

VERMONT ELECTRIC COOPERATIVE, INC.
REGULAR MEETING OF THE BOARD OF DIRECTORS
JUNE 29, 2010

APPROVED MINUTES

As required under the VEC By-Laws, notice of this meeting was sent to each Director by deposit in U.S. mail on June 22, 2010.

CALL TO ORDER – AGENDA ITEM # 1

President Tom Bailey called the meeting to order at 12:05 p.m. in the Robert P. Northrop Boardroom at VEC offices in Johnson, Vermont. Present were Thomas Bailey and Directors Dorothy Allard, Dan Carswell, Craig Kneeland, Bertrand Lague, Priscilla Matten, John Miller, Daniel Parsons, John Ward and Don Worth. Also present from VEC were COO Jeffery Wright, CFO Michael Bursell, Manager of Corporate Services Liz Gamache, and Internal Communications Specialist Amanda Niklaus. Also present was Board Attorney Joseph Cahill with Browne Cahill Gawne and Miller.

Director Mark Woodward joined the meeting @ 12:09 p.m.

MINUTES OF APRIL 27, 2010 REGULAR MONTHLY MEETING, MAY 15, 2010 ORGANIZATIONAL BOARD MEETING AND MAY 25, 2010 REGULAR MONTHLY MEETING APPROVED – AGENDA ITEM #2

Miller moved and Carswell seconded:

That the minutes of the April 27, 2010 Regular Monthly meeting be approved as presented.

The motion carried unanimously and the minutes were approved as presented.

Miller moved and Carswell seconded:

That the minutes of the May 15, 2010 BOD Organizational meeting be approved as presented.

The motion carried unanimously and the minutes were approved as presented.

Miller moved and Worth seconded:

That the May 25, 2010 Regular Monthly meeting be approved as presented.

The motion carried unanimously and the minutes were approved as presented.

President Bailey briefly introduced Attorney Cahill to new Board members.

FINANCIAL UPDATE – AGENDA ITEM #3

CFO Bursell and those present engaged in a discussion of the Financial Update.

Bursell indicated that May results are better than budget expectations for both operating and capital budgets. For the month of May, the operating budget had a positive variance of \$143k and is currently exceeding budget expectations by \$821k year-to-date. The capital budget is now reflecting positive variances for both the current month and year-to-date. Bursell noted that the capital budget contains new funding contributions from the recently approved NEK Connector and ARRA grants. These grants were not included in the original capital budget and are considered unplanned funding. The NEK Connector grant will reimburse VEC at 80% of the cost for the Steel Tower Line upgrades.

Bursell continued his financial update by reporting on the following items:

RFP for VEC Audit Services

VEC received proposals from incumbent KBS (Kittel Branagen Sargent), as well as, Gallagher Flynn and KPMG. The Finance Committee will review the proposals and make a recommendation to the Board on a direction with regard to audit services.

Fairpoint Bankruptcy

Fairpoint has agreed to pay VEC nearly 100% of their outstanding billings, pending Public Service Board approval of Fairpoint's reorganization plan. Although its first reorganizational plan was not approved, Bursell believes Fairpoint will continue to seek approval from the Public Service Board. A brief discussion ensued as to whether or not Fairpoint will receive plan approval.

Power Supply

This month's Board of Directors meeting includes agenda items related to the HQ agreement being negotiated by the VT utilities and a separate sleeve agreement with Washington Electric Cooperative (WEC) on utilizing their position in the HQ deal.

Banking

Finance is seeking a bond to support VEC's capital improvement plan that requires Board and regulatory approval. This topic will be covered in greater detail during the Finance Committee meeting this Friday.

VEC is expecting a significant increase in 2011 in the cost of the letter of credit facility with CFC. Finance is taking action to mitigate the expected increase.

Facilities

The Johnson roof has been replaced and the warehouse building has been painted. Improvements to the parking lot are slated for next year.

AMI Project

The new batch of AMI meters do not meet specifications and have been returned. This will put the project thirty days behind schedule.

