

VERMONT ELECTRIC COOPERATIVE, INC.

71st ANNUAL MEETING OF MEMBERS

MAY 30, 2009

APPROVED MINUTES

The meeting was called to order by VEC President Thomas Bailey at VEC Headquarters, 42 Wescom Road, Johnson, Vermont at 11:37 a.m. President Bailey reminded those present that if they had not yet voted they should do so because the ballot box would close at 12:00 noon. President Bailey also mentioned that the minutes of the 2008 Annual Meeting and the financial statements were available at the back of the room.

INTRODUCTION

President Bailey introduced himself to the members. Bailey also introduced David Hallquist, Chief Executive Officer, Bert Lague, Treasurer, Michelle DaVia, Secretary and Randy Pratt, Parliamentarian for the meeting.

INTRODUCTION OF GUESTS:

CEO Hallquist introduced the invited guests at Annual Meeting. Hallquist acknowledged the following guests: Avram Patt, Barry Bernstein, Roy Folsom and Roger Fox of Washington Electric Cooperative, Crystal Currier from Vermont Public Power Supply, Robert Northrop past president of VEC, and Vickie Brown, regulatory counsel.

INTRODUCTION OF DIRECTORS

President Bailey introduced the following Directors present at the Annual Meeting: John Miller, North Hero, District 1; Dan Carswell, Enosburg Falls, District 2; Dan Parsons, Richford, District 3; Priscilla Matten, Lowell, District 4;

Bert Lague, Derby Line, District 5; Dorothy Allard, Bakersfield, District 6; Mark Woodward, Johnson, District 7; Susan Deuso, Eden Mills, District 8, who was not in attendance and is retiring from the board; Michelle DaVia from Westford, District 9; Howard Leighton, Underhill Center, District 10; Richard Palmer, Hinesburg, District 11, who was not in attendance and is retiring from the Board; and John Ward, Newport, District 12.

CERTIFICATE OF QUORUM AND AFFIDAVIT OF MAILING

Secretary Michelle DaVia read the certificate of quorum stating that of the total membership 32,010 there was a quorum of 100 members present and the meeting legally could begin.

DaVia continued by reading the Mailing Affidavit certifying that a copy of the notice relative to the Annual Meeting of the members was mailed to each member of the Cooperative on May 6, 2009 in the manner prescribed by the Bylaws.

Robert Northrop moved and Jack Slagle seconded:

That the reading of the Notice of the 2009 Annual Meeting of Members be waived.

No discussion was forthcoming and the motion carried unanimously.

MINUTES OF THE 2008 ANNUAL MEETING OF MEMBERS ACCEPTED

Robert Northrop moved and Director Dan Carswell seconded:

That the reading of the minutes of the 2008 Annual Meeting of Members be waived and that the minutes be accepted as presented.

No discussion was forthcoming and the motion carried unanimously.

CERTIFICATE OF CANDIDATES READ AND CANDIDATES

INTRODUCED

President Bailey requested that Secretary DaVia read the Certificate of Candidates, and asked that each Candidate stand as they are introduced.

DaVia proceeded to introduce the Candidates as follows: District 4, candidates; Gary Benjamin of Newport Town, Priscilla Matten of Lowell, and Don Peterson of Lowell; District 8, candidates; Bruce Burnor of Eden, Craig Kneeland of Eden Mills and Steve Wolfgram of Irasbug; District 9 candidate running unopposed is Michelle DaVia of Westford, and District 11 candidate running unopposed is John Westie of Bolton.

PRESIDENT'S ADDRESS

President Bailey then addressed those members present at the meeting summarizing the Board's activities throughout 2009. Bailey gave an overview of the five standing committees of the Board, the work they do and the committee's role of bringing their work product to full Board in the form of recommendations for final Board evaluation and action. He told the membership that this past year's attendance at both Committee and regular monthly Board meetings was over 90 percent. President Bailey said that despite the turbulent economy over the last ten [10] months the Board is committed to keeping VEC financially strong while providing our members with a safe and reliable power supply at competitive prices.

TREASURER'S REPORT

President Bailey introduced Vermont Electric Cooperative, Inc. Treasurer Bertrand Lague to present the Treasurer's Report. Lague then presented the Treasurer's report and financial highlights.

Director Dan Carswell moved and Director Jack Miller seconded:

That the Treasurer's Report be accepted as presented.

