

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

August 25, 2020

APPROVED MINUTES

As required under the VEC Bylaws, notice of this meeting was sent to each Director either via US Mail on August 18, 2020 or by electronic means for those Directors requesting such delivery.

CALL TO ORDER – AGENDA ITEM #1

President Rich Goggin called the meeting to order at 11:00 a.m. via video conference. Present were Directors Ken Hoepfner, Carol Maroni (Second Vice President), Mark Woodward (Secretary), George Lague, Charlie Van Winkle, Don Worth, Paul Lambert (First Vice President), John Ward (Treasurer), Tom Bailey, Rich Westman, and Jody Dunklee. Also present from VEC were CEO Rebecca Towne, General Counsel Vickie Brown, Chief Operations Officer Peter Rossi, Safety & Security Manager John Varney, Manager of Government Affairs and Member Relations Andrea Cohen, and Project Planner Laura Kinney.

Kevin Fitzgibbons and Rudy Tober from NRTC joined the meeting as guests.

SAFETY MINUTE – AGENDA ITEM #2:

Bailey shared that Simon Cowell of America's Got Talent television show purchased an electric bicycle and took it for a ride before reading the instructions, which resulted in an accident. Bailey noted the importance of reading the instructions before riding and the need to be cautious while operating an electric bicycle.

APPROVE BOARD MEETING MINUTES -- AGENDA ITEM #3

President Goggin asked if there were any corrections to the minutes of the regular meeting of the Board of Directors held on July 28, 2020.

Hoepfner moved and Westman seconded:

That the minutes of the regular meeting of the Board of Directors held on July 28, 2020 be approved.

The minutes were approved by unanimous vote.

NRTC BROADBAND FEASIBILITY STUDY PRESENTATION -- AGENDA ITEM #4

Fitzgibbons and Tober shared the results of VEC's broadband feasibility study with the Board.

Fitzgibbons introduced National Rural Telecommunications Cooperative (NRTC) as a member owned cooperative with 1500+ rural electric, telephone, and independent telecommunications providers with 150 employees and 33 total broadband projects. He began by explaining the basics of broadband, including how it is defined and the capabilities of different levels of broadband service to support various residential use scenarios.

He explained that the study identified a 358-mile preliminary route for the fiber backbone needed if VEC were to build out fiber-to-the-home broadband to serve its entire service territory. This would be augmented by using existing available VELCO fiber or existing VEC fiber. It should be looped wherever possible to provide for redundant service. The majority would be overhead construction.

He further discussed the technology options (fiber and fixed wireless) that NRTC considered and the feasibility of each. Fixed wireless has serious challenges due to Vermont's topography. The model they used was based on using fiber to the home, not fixed wireless.

Tober discussed the study's competitive analysis to assess who is already providing broadband in VEC's area, concluding that 10 – 15% of VEC members have access to fiber to the home. Cable TV also serves about 40% of VEC's area. Finally, he summarized the penetration of DSL service into VEC's service territory, noting that the speeds associated with this service are slower.

There was a break in the meeting at 12:49. The meeting resumed at 1:10.

The meeting continued with an extensive discussion of the competition existing to serve VEC's territory. Towne noted that in addition to the existing providers there are a number of CUDs and two small startup broadband providers that are looking to provide broadband as well.

Tober summarized the assumptions used in the financial model in terms the speeds of the network, the rate to be charged for the service, and the "take rates" of the various levels of service. Using these assumptions, the model developed an "average revenue per user" number. He also explained the results of the member survey that they conducted, which had a 95% confidence level.

There was a break in the meeting at 2:39pm. The meeting resumed at 2:50pm.

Tabor further summarized the financial model, explaining assumptions as to subscription rates, operating costs, and capital costs. He also presented a second model that analyzed deployment covering less than 100 percent of VEC's service territory, avoiding the more competitive areas already served by several providers.

Fitzgibbons summarized the grant opportunity under the Rural Digital Opportunity Fund (RDOF) and the obligations that go along with being a successful bidder. He also discussed the timeline for the RDOF auction. Finally, he provided a projection on how an RDOF grant, if received, would affect the financial model.

The last scenario that NRTC modeled in the feasibility study was a partnership model where VEC would fund the fiber backbone and a partner will provide drop fiber and network equipment. He presented the financial model for that scenario.

There were numerous questions from directors and extensive discussion throughout the presentation.

Goggin suggested that the Board schedule a follow-up meeting to continue to discuss the various options available. Towne will share details about the RDOF auction in advance of that follow-up meeting.

BROADBAND FEASIBILITY DISCUSSION -- AGENDA ITEM #5

This was deferred to the special meeting. A director asked for management to provide a summary of restrictions on our borrowing ability. Towne suggested that CFC may be willing to advise the Board as well.

REVIEW 2021 DIRECTOR BUDGET -- AGENDA ITEM #6

In light of time constraints, Goggin will circulate the draft budget to the group for comments.

APPROVE ANNUAL MEETING DATE -- AGENDA ITEM #7

The Board agreed to set the meeting for May 8, 2021 and Cohen will reach out to Smuggler's Notch to reserve the space.

MANAGERS' REPORTS – AGENDA ITEM #8

Goggin also suggested to defer the managers' reports until next month.

ANY OTHER BUSINESS – AGENDA ITEM #9

There was no other business.

ADJOURN -- AGENDA ITEM #10

Westman moved and Hoepfner seconded that the meeting be adjourned.

The motion carried unanimously.

The meeting adjourned at 5:03.

Respectfully submitted:

Mark Woodward, Secretary

Rich Goggin, President