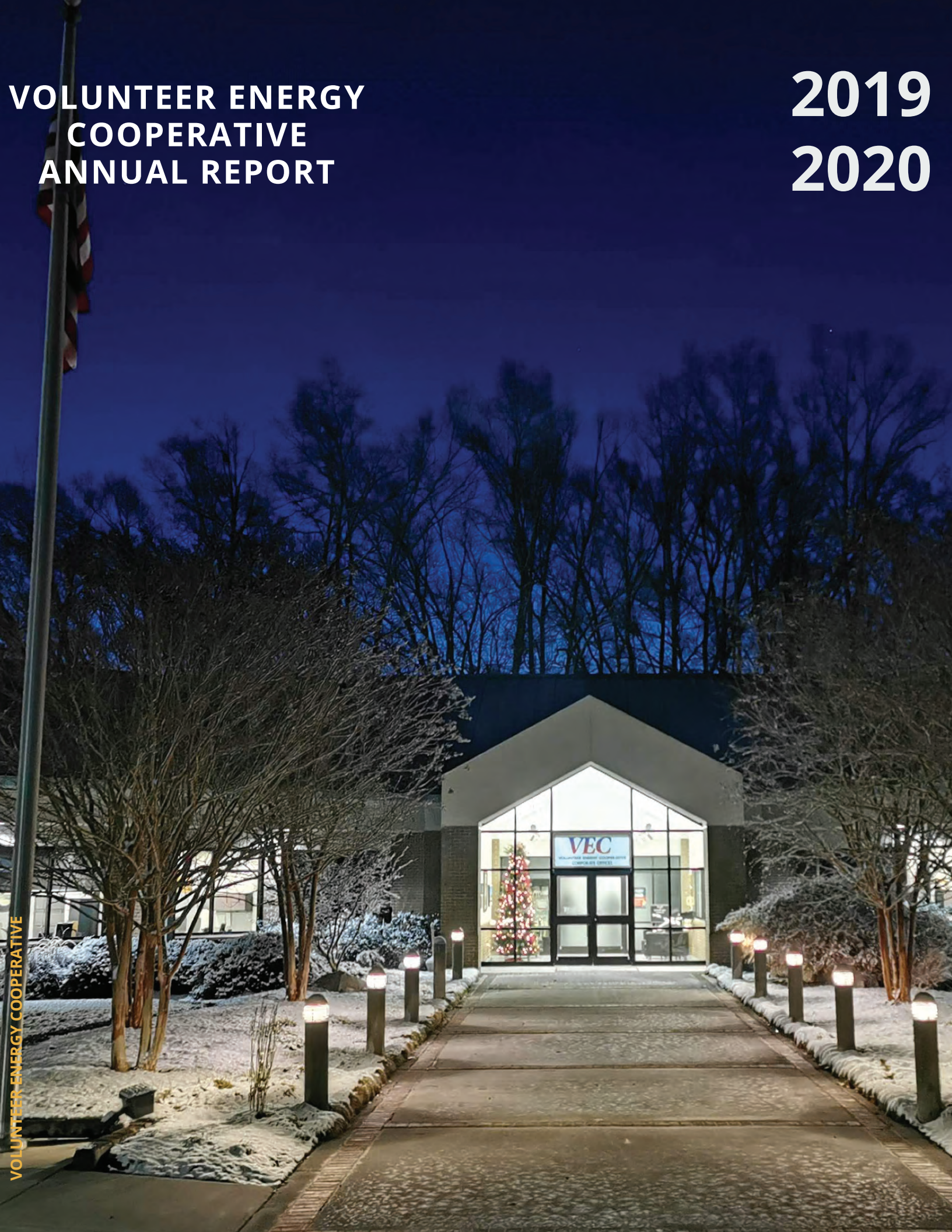


VOLUNTEER ENERGY COOPERATIVE ANNUAL REPORT

2019 2020







7 COOPERATIVE PRINCIPLES

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.

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.

Members' Economic Participation

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

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.

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.

