



Annual Report 2016-2017



Changes and Challenges



Rody Blevins
President/CEO
Volunteer Energy Cooperative

I would like to present the Volunteer Energy Cooperative Annual Report for fiscal year 2016-2017. This year has been a challenging and interesting year for VEC. We increased our system maintenance efforts on our power system equipment, added additional crews for right of way clearing to improve power reliability,

completed a rebuild of our Mayland Substation and started construction of a new substation service to the Fairfield Glade Area. The cooperative completed milestones on the Vision 2020 Plan and our VECustomers Share program reached the \$6 million mark.

In addition to the challenges, opportunities to change the scope of our service were presented to VEC. The Tennessee Broadband Accessibility Act was passed allowing cooperatives to enter the retail broadband market. This act opened a window of opportunity for VEC to investigate the feasibility of construction on fiber optic middle mile loops from which fiber to the homes of our members can eventually be connected.

Changes are inevitable with growth, but with careful planning we are moving forward in a fiscally responsible manner. More details regarding the challenges and changes we experienced this year are in this Annual Report as well as a story about our most seasoned Service Area Manager, Bobby G. Randolph.

Rody Blevins
President/CEO

Volunteer Energy Cooperative Board of Directors



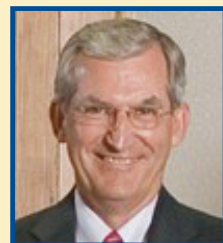
Laney Colvard
Chairman
Cumberland
County - West



Aubie Smith
Assistant
Secretary/Treasurer
Hamilton County



Larry Storie
Vice Chairman
Pickett County



Randy Bond
Cumberland
County - East



Sammy Norton
Secretary/Treasurer
Meigs County



William J. Campbell
Fentress, Morgan,
& Scott Counties



Mike Frazier
McMinn County



Scott Humberd
Bradley County



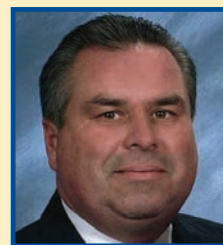
Tim Handler
Roane & Loudon
Counties



David J. Milen
Polk County



Jerry Henley
Rhea & Bledsoe
Counties



Keith Phillips
Putnam, White,
& Overton Counties

At the beginning of the 2017 Tennessee General Assembly, Governor Bill Haslam introduced legislation that would allow Tennessee Electric Cooperatives to provide retail broadband service to their members. For years, state law had prohibited electric cooperatives from offering telecommunication services. The bill known as the Tennessee Broadband Accessibility Act was written to allow cooperatives, such as Volunteer Energy Cooperative (VEC), to finally enter the retail broadband market. After a number of amendments to the bill, the state senate voted on Monday, April 3, and the state house on Monday, April 10, to pass the bill, both with overwhelming support.

Once the bill was signed into law, cooperatives across the state began planning for the introduction of broadband services. VEC actually started working on a business model a number of months in advance of the legislation becoming law, anticipating the forthcoming change. VEC is committed to serving our rural communities with high speed internet, the same communities that other local providers have overlooked.

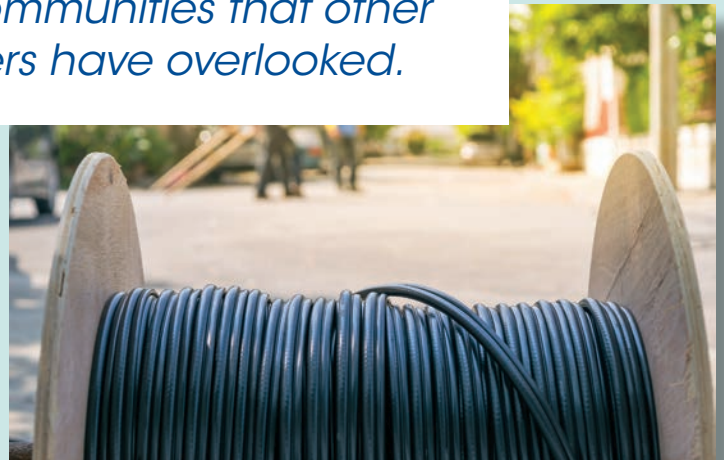
VEC currently operates 33 electric substations, of which 24 are interconnected with VEC owned fiber optic cable. The remaining substations are connected using Ethernet radios and leased T1 lines. VEC is in the process of expanding this fiber network, and eventually, all of our substations will be connected with VEC owned fiber. In addition, VEC is currently investigating the feasibility of constructing several fiber optic middle mile loops, from which fiber to the home could eventually be connected.

VEC wants to help our members with broadband, the current challenge will be our ability to make broadband service available to all of our membership. The cost to install fiber optics is around \$20,000 per mile of line. VEC needs both time and money to build a fiber optic backbone across the electric system, which covers all or part of 17 Tennessee Counties, and includes over 10,000 miles of electric line. VEC hopes to provide service to some members as early as the end of 2017, but the reality is that the principal part of the system will not have access until 2018 and thereafter.

This challenge does include a silver lining however. The state legislature recognized the cost of such investments into the state electric grid, so the Broadband Accessibility Act not only authorized cooperatives to offer retail broadband, but it also allocated \$30 million to aid electric cooperatives with the construction of their fiber optic infrastructures. In addition to this funding, VEC has applied on a number of grants that will also help in the expansion of its existing fiber optic system. Since revenues from the sale of electricity cannot be used to fund the fiber optic network, these state and federal funds are an essential part of getting our broadband service off the ground.

