

VERMONT ELECTRIC COOPERATIVE, INC.

REGULAR MEETING OF THE BOARD OF DIRECTORS

APPROVED MINUTES

November 28, 2023

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

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| Board Members Present: | Paul Lambert (First Vice President), Carol Maroni (Second Vice President), Jody Dunklee (Secretary), Charlie Van Winkle (Treasurer), Tom Bailey, Ken Hoeppner, George Lague, Bonnie Pratt, Mark Woodward, and Don Worth |
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| 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), and Cyril Brunner (Innovation and Technology Leader) |
| Guests: | VEC Manager of Engineering Brian Hall attended a portion of the meeting. Colleen Taylor, CFC, also attended a portion of the meeting. |

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

Vice President Paul Lambert called the meeting to order at 12:01 pm.

**AGENDA ITEM #4 –KRTA PRESENTATION**

This item was moved up to accommodate the guest’s schedule.

Collene Taylor joined the meeting. She is the Regional Vice President of Cooperative Finance Corporation (CFC). She shared the results of the most recent “Key Ratio Trend Analysis” (KRTA), which CFC has produced since 1975. This analysis provides a comparison of the performance of electric cooperatives across the nation in 145 different metrics. The data is based on submissions from over 800 electric cooperatives to CFC.

For VEC she developed comparisons to key peer groups within the larger cooperative group, although she noted that many factors may account for differences. Some of the observations from the analysis include the following:

* VEC is in the top 25 percentile in terms of size (number of consumers) but smaller coops are growing faster than VEC. VEC is also in the top 25 percentile in average consumer per mile.
* VEC’s sales divide fairly evenly between residential customers and commercial/industrial customers. Overall, VEC sales are less than sales of other coops in the peer group.
* VEC’s average residential usage is much lower than the peer group, mainly because of low air conditioning load and little electric heating.
* In terms of revenue per consumer, VEC tends to be higher than peer group, and VEC’s costs per customer tends to be lower.
* VEC’s power costs per kWh are higher than the peer group, although they are consistent with costs of other co-ops in our region.
* On interest rates, VEC is about on par with the peer group.
* VEC’s margins are slightly below the peer group.
* In terms of financial ratios, VEC is above the minimum Times Interest Earned Ratio (TIER) that many co-ops use, and slightly lower than the peer group. VEC’s Minimum Debt Service Coverage (MDSC) is lower than the peer group, which likely reflects the desire to keep rates low.
* In terms of equity ratio, the acquisition of Citizens in 2004 reduced equity, but it has been growing steadily since and currently exceeds 40%, slightly above the peer group.
* VEC’s retirement of capital credits is slightly lower than the peer group but the trend shows a clear effort to step up return of capital credits while maintaining equity levels.
* In terms of reliability, VEC’s investment per mile of line is strong and has been increasing, trending above the peer group. However, VEC has experienced high outage numbers compared to peer group, likely due to extreme storms during the last five years. Without storms, VEC would be trending with the peer group.

Taylor concluded that the numbers indicate that VEC has been successful in balancing the goals of investing in its system, maintaining healthy equity and debt levels, retiring patronage capital, and maintaining reasonable rates.

There were numerous questions and comments throughout her presentation.

Taylor left the meeting.

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

Hoepper shared a number of tips for winter safety practices that he found in a “winter survivor guide.”

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

Pratt moved and Lague seconded that the minutes of the regular monthly Board of Directors meeting held October 31, 2023, be approved as presented.

After a brief discussion, the minutes were approved by unanimous vote.

**AGENDA ITEM #4 –KRTA PRESENTATION**

[This was moved earlier.]

**AGENDA ITEM #5 – BREAK**

There was a break in the meeting at 1:08 and the meeting resumed at 1:30

**AGENDA ITEM #6 – REVIEW AND APPROVE CAPITAL BUDGET**

Brian Hall joined the meeting. Hall led a discussion of VEC’s capital budget proposal for 2024. He started with an overview of the completed and ongoing 2023 projects, including:

* 17 distribution projects, including 3 projects funded by FEMA for resiliency building
* Substation maintenance and switch change-outs, and camera installation
* Three TIER III capital projects, including the Jay Peak boiler project

Then he described details of projects included in the proposed $12.3 million capital budget for 2024, broken down into the following general areas:

* Transmission, distribution, substations -- $8.23 million
* Make-ready -- $783,000
* Facilities -- $323,000
* Fleet (including carry-over amount from 2023 for electric trucks and hybrid buckets that were budgeted but delayed) -- $1.78 million
* Information Technology (IT) -- $417,000
* Metering and member services --$162,000
* Energy Transformation and Innovation -- $615,000

There were numerous questions from directors throughout the presentation.

Hoeppner moved and Bailey seconded to approve the 2024 Capital Budget of $12,304,405which includes a carry-over amount of up to $824,496 from 2023 budget for fleet vehicles which were delayed, as presented at the meeting.

The motion passed by unanimous vote.

**AGENDA ITEM #7 – REVIEW AND APPROVE 2024 ANNUAL PERFORMANCE PLAN METRICS**

Towne provided a summary of revised performance metrics that staff refined after hearing feedback from the Board at the October meeting.

She noted that there were two goals that the Board requested that the staff suggest specific metrics. These goals involved (1) influencing and educating energy policy makers and regulators in guiding the revisions underway for renewable energy and (2) leveraging and expanding relationships with Hydro-Quebec. She shared specific metrics for each.

After limited discussion, Pratt moved and Van Winkle seconded to approve the 2024 strategic planning metrics. The motion passed by unanimous vote.

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

There were a few questions about the renewable energy working group that VEC is participating in, particularly the goals and possible results.

Rossi updated the Board as to the recent unexpected storm that caused numerous outages. He noted that the storm caught all the utilities, as well as our weather advisors, by surprise, as temperatures were lower and precipitation levels higher than were predicted.

There were numerous questions from the directors about details contained in the managers’ reports.

**AGENDA ITEM #9 – OTHER BUSINESS**

Bailey noted that Julia Northrop, the wife of former VEC President Bob Northrop, had passed away.

**AGENDA ITEM #10 – ADJOURN**

Bailey moved and Pratt seconded to adjourn. By unanimous vote, the meeting adjourned at 3:44 p.m.

Respectfully submitted:

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| Jody Dunklee, Secretary |  | Rich Goggin, President |