No discussion was forthcoming, and the motion carried unanimously.

CHIEF EXECUTIVE OFFICER'S REPORT

CEO Hallquist told members that the management team would be presenting from each of their respective area regarding what their groups have been working on over the last year; what the plans are for the next year and where the cooperative is headed.

Hallquist emphasized the Seven Cooperative Principles saying they are what make VEC unique in the utility industry. He explained the importance of members having democratic control have in their Coop. This means one member, one vote and the membership having a say in where VEC goes with our energy future.

Hallquist touched on a list of things that VEC has been working on this year including: the 2009 rate case and projected increase in capital spending; the Outage Management System (OMS); the strategic plan; VEC's proposal to partner with GMP on a wind project in Lowell and the current contract to purchase output from the Sheffield wind project; the application for stimulus funding grants for smart grid and the sale of the former VEC headquarters on School Street. He also told members that the Board has actively been working on a new re-districting plan to be implemented in the year 2010.

BALLOT BOX CLOSED

President Bailey and Parliamentarian Randy Pratt announced at 12:00 p.m. that the ballot box was officially closed and that the results would be announced following the rest of the informational meeting. Pratt acknowledged that VEC received several comments about the mail-in voting process associated with annual meeting and members' dissatisfaction with the outdated process. He assured members that VEC would be reviewing the process and making some changes to next year's format. Hallquist concluded his presentation by encouraging members to follow him on Twitter.

SENIOR MANAGEMENT UPDATES

Liz Gamache, Manager of Corporate Services gave an overview of the role of Corporate Services at VEC. Gamache explained that Corporate Services is comprised of three [3] distinct areas: Member Services, Human Resources and Risk Management, and Communications. She told members that this is the part of VEC's business where the member and employees intersect; the area where human relationships are built and where we try to understand members' needs and provide the service that members expect.

Gamache then summarized what it takes to keep the power on. She told members that from the line workers and substation crews to accounting and billing, each employee has an active role in keeping the lights on for members.

Chief Financial Officer Michael Bursell told the membership that the financial services team consists not only of finance accounting and rates, but also of power supply and transmission, information technology, purchasing and inventory, and the vehicle fleet. Bursell stated that power supply is the largest driver of our rates, representing over 70 percent of VEC's costs. He explained that VEC is using a diversified strategy to mitigate large swings in costs, VEC is focused on

intermediate and long-term power contracts, and that VEC is looking at relatively flat projections for power supply cost over the next four years. On the other hand, CFO Bursell said that the transmission costs are forecasted to have additional significant increases and that most of the transmission increases are largely out of VEC's control.

Bursell mentioned a few of the technology projects VEC is working on such as smart meters and implementation of smart grid technology; the vehicle GPS system for the line trucks which will assist in estimating restoration times of outages, and the wattWATCHERS program that will allow members to track their consumption and participate in real time pricing when it becomes available. He concluded his presentation by providing information on VEC's financial outlook. Bursell told members that VEC's is interested in pursuing an alternative regulation plan which allows utilities to adjust rates up or down when the power supply and transmission markets fluctuate and VEC's intent to roll out a pilot project in 2010 for the use of real time pricing.

Manager of Government Relations Randy Pratt told the membership that VEC was very successful in the Legislature in writing and getting a bill passed to put communications equipment in our substations without requiring a 248 permit process each time. He indicated that VEC did all we could to influence the renewables bill and the economic stimulus bill that both will become law this summer.

Pratt told members that VEC can employ all of the smart grid technology available but if it doesn't alter members' behavior regarding electricity consumption then we're all in trouble. He updated members on the progress VEC has made with the deployment of smart meters. Pratt mentioned that it has been a cost effective project because of the operational savings VEC has experienced, not only through

meter reading efficiencies but also through outage management in being able to diagnose outages from the control center and increased restoration times.

Jeff Wright, Chief Operating Officer told the membership that in his view, “constancy of purpose” for VEC means balancing safety with rates and reliability. Wright said that in the last year VEC suffered three [3] employee injuries resulting in twelve [12] lost days. He gave an overview of some facts about VEC: there are approximately 37,000 meters over 2800 miles of line which equates to 14 members per mile. Wright told members that while there is a benefit to living in the country the downside is trying to provide safe, reliable service to members in such rural areas and the expense to serve fewer members per line mile is more than to serve customers in urban areas.