As we work on the broadband buildout, we are realistic. The VEC service area is vast. To execute a new business plan and to bring the service to fruition will take a number of years. Also, the installation of fiber optic cable is a costly and lengthy undertaking. VEC will work as quickly as possible to expedite the project, but the timing of the roll out will be limited by the scope of the project.

VEC is committed to serving our rural communities with high speed internet ... communities that other local providers have overlooked.



Bobby Randolph -

Keeping the Lights On in Crossville

SERVICE HISTORY:

Bobby Gene Randolph began his career at Volunteer Electric Cooperative in 1968 as an apprentice lineman in the Monterrey Service Area. Prior to VEC he worked as an Operator Agent Clerk for the Railroad in Crossville. As a VEC lineman, he had to furnish his own equipment, had to climb poles as there were very few bucket trucks, and dug power pole holes manually or by using an A-Frame device. Bobby stated that bucket trucks and digger derrick trucks improved efficiency and safety more than almost any other single item for linemen.

In 1972 Bobby left VEC and went to work for Job Training and Safety Program of Tennessee (JT&S). Bobby worked to train linemen



for cooperatives and municipalities. After three years with JT&S, Bobby went to work with a consulting firm doing safety consultation with American Public Power.

In 1976 Bobby returned to VEC as the District Manager for the Monterrey Area and just four years later, in 1980, began the role he currently holds as the Area Manager for the Crossville Service Area. Bobby was the 3rd person in this role since VEC bought the service area from the TN Power Company; beginning with Fleming Hudsel, then Lyle Williams, and now Bobby.

His longevity has given Bobby perspective few can match. When he began his current role there were approximately 10,000 meters in his service area and now there are more than 32,000. In the 80's there were only three substations needed in the area, now there are 9 serving the growth in homes and businesses. The need for more power was driven by the increase in electronics in the home. With the availability of reliable power, more homes began to rely on electrically based devices like water heaters, heating and air units, televisions, and so much more.

CHANGES:

When asked what was most changed during his service at VEC, he mentioned four specific areas; trucks, technology, ROW, and pole inspections. As previously stated a big change was in the availability of trucks, specifically bucket trucks and digger derricks which aided linemen, saved time, reduced manual labor, as well as made the overall job safer.

The second significant change was technology. It changed how we communicate with members and respond to outages. Technology changes like updated controls at substations, the Outage Management System (OMS) software, and centralized dispatching have all improved outage times and communication with members. The rapid changes in



technology resulted in a state-of-the-art control/contact center that is manned 24 hours a day and 7 days a week. Initially cautious about how effective a centralized dispatch center would be, Bobby has fully embraced the efficiency of the control center and the ability of the power system to be monitored from one location.

Third was the preventative Right of Way (ROW) management program. Managing foliage and vegetation used to be a part of the job for linemen. At that time it was a more reactive approach - responding to whatever was creating power problems. Now the ROW is managed with a preventative approach and it has reduced tree related outages from past years.

Finally, a big change is VEC's aggressive pole inspection program. This program has inspected 147,978 poles and rejected over 5,782 since 2003. As Bobby said, replacing defective poles before they fall and break lines and other equipment is just good business.



COMMUNITY SERVICE:

Bobby is and has been very active in his communities since coming to work at VEC. He has served on the Crossville Chamber of Commerce, is the Chairman of the Volunteer Behavior Group, is on the board of Cumberland Bank, has served as the Mayor of Monterrey, served on the Crossville County Commission two terms, served on the Putnam County Commission, is a member of the Fairfield Glade Rotary, is on the housing board and so much more.

Bobby loves to fish and golf and has loved his time working at VEC. One of the joys of his job is the quality of the people he works with. Being able to hire qualified employees who are committed keeps experience in house and creates a great working environment all the way around. "It's a team effort and we have a great team," stated Bobby.

EXCITING TIMES:

Along with a historical perspective, Bobby has experienced exciting times while working for VEC. In 1985 an ice storm hit his service area that had 6,000 members out for 4-6 days. In 1990 a summer hail storm created a longer outage than any previous two disasters due to the damage from straight line winds. Almost 15,000 members were without power in that area for more than five days. In 1993 a historic blizzard hit Tennessee with more than 20 inches of snow which had power out across the southern end of the service area. But the most catastrophic event to hit the Crossville Service Area was the ice storm in February 2015. With 100% member outage across four counties, it took many volunteers from other power companies along with all VEC workers to get everyone possible back up within two weeks. VEC continued to do repairs on the system including replacing temporary fixes from this historic storm through the fall of 2015. Bobby stated that ice storm is a once in a career event, and hopefully he will be retired before another.

Bobby G. Randolph has worked for VEC and for the Crossville Service area for over 40 years all together. He has seen many great folks come and go, and proudly states he loves his job, he loves the people he works with, and will continue to keep the lights on in Crossville.

"It's a team effort and we have a great team."



Lillard-Shadow Scholarship Winners

2017

Bryan Asberry, son of Charles and Melissa Asberry, is a 2017 graduate of Alvin C. York Agricultural Institute and the winner of the Jamestown Service Area Lillard-Shadow Scholarship. He plans to attend the University of Tennessee at Knoxville for mechanical engineering. Bryan graduated at the top of his class with a 4.0 GPA.



*Bryan Asberry
Alvin C. York
Agricultural
Institute
Graduate*

Crossville Service Area Lillard-Shadow scholarship winner **Katie Nicole Bilbrey**, daughter of Amanda and Stephen Bilbrey, is a 2017 graduate of Monterey High School. She plans to attend East Tennessee State University and pursue a pre-medicine degree. Katie graduated with a 4.0 from Monterey High School. During her high school years she volunteered with peer tutoring, Operation Christmas Child, and Kid Kuntry Daycare. Katie was best described by one of her teacher's as "One who is constantly doing the right thing and making the right decision."



