



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

UNAPPROVED MINUTES

March 26, 2024

As required under the VEC Bylaws, notice of this meeting was sent to each director on March 19, 2024, 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), Tom Bailey, Ken Hoepfner, George Lague, Bonnie Pratt, Charlie Van Winkle, 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), Vickie Brown (General Counsel), Cyril Brunner (Innovation and Technology Leader), and Jeff Bickford (People and Culture Leader)

Guests: Bill Keyser and Mark Meyer of KBS joined for the first portion of the meeting; Sandra Enman, a VEC member, attended a portion of the meeting.

AGENDA ITEM #1 -- CALL TO ORDER

President Goggin called the meeting to order at 12:02 pm.

AGENDA ITEM #2 – SAFETY MINUTE

Van Winkle shared tips about how to stay safe during the eclipse.

AGENDA ITEM #3 – MINUTES REVIEW

Goggin noted that there were two sets of minutes to review.

Maroni moved and Pratt seconded that the minutes of the regular Board meeting held on February 27, 2024, be approved. Brown noted that the draft provided should be amended to reflect that a motion made and seconded was approved by unanimous vote. With that amendment, the minutes were approved by unanimous vote.

Maroni moved and Lambert seconded that the minutes of a special Board of Directors meeting held on March 19, 2024, to approve the slate of director candidates for the 2024 Board Election be approved as presented. The minutes were approved by unanimous vote.

AGENDA ITEM #4 – REVIEW 2023 FINANCIAL AUDIT REPORT

Mark Mayer introduced himself and Bill Keyser from KBS, which is VEC's auditing firm. Keyser reported on the results of the 2023 audit. The auditors issued an unqualified opinion with no audit adjustments recommended or made. He noted that the 2023 audit was a "single audit" due to the two FEMA grants for hazard mitigation projects which were completed or ongoing in 2023. The FEMA grant for storm Elliot in 2022 is still pending obligation and will be subject to a single audit in a future year. Mayer explained that over \$750,000 in federal expenditures in a single year requires a single audit. Once VEC has a single audit two years in a row it will become a low-risk auditee, which allows for a lower level of audit testing.

For the 2023 single audit, there were no findings and no significant deficiencies in internal control found during testing.

All of VEC's loan covenants were met for 2023, with Times Interest Earned Ratio (TIER) ending at 1.85 (over the covenant requirement of 1.5) and Debt Service Requirement ending at 1.5 (over the covenant requirement of 1.35). The average TIER over the past three years was 2.2.

After a tough year in 2022, VEC saw a recovery in 2023, mainly due to the rate increase that was effective on January 1, 2022. VEC was also able to use the remaining \$1.4 million of Paycheck Protective Program grant. That grant was exhausted in 2023.

He explained one new accounting change per GAAP as to how outstanding amounts due are accounted for. This did not have a material effect on VEC in 2023.

VEC continues to benefit from its purchases of VT Transco stock, including the \$2 million purchased in 2023 at a rate of return of 12%.

VEC's total equity was 42% percent in 2023, consistent with prior years and necessary to be above 40% for patronage capital distribution per VEC bylaws.

Interest risks remain significant for VEC due to higher rates and the need to draw on the bond in 2022 and 2023.

There were a number of questions from directors at the conclusion of Keyser's presentation.

Bailey moved and Van Winkle seconded to go into executive session to discuss the audit report without VEC staff present. The motion passed by unanimous vote and the Board entered executive session at 12:35. VEC staff and guests left the meeting.

AGENDA ITEM #5 – CEO 2023 PERFORMANCE REVIEW

The Board remained in executive session to discuss the CEO performance appraisal and personnel matters. Towne re-joined the meeting for this agenda item.

By unanimous vote, the Board exited executive session at 2:20.

AGENDA ITEM #7 – BREAK [THIS ITEM WAS MOVED UP.]

There was a break at 2:20 and the meeting resumed at 2:30. VEC staff re-joined the meeting.

AGENDA ITEM #6 – GMVPP ANNUAL REPORT

Varney introduced the federal Voluntary Protection Program (VPP), which recognizes superlative efforts in safety programs. The eligibility threshold for VPP participation is based on three-year rolling averages of two safety measures as compared to rates for similar companies across the country. VEC has earned the "Star" level, which is best of the best.

