



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

APPROVED MINUTES

August 29, 2023

As required under the VEC Bylaws, notice of this meeting was sent to each director on August 22, 2023, either via US Mail or by electronic means for those directors requesting such delivery.

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

Staff Present: Rebecca Towne (CEO), Peter Rossi (Chief Operating 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), Jeff Bickford (People and Culture Leader), Vickie Brown (General Counsel), Cyril Brunner (Innovation and Technology Leader), Dan Potter (Power Resource Planner), Brian Hall (Manager of Engineering), Brittany Greene (Controller).

AGENDA ITEM #1 -- CALL TO ORDER

President Rich Goggin called the meeting to order at 12:03 pm.

AGENDA ITEM #2 -- SAFETY MINUTE

Bailey cautioned the group to be careful with over-the-counter medical supplements, in particular if they are used along with prescription medicines. Check with your doctor about whether supplements are safe to take with current prescribed medicine.

AGENDA ITEM #3 -- APPROVE BOARD MEETING MINUTES

Maroni moved and Pratt seconded that the minutes of the regular monthly Board of Directors meeting held July 25, 2023, be approved as presented.

There was no discussion, the minutes were approved by unanimous vote.

AGENDA ITEM #4 – STRATEGIC PLAN PROCESS REVIEW

Towne shared proposed process changes in light of the Board's modifications to the company's five-year strategic plan. She noted the three key elements of VEC's strategic planning cycle are (1) the five-year plan (which the Board examines in depth every three years), (2) the annual performance metrics (which staff proposes and the Board approves) and (3) the annual implementation initiatives (which staff develops). Other elements that had formerly been included (core competencies and key focus areas) have been incorporated into the five-year plan and no longer need to be called out separately.

A director questioned staff's development of performance metrics, noting the risk that if the Board changes the metrics, the staff may feel disempowered. The director also questioned whether the Board should work jointly with the staff to develop these metrics. Another director pointed out that the Board has the ability to push back on any metric developed by the staff. There was a suggestion that the nomenclature in the plan be clarified to show that staff develops KPIs and the Board approves them, rather than characterize this as a joint process. There was a consensus that in the future, time should be set aside during the August meeting for the Board to provide prioritization on the long-term strategic goals for the staff to consider as part of their annual performance metrics development.

Towne shared the recently revised vision statement and asked whether there was an appetite to spend further time on the mission statement at this time. After a brief discussion, Goggin suggested that Towne offer some alternatives on the mission for further discussion at a future Board meeting.

AGENDA ITEM #5 – DISTRIBUTED RESOURCE MANAGEMENT

Brunner noted that Dan Potter will assist in this presentation.

Brunner explained why it is important that VEC pursue load management at this time, noting that new technology allows VEC to manage load without impacting members' lives, and that managing peak usage provides value to VEC in transmission savings and the ability to forgo infrastructure upgrades. He noted that there are two kinds of peaks – peaks that affect power

supply/transmission costs and peaks that strain distribution resources. These two types of peaks often occur at different times and are managed differently, yet both drive infrastructure improvement needs.

Potter summarized VEC's existing load management program offerings, noting first that the building block of a successful program offering includes:

- Affordability to VEC and members
- Appeal to members
- Effectiveness in delivering results
- Ease of use

He explained the value proposition that justifies VEC's peak management program, which offers payback to the membership through reduced costs. He noted that predicting peaks is becoming more difficult largely due to the addition of new solar generation and that VEC will be working with a new contractor to use artificial intelligence (AI) to help with that process. It was also noted that as other utilities in the ISONE region also work to reduce peaks, VEC is at risk of being stuck with higher portions of shared regional costs if they do not also reduce their peaks.

He then described the details of VEC's programs and incentives that enable VEC to manage batteries and electric vehicles. Brunner observed that VEC has experimented with many different approaches over the years and even those that proved not feasible still provided valuable learning in an emerging space.

Brunner then summarized the load growth that VEC has experienced from Tier III programs. While these programs provide welcome revenue, they impose challenges to the electric grid, including potentially the need to upgrade VEC infrastructure. The goal is to mitigate the upgrade needs and costs by managing all new distributed resources (e.g., EVs and heat pumps).