Cooperation Among Cooperatives

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

Concern for Community

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

VOLUNTEER ENERGY COOPERATIVE

MESSAGE FROM
**CEO AND PRESIDENT
RODY BLEVINS**



Dear Members:

This year we celebrate the 84th annual Membership Meeting of Volunteer Energy Cooperative (VEC). Although offered through a nontraditional format, observance of the meeting means two things have happened. Another year of operation has been successfully completed, and we are looking to VEC's future once again. Over the past several years, you have heard us talk about our Vision 2020 plan. Vision 2020 was a companywide effort to upgrade our operational infrastructure. It is with great satisfaction I can now say the Vision 2020 upgrades are complete. The upgrades included the replacement or rebuilding of all VEC electric substations, the enhancement of our electric grid components and controls, the reconfiguring of our computer network and website, and the upgrading of our communication and fiber systems. With the completion of the Vision 2020 plan, VEC now has one of the most advanced digital platforms of any electric company operating in the United States.

With Vision 2020 behind us, VEC must now focus attention on the tasks that remain. First on the list, we must tackle the challenge of providing broadband access within the VEC service territory. The leadership of VEC feels compelled to address the lack of access encountered by our members. In 2017, the VEC board of directors initiated a pilot program in Bradley County to determine the feasibility of providing broadband service. Since then, we have been awarded six broadband grants, totaling more than \$10 million. Construction of fiber optic infrastructure is ongoing in Birchwood, Spring Creek, Ten Mile / South Roane County, Cumberland Cove and on Ooltewah-Georgetown Road in Hamilton County. VEC was also recently awarded a USDA Reconnect grant which will provide service to all of South Meigs County which is slated to begin in 2021. In October we have various opportunities that could provide access to multiple counties in the valley. With every grant the cooperative receives, we are one step closer to providing universal access for the members of VEC, which is our ultimate goal.

With Vision 2020 behind us, VEC must now focus attention on the tasks that remain. We must tackle the challenge of providing broadband access within the VEC service territory, and the rising costs of wholesale power from the Tennessee Valley Authority (TVA).

Another concern that the cooperative must deal with is the rising costs of wholesale power from the Tennessee Valley Authority (TVA). From 2012 through 2018, TVA increased base wholesale power rates by 2.5% each year. While the rate increases helped TVA lower their corporate debt by over \$5 billion, the increases also elevated the wholesale rates to a point where TVA is now among the highest cost options of power suppliers in the Southeastern United States. This brings VEC to a place where critical decisions on the future direction of the cooperative need to be made.

Last year, we discussed the new TVA financial plan and the TVA 20-year power contract proposal. TVA lured 142 of the local power companies into signing the 20-year contract with the promise of a 1.7% bill credit. Although this credit could have been used to reduce rates, only a few of the subscribing power companies elected to use the credit for that purpose. VEC decided to forgo signing the contract altogether. With TVA among the highest cost providers in the Southeast, it became apparent to us that searching for a new power supply option would be much more beneficial than signing the 20-year agreement with TVA.

Consequently, VEC submitted a request for proposal to various generating and transmission companies in the Southeastern United States, including TVA. Despite the opportunity to provide a competitive bid, TVA chose not to submit an offer. Other power companies did, however, and VEC is going through the process of evaluating those bids. While we are not prepared to release the details of the proposals that were returned, we can tell you that they offer VEC significant reductions in the wholesale rate. Through the remainder of 2020, the board of directors will continue to evaluate the proposals to identify a new wholesale power supplier. As we go through this process, we will inform the membership of the direction VEC plans to take on its power supply option.

In closing I want to say thank you for your continued support of VEC and our employees.



RELIABILITY: MOVING FORWARD WITH TECHNOLOGY

VEC Mission Statement: To provide our customers reliable, safe, and efficient services in a courteous and timely manner at a competitive cost.

Vision 2020

Reliability is important. This simple statement is at the forefront of our mission and is pivotal in decisions made by the board and management of VEC. In 2015 VEC created a strategic plan for system and technology upgrades with three goals in mind: improved reliability, improved communications with members, and better tools and training for employees.

Over the last several years, breakers, recloser controls, and control panels were switched from electromechanical to solid-state. We used high-speed fiber to connect substations and to network the newly installed Supervisory and Data Acquisition (SCADA) devices. This installation improved voltage control and increased real-time data availability. Regulator control upgrades to solid-state helped monitor and reduce usage during peak demand times. Recloser controls were upgraded to solid-state and enhanced communications. Safety and maintenance improved by upgrading all substation breakers from oil type to vacuum type. Each change increased the speed of outage restoration, created the potential for savings and opened opportunities for preventative maintenance.

