

VEC GIVE-A-WAY

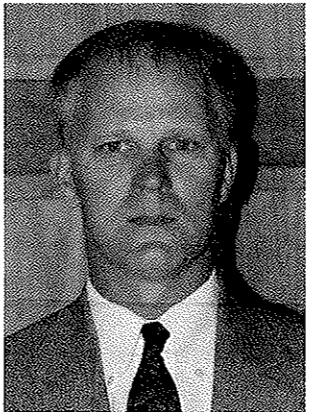
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VEC
VOLUNTEER ENERGY COOPERATIVE
www.vec.org

Son to Serve Remainder of Father's Term on VEC Board

Russ Carmichael, son of the late Gene Carmichael, has been appointed to serve the remaining portion of his father's term on the Volunteer Energy Cooperative (VEC) Board of Directors.



Russ Carmichael

Gene Carmichael was first elected to the VEC Board of Directors in 1974 to represent McMinn County. He was elected Chairman of the Board of Directors in 1987. He served in these capacities until his passing in July.

"Gene was a good friend and an advocate for all VEC member/owners," said VEC President/CEO Roddy Blevins. "We feel very fortunate to have Russ joining the Board. He's very familiar with VEC and we know he's going to be a great help in our efforts to continue moving the cooperative forward."

Russ Carmichael is a life-long resident of McMinn County. A dairy and poultry farmer, he earned his Bachelor's of Arts degree in agriculture from Middle Tennessee State University. He is active in Alpha Gamma Rho, the national agriculture fraternity that is committed to mentoring young people who are interested in agriculture careers.

He and his wife Tina attend the First Baptist Church in Calhoun. Citing his father's long tenure on the VEC Board of Directors Carmichael said, "I grew up as a part of the VEC family. I plan to do my best to carry on with the goals and the work ethic my father instilled in me.

"I plan to serve all VEC members, especially those in McMinn County, to the best of my ability with the goal of supplying constant power at the best possible price."

Project Deserve Needs You



Volunteer Energy Cooperative's Project Deserve program allows you to help the elderly, handicapped, low income and unemployed with their electric bills in emergency situations. You can do this by pledging a specified amount of money to be added to your monthly bill.

All funds collected through Project Deserve go directly to an energy fund. No funds will be used to administer the program. Winter weather is on the way, and this is the time of year when more families ask Project Deserve for assistance with their electric bill. Your contribution to Project Deserve will help these families in their time of emergency.

You may contribute monthly or you may make a one-time contribution. One-time contributions should be mailed to Project Deserve, P.O. Box 277, Decatur, TN 37322. Should you ever wish to cancel your monthly Project Deserve contribution, you can do so by contacting your local VEC customer service center.

To find out if you are eligible for assistance through Project Deserve, customer service representatives at your local VEC office can direct you to the appropriate social services agency in your area.

TVA Announces Rate Increase

TVA has announced a rate change that went into effect October 1, 2010. Base residential non-summer rates will increase from .06795 per kWh to .06977 per kWh. Base summer rates for residential customers will increase from .06836 to .07019.

The customer charge for residential customers will remain \$11.71.

The most up-to-date FCA rate information is available at VEC's website at www.vec.org. Click on the TVA Fuel Cost Adjustment link on the left of the homepage or you can go directly to the FCA page at <http://www.vec.org/TVAFuelCostAdjustment.aspx>

Below is a chart indicating how the change will affect a typical residential customer using 1,500 kWh per month.

October 2011 Rate Change Comparison

Summer				
	New	Old	Difference	% Change
Customer Charge	\$ 11.71	\$ 11.71	\$ 0	0.00%
kWh usage	\$ 105.29	\$ 102.54	\$ 2.74	2.68%
FCA	\$ 30.09	\$ 30.09	\$ 0	0.00%
Total Bill	\$ 147.09	\$ 144.34	\$ 2.75	1.90%

Non-Summer				
	New	Old	Difference	% Change
Customer Charge	\$ 11.71	\$ 11.71	\$ 0	0.00%
kWh usage	\$ 104.66	\$ 101.93	\$ 2.73	2.68%
FCA	\$ 30.09	\$ 30.09	\$ 0	0.00%
Total Bill	\$ 146.46	\$ 143.73	\$ 2.73	1.90%

Tennessee Valley Authority (TVA) Residential & Outdoor Lighting Fuel Cost Adjustment Effective October 1, 2011

2.527¢

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

TVA is now reflecting the full cost of fuel used to generate electricity in the Fuel Cost Adjustment. Previously the FCA only included a fraction of this cost and the energy charge included the remainder. As a result of TVA's most recent change, the Fuel Cost Adjustment for electric consumers throughout the Tennessee Valley shows a substantial increase beginning in April. The energy charge drops as the fuel cost is removed from this segment of the charge.