Brunner noted that one significant challenge is orchestrating the various types of distributed resources in real-time and efficiently, without disruption to the members that owns them.

Finally, he noted that VEC would need support from the Board in the following areas:

- Support for increased capital expenditures
- Balancing investments in various VEC initiatives
- Support for innovation and partnerships
- Assistance identifying initiatives to stop working on to provide capacity for new initiatives

- Support of member engagement and adoption

There were numerous questions and comments by the directors throughout the presentation.

Potter and Hall left the meeting.

AGENDA ITEM #7 -- BREAK

This item was moved up, and there was a break from 1:55 to 2:10 pm.

AGENDA ITEM #6 – FINANCIAL UPDATE

Greene joined the meeting.

Mashia provided an update as to the financial condition of the company mid-way through the 2023 calendar year. She noted that VEC's new forecasting tool provides current information to budget managers, allowing them to manage budgets more effectively. This will be a tight year with the current projection to be over budget by 6%. As a result, all budget managers have reviewed their costs to date and have reduced budgeted items where possible for the balance of the year. The shortfall is largely attributed to lower electricity sales this year, partly related to weather and efficiency, and also due to increased net-metering credits from new solar photovoltaic system installations. If net metering continues apace for the second half of the year, the erosion of revenues would amount to 1% on rates.

She enumerated the other costs that are driving this challenging financial year, including interest rates, increases in energy transformation incentives, inflationary pressures, and transmission costs. To respond to these pressures, VEC has taken advantage of lower-cost power supply opportunities, postponed work on the maintenance plan, and scrubbed costs in every budget area. Areas that VEC has not cut include headcount and training, operating and capital work (except for maintenance plan), and VEC's commitment to renewable/carbon-free resources.

There were questions and suggestions from directors as to areas of costs that can be cut, including Tier III incentives and office renovations.

AGENDA ITEM #8 – RISK MANAGEMENT PRESENTATION

Greene provided a high-level summary of the enterprise risk management profile of VEC. She noted that the goal is to identify the top ten risks to the company, the direction each risk is trending (increasing, decreasing, static), and the mitigation options for each risk. She identified

VEC's risk management assessment process. The process included meeting with senior and mid-level leaders; synthesizing and summarizing that input; identifying and rating top risks; ensuring mitigation of risks are included in strategic plan and annual key performance metrics, and then reevaluating annually.

She shared the major risk categories that the process identified for VEC:

- Company size and structure – small, regulated, unionized, less flexibility
- Personnel resources – changing expectations about the nature of work, demanding positions, availability of skilled workers, aging workforce, burnout and turnover
- Safety – risk of serious accident or fatality
- Energy transition – affordability and reliability as VEC moves to renewable/carbon-free future
- Load growth – using load management to integrate growth without increasing rates or sacrificing reliability
- Political and legislature impacts – small stakeholder with limited voice in state and federal policy-making; the uncertainty of support for needed rate increases
- Cyber & physical security – increased threats/AI
- Climate – more frequent and more serious storms
- Catastrophic event – beyond our control
- Financial constraints – insufficient rate increases, uncontrollable costs, allocating limited financial resources

Further steps in this process include: (1) feedback from Board members attending the Enterprise Risk management (ERM) seminar at the NEAEC conference this fall, (2) VEC Board and staff will finalize VEC ERM by identifying top-ten risks and mitigation strategies, and (3) VEC staff will consider participating in an in-depth ERM discussion with Cooperative Finance Corporation (CFC) in 2024.

There were several questions by the directors following the presentation.

AGENDA ITEM #9 – MANAGERS REPORTS

There were several questions from the directors about details contained in the managers' reports.

AGENDA ITEM #10 - OTHER BUSINESS

A director related a complaint from a member who wanted to pay her bill in person and was frustrated that there was no person at the front desk. Other directors also expressed concern about the front lobby not being member-friendly.

AGENDA ITEM #11 – ADJOURN

Van Winkle moved and Lague seconded to adjourn. By unanimous vote, the meeting adjourned at 3:52 p.m.

Respectfully submitted:

Jody Dunklee, Secretary

Rich Goggin, President