

VERMONT ELECTRIC COOPERATIVE, INC.
72nd ANNUAL MEETING OF MEMBERS
MAY 15, 2010
APPROVED MINUTES

The meeting was called to order by VEC President Thomas Bailey at The Abbey, 6212 VT Route 105, Enosburg Falls, Vermont at approximately 10:00 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 10:30 a.m. President Bailey also mentioned that the minutes of the 2009 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, and Bert Lague, Treasurer. Bailey stated that Michelle DaVia, Secretary, was unable to attend due to undergoing surgery earlier in the week and that Randy Pratt, Board Parliamentarian would take her place.

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; Craig Kneeland, Eden Mills, District 8; Michelle DaVia, Westford, District 9, (not in attendance); Howard Leighton, Underhill Center, District 10; John Westie, West Bolton, District 11; and John Ward, Newport, District 12.

INTRODUCTION OF GUESTS:

CEO Hallquist introduced the invited guests at Annual Meeting. Hallquist acknowledged the following guests: Barry Bernstein, Annie Reed, and Roger Fox of Washington Electric Cooperative, Senator Susan Bartlett, State Representative Michael Consejo, and Vickie Brown, regulatory counsel with Primmer Piper Eggleston and Cramer.

CERTIFICATE OF QUORUM AND AFFIDAVIT OF MAILING

Board Parliamentarian Randy Pratt read the certificate of quorum stating that of the total membership 32,123 there was a quorum of 100 members present and the meeting legally could begin.

Pratt 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 April 21, 2010 in the manner prescribed by the Bylaws.

Director Dorothy Allard moved and Director Bert Lague seconded:

That the reading of the Notice of the 2010 Annual Meeting of Members be waived.

No discussion was forthcoming and the motion carried unanimously.

MINUTES OF THE 2009 ANNUAL MEETING OF MEMBERS

Director Bert Lague moved and Director Dorothy Allard seconded:

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

No discussion was forthcoming and the motion carried unanimously.

CERTIFICATE OF CANDIDATES READ AND CANDIDATES

INTRODUCED

Pratt read the Certificate of Candidates, and asked that each Candidate stand as they are introduced.

Pratt proceeded to introduce the Candidates as follows:

District 1 Candidates:

- Charles Camber, Wheelock
- Ken Mason, Morgan
- Don Worth, Island Pond

District 2 Candidate (running unopposed):

- John Ward, Newport

District 3 Candidate (running unopposed):

- Priscilla Matten, Lowell

Eastern Zone Directors at large Candidates:

- Tom Bailey, Derby
- Brian Gray, Morgan
- Bertrand Lague, Derby Line

District 4 Candidate (running unopposed):

- Mark Woodward, Johnson

District 5 Candidates:

- Michelle DaVia, Westford
- Caleb Elder, Starksboro
- Schyuler Jackson, Hinesburg

District 6 Candidate (running unopposed):

- Dan Parsons, Richford

District 7 Candidates:

- George Rice, South Hero
- John Miller, North Hero

Western Zone Directors at large Candidates:

- Dorothy Allard, Bakersfield
- Dan Carswell, Franklin
- Craig Kneeland, Eden Mills
- Robert Pearl, Grand Isle
- Jack Slagle, Belvidere Center
- John Westie, West Bolton
- John Wursthorn, Underhill Center
- Joseph Farnham, South Hero

PRESIDENT'S ADDRESS

President Bailey then addressed members by summarizing the Board's activities during the past year. He stated that CEO Hallquist and CFO Bursell alerted the VEC Board in 2009 that energy sales and revenues were declining, and that this trend was likely to continue through the 2010. With minimal growth and commercial loads down nearly 12 percent, corrective action was necessary in order to ensure that VEC's financial health and stability were not jeopardized. VEC's CEO, direct reports, and VEC employees were solicited for suggestions to maintain VEC's financial stability without jeopardizing reliability and safety. He stated that everyone at the Coop, including the Board of Directors, made financial sacrifices which enabled VEC to meet its 2009 operating budget. President Bailey thanked CEO Hallquist and CFO Bursell for their early recognition of VEC's financial challenge and VEC employees for their sacrifices to maintain VEC's financial stability during a turbulent time.

President Bailey told the membership that with this year's election, the structure of VEC's board would change. He stated that the board is reducing its director positions from thirteen [13] directors to twelve [12] directors. The board is decreasing its districts from thirteen [13] districts to seven [7] with five [5] director at-large positions representing East and West zones. The new districts will be larger and the member count per district will be nearly even. President Bailey thanked the Redistricting Committee that helped the board decide upon the new structure.

President Bailey concluded by acknowledging Director Howard Leighton who is retiring from the VEC board. He thanked Leighton for his contributions.

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 John Ward 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 he would present a summary of VEC highlights achieved during the past year, plans for the next year, and an overview of where the cooperative is headed in the future.

Hallquist introduced members of VEC's Senior Leadership Team.

