

VERMONT ELECTRIC COOPERATIVE, INC.
78TH ANNUAL MEETING OF MEMBERS
MAY 21, 2016

The meeting was called to order by VEC President Thomas Bailey at the Smuggler's Notch Resort, 4323 Vermont Route 108 South, Smuggler's Notch, Vermont at 10:00 a.m. President Bailey reminded those present that the ballot box would be closing at 10:30 a.m. President Bailey also noted that copies of the 2015 Annual Meeting minutes and 2015 Financial Statements were available for those members wishing to take a copy home.

INTRODUCTIONS

President Bailey introduced himself and also introduced Christine Hallquist, Chief Executive Officer. He then introduced the following members of the VEC Board of Directors:

Don Worth, Island Pond, District #1; John Ward, Treasurer, Newport, East Zone I; Carol Maroni, Second Vice President, Craftsbury, District #3; Mark Woodward, Secretary, Johnson, District #4; Michelle DaVia, Westwood, District #5; Molly Lambert, Swanton, District #6; Jack Miller, South Hero, District #7; George Lague, Derby, East Zone I; Dan Carswell, First Vice President, Franklin, West Zone I; Ken Hoepfner, Jeffersonville, West Zone II; and Rich Westman, Cambridge, West Zone III.

CEO Hallquist recognized Justin Johnson, Secretary of Administration, State of Vermont; Tom Dunn, President of VELCO; Liz Gamache, Director of Efficiency Vermont; Barry Bernstein, President of Washington Electric Cooperative; Patty Richards, General Manager of Washington Electric Cooperative; Roger Fox, President of the Board of Washington Electric Cooperative

She also recognized IT Specialist Fred Wiseman for coordinating the technology at the meeting and two employees who organized the annual meeting: Lisa Morris and Nina Russo-Sanchez.

Hallquist noted that an engaged safety culture is critically important in this business and that every meeting at VEC is started with a safety moment. Hallquist then introduced Safety and Security Manager John Varney.

Varney presented several slides showing photos of do's and don'ts in various scenarios.

PRESIDENT'S ADDRESS

Bailey reported that VEC's megawatt-hour sales were slightly down this year about two-tenths of a percent. He noted that even though VEC added 138 members, sales were down due to more efficient appliances, conservation measures, customer self-generation and weather.

Bailey reported that for the third year in a row, VEC paid a patronage capital distribution to its members. He noted that while this program cannot be guaranteed every year, the Board of Directors and the management team strive to return patronage capital to members without jeopardizing VEC's overall financial strength or operating conditions.

Bailey further discussed the need to make sure that all members contribute their fair share to the costs of maintaining the electric grid, noting that net metering customers are currently able to reduce their bills to zero. VEC is participating in the ongoing discussion at the state level about how to create a new net metering system that is fairer to all members.

CERTIFICATE OF QUORUM AND AFFIDAVIT OF MAILING

Secretary Mark Woodward read the Certificate of Quorum stating that of the total membership of 32,138, there was a quorum of at least 100 members, meeting the legal requirement in VEC's bylaws.

Woodward read the Mailing Affidavit certifying that a copy of the notice of Annual Meeting of the members was mailed to each member of the Cooperative on April 26, 2016, in the manner prescribed by the bylaws.

Woodward noted that it is customary to waive the reading of the Notice of Annual Meeting and requested a motion to that effect.

Richard Gaudette moved and Tony Guerrieri seconded:

That the reading of the Notice of the 2016 Annual Meeting of Members be waived.

No discussion was forthcoming and the motion carried.

MINUTES OF THE 2015 ANNUAL MEETING OF MEMBERS

Woodward noted that it is also customary to waive the reading of the unapproved minutes of the previous year's annual meeting and requested a motion to that effect.

John Hall moved and Nancy McCray seconded:

That the reading of the minutes of the May 9, 2015 Annual Meeting of Members be waived.

No discussion was forthcoming and the motion carried.

CERTIFICATE OF CANDIDATES

Woodward read the Certificate of Candidates and asked that those candidates present please stand.