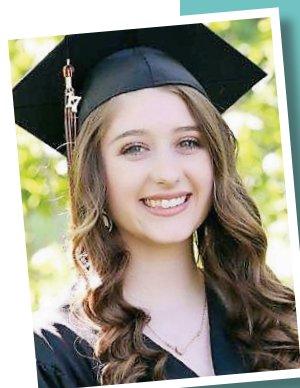
*Katie Nicole Bilbrey
Monterey
High School
Graduate*

Walker Valley High School graduate and Cleveland Service Area Lillard-Shadow scholarship recipient **Morgan Mantooth** plans to attend Lee University in Cleveland, TN. Morgan is the daughter of Marsha Mantooth. She graduated from Walker Valley in 2017 with a 4.0. At Lee she plans to pursue a degree in Nursing. Morgan has a history of serving others as she participated in the Special Olympics, along with the Junior Civitan Club at the Ronald McDonald House, with Tri-State Therapeutic Riding Center and for the Salvation Army.



*Morgan Mantooth
Walker Valley
High School
Graduate*

Meigs County High School graduate **Allyson Stotts** is the Decatur Service Area winner of the Lillard Shadow Scholarship. The daughter of Nancy Moses, Andrew Stotts (deceased), and step-father James Moses, Allyson graduated with 4.0. She will be attending the University of Tennessee to major in Audiology and Speech Pathology. Allyson has a history of volunteering including but not limited to Operation Military Kids, Read Across America, Operation Christmas Child and Cards for Nepal.

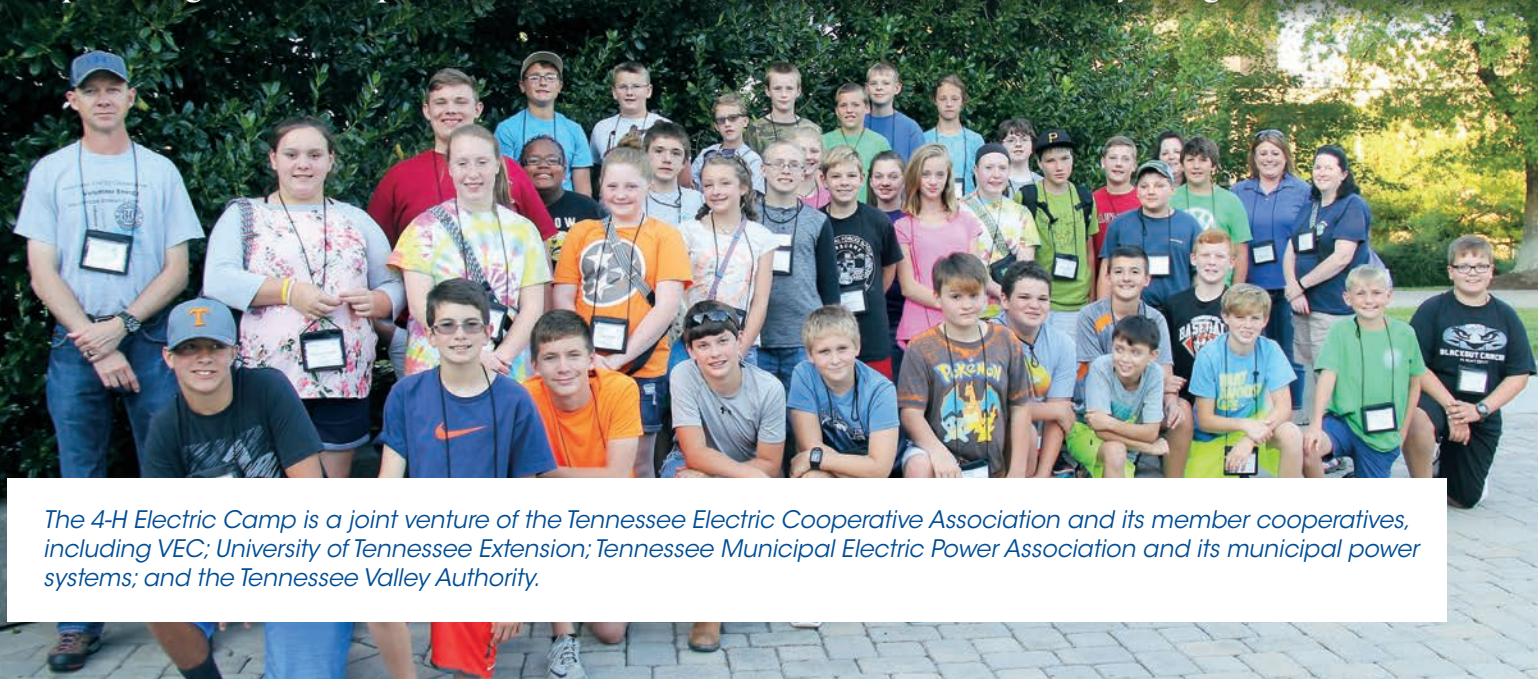


*Allyson Stotts
Meigs County
High School
Graduate*

This scholarship program began in 2003 as a way to honor Willis A. Shadow and J. W. Lillard, founders of the Meigs County Power Association which would ultimately become Volunteer Energy Cooperative. Four \$2,000 scholarships are awarded to high school seniors each year by VEC using an independent panel of judges.

2017 4-H Electric Camp "Plugged into the Future"

Volunteer Energy Cooperative (VEC) sent a group of rising seventh- and eighth-grade students to 4-H Electric Camp June 27-30 on the University of Tennessee Knoxville campus. VEC's campers joined hundreds of other students from across the state in discovering the world of electricity by participating in various camp learning centers that provided activities where 4-H'ers were able to "learn by doing."