Wright summarized VEC’s statistics regarding outages explaining that compared to 2005 VEC has made significant progress in minimizing outages. He told members that the leading cause for outages is trees and equipment failure. Over 187 cutout (line fuses) failed last year so in January VEC began a proactive program to replace these fuses and so far over 1000 have been replaced said Wright. He then gave a brief update on the status of VEC’s vegetation management plan and encouraged members to stop by the system forester’s booth to learn more.

Wright concluded his presentation by giving an overview of some of the capital projects VEC has on the agenda such as the Enosburg Tap Breaker Yard, the Derby transmission line relocation and the Taft Corners substation upgrade. Wright concluded his presentation by encouraging members to take a tour of our control center and see first handed how our technology is working to improve the system and communication with our members.

QUESTION AND ANSWER SESSION

CEO Hallquist told the membership that this was the time for a question and answer session.

Q: If a member sees that a tree has taken a line down and we know where it is between the re-closer would VEC like to know specifically where it is before the crew goes out looking to save time?

A: Yes, absolutely. Call VEC and let one of the member service reps know exactly where you believe the problem is.

Q: Are you saying that you don't want us to call the 800 number now?

A: No. We're saying that yes you should definitely call in. We do have information in our outage management system but if you see something or hear something you think could be contributing to the outage definitely call. Otherwise the AMI system let's us know there is an outage.

Q: What if we are not hooked up to AMI?

A: You should definitely call then.

Q: For all of the members who couldn't make the meeting today could the power point presentation from today's meeting be featured on your website?

A: Yes, we will post it to the website thank you for asking.

Q: First I would like to commend the Board for coming up with eBill because I pay everything online so this is great for me. I am from Newport would like to know how I could get a smart meter now?

A: Newport area does have AMI installed already, over 80 percent of our member's homes and businesses are fitted with smart meters.

Q: Say I tried to go solar or in part to use a little bit less electricity will there be any cost savings from you folks?

A: Yes, in Vermont we have a net metering law so when you generate electricity from your solar or wind system and you generate more than you use in a month your meter spins backwards and you get credited on your account for what's generated.

Q: Where does the power go that is generated from the landfill methane gas?

A: Washington Electric Cooperative owns and manages the Coventry landfill so the power is going to them.

Q: Did I miss a distinction between the smart grid and the SCADA system that you've got for metering, and; if there is an outage in Newport you ought to be able to see it, correct?

A: Yes, that is correct.

Q: Recent experience: two weeks ago we had a power outage on the north side of Newport. I called it in. About two hours later I hadn't seen that anything had been done and I was traveling and encountered a VEC line crew so I asked if they located the outage yet and was told no. I don't understand what's being said here today about pinpointing the outage, and then the primary question is the difference between the smart metering and the grid?

A: When there's a fault on the line, the line fuse blows. The smart meters tell us what line fuse blew and then the trucks patrol the line from the blown fuse downstream. Failures such as this can be difficult to find. We know the origin of the outage but it sometimes takes time to pinpoint exactly where the problem is. As far as smart meter versus grid, the grid represents all of the wires in the country that feed the power and they are interconnected.

The Department of Energy recognizes that by 2013 every part of the country will be out of capacity as far as generation. This means there could be a higher risk of outages. Our grid is really designed around peak load. The grid is only used 55 percent of its capacity on an average because it is designed for a peak. If we can shift some of those around we can stabilize the whole grid.

Q: If I heard your statistic correctly we will be under resourced in 2013?

A: Different parts of the country are out of resources already.

Q: When will Vermont be out of adequate resources and is it before 2013?

A: ISO New England which is our grid runs into capacity constraints in 2013.

Q: All right. And if you take Yankee off line in 2012 won't that most certainly impact our under resourcing in fact drive it earlier than 2013?

A: Yes. Any generation that is removed will exacerbate the problem.

Q: I am a member who lives in an area that does not have high speed Internet. VEC is talking about communicating with the member through social media such as website, email and texting. The commercial build out of this broadband service has gone about as far as it's going to go, and in terms of customers per mile they are in an area that they are not going to go further than that. That's what the Co-ops were all about in the beginning with electricity, bringing that service to the member. Has VEC given any more thought to assisting in bringing high speed internet to members who don't have it?