VEC implemented the Meter Data Management System (MDMS) and launched the SmartHub app. A new website enabled customers to use their smartphones to pay bills and check their accounts. VEC's Social Media presence increased from one channel to four. Facebook followers tripled. New Instagram and Twitter accounts were focused on a younger demographic. VEC's professional account on LinkedIn and the VEC website received makeovers. All upgrades focused on building relationships with members and providing ease of access to information.

VEC installed generators at offices to back up operations during major storms and facility maintenance work. The first generator was installed to support the office in Decatur and Corporate. Not only did the generator provide the necessary reliability, but a \$5,000-\$8,000 per month savings was realized from generating the energy needed for the offices during peak demand hours. To date, VEC

has installed generators in Jamestown, Crossville and Benton.

VEC completed the telecommunication system upgrade in 2019. Installing a Voice Over Internet Protocol (VOIP) phone system increased the capabilities of incoming/outgoing lines. Once the system was installed, professional messaging was added. Upgrading desktop computers and the dispatch video wall provided better tools for employees and quicker response times for members.

The majority of paper archives were converted into digital files. New documentation is digitally scanned and stored in an electronic vault. Service area office and substation security cameras were replaced or converted to digital signal feed with recording possibilities.

A New Challenge

As with all things, time changed the outcome of the original Vision 2020 plan. In early 2019, VEC had to relocate the power load served from Tennessee Valley Authority's (TVA) East Cleveland substation. TVA's notification of failing equipment, including the imminent failure of 60-year-old transformers, required an expedient solution. A constant threat of an extended power outage for our members served from this substation was unacceptable.

VEC designed and began to build a new transmission circuit on the Highway 411 corridor between Benton and Ocoee substations. Multiple Bradley County circuits were upgraded from 12 kV to 25 kV increasing capacity and reliability. The energy load moved from the McDonald Substation fed by the failing TVA lines, to the newly updated Ocoee and South Bradley Substations. VEC built-in redundancies for each substation, removing the power loss threat.

Bringing the Future Home

After completing the Vision 2020 plan, VEC could stop upgrading, but technology continues to change. VEC has been tracking and analyzing the TVA wholesale rates for several years. In 2017 VEC began monitoring the wholesale power cost versus the price of Battery Energy Storage Systems (BESS). As wholesale costs

continued to rise, BESS continued to decrease in price. The potential savings and increased reliability opened an opportunity to purchase a BESS.

In 2020 VEC bought four 1,000 kW/ 2,000 kilowatt-hour Tesla Megapacks. Each megapack can be charged in off-peak hours and then discharged over two-hours during the peak demand period. Utilizing our BESS, we can potentially shave 4,000 kW averaging a savings of approximately \$40,000 a month.

The Tesla Megapacks also help stabilize line voltage. The service area where BESS is connected experiences significant voltage level swings from the TVA transmission line during peak demand hours. The Megapacks will assist in maintaining a steady voltage level.

Becoming a Leading Technological Cooperative

The updates in our metering system, changing our power system to 100% solid-state, connecting our substation controls using high-speed fiber, adding generators to area offices, and investing in TESLA BESS Megapacks are all part of the proactive approach by VEC. Management and engineering have embraced new technology to assure reliability and reduce the price of operation. The mission of VEC has resulted in our co-op becoming a leading technological cooperative.



TESLA Megapack BESS



Transmission line work in South Bradley County.

COVID-19 A PANDEMIC

2020 OUR NEW REALITY

We faced new realities as a co-op in 2020. The challenges were a direct result of the COVID-19 Pandemic. We witnessed our residential and commercial members struggle to make ends meet as a result of the national shutdown. The way we socialize, work, even attend church has changed. One aspect we have not changed is our commitment to the communities we serve.

In response, we worked with our members during the shutdown. We provided individualized assistance (direct and indirect) for members who called us regarding financial difficulties resulting from the COVID-19 shutdown. We provided information on federal and state energy assistance programs for members. We also provide information about and web links for the Small Business' Pay Check Protection program.

