



Vermont Electric Cooperative, Inc.

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Testimony to House Natural Resources and Energy Committee- January 14, 2016
Christine Hallquist, CEO, Vermont Electric Cooperative

About VEC

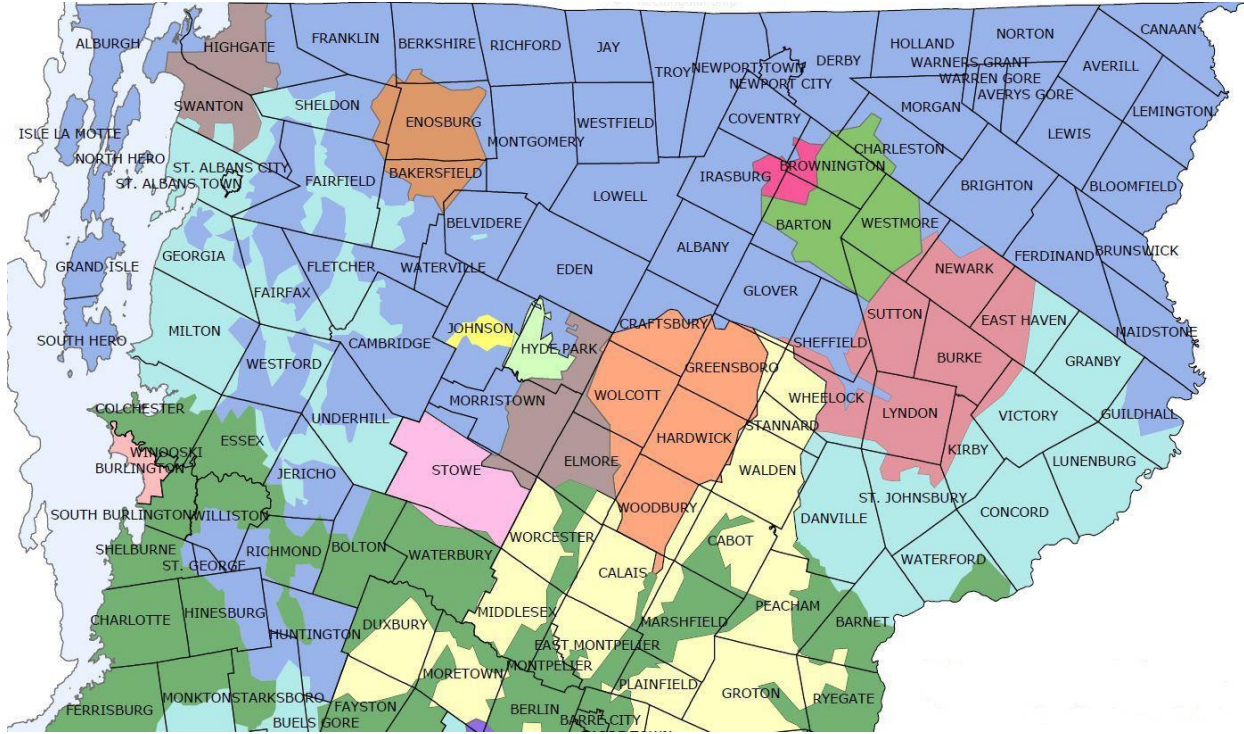
VEC was established in 1938 to bring electricity to rural Vermonters. We are part of the Rural Utility Services (RUS) that was established by executive order in 1936. Rural electric cooperatives serve 75% of the nation's land mass. In the 1930's it became apparent that rural America would not get electricity from the Investor Owned Utilities because it was not profitable. Today the economics are the same; without Rural Electric Cooperatives, rural areas would not have electricity. We are a democratic non-profit organization that is owned by its 38,000 members. We are now Vermont's second largest utility, and the largest locally owned electric distribution utility in Vermont. Like you, our constituents can have diverse perspectives and opinions and our 12 member Board works hard to find consensus on difficult policy issues.

VEC services member-owners in 74 towns and eight counties. Our members are located in some of the more rural regions of the state and 3 of our counties are in the top 5 counties in the state for children in poverty. When we survey our members, the cost of service is always a high priority.

VEC is also nationally recognized for innovative and advanced use of technology which we are particularly proud of given our member demographic. Examples include the first to deploy smart grid, six years ahead of the rest of Vermont utilities; the first in the nation to give members access to their hourly usage data; and, last year we led a grid vulnerability cyber-attack simulation that included state and national emergency and security agencies, again, the first utility in the nation to do so. VEC is recognized nationally for its technology leadership. We employ just over 100 of the best and brightest Vermonters. We are headquartered in Johnson and have service centers in Grand Isle, Newport and Richford.

VEC continues to focus on our core functions which include providing cost effective, safe and reliable electric service to our member owners. We invest in vegetation management, substation and line replacements, and maintenance activities. We think we are doing a great job serving our members and this is supported in annual surveys of our member owners.

VEC service area (blue)



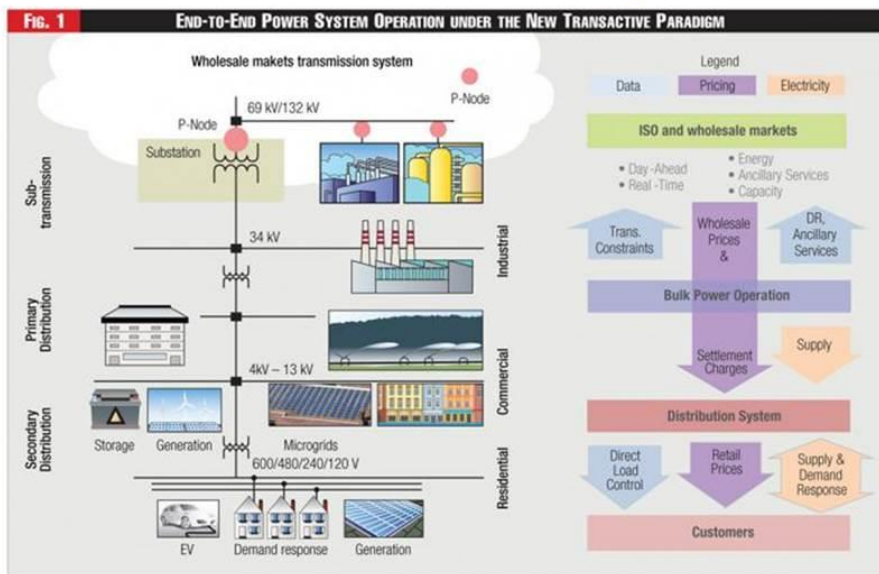
About the Future of Electric Distribution:



The State of Storage

- Energy Storage can be applied throughout the VEC distribution grid to integrate renewables, defer infrastructure investments and improve performance.
- Advancement in technology and manufacturing costs continue to reduce cost and improve performance such that cost justifiable applications could be available as early as 2017.
- Regulators across the country, and likely soon in Vermont, are recognizing the value of storage and are creating policies that improve the business case even further.

VEC as a Distribution Operator



Reduces Cost

- Avoids costly T&D infrastructure upgrades / reduces ratepayer costs
- Expedites solutions by reducing permitting and construction time
- Extends life / increases utilization of existing infrastructure

LOCATION MATTERS

Increases Flexibility

- Instantaneous, reliable response / dispatch within load pockets
- Modular design for staged expansion to dynamically respond to load growth

Provides Cascading Relief

- Distribution assets benefit "upstream" feeders, substations and transmission lines
- Can buffer volatility caused by increasing variable renewable penetration
- Can create additional value in wholesale energy and capacity markets