A: VEC is not interested in getting the last mile service on broadband and it has not been a discussion internally with VEC. Our focus has been and is on getting our electric system reliable. The reason Adelphia and Fairpoint aren't going out into those rural areas is because once you get below 12 consumers per mile it is a losing proposition. In order for VEC to take on such a venture we would need from the entire membership an agreement that they would be willing to have their rates go up to fund broadband infrastructure into the rural area. There is no business case when you go below nine customers per mile which is a lot of Essex County.

Q: Is there a business case for serving electricity to Canaan and Norton?

A: No there is not, and that is a great point.

Q: Is member communication really that important for all the members so that your website can reach them? Through dial-up if I try to download outage information it will be over with before I get it.

A: I understand and we will take it under advisement. On a high level it's a hard battle to win. On a lower level we do continue to work with Comcast on their build outs. For example, in the Islands we working them on the build out there to invest almost \$1M in our system to allow space on the poles for them, so in that sense we do support broadband efforts. As far as communications we also aren't taking just the one track of communication efforts with our members by limiting it to technology, we are still relying on some of the old methods as well.

Q: What is real time pricing and how does it impact us as members?

A: There is an hourly spot market price that occurs. As a utility VEC buys the power for members at a fixed price so over a 24 hour period we pay an average price somewhere around .8 cents per kWh. In looking at the market prices in 2008 the top 10 percent of the hours was about 12.3 cents per kWh and the bottom 10 percent was 4.3 cents a kWh. Smart grid allows you to program specific

appliances so they only go on at a certain price point. For example, your clothes dryer could be programmed to dry the clothes at night when the price is .10 cents a kWh rather than .15 cents a kWh.

Q: In regards to your strategic planning most specifically around increased costs for transmission as well as new contracts post 2012, what are you doing in contingency planning to protect us from further rate increases?

A: Utilities are not in direct control of increases in transmission costs because the State of Vermont pays 4 ½ percent of the ISO New England transmission costs so all utilities pay a percentage of that. We can mitigate transmission costs by reducing our peak. If we can work with the members to reduce the peak by utilizing smart meters we can reduce transmission costs. In regards to power supply increases VEC is looking for every possible project that comes up in our territory especially from renewable resources.

Q: Will VEC ever get in the business of generating power or doing anything to encourage those of us in the membership to generate power either solar, biomass or otherwise?

A: VEC is looking into it but we are looking carefully because we prefer to work with other companies who will make the capital investments. From the standpoint of solar and wind, the H-446 bill that was passed this year answers that question. It is subject to analysis by the PSB but is a pretty good bill for stimulating members. VEC will also be offering a green pricing option so that if members want to pay more in their monthly electric bill for renewable generation they can do so.

Q: When Liz spoke she mentioned that the survey was out-sourced to some company?

A: Yes, we work with a market research company for the member survey

Q: I don't have telephone so nobody can survey me but I think every person's thoughts are important so maybe you could save money and be more effective and efficient by posting this survey on the website.

A: That's an interesting suggestion and we could certainly augment what we are currently doing.

Q: Your increased funding for tree trimming is obvious in the Morgan area, especially along Route 111. Whole trees have been cut and left laying on the side

of the road. Is it VEC's intent to leave that mess or what is your policy for clean up after those trees have been cut?

A: This is a sticky area because the tree belongs to the landowner so normally we work with the landowner. Trees have value especially when left as a log to be used for firewood so normally we leave it and only as a practice clean up the brush.

Q: A couple of years ago you presented at Annual Meeting a project called REDONA, is that still alive but somewhat diminished?

A: Not diminished at all, it is alive and well. The problem is that it is dealing with leading edge technology so it's taking time. We have a gasifier but it is just taking time to roll out this project and technology.

Q: I have two questions, one, you keep referring to the peak load on the grid. The hottest, hottest day of the summer when it's 95 degrees with 90 percent humidity and no air moving that's usually peak demand. The wind would absolutely do nothing for us. The second question I have is the rate increase that went into effect in January. How do you explain the fact that you put that into effect prior to the Public Service Board approval?