2010 TRANSCO Equity

CFO Bursell reported that VEC will have an opportunity to purchase TRANSCO equity this year. He referred Directors to pages 38 and 39 in the Board packet that was previously mailed to all Directors. Since interest rates are low, the purchase could help mitigate future increase in transmission costs. He stated this topic will also be discussed during the Finance Committee meeting.

Directors asked questions of CFO Bursell regarding his update and a brief discussion ensued regarding the equity purchase. President Bailey informed the Board of the possibility for VELCO's President, Chris Dutton, to attend the July Board of Directors meeting in order to discuss the future of transmission. Directors continued to ask questions of CFO Bursell regarding his financial update and a brief discussion ensued.

MANAGEMENT UPDATES – AGENDA ITEM #4

Board Minutes

Gamache informed the Board that management is currently exploring different options for recording Board minutes. She stated that management's goal is to provide accurate and thorough minutes that will meet Board expectations. The options consist of:

1. Continue to provide Board minutes in-house with VEC staff or;
2. Contract a highly skilled, professional minute taker outside of the organization.

Directors engaged in a brief discussion about other minute taking options that may exist. Attorney Cahill stated it was not necessary to produce verbatim minutes as a result of having minutes tape recorded and transcribed. He recommended the minute taker record only critical content discussed. He reminded the Board that the minutes are subject to review by the Public Service Board.

Director Michelle DaVia joined the meeting @ 12:33 p.m.

Board members indicated they are pleased with the minutes produced and submitted every month. Secretary DaVia gave an overview for the Board of her experience with VEC staff providing Board minutes. DaVia expressed her concerns regarding the process and believes there are opportunities for greater

efficiency by considering a professionally skilled minute taker. Directors were given further clarification of the issues at hand and a lengthy discussion ensued.

Attorney Cahill clarified that the Secretary's role should be to review the minutes for substance and ensure essential elements are reflected in the summary. Then, the Board decides whether the summary accurately describes the content of the meeting. Concerns were expressed over the cost of hiring an outside contractor to produce Board minutes.

Gamache concluded the discussion by stating that management will continue to pursue the possibility of using outside services and obtain cost information to present to the full Board during the next meeting.

A brief discussion ensued whether the Board believes management should continue pursuing this option.

A straw poll was taken asking if Directors preferred management to continue developing the Board Minute taking capability in-house. The majority of Director approved of further in-house development of this skill.

Miller left the meeting at 1:15 p.m. and returned at 1:19 p.m.

Lague motioned and Ward seconded:

To table this discussion until the next meeting.

Motion carried by unanimous vote.

COO Wright engaged in a question and answer session with Directors regarding the managers' updates and a brief discussion ensued.

President Bailey called for break in the proceedings at 1:28 p.m.

The meeting resumed in the Robert P. Northrop Boardroom at 1:40 p.m.

COMMITTEE REPORTS – AGENDA ITEM #5

Power Supply and Operations Committee

CFO Bursell told the Board that the Power Supply Committee is seeking full

Board support for two items:

1. To authorize VEC to execute the terms of the Hydro Quebec Purchase Power Agreement and;
2. To authorize VEC to negotiate the terms of the sleeve agreement with Washington Electric Cooperative (WEC).

Wright left the meeting at 1:41 p.m. and returned at 1:43 p.m.

Senior Power Resource Planner, Craig Kieny joined the meeting at 1:43 p.m.

Chairman Carswell referred Directors to page 128 in the Board packet that was previously mailed to all Directors. He provided a general summary of the proposed energy contracts.

Lague motioned and Carswell seconded:

That the Board enter into Executive Session to discuss the Hydro Quebec contract.

Motioned carried unanimously.

The Board entered into Executive Session at 1:44 p.m.

By majority vote of those Directors present the Executive Session ended at 2:15 p.m.

Chairman Carswell presented a brief summary of the Hydro Quebec resolution.

Ward moved and Lague seconded:

To approve the Resolution set forth from the Power Supply Committee.