VECcustomers Share Board Gets New Members

Two new representatives have been appointed to the all-volunteer Board of Directors that oversees VECcustomers Share donations. Board members are appointed to serve three-year terms and are eligible to serve two consecutive terms.

Terms expired for VECcustomers Share Board Chairman Carlton Norris, who represented Hamilton County, and Board Member Jerry Stephens, who represented Polk County.

Bobby Scott has been appointed to represent Hamilton County and Bill Womac has been appointed to represent Polk County.

Two board members have been re-appointed to serve their second terms. Gloria Schouggins was re-appointed to represent Meigs County and Galen Rector was re-appointed to represent Pickett County.

The VECcustomers Share board members serve on a volunteer basis and receive no compensation for their service. Each month they review grant applications and allocate funds that have been made available by members who choose to have their electric bills rounded up to the next whole dollar. The money is then allocated each month by the board to be donated to community-service organizations throughout Volunteer Energy Cooperative's 17 county service area.



VEC Customers Share



Annual Report Reflects on Challenging Year at VEC

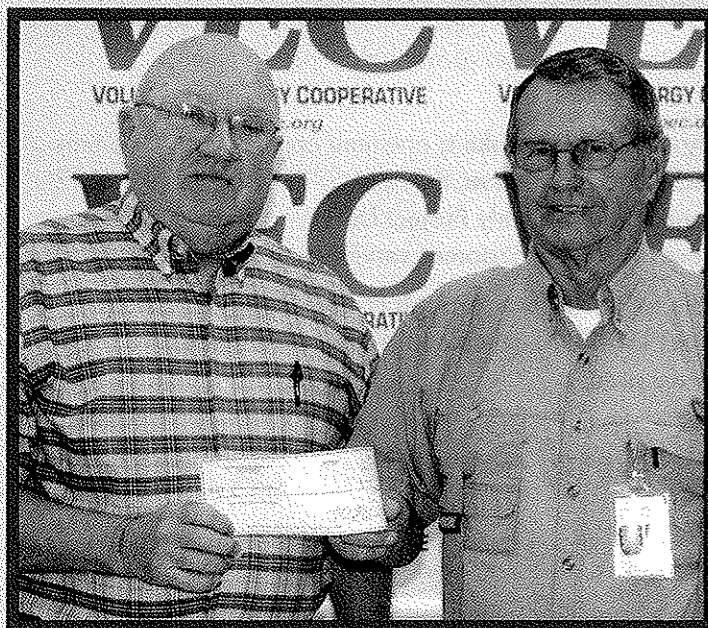
Rody Blevins is President/CEO of Volunteer Energy Cooperative

Financial Statements for Volunteer Energy Cooperative for the Fiscal Year Ended June 30, 2011

Neighbors Helping Neighbors

Volunteer Energy Cooperative (VEC) members who participate in the VEC Customers Share program funded \$24,000 in community service grants in August. By rounding their electric bills up to the next whole dollar and donating the change to the program, members have funded more than \$3.8 million since its inception in October of 2001.

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.



VEC Customers Share Board Member Alton Lingerfelt, left, presents a grant check to L.K. "Butch" Barding of the South Roane Volunteer Fire Department.

Organizations receiving grants in August

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| WTCL Public Television - \$2,000 | Martin Elementary School Junior Beta Club, Crossville - \$750 |
| Central Outreach Center, Spring City - \$1,500 | Brown Elementary School PTO - Crossville \$750 |
| Calhoun UMC Food Bank - \$1,500 | Monterey Senior Citizens Center - \$500 |
| Benton Lions Club - \$1,000 | First Baptist Team Kids Fall Festival - \$500 |
| Benton Fall Festival Booster Club - \$1,000 | Mended Hearts Chapter 127, Cookeville - \$500 |
| Give-A-Kid-A-Chance, Decatur - \$1,000 | Pickett County High School Football Boosters - \$500 |
| American Cancer Society - \$1,000 | Neighbors Together Food Pantry, Pleasant Hill - \$500 |
| Pickett County Historical and Genealogy Society - \$1,000 | Meigs County Middle School PTO - \$500 |
| Mineral Springs Hunger Relief, Monterey - \$1,000 | Pickett County Veterans Service Office - \$500 |
| Friends of the York Agricultural Institute Cheerleaders, Jamestown - \$1,000 | Kids on the Rise, Crossville - \$500 |
| South Roane County Volunteer Fire Department - \$1,000 | Meigs County Festival for Life - \$500 |
| Downtown Revitalization Steering Committee, Jamestown - \$1,000 | Rogers Creek Youth Cheerleading and Football Association, Athens - \$250 |
| Midway Middle School Science Club - \$1,000 | Athens Hawks Cheerleading - \$250 |
| Martin Elementary School Football Boosters, Crossville - \$750 | |
| Crossville Blue Angels - \$750 | |