VEC Customers Share Program donated all of April and May's funds to area food banks. In partnership with Tennessee Valley Authority (TVA), the Share's program donated \$53,865, and TVA gave \$34,180. In total, our foodbanks received \$88,045 to help with the increased need due to Covid-19. Co-op employees volunteered at various food banks and worked with feeding programs providing meals for school children.

We closed our service center's lobbies to protect the health of our workers and members, but we left the drive-thru open and extended hours in our call center. Our employees worked on staggered schedules to maintain a safe distance. Some staff worked remotely. We limited and modified meetings and gatherings to allow for safe separation. Once service centers were reopened employees followed the recommended CDC and OSHA guidelines. Social distancing, frequent disinfection of interior surfaces and use of hand sanitizer or frequent hand washing are some of the implemented activities.

Through all the changes, our employees have worked hard and met the challenge. They are excelling not only at work but also in their communities. The cooperative way of doing business is community-centric.

STATEMENT OF NONDISCRIMINATION

Volunteer Energy Cooperative is the recipient of federal financial assistance from the Rural Utilities Service, an agency of the U.S. Department of Agriculture. In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, disability, or age. Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotope, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at www.ascr.usda.gov/complaint_filing_cust.html and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA :

U.S. Department of Agriculture
Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW
Washington, D.C. 20250-9410
Fax: (202) 690-7442
Email: program.intake@usda.gov.
VEC is an equal opportunity provider



One thing that is certain
in uncertain times – **OUR
COMMITMENT** to you and the
local communities we serve.

2019-2020 FAST FACTS

Customer Service and Outage Calls

Calls Answered by CSR:	172,956
Calls Answered by IVR:	611,353

System Maintenance

Poles Inspected:	3,484
Acres Sprayed:	6,012 Miles
Miles of Line Trimmed:	1,669 Miles
Tree Trimmers and Sprayers:	113
Service Reliability	99.7%

BOARD OF DIRECTORS



Laney Colvard
Chairman
Cumberland – West



Mike Frazier
McMinn



Larry Storie
Vice Chairman
Pickett



Tim Handler
Roane and Loudon



Sammy Norton
Secretary/Treasurer
Meigs



Jerry Henley
Rhea and Bledsoe



Aubie Smith
Asst Secretary/Treasurer
Hamilton



Scott Humberd
Bradley



Randy Bond
Cumberland – East



David J. Milen
Polk



William J. Campbell
Fentress, Morgan, and Scott



Keith Phillips
Putnam, White, and Overton

MANAGEMENT **COUNCIL**



MARK VERSTYNEN

Vice President of Accounting and Finance

Mark Verstynen graduated from UTC with a Masters of Business Administration: Finance in 2000. He began his career at VEC in March of 2001. His responsibilities include all financial and accounting responsibilities for the cooperative.



KAREN DAVIS

Vice President Information Technology

Karen Davis graduated from the University of Tennessee at Knoxville with a Bachelor of Science in Computer Sciences. She began her career at VEC in 1988, becoming the Vice President of Information Technology in 2007. She is responsible for the management of all computing systems.



MELVIN HOLMES

Vice President Operations

Melvin Holmes joined VEC in 2013 as the Superintendent of Purchasing. He became the Vice President of Operations in June of 2016. His duties include operational management for all VEC offices as well as coordinating mutual aid events. He supervises the Control Center, including dispatch and the call center.



DAVID MURPHY

Vice President Marketing and Economics

David Murphy joined VEC in 2016 as Vice President of Marketing and Economic Development. He came to VEC from TVA where he had worked as an EnergyRight Solutions Business Program Manager. He holds a Mechanical Engineering degree from the University of Tennessee at Chattanooga.

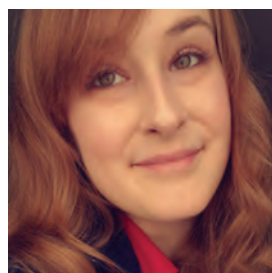


MATTHEW TEAGUE

Vice President Engineering

Matthew Teague began his career at VEC as a Substation Engineer in 2006. He became the Vice President of Engineering in 2016. He holds an Electrical Engineering degree from UTK. He is responsible for oversight of all engineers and engineering projects.

