



VERMONT ELECTRIC COOPERATIVE, INC.  
REGULAR MEETING OF THE BOARD OF DIRECTORS  
APPROVED MINUTES  
September 27, 2022

As required under the VEC Bylaws, notice of this meeting was sent to each director on September 20, 2022, either via US Mail or by electronic means for those directors requesting such delivery.

Present were directors Rich Goggin (President), Paul Lambert (First Vice President), Carol Maroni (Second Vice President), Jody Dunklee (Secretary), John Ward (Treasurer), Tom Bailey, Ken Hoepfner, George Lague, Mark Woodward, Charlie Van Winkle, and Don Worth. Also present from VEC were CEO Rebecca Towne, Manager of Government Affairs and Member Relations Andrea Cohen, Manager of Safety, Security, and Facilities John Varney, Chief Financial Officer Caroline Mashia, People and Culture Leader Jeff Bickford, and General Counsel Vickie Brown.

**AGENDA ITEM #1 -- CALL TO ORDER**

President Goggin called the meeting to order at 12:08 p.m.

**AGENDA ITEM #2 -- SAFETY MINUTE**

Dunklee spoke about distracted driving. She shared that there are cell phone settings which will prevent texts while driving and settings on the map application which allow for verbal directions. She shared a recent experience where her puppy was in the back seat; attending to the dog while driving caused her to lose focus.

**AGENDA ITEM #3 -- APPROVE BOARD MEETING MINUTES**

Maroni moved and Worth seconded that the minutes of the regular monthly Board of Directors meeting held August 30, 2022 be approved as presented.

The minutes were approved by unanimous vote.

**AGENDA ITEM #4 – NRECA RESTATEMENT OF BENEFITS**

Bickford noted that every five years cooperatives with retirement security or 401(k) plans managed by NRECA must submit a Board resolution restating the benefits for the next five-year period. NRECA has provided the Adoption Agreements associated with VEC’s retirement plans and they were included in advance of the meeting. A director asked about the employee and employer contributions to each plan, and Bickford provided a general overview of the contributions.

Lague moved and Worth seconded to adopt the following resolution:

RESOLUTION OF THE BOARD OF DIRECTORS AUTHORIZING the  
AMENDMENT and RESTATEMENT of  
**THE RETIREMENT SECURITY and/or 401(K) PENSION PLAN**  
For Vermont Electric Cooperative, Inc.  
REA(s) 46007-001;46007-002;46007-003;46007-004;46007-005;46007-006

**WHEREAS**, Vermont Electric Cooperative, Inc., is a participating employer in the:

[X] Retirement Security (RS) Plan

[XI] 401(k) Pension (401(k)) Plan

**WHEREAS** the Board of Directors of Vermont Electric Cooperative, Inc. is aware that the Plans must periodically be amended to comply with new or changed regulations, rulings, legislation and plan operations, and that this restatement will be effective July 1, 2022.

**THEREFORE BE IT RESOLVED** that this Board authorizes the July 1, 2022 amendment, restatement and continuance of the Plans to conform in their entirety with all the provisions of the governing plan documents of the Plans, through the execution of the Adoption Agreements, which includes all of the provisions of the Cooperative's most recently executed Adoption Agreements and any compliance clarifications needed to conform with plan operations; and

**BE IT FURTHER RESOLVED**, in the event that the timing of the restatement does not correspond with regularly scheduled meetings of the Board of Directors, the Board does hereby authorize and direct the cooperative's Chief Executive Officer to execute all necessary documents and to take any and all further actions necessary to carry out the July 1, 2022 amendment and restatement of the Plans; and, NRECA is fully authorized to rely on this designation in processing the restatement of the Plans.

The motion passed by unanimous vote.

## **AGENDA ITEM #5 – FINANCIAL UPDATE**

Mashia provided some background information as to the three financial metrics that banks and rating agencies use to evaluate VEC's financial health: Times Interest Earned Ratio -- TIER (a measure of how VEC is able to cover interest expense), Equity Ratio (targeted at 40-45%), and Debt Service Coverage (a measure of VEC's ability to cover debt costs).

