

VEC at a Glance

Vermont Senate Natural Resources &
Energy Committee presentation
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- Founded in 1938 to serve rural Vermont
- With 38,000 meters, VEC is the largest member owned not for profit electric distribution utility in VT
- Present in 74 towns in 8 counties in northern Vermont (refer to map)
- VEC serves a very rural area with approximately 15 members per line mile over 2056 square miles and with 2823 miles of lines
- 106 employees; approximately 75% belong to IBEW

Clean Power Portfolio

- 55% Renewable as defined by VT SPEED goals
- 80% Carbon Free

Technology leader

smart grid; outage management;
wattWATCHERS; community solar

Keeping the lights on

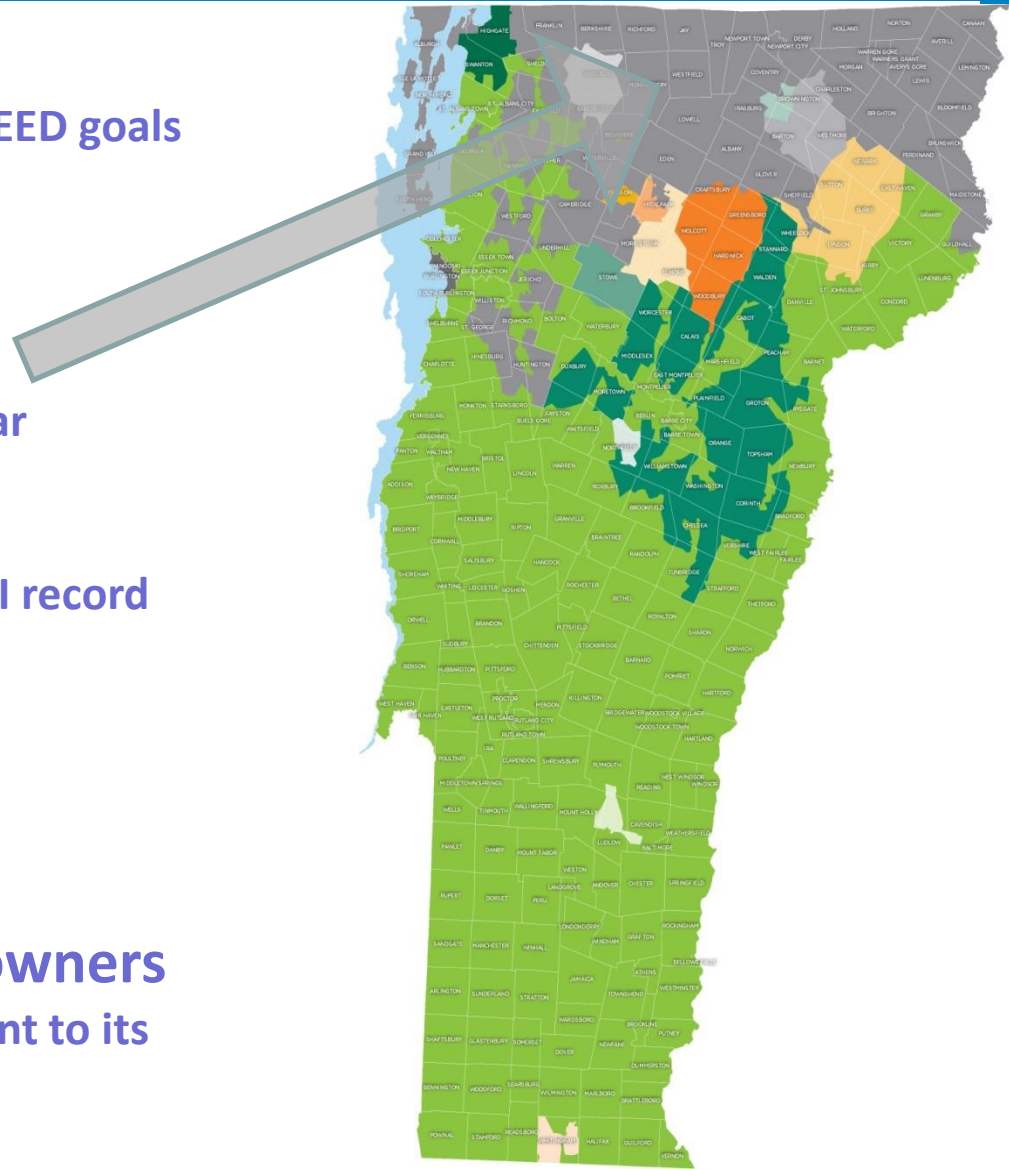
superior reliability; outstanding SAIFI record
(below 1.5)

Strong Financial Position

“A-” rating by Standard & Poor’s

Committed to its member-owners

- Provides capital credit reimbursement to its members



- **VEC Load Base** = 50% residential; 50% commercial
 - List of larger commercial members – RockTenn; Smuggs; Jay Peak; Blue Seal Feeds; Ethan Allen
 - VEC recognizes the desire of many of our members to adopt renewable energy while at the same time we hear the strong concerns about controlling electric rates. VEC serves many low-income Vermonters.
 - Challenge is to balance continued renewable energy progress with reasonable rates
 - No rate increase for VEC in 2015

2015 Power Supply Portfolio:

Gen Type	MWH	%
Large Hydro	189,198	39.6%
Small Hydro	10,661	2.2%
Farm Methane/Solar/Small Wind	8,238	1.7%
Large Wind	73,044	15.3%
Nuclear	81,363	17.0%
Natural Gas or Oil	101,465	21.2%
Wood	14,250	3.0%

H. 40 – RESET

VEC Supports H.40 and the flexibility to monitor and adjust as we move ahead

Tiers I and II – necessary to address REC issue and allow utilities to continue to sell RECs. VEC sells approximately \$2.7 million in RECs annually. A loss of REC sales would translate into a 5% rate increase

Tier II - VEC believes Tier II goals are achievable. If smaller DG projects (< 5MW) are too expensive or no DG RECs are available, H. 40 includes process to petition PSB to use larger scale renewable projects. (Sec. 3) VEC will require approximately 1MW (solar) for Tier II annually. Our community solar project now in permitting will be used to satisfy our initial obligations for Tier II.

Tier III goals will be challenging because it is taking VEC into new territory, but in a direction that is consistent with where VEC is already headed.

Reducing fossil fuel usage in the thermal and transportation sectors will require utilities to increase their ability to manage load so the peak is not increased.

VEC will need to deliver the value of the smart grid to make this happen.

VEC recognizes that there are assumptions, and therefore uncertainty, in DPS modeling the costs and benefits of Tier III. VEC's own modeling exercises tell us that Tier III is worth pursuing, but that we will likely need to make adjustments in the future due to the uncertainty that is inherent in the energy world (fuel prices, technology, etc.)

Tier III has flexibility for utilities to make adjustments and address uncertainty.

- Ability to bank credits in future years.
- Ability to petition PSB for relief from penalty or ACP if it would cause a significant increase in rates or interferes with providing power under least-cost integrated planning
- Ability to petition PSB for relief if Tier III requirement is not achieved when utility has made a good faith effort but there is insufficient uptake due to market factors. Utility can spread obligations into future years.
- Requires DPS annual and biennial reporting to assess benefits and costs; impacts on rates; etc. This will allow legislature to adjust Tier III program as necessary.

VEC will keep you informed of our progress under RESET.