RESOLUTION

That VERMONT ELECTRIC COOPERATIVE Inc. (VEC) be and hereby is authorized to execute, deliver and perform the POWER PURCHASE AND SALE AGREEMENT (PPA) between H.Q. Energy Services (U.S.) Inc. (HQUS), and the participating Vermont Distribution Utilities, and Vermont Public Power Supply Authority; referred to herein as the "HQUS PPA", which has been exhibited to this meeting and which shall be appended to the minutes hereof substantially in form and substance as presented; and

That the CEO, CFO, COO, or any one or more of them be and hereby is and are authorized and directed on behalf of VEC to sign, execute and deliver, the said Agreements substantially in such form and substance as presented to this meeting and to do all things which any one or more of them by so doing deems in his, her or their sole judgment to be necessary or advisable to act on, carry out or perform the said Agreements or cause it to be acted on, carried out or performed; and

That the CEO, CFO, COO, or any one or more of them be and hereby is and are authorized and directed on behalf of VEC to sign, execute and deliver any and all instruments or documents of whatever kind or character which any one or more of them by so doing deems in his, her or their sole judgment to be necessary or advisable to act on, carry out or perform the said Agreements or cause it to be acted on, carried out or performed AND TO AGREE TO SUCH MODIFICATION OF THE HQUS PPA WHICH ANY ONE OR MORE OF THEM BY SO DOING DEEMS IN HIS, HER OR THEIR SOLE JUDGMENT TO BE NECESSARY OR ADVISABLE TO CARRY OUT THE INTENT OF THIS BOARD OF DIRECTORS; and

That all of the foregoing is contingent upon all approvals of state and federal boards, courts or tribunals or other bodies as are or may be required by law or the Bylaws.

The motioned carried unanimously.

Chairman Carswell presented a brief summary of the sleeve agreement with Washington Electric Cooperative.

Lague moved and Miller seconded:

To approve the Resolution set forth from the Power Supply Committee.

RESOLUTION

That VERMONT ELECTRIC COOPERATIVE Inc. (VEC) be and hereby is authorized to execute, deliver and perform the HQUS PPA sub-allocation agreement between Washington Electric Cooperative (WEC) and VEC; hereby referred to herein as the " Agreement" as presented on pages 104 – 106 of the BOD 6/29/2010 Meeting Packet, which has been exhibited to this meeting and which shall be appended to the minutes hereof substantially in form and substance as presented; and

That the CEO, CFO, COO, or any one or more of them be and hereby is and are authorized and directed on behalf of VEC to sign, execute and deliver, the said Agreements substantially in such form and substance as presented to this meeting and to do all things which any one or more of them by so doing deems in his, her or their sole judgment to be necessary or advisable to act on, carry out or perform the said Agreements or cause it to be acted on, carried out or performed; and

That the CEO, CFO, COO, or any one or more of them be and hereby is and are authorized and directed on behalf of VEC to sign, execute and deliver any and all instruments or documents of whatever kind or character which any one or more of them by so doing deems in his, her or their sole judgment to be necessary or advisable to act on, carry out or perform the said Agreements or cause it to be acted on, carried out or performed AND TO AGREE TO SUCH MODIFICATION OF THE AGREEMENT WHICH ANY ONE OR MORE OF THEM BY SO DOING DEEMS IN HIS, HER OR THEIR SOLE JUDGMENT TO BE NECESSARY OR ADVISABLE TO CARRY OUT THE INTENT OF THIS BOARD OF DIRECTORS; and

That all of the foregoing is contingent upon all approvals of state and federal boards, courts or tribunals or other bodies as are or may be required by law or the Bylaws.

The motioned carried unanimously.

AGENDA ORDER CHANGE

President Bailey requested that Agenda Item #5 Committee Reports be continued after Agenda Item #6 because guests from Green Mountain Power arrived.

GMP GOOD NEIGHBOR FUND – AGENDA ITEM # 6

CEO Mary Powell, CFO Bob Griffin, Customer Relations and External Affairs Manager Robert Dostis all with Green Mountain Power (GMP), joined the meeting at 2:20 p.m.

President Bailey introduced the staff from GMP and current Directors introduced themselves. He explained that GMP is present to answer questions regarding the Good Neighbor Fund and how it pertains to the Kingdom Community Wind project.

Powell reported to the Board the following status updates:

- GMP has filed for a 248 permit and a Public Service Board status hearing is forthcoming.
- The project is planned to be constructed and online by calendar year 2012.