Those who attended this year's VEC Annual Meeting October 1st received a copy of our Annual Report for the 2010-2011 Fiscal Year. If you were unable to attend this event, I encourage you to stop by your local VEC Customer Service Center where copies of this report are available.

The report contains a wealth of information about your electric cooperative and how we prepared for, and responded to, a number of challenges we faced during the year.

From record cold temperatures that drove up heating costs in December, to a change in TVA rate structure and a series of six tornados that ripped through the VEC service area in April, through heat waves and additional damaging storms through the summer and fall, it was a demanding year.

The challenges were substantial and that's one reason I'm grateful that your elected Board of Directors and VEC's management and staff had the foresight to plan for the worst.

The damage we sustained to the VEC system during April's tornados and severe storms later in the year was extensive, but there is no doubt that without our more aggressive right-of-way clearing and pole inspection programs that we've pursued over the past several years the damage would have been much worse.

We also had programs in place that helped us and our customers keep costs as low as possible before the TVA rate structure change in April and the TVA rate hike in October. Paying a little more for electricity is never easy. But by cutting further into our operating margin and by having the latest proven technology largely in place to make our operations as cost efficient as possible, we were able to keep costs lower.

This year's Annual Report details many of these efforts. It also contains the 2010-2011 Fiscal Year Financial Statements (that are also supplied in this edition of Powerlines) to provide detailed financial information about your electric cooperative.

The report also gives details about our programs promoting energy efficiency and youth services, and relates how our state legislature helped utility workers enjoy a safer workplace. There is also information about major projects and system improvements we made throughout the year to help prevent outages and improve the reliability of our system.

If you were unable to attend our Annual Meeting this year, I hope you will be able to join us next year. But in the meantime, please stop by your local VEC Customer Service Center and pick up a copy of our Annual Report. I think you will be pleased to see all the ways VEC has been working for you all year to provide the best possible service at the lowest possible price.

Volunteer Energy Cooperative Balance Sheet as of June 30, 2011

Assets	
Electric plant in service	\$365,321,950
Less depreciation	143,856,344
Total	221,465,606
Other property and investments	2,670,019
Current and accrued assets	
Cash and temporary cash investments	13,497,904
Accounts receivable	18,698,360
Materials and supplies	3,184,853
Prepayments	967,247
Other current assets	1,049,022
Total	37,397,386
Deferred debits	
Receivables-conservation	5,487,844
Other deferred debits	325,563
Total	5,813,407
Total assets	\$267,346,418
Capital and Liabilities	
Capital	
Membership certificates	\$ 423,790
Earnings reinvested in system assets	177,508,353
Total	177,932,143
Long term debt	48,541,393
Other noncurrent liabilities	9,127,143
Current and accrued liabilities	
Other notes payable	.00
Accounts payable	18,312,138
Customer deposits	4,602,768
Taxes and interest	1,073,474
Other current liabilities	1,005,383
Total	24,993,763
Deferred credits	6,751,976
Total capital and liabilities	\$ 267,346,418

Volunteer Energy Cooperative Statements of Income and Earnings Reinvested in System Assets Fiscal Year Ended June 30, 2011

Operating Revenue	
Sale of electric energy	
Residential	\$152,348,674
Commercial	20,952,697
Industrial	51,020,114
Street and other lighting	3,784,550
Total sale of electric energy	228,106,035
Other revenue	5,029,561
Total operating revenue	233,135,596
Operating Expenses	
Cost of power purchased from TVA	\$181,966,096
Distribution and transmission expense	11,389,546
Customer accounts expense	3,983,372
Customer service, sales and information expense	636,942
Administrative and general expense	6,128,532
Depreciation	11,809,212
Taxes	2,727,085
Interest expense	2,798,716
Total operating expense and interest	221,439,501
Operating income	11,696,095
Other income	1,281,886
Net income	\$12,977,981
Earnings Reinvested in System Assets	
Beginning of fiscal year	\$ 164,530,372
End of fiscal year	\$177,508,353