With that context, she noted that, due to rising power supply costs, VEC is \$1 million under budgeted earnings for 2022, and she projects that power supply overages will deplete the majority of earnings this year. As a result, VEC will not meet our TIER target of 2.0, and our Debt Service Coverage target is also at risk. She anticipates a lower equity ratio, although not below the 40% level.

To address these challenges, management is moving forward to put cost savings measures into effect during the last quarter of the year. The goal is to minimize the impact in 2022 and focus on recovering to a 2.0 TIER in 2023 so that our financial rating remains strong to continue to obtain lower borrowing costs and better power supply contract terms.

Mashia further noted that we are not alone in addressing high costs of power supply; Stowe Electric Department, Washington Electric Cooperative and the Village of Hyde Park have all filed for double-digit rate increases. New Hampshire Electric Cooperative raised rates this year in the 30% range as they have completely market-based power supply costs.

There were questions about other cost mitigation measures VEC could take, including limiting patronage retirement in 2023.

One potential mitigation option is to pursue carrying over some dollars from the Paycheck Protection Program grant into 2023. Another mitigation option is to pursue more grant money from FEMA or other government programs. Power supply contract strategies are also being explored.

She noted that next month there will be a Finance Committee meeting in October which will explore the 2023 budget and rate path in more depth.

There were numerous comments and questions throughout the presentation.

## **AGENDA ITEM #6 – STRATEGIC PLANNING – VISION AND NEXT STEPS**

Towne engaged the Board in an exercise focusing on ideas generated from the July Board strategic planning offsite to revise the VEC vision. This exercise clarified the Board's preferences so that Towne can provide options for further Board discussion. Towne noted that the five-year plan developed in 2020/21 will need to be integrated with the strategic work from the July offsite. She opened the discussion as to the best process to accomplish this work. Directors shared their thoughts, including:

- Focus more on the newer ideas developed during the brainstorming at the offsite.
- The five-year plan is a good framework and could be condensed, with incorporating ideas from the offsite. It all provides value.
- There was a suggestion to focus on innovation, with people and responsibility being subsets of that.
- The ideas from the offsite seem more concrete and recent.

The consensus was to have Towne create a straw proposal for the Board's review that incorporates the two plans/approaches into something that is concise, focused and tells a compelling story.

## **AGENDA ITEM #7 –REPORT FROM NRECA REGIONAL MEETING**

Lambert reported on his attendance at the NRECA Regional meeting, where he represented VEC and Washington Electric Cooperative on the nominating and resolutions committees, and VEC at the regional business meeting.

The nominating committee put forth names for representatives of the three standing NRECA committees: Legislative Committee, Regulatory Committee, and Cooperative Management, Employment & Community Committee.

The resolutions committee reviewed new NRECA resolutions and amendments to existing resolutions which will guide NRECA's positions on important topics for cooperatives. These will be shared with other district representatives and ultimately subject to a vote by the NRECA board.

He further described some of the keynote speeches at the meeting, as well as the networking opportunities.

There were questions and discussion throughout his presentation.

#### **AGENDA ITEM #8 –MANAGERS REPORTS**

There were questions and comments throughout the details of the managers' reports, including a request to dive deeper into the details of the annual member survey at the next Communications Committee meeting and a discussion regarding supply chain concerns. Towne noted that VEC has developed a new process for dealing with member requests for service to be transparent about equipment constraints as early as possible.

#### **AGENDA ITEM #9 –OTHER BUSINESS**

There was no other business.

#### **AGENDA ITEM #10 -- ADJOURN**

Lague moved and Ward seconded to adjourn. By unanimous vote, the meeting adjourned at 2:57 p.m.

Respectfully submitted:

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Jody Dunklee, Secretary

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Rich Goggin, President