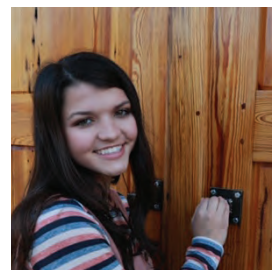
STUDENT LEADERSHIP



Zoey Greene
Chattanooga



Braley Moorehead.
Sale Creek



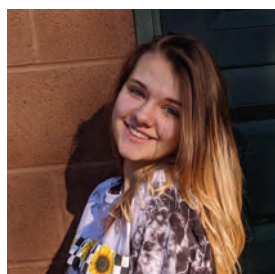
Keely McDonald
McMinn County



Ashlyn Liner McMinn
County



Bryce McKenzie
Meigs County



Isis Wales
Meigs County



Sara Ukani
Walker Valley



Megan Salazar
Walker Valley

WASHINGTON YOUTH TOUR

The Washington Youth Tour, sponsored by Volunteer Energy Cooperative (VEC) and the Tennessee Electric Cooperative Association (TECA), provides young leaders an opportunity to explore Washington, D.C., learn about how government affects cooperatives, and develop leadership skills. President Lyndon Johnson inspired the tour in 1957 when he encouraged electric cooperatives to send students to the nation's capital.

As with all student activities, the national response to Covid-19 canceled the trip. As a reward for their demonstrated leadership ability and impressive writing, VEC and TECA established a scholarship for each winning student of \$1,000. The students are also eligible to compete for other scholarships available from VEC, TECA and NRECA.

This year's winners are: Megan Salazar and Sara Ukani from Walker Valley High School, Bryce McKenzie and Isis Wales from Meigs County High School, Ashlyn Liner and Keely McDonald from McMinn County High School, Braley Moorehead from Sale Creek High School, and Zoey Greene from Chattanooga Central High School.

4-H ELECTRIC CAMP

The 4-H Electric Camp is a joint venture of 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 TVA. At 4-H Electric Camp, students explore the world of energy, electricity and the basic sciences. This year the camp was virtual.



LILLARD SHADOW SCHOLARSHIP

This scholarship program began in 2003 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.

This year's winners were Katelyn Carpenter (Crossville Service Area), Austin Waters (Jamestown Service Area), Maggie Thompson (Cleveland Service Area), and F. John Tally Melhorn (Meigs County Service Area).



Austin Waters
Jamestown



John Tally Melhorn
Decatur



Katelyn Carpenter
Crossville



Maggie Thompson
Cleveland

YOUTH LEADERSHIP SUMMIT

The Youth Leadership Summit (YLS) is a partnership between the Tennessee Electric Cooperative Association (TECA) and VEC to promote leadership within our state. Delegates to the annual event receive a hands-on look at state government, learn networking and leadership skills, and develop a better understanding of electric cooperatives.

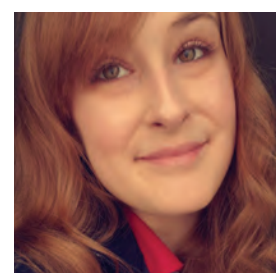
Two delegates from one of the schools in our service area are chosen by their guidance counselors and principle to participate. This year the delegates were Chattanooga Central High School's Zoe Greene and Grayson Catlett. As a result of the COVID-19 pandemic, TECA took the unprecedented action of canceling the 2020 YLS and the 2021.



"Our commitment to community is what sets cooperatives apart from other businesses. Student leadership programs are how we show the youth of our service area that their co-op is more than their electricity provider. We genuinely care about the prosperity of our communities, and that includes providing special opportunities for these exceptional students and preparing them for future success," Rody Blevins, VEC President and CEO.



Grayson Catlett



Zoey Greene



The VECustomers Share program began in 2001, has surpassed \$7.1 million in grants to community organizations. In the last fiscal year, 314 different organizations across our service area received \$331,641. Each month the VECustomers Share board of directors meet and review grant requests received the previous month. Each director allots their service area's portion of the monthly grant amount. Recipients vary from each service area, but all have a community impact. Each month the grant award winners are published in Powerlines, the monthly bill newsletter.