Finance

Hallquist reported that VEC experienced a reduction in sales last year of approximately \$3 million dollars. As a result of financial contingency planning, VEC was able to meet its 2009 budget plans. Hallquist further explained how VEC employees made contributions to financial savings.

Hallquist stated that because VEC was able to decrease costs, a potential rate increase of 3.3 percent dropped to 1.8 percent. He also reported that VEC's financial rating and outlook improved in 2009.

Operations

Hallquist told members that VEC is one of Vermont's most productive utilities as shown by data from the Department of Public Service.. System Average Interruption Frequency Index (SAIFI), which is a measure of outage frequency, shows that members are seeing their lights go out less than previous years. Additionally, members are seeing improvement in the duration of outages because VEC is restoring power more quickly. He attributed these improvements to the use of technology. He discussed VEC's outage management system and its connection to the smart grid.

Hallquist touched on a list of operational projects that VEC has been working on this year including: the replacement of Richford switches, the replacement of the Steel Tower Line, the new Eden switching station and new Taft Corners substation.

Member Services

Hallquist told members that VEC is continuing to use technology as much as possible in order to communicate outage information. He discussed the improvements to VEC's website including specifically the outage page. He discussed the wattWATCHERS program that helps members monitor and manage their energy consumption.

BALLOT BOX CLOSED

Parliamentarian Randy Pratt announced at 10:30 a.m. that the ballot box was officially closed and that the results would be announced following the rest of the informational meeting.

CHIEF EXECUTIVE OFFICER'S REPORT - CONTINUED

Hallquist discussed the funding grants for smart grid and provided an overview of how VEC has been using grant funds.

Hallquist discussed an upcoming project called the Northeast Kingdom Connector. Hallquist stated that VEC received a federal grant for this project from the Economic Development Administration which will be used to build a power line and provide a fiber optic backbone to Essex County.

Hallquist also touched on a list of projects that VEC will work on in the upcoming year including system upgrades from Lowell to Jay to improve transmission infrastructure, green pricing options for members, negotiations for a power purchase contract with Vermont Yankee, and finalization of a purchase power agreement with Hydro Quebec.

KEYNOTE SPEAKER – GREG PAHL

Hallquist introduced Keynote Speaker Greg Pahl.

Pahl provided an educational presentation on community supported energy.

At the conclusion of Pahl's presentation, members had an opportunity to ask questions.

QUESTION AND ANSWER SESSION

CEO Hallquist opened a question and answer session for members in attendance.

Q: Is VEC projecting a similar situation in 2010 as 2009 regarding finances?

A: No, so far we are seeing load trends bounce back to where they were before 2009. We expect to meet our budget this year without having to go through some of the difficulties we went through last year because we do see sales recovering.

Q: The Vermont Electric Coop members haven't been told how the potential purchase of power from Green Mountain Power's proposed wind project may affect rate payers. Lowell residents were told that they'll get the power at cost. How will that be different for non-Lowell residents? Are you agreeing to purchase a set amount of power from the proposed wind project in Lowell? Are you agreeing to enter into an agreement to purchase say a certain percentage of the power that is produced by the wind farm if it goes through?

A: The wind project in Lowell is meant to help stabilize rates for all VEC members over time. VEC is not creating special rates for Lowell members. The wind power will go into VEC's power supply mix. It represents about four percent of VEC's power supply needs. If you look at the life-time costs of that project, it's significantly below market. VEC does not have to invest rate payer capital into this project which allows VEC borrowing capacity for purchasing power. We expect to be significantly below market over the life of the project. At this point in time, the VEC board of directors has given management the authority to negotiate a purchase power agreement.

Q: How smart is your smart meter? I have experienced a slight upswing in my bill since I received a new smart meter. How much technology or how much experimenting have you done compared to the former meter?

A: Mechanical meters over time slow down. VEC did extensive analysis and sampling on the meters before we used them and what we found was that when we swapped out meters a number of meters were running slow or even had stopped working. Overall, we saw that we were losing about 1 ½ percent in revenues

because of slowed or stopped meters. The new technology used by smart meters captures exact kilowatt hours used.

Q: Could the old meters be purchased?

A: VEC is selling its old meters to a company that is recycling them.

Q: How could you have allowed or not detected meters that stopped working?

A: It's a prevalent problem throughout the nation with mechanical meters. You have to go out and check the meters. However, it could have stopped midway through the billing period and never would have been detected. The meters are checked every 30 days by a meter reader.

Q: The meters were stopping intermittently? Not permanently?

A: Yes.

Q: Do smart meters offer the capacity to follow usage at home?

A: Yes, smart meters allow you to monitor your energy usage by using the wattWATCHERS tool located on the VEC website. Demonstrations of the tool are available here today.

Q: Is it true that you would only be able to read the usage information if you have good internet access?

A: A member would need access to the internet in order to access the VEC website but a member could also use a cell phone if it had access to the internet.

Q: Does the Cooperative care about the parts of the territory that don't have good internet access? Many of the new tools that the Co-op is rolling out are internet based, doesn't this create a sort of first-class set of members who have internet access and second class set that doesn't?