The 4-H Electric Camp is a joint venture of the Tennessee Electric Cooperative Association and its member cooperatives, including VEC; University of Tennessee Extension; Tennessee Municipal Electric Power Association and its municipal power systems; and the Tennessee Valley Authority.

Youth Leadership Summit - Nashville 2017



Polk County High School students Ashley Demerritt and Trevor Cheatham were in Nashville March 13-15 for the Tennessee Electric Cooperative Association's annual Youth Leadership Summit. The juniors were chosen and sponsored by Volunteer Energy Cooperative (VEC).

On Tuesday, March 14, Sen. Jim Tracy greeted delegates attending the three-day leadership and government workshop. Tracy welcomed the young leaders to the Senate Chamber of the

Tennessee State Capitol where Alan Whittington, assistant chief clerk of the Senate, explained the process required to pass legislation. Students had the opportunity to debate and vote on a mock bill.

Reps. Mike Bell and John Lee Clemmons joined Sen. Tracy for a town hall meeting with attendees. The three discussed the legislative process and answered questions posed by summit attendees. Delegates then had the opportunity to listen in on debate in House and Senate meetings in the Legislative Plaza.

In addition to a hands-on look at state government, delegates attending the event learned team-building and problem-solving skills and developed a better understanding of their local electric cooperatives.

"These students will soon be our community leaders — and electric cooperative member-owners," says Roddy Blevins, VEC President and CEO. "We want them to share our passion for rural South East Tennessee, so it is an honor for Volunteer Energy Cooperative to help prepare them for the opportunities that are ahead. The future of our rural communities depends on a new generation of strong leaders like these."

Washington Youth Tour 2017

Students from Cumberland, Hamilton, McMinn and Meigs counties spent a week in our nation's capital this summer as delegates of the 2017 Washington Youth Tour. Christa Simmons of Stone Memorial High School, Emma Fisher of Ooltewah High School, Brooklyn Hurst and Hannah Hall of McMinn County High School, and Abigail Jones of Meigs County High School joined nearly 140 other students from across Tennessee on the weeklong trip that began on Friday, June 9.

The annual event, sponsored by Volunteer Energy Cooperative and the Tennessee Electric Cooperative Association, provides young leaders with an opportunity to explore the nation's capital, learn about government and cooperatives and develop their leadership skills. Students were selected for the trip by writing short stories titled "Electric Cooperatives – Going Beyond the Wires" that explain how co-ops provide communities with much more than electric power.

"The Youth Tour is an incredible opportunity for these students to experience history up-close and personal," says David Murphy, Vice President of Marketing and Economic Development. "Delegates experience a whirlwind of a week, visiting museums, monuments and other landmarks."

"We take great pride in recognizing the best and brightest from across the state," said Todd Blocker, Vice President of Member Relations for the Tennessee Electric Cooperative Association and tour director. "By recognizing their accomplishments through programs like the Washington Youth Tour, we show these leaders of tomorrow that their hometown electric co-op is more than a utility provider; these students are active members of their community and fully invested in its prosperity."

While in Washington, D.C., Tennessee's Youth Tour delegates saw the White House and memorials to past presidents Thomas Jefferson, Abraham Lincoln and Franklin Delano Roosevelt as well as monuments honoring the sacrifices of veterans of World War II and the Vietnam and Korean Wars. During visits to the museums of the Smithsonian Institution, the touring Tennesseans saw and experienced natural, historical and artistic treasures. Other fun stops included historic homes of former



(L to R) Christa Simmons, Brooklyn Hurst, Emma Fischer, Hannah Hall and Abigail Jones on Capitol Hill.

presidents — George Washington’s Mount Vernon and Thomas Jefferson’s Monticello — as well as Madame Tussauds Wax Museum, opening night for The Sound of Music at the Kennedy Center for the Performing Arts and a boat cruise down the Potomac River. Among other Youth Tour highlights was a solemn and sobering visit to Arlington National Cemetery where one of our students, Emma Fisher, with three other students laid a wreath at the Tomb of the Unknowns.

The group was welcomed to the U.S. Capitol by Senators Lamar Alexander and Bob Corker and members of the Tennessee congressional delegation who posed for photos and answered questions.

“It’s more than just a talking point,” said David Callis, CEO of the Tennessee Electric Cooperative Association. “Electric co-ops genuinely care about the prosperity of the communities we serve. The Washington Youth Tour is a small but important way for us to show these exceptional students that rural Tennessee matters. We want them to be passionate about their communities and prepared to lead when those opportunities come along.”

President Lyndon Johnson inspired the Washington Youth Tour in 1957 when he encouraged electric cooperatives to send youngsters to the nation’s capital. In the years since, more than 6,000 young Tennesseans have been delegates on the Washington Youth Tour.



WASHINGTON DC



VEC Right of Way Preventative Program -

The Challenge

Reliable power. That is the bottom line. Volunteer Energy Cooperative's (VEC) goal is reliable power. One of the leading efforts to provide reliable power is our Right of Way (ROW) Preventative Program. Steve Scott, ROW Superintendent and Arborist along with Brad Rhea, ROW Coordinator and Arborist are working through a six year schedule of preventative ROW maintenance. This includes tree trimming and backpack brush spraying.

VEC serves all or part of 17 counties in Eastern Tennessee. Forests cover 52 percent of Tennessee and provide beauty, wildlife habitats, improved air quality and help prevent erosion. While so beneficial and beautiful, trees are a struggle for distributors of power. Trees are second only to animals (squirrel) as the leading cause of non-storm related outages. When looking at maintaining reliable power, VEC must work to maintain the ROW.