The main benefit of VPP star status is the prestige it brings by recognizing a company's excellent safety programs. Having such status also correlates statistically to lower worksite injury rates given the implementation of best practices required to reach this level.

Varney then described the annual report that VEC provides to VOSHA each year. The overall goal of the report is to demonstrate VEC's continued commitment to GMVPP values. It highlights achievements in the prior year and explains how those activities result in an effective safety program. The report also shares plans for the year ahead.

For 2023, Varney highlighted two major accomplishments: VEC's recertification in the VPP program and the continued effectiveness of VEC's wellness program which has been recognized by the state and by our health insurance provider for several years in a row.

Although the report includes details addressing thirty different elements of the safety program, Varney shared his perspective that the most important elements of a successful safety program are as follows:

- Management commitment and employee involvement
- Hazard mitigation actions
- Robust training
- Program effectiveness and impact

Varney shared his philosophy that safety in an organization depends on cultivating a culture where each individual is committed to safety.

There were questions and comments from the directors throughout the presentation.

AGENDA ITEM #8 – MEMBER INPUT

This item was skipped as the member who had requested to speak to the Board did not attend.

AGENDA ITEM #9 – BOARD TRAINING UPDATE

Towne noted that in order for staff to begin planning for an offsite training this summer, the Board needed to choose among several topics, which were selected based on prior Board input. After a round of voting, the Board decided on the topic of "strategies for moving power supply to 100% renewable." This will be an all-day training facilitated by VEC staff. Two other topics that rose to the top of the list were NRECA-sponsored trainings on financial decision-making and shared services and territorial expansion. These will be considered as topics for future trainings.

Towne noted that another option is to have VEC's lender Co-bank conduct training on financial issues. They are flexible as to the format. Towne will consult with them as to whether they could do this in advance of the May Finance Committee and Board meeting which will address financial topics.

AGENDA ITEM #10 – GOVERNANCE COMMITTEE REPORT

Hoepfner noted that the Governance Committee met on March 4, 2024, and reviewed several policies, which are included in the Board packet. He asked for a motion to approve the minutes from the meeting.

Lague moved and Bailey seconded to approve the minutes from the March 4, 2024, Governance Committee meeting as presented. The motion passed by unanimous vote.

Hoepfner summarized the committee's recommended action on four policies, as follows:

- Board Policy B-13 – Unlawful Harassment Policy – non-substantive organizational changes and clarification of a reference to the bylaws.
- Board Policy B-17 – Communications Policy – no changes
- Board Policy B-18 – Anti-Bullying Policy – non-substantive organizational changes and clarification that removal was a potential sanction for violation
- Management Policy – VEC Audit Policy – no changes

A director noted that in two policies references to "removal of the Board" should state "removal of a director." Brown will correct that typo.

Maroni moved and Lambert seconded to approve the recommendations of the Governance Committee. The motion passed by unanimous vote.

Given time constraints, the Board deferred discussion of proposed changes to Policy B-10 to the April 5, 2024, Governance Committee meeting.

Hoepfner asked whether the Board is interested in further discussion about director self-evaluation, which the committee also discussed. A director noted that this topic came up in a discussion about term limits and the goal was to have directors undertake a self-reflection annually rather than just at the end of their term. The consensus was not to include this on the agenda for the meeting.

AGENDA ITEM #11 – MANAGERS' REPORTS

Towne noted that she is considering how best to support VEC in light of the General Counsel's retirement at the end of May. She will be evaluating the General Counsel position with the senior leadership team. She asked for the Board to share any thoughts they have as to what they would like to see in the position. The Board provided feedback for her consideration.

A director asked about VEC's preparations for the eclipse. Towne noted that VEC was advised by the Agency of Transportation to keep trucks off the road. The phone system is elevated to allow for VEC to respond to emergencies.

There were numerous questions from the directors as to details in the managers' reports. Hoepner moved and Lague seconded to go into executive session to discuss a member issue. By unanimous vote, the Board entered executive session at 4:35.

Enman left the meeting.

By consensus, the Board exited executive session at 4:45.

AGENDA ITEM #12 – OTHER BUSINESS

There was no other business.

AGENDA ITEM #13 – ADJOURN

Bailey moved and Hoepner seconded to adjourn. By unanimous vote, the meeting adjourned at 4:45 p.m.

Respectfully submitted:

Jody Dunklee, Secretary

Rich Goggin, President