

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

April 27, 2020

APPROVED MINUTES

As required under the VEC Bylaws, notice of this meeting was sent to each Director either via US Mail on April 20, 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 12:00 p.m. via video conference. Present were Directors Ken Hoepfner, Carol Maroni (Second Vice President), Mark Woodward (Secretary), George Lague, Charlie Van Winkle, Rich Westman, Don Worth, Paul Lambert (First Vice President), John Ward (Treasurer), Tom Bailey, and Jody Dunklee. Also present from VEC were CEO Rebecca Towne, General Counsel Vickie Brown, Chief Financial Officer Mike Bursell, and Chief Operations Officer Peter Rossi, Safety & Security Manager John Varney, and Manager of Government Affairs and Member Relations Andrea Cohen, and Project Planner Laura Kinney.

Caroline Mashia joined the meeting. Mark Meyer and Bill Keyser, of Kittell, Branagan & Sargent, joined the meeting.

SAFETY MINUTE – AGENDA ITEM #2:

Woodward stressed the importance of adults to model good safety practices, including wearing masks when out in public.

APPROVE BOARD MEETING MINUTES -- AGENDA ITEM #3

President Goggin noted that there are three sets of meeting minutes to be approved. He asked if there were any additions or corrections to the minutes of the Special Meeting of the Board of Directors meeting held on March 18, 2020.

Woodward moved and Worth seconded:

That the minutes of the March 18, 2020, Special Meeting of the Board of Directors be approved.

The minutes were approved by unanimous vote.

Goggin asked for addition or corrections to the minutes of the regular Board meeting held on March 30, 2020.

Ward moved and Lague seconded:

That the minutes of the March 30, 2020, Regular Meeting of the Board of Directors be approved.

The minutes were approved by unanimous vote.

Goggin asked if there were any additions or corrections to the minutes of the Special Meeting of the Board of Directors meeting held on March 30, 2020.

Hoepfner moved and Woodward seconded:

That the minutes of the March 30, 2020, Special Meeting of the Board of Directors be approved.

The minutes were approved by unanimous vote.

[Per discussion later in the meeting, the bylaws do not allow for a vote during a regular Board meeting held by videoconference. These minutes were subsequently approved in a special meeting which followed the regular Board meeting.]

REVIEW 2019 Financial Audit Report -- AGENDA ITEM #4

Meyer noted that VEC's 2019 financial statements are free from material mistakes, and the audit report included no identified issues. This year there was no requirement to conduct a "single audit," which is an audit that includes compliance testing. A single audit is required if VEC receives significant grant funding (over \$750,000). Such an audit will be required for 2020, as VEC has received FEMA grant funds in 2020. It is also possible that there will be a single audit required for the \$2.6 million that VEC received through the Payment Protection Program. It is also unclear how this payment will be treated for purposes of the 85/15 threshold for the source of funds, which has the potential to impact non-profit status.

Keyser shared more of the details included in the 2019 Financial Audit Report. There were a number of questions from the Board members.

Keyser concluded that VEC met both of its bond covenants: *i.e.*, debt coverage ratio and TIER.

Worth moved and Woodward seconded to go into executive session with the auditors.

The Board entered into executive session at 12:36. VEC staff left the meeting.

The executive session ended at 1:00. VEC staff re-joined the meeting. Keyser, Meyer, and Mashia left the meeting.

Goggin noted that he will ask for a vote to accept the audit report in the Special Meeting that follows.

REVIEW AGREEMENT WITH VELCO TO PURCHASE ASSETS-- AGENDA ITEM #5

Towne noted that the VELCO Board approved this transfer in a special board meeting last week. Bursell presented a summary of the transaction, by which VEC will purchase certain transmission assets from VELCO for their net book value. This is a 46 kV transmission line that VEC uses to serve its members, with the 46kV line running underneath VELCO transmission lines on the same poles. VELCO had been planning to rebuild this line over the next three years, and under status quo agreements, VEC would have to pay the costs associated with the 46kV line rebuild as they are incurred. With the purchase, the line will become a VEC capital asset and cost recovery is spread over the life of the asset.

Bursell answered several questions from the Board.

Goggin again noted that he will ask for a vote on the transaction in the Special Meeting that follows.

REVIEW ADOPTION AGREEMENT TO IMPLEMENT 401(K) CHANGE -- AGENDA ITEM #6

Brown noted that with the passage of the SECURE Act, VEC received clear direction that we no longer need to exclude highly compensated employees from the non-union 401(k) plan in order to pass compliance testing. There was a discussion as to the language to use in the resolution with the consensus being to adhere to the precise language provided by the NRECA.

COVID-19 UPDATE -- AGENDA ITEM #7

Staff shared the changes that VEC has implemented to respond to the risk of COVID-19. Rossi discussed the changes in operations over time based on guidance from the state. We have also increased cybersecurity safeguards as there has been a significant increase in cyber activity.

Cohen noted that we have continued the policy of not disconnecting members through the end of May. Given that, our call volume has dropped. We are considering additional ways to help members who have fallen into arrears. Some ideas include using security deposits to cover some eligible arrearages, pursuing grant money from VLITE to support low income member participation in community solar, using Community Fund money to help community services affected by Covid-19, and adjusting the timing and allocation of patronage capital to support current members.

Bursell discussed the financial consequences we are seeing in the areas of declining sales, increasing receivables, and excess energy being sold in a low market. He noted that the decline in sales in April was not as significant as we had feared and that we still anticipate future financial impact. He noted that VEC is continuing to assess which “levers” we have to adjust our own spending and access to additional funds as we go forward.

The Board asked a number of questions throughout this presentation.

BROADBAND FEASIBILITY STUDY UPDATE -- AGENDA ITEM #8

Towne reported that we have signed the contract with the state and once we get notice to proceed we will hold a kick off meeting with NRTC to launch the feasibility study. This will focus on the types of projects and models that are most likely to meet the three-year cash flow positive expectation of the grant.

She shared the timeline that NRTC had provided for the project, which will be refined in the kick off meeting. We have been assured that the feasibility work can be done remotely.

Finally, she reminded the Board that we are investigating taking part in the \$16 billion Rural Digital Opportunity Fund reverse auction which is scheduled for October, if that program seems like a good fit for VEC. The next decision point is whether to submit a short-form application in June.

There was extensive discussion by the Board.

COMMITTEE REPORTS -- AGENDA ITEM #9

Hoepfner summarized the recommendations from the Governance Committee meeting. He

asked Maroni to share the changes to the meeting minutes that she suggested be made. The minutes will be revised to reflect these changes.

Hoepfner reviewed the changes that the Committee recommended to Board Policy 12 and to four Management Policies that the Board oversees, namely the Red Flags Policy, the Whistleblower Policy, the Conflicts of Interest Policy and the Records Management Policy. There was discussion throughout.

MANAGERS' REPORTS – AGENDA ITEM #10

There were a number of questions about the details included in the managers' reports.

ANY OTHER BUSINESS – AGENDA ITEM #11

There was no other business.

ADJOURN -- AGENDA ITEM #12

Woodward moved and Worth seconded that the meeting be adjourned.

The motion carried unanimously.

The meeting adjourned at 3:33.

Respectfully submitted:

Mark Woodward, Secretary

Rich Goggin, President