In addition to preventing outages, the focus of the ROW maintenance is safety. In 2015-2016 we had a historic drought. The natural heavy foliage of eastern Tennessee combined with an extended lack of rain, created a competition for water resources that left many large trees in a weakened stressed condition. When those weakened trees met with a spring of unusually strong storms, they came down.

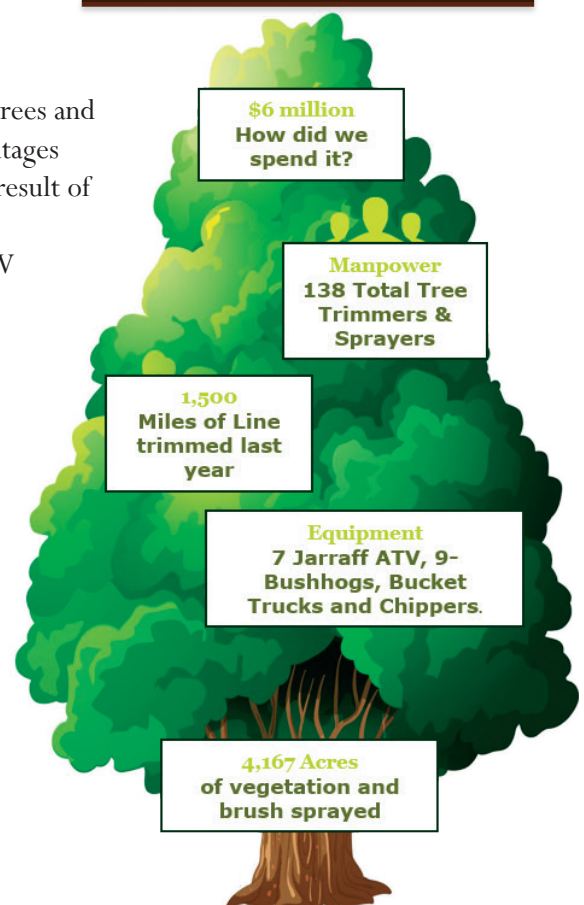
In a three month period, VEC saw a drastic increase in outages due to trees and tree limbs falling. From March to June 2016 there were only 211 power outages linked to trees. In 2017 there were 935 outages in the same time span as a result of trees and/or limbs falling.

VEC spends approximately \$6 million of its overall budget on the ROW program. Even with ROW crews working year-round to eliminate danger trees, contract crews spraying areas before they become hazards, and servicemen responding to calls regarding trees in our 40 foot ROW; when a drought weakened tree becomes stressed by storm winds, it will fall and bring down power lines.

Steve Scott, VEC Right of Way Superintendent and Arborist stated, "This year's storms have been extremely hard on the trees in our service areas. We normally have storms that are predominantly southern-wind storms. In the spring of 2017, the majority of our storms have had winds from the north. This is not typical, and on the trees already weakened from last year's drought it has been catastrophic."

VEC is not the only organization dealing with this problem. A recent Associated Press article stated that officials in Chattanooga, Tennessee, say the number of large trees falling...has risen significantly following last summer's drought and weather fluctuation in the last few years.

In addition to planning and managing the ROW program, Steve Scott works to educate our members on the 'right tree in the right place'. The best prevention is to plant the right tree far enough away to prevent it ever becoming a problem or safety hazard for the power lines. The University of Tennessee Agriculture Extension office prepared the following guidelines for power line-friendly tree planting:



You can help. Here's how:

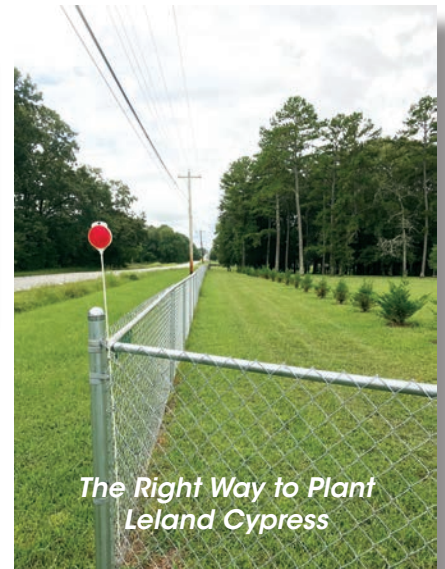
Remember: Right Tree-Right Place
When in doubt call the office for recommendations. If you see a dangerous tree close to a powerline call and report.



The Wrong Way to Plant Leland Cypress



Close Up of Trees Actually Burned by the Power Lines



The Right Way to Plant Leland Cypress

- ▶ Small trees – 30 feet or less in height – should be planted at least 10 feet from buildings and 20 to 25 feet away from power lines.
- ▶ Medium trees – 30 to 70 feet in height – should be planted at least 15 feet from buildings and 30 to 35 feet from power lines.
- ▶ Large trees – those reaching 70 feet or more in height – should be planted at least 25 feet from buildings and 40 to 45 feet from power lines.
- ▶ No tree trunk, no matter how small the tree, should be within 10 feet of a utility pole.

Recently Steve had an opportunity to speak with a homeowner who was planting Leland Cypress along her fence. Leland Cypress are a wonderful tree to create a sense of privacy. Many homeowners like to plant them, the problem is they grow to reach our powerlines. Steve advised the customer to move the line of trees just ten feet over and she will achieve the same privacy effect without endangering her home and the power grid. This is a situation Steve and the ROW Crews recently dealt with in another subdivision. A homeowner planted approximately 50 of those trees about ten years ago along his property line which ran along the power lines. Those trees grew and actually began to catch fire creating a very dangerous situation. ROW workers with the homeowner's approval took the trees down.

