchanan. "We appreciate the help from Southeast Bank & Trust and First Bank of Tennessee."