Often requests are received for programs from different chapters and in various communities throughout our service areas. One example of multiple counties requesting a grant for the same program is The Dolly Parton's Imagination Library.

The Imagination Library is the flagship program of The Dollywood Foundation. This monthly book gifting program for children under five focuses on inspiring a love of books and reading for all preschool children.

Tennessee pledged to pursue statewide coverage in 2004. The Governor's Early Literacy Foundation partnered with Dolly Parton's Imagination Library so that all preschoolers in Tennessee have the opportunity to receive books in the mail at no cost to families. Local nonprofit affiliates enroll and raise funds for half the price (books and postage), and the Governor's Books from Birth Foundation funds the other half through a state grant.

In 2019-2020 VEC Customers Share donated to local affiliates in Cumberland County, Meigs County, McMinn County and Pickett County Imagination Libraries.



GOVERNOR'S
BOOKS from **BIRTH**
FOUNDATION



FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Volunteer Energy Cooperative Balance Sheet as of June 30, 2020

Assets

Electric plant in service	\$503,283,766.00
Less depreciation	<u>\$248,039,210.00</u>
Total	\$255,244,556.00

Other property and investments	\$11,641,798.00
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Current and accrued assets

Cash and temporary cash investments	\$45,691,964.00
Accounts receivable	\$14,440,447.00
Materials and supplies	\$5,257,407.00
Prepayments	\$714,432.00
Other current assets	<u>\$1,652,834.00</u>
Total	\$67,757,085.00

Deferred debits

Receivables-conservation	\$4,399,554.00
Other deferred debits	<u>\$812,121.00</u>
Total	\$5,211,675.00

Total assets	<u>\$339,855,114.00</u>
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Capital and Liabilities

Capital

Membership certificates	\$462,795.00
Earnings reinvested in system assets	<u>\$280,528,311.00</u>
Total	<u>\$280,991,106.00</u>

Long term debt	\$16,070,486.00
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Other noncurrent liabilities	\$7,800,298.00
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Current and accrued liabilities

Other notes payable	\$-
Accounts payable	\$18,217,448.00
Customer deposits	\$4,889,151.00
Taxes and interest	\$1,250,595.00
Other current liabilities	<u>\$1,052,235.00</u>

Total	\$25,409,429.00
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Deferred credits	\$9,583,795.00
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Total capital and liabilities	<u>\$339,855,114.00</u>
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Volunteer Energy Cooperative Statements of Income and Earnings Reinvested in System Assets Fiscal Year Ended June 30, 2020

Operating Revenue

Sale of electric energy	
Residential	\$152,332,218.00
Commercial	\$23,577,396.00
Industrial	\$56,556,432.00
Street and other lighting	<u>\$4,100,998.00</u>

Total sale of electric energy	\$236,567,044.00
Other revenue	<u>\$6,043,449.00</u>

Total operating revenue	\$242,610,493.00
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Operating Expenses

Cost of power purchased from TVA	\$184,094,478.00
Distribution and transmission expense	\$18,129,582.00
Customer accounts expense	\$4,087,066.00
Customer service, sales and information expense	\$800,155.00
Administrative and general expense	\$6,468,071.00
Depreciation	\$16,977,155.00
Taxes	\$3,068,799.00
Interest expense	<u>\$694,051.00</u>
Total operating expense and interest	\$234,319,357.00

