



VERMONT ELECTRIC COOPERATIVE, INC.
REGULAR MEETING OF THE BOARD OF DIRECTORS

APPROVED MINUTES

March 28, 2023

As required under the VEC Bylaws, notice of this meeting was sent to each director on March 21, 2023, either via US Mail or by electronic means for those directors requesting such delivery.

Board Members Present: Paul Lambert (First Vice President), Carol Maroni (Second Vice President), Jody Dunklee (Secretary), John Ward, Tom Bailey, Ken Hoepfner, George Lague, Bonnie Pratt, Mark Woodward, Charlie Van Winkle (Treasurer), and Don Worth.

Staff Present: Rebecca Towne (CEO), Peter Rossi (Chief Operations Officer), Caroline Mashia (Chief Financial Officer), Andrea Cohen (Manager of Government Affairs and Member Relations), John Varney (Manager of Safety, Security, and Facilities), Laura Kinney (Project Planner), and Vickie Brown (General Counsel).

Invited Guests: Bill Keyser and Mark Mayer, Kittell Branagan & Sargent (KBS); Jared Duval, Energy Action Network

AGENDA ITEM #1 -- CALL TO ORDER

First Vice President Lambert called the meeting to order at 12:00 noon.

AGENDA ITEM #2 -- SAFETY MINUTE

Van Winkle provided tips on how to guard against four office safety hazards, namely, poor ergonomics; trips, slips and falls; fire safety; and eye strain.

AGENDA ITEM #3 -- APPROVE BOARD MEETING MINUTES

Lague moved and Pratt seconded that the minutes of the regular monthly Board of Directors meeting held February 28, 2023 be approved as presented.

The minutes were approved by unanimous vote.

AGENDA ITEM #4 – REVIEW FINAL 2022 FINANCIAL AUDIT REPORT

Mark Mayer introduced himself and his colleague Bill Keyser, VEC’s auditors from Kittel Branagan & Sargent. Keyser reported on the results of the 2022 audit. The auditors issued an unqualified opinion with no audit findings. The auditors recommended no adjustments to the financial statements that the Board has reviewed throughout the year.

Keyser reported that high power prices caused by the war in Ukraine as well as winter storm Elliot in December made 2022 a financially challenging year. Despite the challenges, VEC met its financial covenants for 2022. VEC ended the year with a TIER slightly under the 1.5 TIER required by our mortgage indenture; however, the covenant is based on a three-year average and because VEC filed for a rate increase to meet a 1.5 TIER going forward, a non-compliance waiver was not required. Looking forward into 2023, Keyser noted that the FEMA reimbursement for storm Elliot, the 8.19% rate increase pending at the Public Utilities Commission, and the remainder of the Paycheck Protection Program grant will all have positive impact on net earnings.

Keyser also noted that despite the turnover in the financial team at VEC – with a new CFO and Controller -- the audit went smoothly. He concluded that even though 2022 was a challenging year, the financial health of VEC is strong.

There was a discussion of whether there was discretionary spending in the 2023 budget that could or should be cut this year given the amount of uncertainty in the broader economy. Towne noted that the budget reflects VEC’s priorities as determined in the company’s strategic plan, and it is monitored closely throughout the year. As we are currently meeting our financial metrics year-to-date we are spending per the budget which has minimal discretionary components.

There was a discussion as to the value of evaluating the auditing firm from time to time, which is reinforced by VEC’s policy of requiring a competitive bid process every five years. Mayer noted that rotating auditing firms was in vogue after the Enron collapse several decades ago, but the better practice today is to go with a firm that is knowledgeable and experienced in a company’s business sector.

Mayer next walked through the comparison between the profit and loss statement and the balance sheet in 2022 as compared to 2021, summarizing the reasons for the major variances. He noted that VEC has taken steps to hedge against several key risks that have recently become evident. First, the Silicon Valley Bank collapse exposed risks associated with the \$250,000 limit in FDIC protection. To protect itself in the event that its bank fails, VEC has a program that sweeps excess funds nightly into accounts backed by the U.S. Treasury. Second, to address the risk of higher interest rate, VEC uses cooperative banks which have lower rates than commercial banks, and the company monitors rates and locks them in when a favorable one is available. Finally, he noted that inflation is a risk that all businesses are facing.

Looking forward, KBS will prepare VEC's Form 990 and provide a draft to the Board for their April monthly meeting.

There were a number of questions from the Board throughout the presentation.

Bailey moved and Van Winkle seconded to go into executive session to discuss the audit report without staff present.

The motion passed by unanimous vote and the Board entered into executive session at 12:50 p.m., and all VEC staff left the meeting.

By unanimous consent, the Board exited executive session at 1:05 p.m., and staff rejoined the meeting.

Lague moved and Pratt seconded to accept the auditor's report. The motion passed by unanimous vote.

Mayer and Keyser left the meeting.