ROW workers inform homeowners in the area they are working that they will be trimming or removing danger trees. While they cannot take down every tree members would like them to remove, their goal is to cover our entire service area removing dangerous limbs and trees.

(Right) Large tree in McMinn County loses a limb that is over 4 feet in diameter during a storm and power goes out for 4,000 members.

(Below) The shallow root base is shown clearly on this toppled tree that brought down a 69 KVa line and power was out for approximately 4,000 members.



This is done in a six year cycle to fully cover the service area and is very labor intensive requiring a lot of manpower. In 2017 VEC worked with 3 different contractors, who used 90 tree trimmers and 48 seasonal sprayers dedicated to working for VEC all year. They make up seven circuit crews but we also have six field order crews performing customer reported work. In addition to the manpower, we use seven Jarraff ATVs, nine bush hogs, numerous bucket trucks and chippers.

Planning and education are the keys to creating a great preventative maintenance ROW program. Creating a great preventative maintenance ROW program helps create a safe reliable power distribution system for Volunteer Energy Cooperative and its members.

Peak Load Reduction Pilot -

The Challenge

Volunteer Energy Cooperative (VEC) is committed to keeping our member's cost as low as possible while providing reliable power. Out of every dollar our members pay, \$0.81 goes to pay for electricity. VEC purchases the power we distribute from the Tennessee Valley Authority (TVA). VEC charges our customers a set rate per Kwh for power consumption dependent upon the type of service (residential, commercial, etc). TVA charges according to the load demand and Kwh consumption.

Each month, during the peak usage time, there is a significantly higher charge for electricity than during other times of the month. VEC does not pass this on directly to our customers but we are actively working to reduce the usage during this very expensive time. One of the methods we are using is the Peak Load Reduction Pilot Program.

Load Reduction is a voluntary VEC pilot program that compensates end-use commercial customers for reducing their electricity in real time, when requested by VEC, during periods of expected monthly peak loads at high demand prices. Participants of the pilot receive credits from VEC on their bill and all VEC customer benefit through the cost savings received by VEC for reducing power consumption during peak cost periods.

The Load Reduction Pilot kicked off in May of 2016 with 8 commercial customers and saw a gradual increase. As of July 2017 there were 53 participating customers. Over this 15 month period participating accounts received a total of \$79,742 for reducing their power consumption upon request during the peak periods. Volunteer Energy was able to save \$233,641.28 during this same period of time, which will help keep our costs low. The pilot program will continue and we expect even more savings and credits for the participating commercial accounts.

Recently we used social media to notify residential customers of a peak usage time in an effort to further reduce cost. While this is not a credit based program like the commercial customer's Load Reduction Pilot, it invites our membership to reduce their usage and help save cost. Being a cooperative, we are all in this together. When we reduce the amount of energy we have to purchase at the higher peak cost, then our overall cost stay low. Working together is very important as we face future rate increases from TVA.

FAST FACTS

Customer Service and Outage Calls

Calls Answered by CSR: 167,813
Calls Answered by IVR: 626,242
Control Center Hours: 11,468

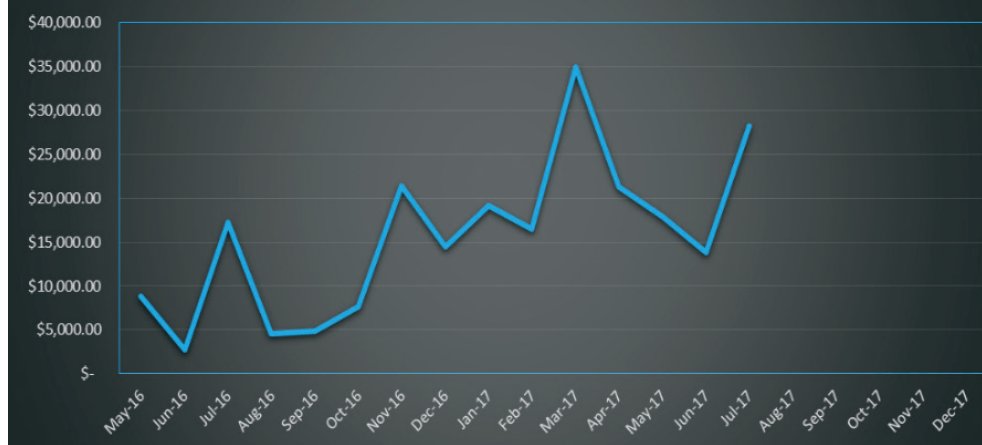
System Maintenance

Poles Inspected: 14,219
Acres of Brush Sprayed: 4,167
Miles of Line Trimmed: 1,500
Tree Trimmers and Sprayers: 138

Service Reliability:

99.9% Average

Estimated Demand Savings



This institution is an equal opportunity provider and employer. If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Ave, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442, or email at program.intake@usda.gov.



Vision 2020

Vision 2020 is the Volunteer Energy Cooperative strategic plan for system and technology upgrades. It includes equipment and technology improvements to keep the electric system strong. The goals are to improve power reliability, develop better communication with our members, and develop better training tools for employees.

Components of the Vision 2020 plan, include power system technology upgrades, completing the Supervisory Control and Data Acquisition (SCADA) system, communications and network server upgrades.

Substation Upgrades

Upgrade Control Panels: Lantana and Crossville are complete. Sugar Grove and Fredonia have components in stock that are ready for installation. Ten Mile is scheduled for next year with Harrison Bay and McDonald following in the next two years.

Regulator & Recloser Controls: So far 16 Recloser Controls have been upgraded to an electro-mechanical type with four of the 16 completed this year. All Regulator Controls are scheduled to be completed by next year.