District #7 Director Candidates: Rich Goggin, South Hero; Jo Guerrieri, Grand Isle; Paul Jarvis, North Hero; John (Jack) Miller, North Hero

East Zone I Director Candidate: George Lague, Derby

West Zone II Director Candidates: Dan Gaffney, Bakersfield; Ken Hoepfner, Jeffersonville; David C. Southwick, St. Albans; John E. Terrel, Waterville

TREASURER'S REPORT

Treasurer John Ward presented the Treasurer's report and financial highlights for the prior year.

Ward reported that Vermont Electric Cooperative continues to have very strong financial results. He reported that VEC's financial rating in Standard & Poor's was increased from an A rating to an A plus rating with a stable outlook during February of this year. This is VEC's highest financial rating ever. He noted that stronger financial ratings are beneficial for VEC when negotiating power supply contracts and in borrowing funds at lower interest rates.

He reported that VEC's independent auditors, Kittell, Branagan & Sargent, completed their independent audit of VEC for 2015 and issued an unqualified accounting opinion, which assures you that all of the financial results presented at our annual financial summary conformed to industry-wide, generally-accepted accounting principles.

Ward reported that for the 2015 calendar year, VEC had revenues of \$77 million which was a decrease of .8 percent from the prior year. He reported that net income after expenses \$3.7 million, was the same as the prior year.

Ward reported that between 2013 and 2015, VEC has returned \$1.85 million of patronage capital to our members in the form of bill credits and checks to former members.

Bruce Bodemer moved and Jim Starr seconded:

That the Treasurer's Report be accepted as presented earlier in the meeting.

No discussion was forthcoming and the motion carried.

BALLOT BOX CLOSED

At 10:30 a.m., President Bailey announced that the ballot box was officially closed and that votes that were cast today would be counted.

CHIEF EXECUTIVE OFFICER'S REPORT

Hallquist introduced VEC's Chief Operations Officer Jeff Wright who will deliver the keynote address.

Hallquist then introduced the other members of VEC's senior leadership team: Manager of Government Affairs and Member Relations Andrea Cohen, Chief Financial Officer Mike Bursell, General Counsel Vickie Brown, and again Security and Safety Manager John Varney.

Hallquist shared the strategic planning process that VEC uses to set its course each year. It starts with the Board of Directors, which sets the company's vision and mission. VEC has identified six key focus areas for 2016: Safety and Security, Financial Balance, Keeping the Lights on, Member Focus, Innovation, and Connecting Employees.

Hallquist then explained some of the actions planned in each of these areas.

Chief Financial Officer Jeff Wright gave a presentation entitled "Keeping the Lights On: Delivering Value to Our Members." He detailed the progress that VEC has made since 2008, when VEC developed a 10-year capital improvement plan. Now in year eight of the plan, VEC has begun to see real results in the form of reduced outage rates and increased member satisfaction.

Hallquist and Wright answered a number of questions from the members who were present.

VOTING RESULTS

President Bailey introduced ballot tellers Susan Bahr and Maren Varney. Barr then presented the election results for open seats on the Board of Directors, as follows:

District 7:

- Richard Goggin received 241 votes
- Joe Guerrieri received 123 votes
- Paul Jarvis received 97 votes
- John Jack Miller received 168 votes

Richard Goggin is the Director for District 7.

East Zone #1:

- George Lague received 1078 votes

George Lague is the Director for West Zone 1.

West Zone 2:

- Dan Gaffney received 468 votes
- Ken Hoepner received 550 votes
- Joe Russo received 199 votes
- John E. Terrel received 153 votes

Ken Hoepner is the Director for West Zone 2.

Bahr noted that out of approximately 31,138 eligible voters, 2,994 valid ballots were cast.

ADJOURNMENT

There being no further business before the meeting:

The meeting was adjourned by vote of the membership.

The meeting adjourned at 12:00p.m.

Respectfully submitted by:

Mark Woodward, Secretary

and

Thomas Bailey, President