Powell began the Good Neighbor Fund discussion by providing a general overview of the program. She explained that the Good Neighbor Fund was developed as a method to reduce barriers of bringing meaningful renewable generation to Vermont. The funding source of the Good Neighbor Fund is derived from the restructuring of project development costs. She further explained that by embedding the cost of the fund into the development costs, GMP is able to share the value of Kingdom Community Wind with neighboring communities. The fund is based on the amount of generation produced and may go as high as \$160k per year. The Good Neighbor Fund impacts five [5] towns: Albany, Irasburg, Craftsbury, Westfield, and Eden.

The Board engaged in a question and answer session around the specifics of the Good Neighbor Fund with GMP representatives.

A concern was expressed about VEC members' exposure to funding the Good Neighbor Fund Program through rates. Powell explained that the arrangement is

structured for VEC to pay GMP for the cost of the power and the development costs are embedded in those costs. Additional concerns were expressed that as a Cooperative and according to VEC bylaws, it's not permitted to subsidize the cost of the Good Neighbor Fund without a vote from the membership. Powell responded that the Good Neighbor Fund is a component of the development cost outlined in the Letter of Intent and if the Public Service Board approves the project, they are in essence approving this specific component of the project as well. Powell assured the Board that the Public Service Board will have knowledge of this component and understand the implications of the Good Neighbor Fund.

Directors continued to ask questions and a lengthy discussion ensued.

VEC Regulatory Attorney, Victoria Brown with Primmer Piper Eggleston and Cramer joined the meeting via teleconference call at 2:44 p.m.

Input was requested from Attorney Brown regarding VEC's exposure to funding the Good Neighbor Fund through rates. Attorney Brown agreed that, if the Public Service Board reviews and approves the Kingdom Community Wind project, there should be no further reason for concern. She further explained that if there is an appeal, there is a process by which the project can continue unless there is an act by the Supreme Court to stop it.

Directors continued to ask questions and discussion ensued.

Powell, Griffin, Dostis and Brown left the meeting at 2:59 p.m. and did not return.

Director Matten announced to the Board that she and her family sold land in Lowell, VT adjacent to the Kingdom Community Wind project site. She further explained the land was sold at the town's appraised value. She believed it to be

appropriate to inform the full Board in order to prevent a potential conflict of interest.

A brief discussion ensued regarding the Kingdom Community Wind project and specifically its aggressive timeline.

COMMITTEE REPORTS – AGENDA ITEM #5 CONTINUED

Governance Committee

Chairman DaVia presented to the Board a draft harassment policy. She reminded that Board that the Board approved payment for Attorney Cahill to assist with creating and writing the policy. She explained that Cahill's input was critical in developing the complaint process and disciplinary action elements of the policy.

DaVia motioned and Lague seconded:

To enter into Executive Session to discuss a Board personnel issue.

Motioned carried unanimously.

The Board entered into Executive Session at 3:11 p.m.

Gamache, Wright, and Bursell left the meeting at 3:11 p.m. and did not return. Niklaus left the meeting at 3:11 p.m. and returned at 4:09 p.m.

By majority vote of those Directors present the Executive Session ended at 4:09 p.m.

President Bailey tabled remaining committee reports and any unaddressed agenda items for the next regular monthly Board of Directors meeting.

ADJOURN – AGENDA ITEM #8

There being no further business before the meeting,

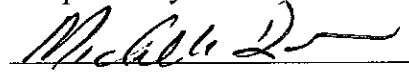
Parsons moved and Ward seconded:

That the meeting be adjourned.

No discussion was forthcoming and the motioned carried unanimously.

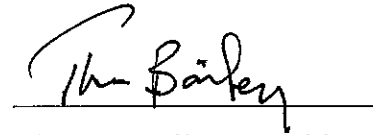
The meeting adjourned at 4:11 p.m.

Respectfully submitted:

A handwritten signature in cursive script, appearing to read "Michelle D.", written over a horizontal line.

Michelle DaVia, Secretary

and

A handwritten signature in cursive script, appearing to read "Thomas Bailey", written over a horizontal line.

Thomas Bailey, President