A: In regard to your question or statement on wind, indeed wind is at the present time not as valuable a resource from a cost standpoint as a base load generator because we don't necessarily know when the wind is going to blow. You need to have base load power. When I speak of the ISO grid running out of capacity that's what I'm talking about. But on the bright side VEC is currently working with a company called Dynapower out S. Burlington to develop a lead acid battery which is good for 30 years and has 92 percent round trip efficiency. There may be potential to store some of these renewable sources such as solar and wind which can make some of these projects more like base load power.

As far as the rate increase, VEC as a cooperative is allowed to put the rate increase into effect once it is filed however, it is then subject to refund in the event that the whole increase or any part of it is not approved.

Q: In the quarterly newsletters there was discussion about renewable energy and the article indicated that the Co-op might have some funding available for wind or solar. Has the Board done anything with regard to that?

A: Yes. That article was talking about a loan program that our investment bank could provide for renewables. VEC wasn't going to any grant funding but we were looking at providing loans and it hasn't been discussed any further.

There also is a State program called the Clean Energy Development Fund that does fund small and some larger renewable projects.

Q: This new bill that was passed in Montpelier, did that do anything to change that metering law?

A: Initially there was a part of that bill that would have changed net metering, but I believe that was removed. However they are still working out the details as to how somebody will actually apply to be a resource under the new bill and a lot of discussion around why would anyone want a net meter if they can just become one of the new resources and get .12cents instead of offsetting their own usage.

Q: Along that same line if we go to peak hour metering and you are small wind or solar under a net metering proposal, is it kilowatt hour for kilowatt hour or will it change? If I'm producing kilowatt hours during peak pricing, am I going to see a proportionate return?

A: Under the new bill there isn't that differentiation. If you are net metered and we offer some kind of a time differentiated rate, you would be offsetting peak power if you're generating during the peak, so that brings up an interesting point.

End of question and answer session.

VOTING RESULTS

President Bailey explained that the Ballot Tellers were selected from VEC districts which had no Director election at that time. Bailey introduced the head teller Carolyn Leighton, Underhill Center and asked that she introduce the rest of the tellers and present the voting results.

Head Teller Carolyn Leighton introduced the tellers: Elizabeth Brown, Richford; Eric Jessiman, Bakersfield; Marilyn Jessiman, Bakersfield; Andrea Laurenson, Jeffersonville, Ruth Miller, North Hero, and Joe Queenan, Derby Line.

Leighton then presented to members the voting results on additions to the Bylaws.

Bylaw 6A, "Shall Article 4, Section 1, 2 and 3 of the bylaws be amended as presented in the notice?"

There was a total of 1,774 yes votes; 276 no votes.

Bylaw 6B, (1) “Shall the Enosburg sub-station project be approved in the manner listed on the summary of projects?”

There was a total of 1,376 yes votes; 10 no votes.

(2) “Shall the Taft Corners sub-station project listed on the attached summary of projects be approved?”

There was a total of 1,260 yes votes; 8 no votes.

(3) “Shall the replacement of six-and-a-half miles of transmission line in Derby to West Charleston as described in the attached summary of projects be approved?”

There was a total of 1,329 yes votes; 8 no votes.

Leighton then presented to the members the election results for candidates running for the Board of Directors.

District 4 there were 230 valid ballots, Gary Benjamin received 23 votes; *Priscilla Matten received 112*; and Don Peterson received 95. Matten is Director for District 4.

District 8 there were 212 valid ballots, Bruce Burnor received 48 votes; Craig Kneeland received 70; and *Steve Wolfgram received 94*. Wolfgram is Director for District 8.

District 9 was uncontested. Michelle DaVia received 150 votes and is Director for District 9.

District 11 was uncontested. John Westie received 117 votes and is the Director for District 11.

President Bailey thanked Mrs. Leighton and all the tellers for their hard work.

OLD BUSINESS

President Bailey asked if there was old business to come before the meeting. There was no response.

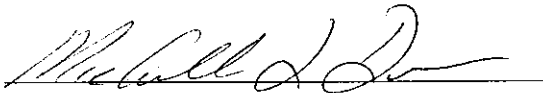
ADJOURNMENT

There being no further business before the meeting Director Jack Miller moved and Jack Slagle seconded:

That the 71st Annual Meeting of the Membership of Vermont Electric Cooperative, Inc. be adjourned.

No discussion was forthcoming and the meeting adjourned at 1:52 p.m.

Respectfully submitted by:



Michelle DaVia, Secretary and



Thomas Bailey, President