AGENDA ITEM #5 – 2022 VT EMISSIONS DATA & CLIMATE COUNCIL UPDATE

Jared Duval, Energy Action Network (EAN), joined the meeting. Towne introduced Duval as the director of the EAN for the past six years. Duval explained that EAN is a non-profit organization representing a large group of stakeholders with the goal to be a catalyst for clean energy initiatives, mainly by providing detailed data on energy issues. It has a network of member organizations including utilities, businesses, non-profits (including VEC), as well as public partners, such as Efficiency Vermont and various state agencies.

Duval described EAN's mission is to assist in achieving Vermont's climate and energy commitments in ways that create a more just, thriving, and sustainable future for Vermonters. Its role is mainly to collect, analyze and report data on greenhouse gas emissions, energy use, energy equity, and economics. He noted that EAN does not lobby or take positions on legislative or policy decisions.

He noted that EAN has completed its Annual Progress Report for 2022. Key takeaways from the report include:

- Vermont has legal obligations – not just goals -- to reduce greenhouse gas (GHG) emissions.
- The state is not on track to meet those obligations for 2030.
- Vermont has not passed policies that would get the state on track, mainly because policy to date has focused on the electric sector which makes up only 2% of GHG emissions, as compared to heating (34%) and transportation (40%).
- Meeting the existing obligations in all sectors would result in an estimated \$6.4 billion in cost savings and avoided damages by 2050.

He noted that the pandemic in 2020 caused significant changes in energy use and emissions, mainly due to less driving, and it is unclear if some trends will prove more durable.

Duval shared data showing the various sources of GHG emissions, noting that Vermont is one of the highest per capita emitters of GHGs in the New England region. He provided a comparison of fees, taxes, and charges associated with each energy source, concluding that Vermont's cleanest energy source (electricity) gets charged much more than other energy sources that are more polluting.

He provided a comparison of the costs to operate gas, diesel, and electric vehicles (EVs). The costs to operate EVs are lower and less volatile than the costs to operate fossil-fueled vehicles. The same conclusion applies in the heating sector, with electric heat being cheaper and more stable than fossil-fueled heating.

There were numerous questions from directors throughout the presentation.

Duval left the meeting.

AGENDA ITEM #6 – BREAK

There was a break from 2:00-2:15.

AGENDA ITEM #7 – LOW-INCOME CO-OP COMMUNITY SOLAR

Cohen provided a briefing on the Affordable Community Renewable Program. This is a program to offer income-qualified residential cooperative members the ability to participate in one of VEC's community solar programs. The program supports low-income members who previously were not able to participate in the community solar program due to up-front costs. VEC and WEC are partners in a grant of \$2.7 million dollars that would include almost 900 customers of the two utilities. It will allow them to participate in a community solar program using output from a solar project in Jericho that VEC purchases power from. Full subscription of the program will require development of additional solar facilities.

The program will offer \$45 in bill credits for five years to income-qualified members for a total of \$2,700 per member.

Cohen described VEC's plans for implementing the program, including the outreach to members. The income verification process is still under discussion.

There were numerous questions and comments from various directors.

AGENDA ITEM #8 – MANAGERS' REPORTS

There was a discussion of developments in Barton with new trustees leading the village. They have currently contracted with VPPSA to support their electric operations.

There was a discussion of how VEC would be impacted in the form of increased costs associated with the decision by ISO-New England to keep the Mystic, Connecticut liquified natural gas plant operational. Mashia noted that costs continue to fluctuate but we are monitoring them closely.

A director asked whether there was a resource to help members find out when the various broadband providers would be making service available in their areas. Rossi suggested that directors refer members to him and he would put them in contact with the appropriate staff at the various Communications Utility Districts that are coordinating broadband built out in the state.

A director noted that the annual member survey questions would be reviewed at the April Board meeting, observing that previously a review was done by Communications Committee instead. The director asked the Board to consider whether the new process meets their needs.

Rossi noted that he had fielded questions from several members about whether they own the transformer when they pay for line extensions. He clarified that the member's contribution pays the cost for VEC to purchase and install the service, but VEC owns the equipment and is also responsible for ongoing maintenance and replacement as necessary.

AGENDA ITEM #9 – SENIOR LEADERSHIP UPDATE

Pratt moved and Van Winkle seconded to go into executive session to discuss personnel issues related to senior leadership development.

The motion passed by unanimous vote and the Board entered executive session at 3:45. VEC staff except for Towne left the meeting.

By consensus the Board exited executive session at 4:15.

AGENDA ITEM #10 – OTHER BUSINESS

There was no other business.

AGENDA ITEM #11 – ADJOURN

Bailey moved and Pratt seconded to adjourn. By unanimous vote, the meeting adjourned at 4:16 p.m.

Respectfully submitted:

Jody Dunklee, Secretary

Rich Goggin, President