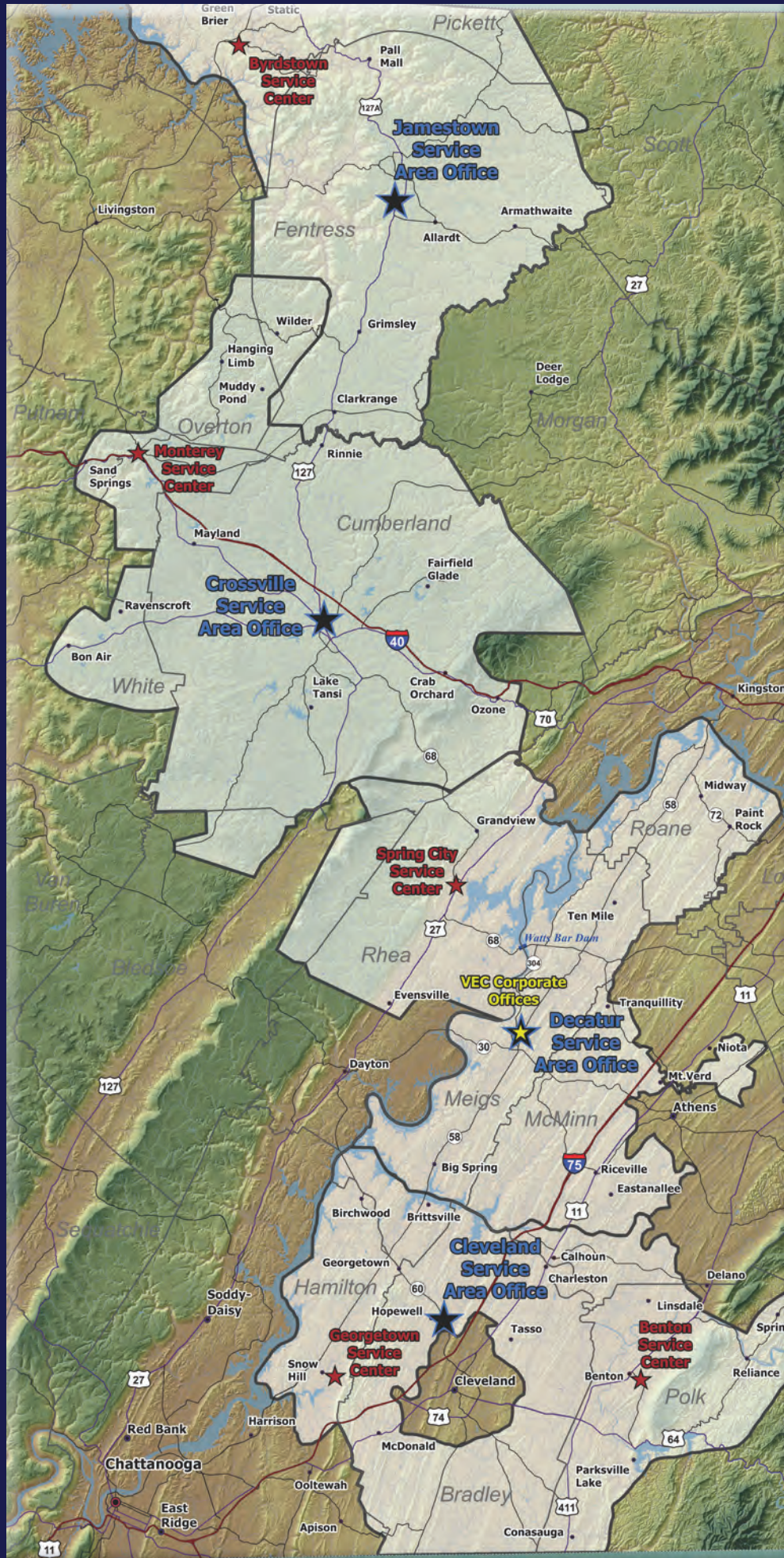
Operating Income	\$8,291,136.00
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Other income	<u>\$1,492,264.00</u>
Non-Operating Expense	\$1,228,334.00

Net Income	<u>\$8,555,066.00</u>
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Earnings Reinvested in System Assets

Beginning of fiscal year	\$271,973,244.00
End of fiscal year	\$263,871,095.00



CORPORATE OFFICE

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

BENTON OFFICE

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

BYRDSTOWN OFFICE

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

CLEVELAND OFFICE

5335 Georgetown Rd. NW
(Hwy. 60)
Cleveland, TN 37312
423-476-6571

CROSSVILLE OFFICE

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

DECATUR OFFICE

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

GEORGETOWN OFFICE

8212 Mahan Gap Road
Ooltewah, TN 37363
423-344-8382

JAMESTOWN OFFICE

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

MONTEREY OFFICE

213 E. Stratton Avenue
Monterey, TN 38574
931-8392217

SPRING CITY OFFICE

425 Wassom Memorial Hwy.
Spring City, TN 37381
423-365-5220