A: Yes, we care. As a Cooperative, if management believed that the majority of members would want to fund the build of a telecom business essentially at a loss, we would do it. However, we don't believe that is the will of the majority of members.

Q: Do all the portions of our territory pay for themselves in terms of revenue per mile of line?

A: No, but remember we are a cooperative.

Q: I heard that is a negative side to broadband over the power lines?

A: We've research broadband over power line extensively. Broadband over power line costs about \$15,000 per mile to put the infrastructure in place. It is capable of only about four to five megabits per second and creates what they call "radiated frequencies" because it uses a spread spectrum to transmit the information which causes hand radio issues.

Q: Can VEC use the money received through grant funding to upgrade the transmission line from Lowell to Jay?

A: No. I can't be used for that.

Q: Is VEC included in the recently publicized Hydro Quebec Agreement?

A: VEC is part of the Hydro Quebec settlement. The current HQ contract provides 305 megawatts of power to the State of Vermont. The new contract will provide between 215 and 225 and VEC will receive 25 megawatts.

Q: Is VEC involved with the project in Beecher Falls for building an energy park?

A: Yes, VEC is actively involved with that project. We are working with the Northern Community Investment Corporation which is a part of the Economic Development Administration (EDA) grant. The grant will support building an electric infrastructure. It won't be a huge facility but more of a distributed generation facility.

Q: What type of size are they looking at for this park?

A: The park should not be more than 25 megawatts of generation.

Q: What is VEC's plan to evaluate the possible adverse affects to Co-op members from the Lowell wind project?

A: The Coop itself will not address adverse impact because the State of Vermont has what is called an Act 248 permitting process that evaluates these concerns. The process requires all utilities seeking a Certificate of Public Good to undergo this process which extensively evaluates environmental and human impacts.

Q: Are you saying that the Co-op would not help any property owner that is adversely affected by that project?

A: VEC would have to evaluate every property owner. In general, we would have to look at each specific situation along with GMP to evaluate what the adverse impact would be.

Q: For those VEC members that will be impacted and have real concerns about the Lowell project, I am looking for a sense of a commitment from the Coop that you will protect those members and look out for them. .

A: The 248 process will address specific member concerns. There are stipulations in the 248 process that address any adverse impacts and VEC is committed to following the process set forth by the State of Vermont.

Q: Why is VEC entering into a long-term power contract to purchase more power when the demand is down and the supply is high?

A: Yes, we do believe that within the next five years that energy is available and our power portfolio is stable. It was predicted by the North American Electric Reliability Council that all regions of the country would be out of capacity by 2013. When you look at building generation, it takes about 10 years to permit, construct, and develop the project. If you look at the Sheffield project or other projects nationwide, they take a long time. In order to manage a utility effectively, it is recommended to evaluate load and consumption over a 20 year plan.

End of question and answer session.

VOTING RESULTS

CEO Hallquist reintroduced Randy Pratt to present the voting results.

Pratt stated that out of approximately 32,000 eligible voters, VEC received 3,980 votes. He then presented to the members the election results for candidates running for the Board of Directors.

District 1 – Don Worth 270 votes; Ken Mason received 203; Charles Camber received 112. Worth is Director for District 1.

District 2 was uncontested. John Ward received 595 votes.

District 3 was uncontested. Priscilla Matten received 503 votes.

District 4 was uncontested. Mark Woodward received 358 votes.

District 5 – Michelle DaVia received 260 votes; Schuyler Jackson received 172 votes; and Caleb Elder received 122 votes. DaVia is Director for District 5.

District 6 was uncontested. Dan Parsons received 435 votes.

District 7- John Miller received 312 votes; George Rice received 294 votes. Miller is Director for District 7.

Eastern Zone – Tom Bailey received 923 votes; Bert Lague received 778 votes; Brian Gray received 540 votes. Bailey and Lague will be Directors at large for Eastern Zone.

Western Zone – Dorothy Allard received 630 votes; Craig Kneeland received 503 votes; Dan Carswell received 434 votes; John Wursthorn received 350 votes; Joseph Farnhm received 334 votes; John Westie received 315 votes; Robert Pearl received 273 votes; Jack Slagle received 235 votes. Allard, Kneeland, and Carswell will be Directors at large for Western Zone.

Pratt then presented to members the voting results on additions to the Bylaws and Projects.

“Shall Article 3, Section 6, in Article IV, Sections 2A, 2D and 3C of the bylaws be amended as presented in the notice?”

There was a total of 3,025 yes votes; 377 no votes.

“Shall the replacement of 6.5 miles of transmission lines in Derby to West Charleston as described on the attached summary of projects be approved?”

There was a total of 3,327yes votes; 461 no votes.

“Shall the rebuild of the Jay Tap Transmission Facility as described on the attached summary of projects be approved?”

There was a total of 3,159 yes votes; 631 no votes.

ADJOURNMENT

The meeting adjourned at approximately 11:55 a.m.

Respectfully submitted by:



Michelle DaVia, Secretary and



Thomas Bailey, President