Substation breakers: The breakers in the Lantana and Ten Mile stations have been upgraded. Ravenscroft, Fredonia, Crossville, Harrison Bay, and McDonald are scheduled next.

SCADA Enhancements

All substations are now being monitored by the SCADA system.

Communications

Aclara (AMR) Servers - Complete

Email Servers - Complete

Phones - In process

Digital Two-Way Radios - In process

Expand Fiber System (Substation)

The Sugar Grove extension will be completed this year, the Fairfield lines are in progress, and the fiber to the Fredonia Sub is in the planning.

Upgrade Security and Document Retention

Security: We have installed PTZ cameras at some substations, digital exterior cameras at the service centers, and replaced one lobby camera with a digital one. We have more to complete but we are getting closer.

Document Retention: Digital Archives are at 65% with all the completed contracts, Engineering, Accounting, IT, Decatur, Crossville, Brydstown, Monterrey and 95% of Jamestown. Still remaining are the Benton, Cleveland and Georgetown offices.

Upgrade Employee/Member Access to Data

- Completed the implementation of Meter Data Management System and the SmartHub Deployment.
- Updated the VEC Website to function on mobile devices.
- Added a Twitter account (@VEC_TN) and a LinkedIn business page to our Social Media Platforms. Increased traffic to our Facebook Page.
- Completed the update to employee desktop computers.



VECcustomers Share \$6 Million Milestone -

Challenge Met With Change

Volunteer Energy Cooperative's VECcustomers Share program has now donated more than \$6 million in community service grants to local non-profit organizations.

The program is operated by an independent board of directors who fund grants to support communities throughout VEC's 17-county customer service area. The funds are donated by VEC customers who have their electric bills to be rounded up to the next whole dollar amount each month – and the spare change goes to fund the grants.

"Each customer who participates donates an average of \$6 per year to the program. But those nickels, dimes, and quarters can add up fast," said VEC President/CEO Rody Blevins. "The program began in October of 2001 and over these 16 years we are very pleased to have supported so many genuinely worthwhile causes that have made a big impact in our local communities."

Each month the program funds about \$30,000 in grants that are distributed across VEC's 17-county service area. The grants are typically distributed proportionately by county. But on rare occasions board members have voted to use an entire month's donations for a single cause. Board members opted to do that to assist with rebuilding efforts after tornadoes swept through McMinn and Polk Counties in 2016.

But typically grants are smaller and have gone to fund a wide variety of community service efforts such as hunger relief, adult literacy, emergency response, historic preservation, the arts, recreation, education support, healthcare support, and a wide variety of other community support efforts.



Your Change Changes Things



The VECcustomers Share program, begun in 2001, has surpassed \$6 million in grants to community organizations. The following is just a sample of the groups that received grant funding in 2016-17.

The Art guild at Fairfield Glade
5 Loaves Food Pantry
American Cancer Society
American Legion Post
American Red Cross of Southeast TN
Amvets Post
Anchor Point Foundation
Art Circle Public Library Foundation
BASIC of TN, INC
Lions Club
Better Living Center
Blythe Bower Elementary School PTO
Bradley Cleveland Public Education
Foundation
Health Council
Bread of Life Rescue Mission
Masonic Lodge
CASA of Bradley and Polk Counties
CC TAD Center
Cherokee Removal Park- Blythe Ferry
Children's Garden Path
Christian Counseling Center of Cumberland

Christmas on the Mountain
CLA Parent Teacher Fellowship (PTF)
Civil Air Patrol
Keep America Beautiful Systems, INC
Club 21 of Polk County High School
Cookeville Housing Services Corporation
Creative Story Project
Crossville QOV (Quilts of Valor)
Quilters #927
Cumberland Adult Reading Council
Future Farmers of America
Cumberland Homesteads Tower
Association
Cumberland Mountain Mental
Health Center
Distinguished Young Woman Program
Don't Fret Guitar Class
Downtown Summer Nights
Dragon Renaissance
Fellowship of Christian Athletes
Fleet Reserve Association
Ruritan Club

Foundation House Ministries
Friends of the Library
Good Faith Clinic
Grace and Mercy Ministries
Hallelujah Trail Christian Youth Camp
Handful of The Harvest
Happy Hearts Seniors
Health Occupations Students of America
Hiwassee Long Beards
Food Banks
Junior Achievement of the Ocoee Region
Karis Dental Clinic
Keep McMinn Beautiful
Kids On The Rise
Kiwanis Club of Spring City
Volunteer Fire Departments
Manna House Ministries
Senior Adults Community Centers
Beta Clubs
Educational And Community Foundation
McMinn County Rescue Squad
McMinn County Senior Citizens, INC

Meigs County Fair Association
 Lion's Club
 Meigs Ministries
 Quest for Success
 Meigs County Retired Teachers
 Meigs High Spanish Club
 Meigs Historical Society
 Mended Hearts Chapter 127
 Midway Elementary Music Club
 Mineral Springs Hunger Relief
 Miracle Lake
 Civitan Club
 Project Graduation 2017
 Mountain First Responders
 Mountain Valley Blue Star Mothers
 Mrs. Pauletta Dowdy's Reading/
 Language Arts Club
 Muscular Dystrophy Association
 My Brother's Keeper of SE TN, INC.
 National Center for Youth Issues
 National Fire Safety Council, INC
 New Hope Pregnancy Care Center
 New Life Community Kitchen
 Obed Watershed Community Association
 Ocoee Region Beekeepers Association
 Ocoee Theatre Guild
 Paint Polk Pink
 Peavine Care Center
 People Helping People Ministry
 Pickett County Cattlemen's Association
 Pickett County Relay for Life
 Pickett County Soil Conservation Club
 Pickett County Veterans Service Office
 Pirate Springs
 Pleasant Hill Historical Society
 Pleasant Hill School PTO
 Polk County Fair
 Business Leaders of America
 PTO Rogers Creek Elementary School
 Putnam County Adult Literacy Council
 Resource Class @ Rogers Creek
 Rhea Alliance
 Rhea County Imagination Library
 Ronald McDonald House Charities
 of Greater Chattanooga
 Snow Hill Recreation League INC
 Spirit Horse Therapeutic Riding
 at Black Fox
 Spring City Chamber of Commerce
 Spring City Toys for Children
 Spring City Youth Athletic Association
 Tennessee Hemophilia & Bleeding
 Disorder Foundation
 Tennessee Valley Theatre
 The Bay View Arabian Team
 The Caring Place
 The Muscular Dystrophy Association
 The Samaritan Center
 TN Club Lamb Producers
 Town of Byrdstown 5K Committee
 Toys for Children
 Visually Impaired Support Group
 of Cumberland County (VIS)
 Youth Achievement Foundation

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017

Volunteer Energy Cooperative Balance Sheet as of June 30, 2017

Assets	
Electric plant in service	\$ 445,854,120
Less depreciation	<u>209,520,102</u>
Total	236,334,018
Other property and investments	8,784,964
Current and accrued assets	
Cash and temporary	
cash investments	47,380,463
Accounts receivable	14,246,740
Materials and supplies	2,933,584
Prepayments	766,706
Other current assets	<u>1,691,424</u>
Total	67,018,917
Deferred debits	
Receivables-conservation	5,160,960
Other deferred debits	<u>801,219</u>
Total	5,962,179
Total assets	<u>\$ 318,100,078</u>
Capital and Liabilities	
Capital	
Membership certificates	\$444,225
Earnings reinvested in	
system assets	<u>249,527,238</u>
Total	<u>249,971,463</u>
Long term debt	19,722,305
Other noncurrent liabilities	8,617,850
Current and accrued liabilities	
Other notes payable	-0-
Accounts payable	16,441,248
Customer deposits	4,571,225
Taxes and interest	1,232,690
Other current liabilities	<u>1,022,103</u>
Total	23,267,266
Deferred credits	16,521,194
Total capital and liabilities	<u>\$318,100,078</u>

Volunteer Energy Cooperative Statements of Income and Earnings Reinvested in System Assets Fiscal Year Ended June 30, 2017

Operating Revenue	
Sale of electric energy	
Residential	\$147,735,407
Commercial	23,045,969
Industrial	57,845,922
Street and other lighting	<u>4,149,287</u>
Total sale of electric energy	232,776,585
Other revenue	<u>5,693,781</u>
Total operating revenue	238,743,366
Operating Expenses	
Cost of power purchased	
from TVA	\$181,499,704
Distribution and	
transmission expense	13,642,791
Customer accounts expense	3,809,090
Customer service, sales and	
information expense	693,885
Administrative and	
general expense	8,878,993
Depreciation	15,373,953
Taxes	3,041,053
Interest expense	<u>1,272,096</u>
Total operating expense	
and interest	228,211,565
Operating Income	10,531,801
Other income	<u>1,204,162</u>
Net Income	<u>\$11,735,963</u>
Earnings Reinvested in System Assets	
Beginning of fiscal year	\$234,972,957
End of fiscal year	\$249,527,238

SEVEN COOPERATIVE PRINCIPLES

1) Open and Voluntary

Membership: VEC is a voluntary organization open to all people able to use its services and willing to accept the responsibilities of membership without gender, social, racial, political, or religious discrimination.

2) Democratic Member Control:

VEC is a democratic organization controlled by its members – those who buy the goods or use the services of the cooperative – who actively participate in setting policies and making decisions. A member-elected board of directors set the policy and procedures that govern the cooperative.

3) Members' Economic

Participation: Members contribute equally to, and democratically control, the capital of the cooperative.

4) Autonomy and Independence:

VEC is an autonomous, self-help organization controlled by its members. If VEC enters into agreements with other organizations or raises capital from external sources, it is done based on terms that ensure democratic control by the members and maintains the cooperative's autonomy.

5) Education, Training, and

Information: VEC provides education and training for members, elected representatives, managers, and employees so they can contribute effectively to the development of the cooperative.

6) Cooperation Among

Cooperatives: VEC serves its members most effectively by working together through local, national, regional, and international structures.

7) Concern for Community:

While focusing on members' needs, VEC works for the sustainable development of communities through policies and programs accepted by the members.



Corporate Office

18359 Highway 58 North • Decatur, TN 37322 • 423-334-1020

Benton

2178 Parksville Road • Benton, TN 37307 • 423-338-2569

Byrdstown

1109 Olympus Drive • Byrdstown, TN 38549 • 931-864-3685

Cleveland

5335 Georgetown Road NW • Cleveland, TN 37312 • 423-476-6571

Crossville

235 O'Brien Drive • Crossville, TN 38555 • 931-484-3527

Decatur

18359 State Highway 58 N • Decatur, TN 37322 • 423-334-5721

Georgetown (Hamilton County)

8212 Mahan Gap Road • Georgetown, TN 37363 • 423-344-8382

Jamestown

1023 Old Highway 127-S • Jamestown, TN 38556 • 931-879-5853

Monterey

213 Stratton Avenue • Monterey, TN 38574 • 931-839-2217

Spring City

425 Wassom Memorial Highway • Spring City, TN 37381 • 423-365-5220



www.vec.org