Little Charlie’s Sugarbush Gets a Big Helping Hand
Jay-Based Business Benefits from VEC’s Clean Air Program

By Christine Hallquist, CEO

CEO Update: Cooperatives Help Communities Grow Stronger Together

Electric co-ops were started in the late 1930s by rural communities that wanted access to electricity for the first time. These areas weren’t profit-able for investor-owned utilities to serve, and so the federal government passed the Rural Electrification Act to help get cooperatives started. Farmers in Eden Mills, VT took advantage of that opportuni-ty to create Vermont Electric Cooperative (VEC) in 1938.

Today, with the tremendous change that is occurring in the electric grid, along with the introduction of electric technologies that are available to members, the role of VEC is as important as it was in the beginning. Not only is VEC locally owned and controlled—by you, our members—it is locally run to serve your needs.

While most electric consumers nationally pay power bills to investor-owned utilities that answer to far-away stockholders, local members call the shots at electric co-ops like ours. Co-ops keep your bill as low as possible while providing high-quality service. Co-ops invest money in excess of operating costs back into the business or return the excess to members in the form of patronage capital.

Our governance model is also differ-ent from investor-owned utilities, whose board of directors has a fiduciary responsibility to maximize profit. Your co-op’s directors are fellow members and have only one goal in mind: keeping the lights on safely and reliably and keeping ser-vice affordable to our local community. That’s why you elected them. And if you don’t like the direction your co-op is tak-ing, you have the power to change the leadership through democratic means.

You may know the history of the elec-tric cooperative movement, how seven decades ago rural residents banded together to bring the conveniences of electricity to their communities in places where for-profit utilities would not extend service. The associations they formed, founded on the same demo-cratic principles as our government, are as strong and relevant today as they were back then.

But co-ops are not just products of a proud past. These days, Vermonters from all walks of life have come to rec-ognize that the co-op approach—members working together to achieve price and service benefits—can work for other needs just as effectively as it delivered affordable power to rural Americans starting in the 1930s.

The seven principles upon which electric co-ops were founded—volun-tary and open membership, democratic member control, and members’ eco-nomic participation, among others—are as meaningful today as they were when electric co-ops began.

Leadership at VEC shares the same concerns as you, our members. We are accessible. You can give us a call or send us an e-mail and know someone here is listening. At our Annual Meeting on May 6, 2017 at Jay Peak Resort, we invite you to visit with us and share insights on how you want your cooperative operated.

In these days of economic uncer-tainty, folks who receive electricity from co-ops have an advantage. As locally-owned and operated businesses, elec-tric co-ops understand the people they serve.

Continued on page 4

David Schurman at his sugarhouse in Jay. In 2016, his business, Little Char-lie’s Sugarbush, after his twenty-year-old daughter – he knows you made a con-tribution to create Vermont Electric Coop-erative (VEC) in 1938.

David Schurman is a genial host. If you visit his sugarhouse – called Little Charlie’s Sugarbush, after his twenty-year-old daughter – he knows you made a con-siderable effort to get there because it’s located half a mile into the woods from the end of Westover Road in the town of Jay. He’s apt to open a small valve on the side of his gleaming stainless steel evap-orator, fill a small paper cup with warm, delicious maple syrup, and hand it to you with a smile.

He works hard to produce that sweet nectar. When he began his operation 11 years ago, he purchased 100 acres, pri-marily of woodland, and began setting up his taps. Soon he bought an additional 100 acres, and now, including both leased and purchased land, he’s tapping 420 acres. It’s a year-round labor, main-taining the lines and taps, improving the sugarbush, tending to all the equipment in his sugarhouse and storage sheds, and keeping supplied with firewood – the three-foot-long lags that he chucks into the boiler every 20 minutes or so during production season.

With all these responsibilities, he didn’t need the additional work of tend-ing to the generators he relied on for electricity, especially as his operation grew larger and more sophisticated each year – incorporating vacuum pumps for the collection lines and a reverse osmo-sis (RO) system to improve production. And it did take work to keep those gen-erators going.

“I started with a 10-kilowatt genera-tor, then added a 100-kW generator a little while later,” says David. “They took a lot of maintenance, and the system was unreliable. A lot of times I had to start the small generator to warm up the big gen-erator so it would start.

“I added with generators; it takes a long time to power up. The lights would be dim. Sometimes the capacitors on the generators would burn out. It wasn’t clean power. But at least it was power.”

Then there was the matter of the fuel they consumed – diesel for the 10-kW, propane for the larger one. He bought a couple of 1,000-gallon tanks, but they burned right through it. A couple years ago, David says, he spent $16,000 for propane during the sugaring season. As problematic as the cost was, worse was the worry he experienced about running out.

“I had to get more and more frequent deliveries, and in bad weather some-times I had to talk people (the fuel suppli-ers) into coming in.”

There’s a rough driveway leading from Westover Road’s dead-end to the small compound of buildings where Da-vid boil’s sap. It first leads up a long and fairly steep hill, curves to the right and downhill, and then bends again sharply left. Although Vermont fuel dealers are experienced at making deliveries to off-road locations, deliveries could be iffy, and any interruption in syrup production could undermine their success.

David knew the best solution was getting electric service from Vermont Electric Cooperative. But there was that half-mile of wooded, mountainous ter-rain between his sugarhouse and the Co-op’s nearest circuit.

In 2014, David decided to bite the bullet. He paid VEC the upfront costs for
Candidates for VEC Board of Directors

District 2 — TERM EXPIRES 2021
Coventry, Derby, Newport City

John O. Ward Jr
I have been a director for Vermont Electric Cooperative (VEC) since 2004 when VEC acquired Citizens Utilities and would like to continue to serve representing the town of Coventry, Town of Derby and the city of Newport. I believe I have the life experience, skills and knowledge that can help VEC continue to provide quality, safe, reliable power at a cost its ratepayers are able to afford. I currently serve as VEC’s treasurer and am on the finance committee and I retired from active employment during July of 2015. For the prior 15 years I was employed as the City Manager for the City of Newport. As part of my duties I had management responsibility for the sewer and water utilities. Prior to my City employment, for 19 years I was an owner/partner in a local mechanical engineering firm, Phoenix Engineering. I am a lifelong resident of the City of Newport. My wife, Diane, and I have two married children and the proud grandparents of four grandchildren under the age of twelve who are lucky enough to live in Vermont.
I would appreciate your vote when you receive your ballot.

Paul Lambert
Dear Vermont Electric Cooperative Members and Board of Directors:
It is with great enthusiasm that I submit my name as a candidate for the District 6 seat on Vermont Electric Cooperative’s (VEC) Board of Directors. In brief, here is an outline of my experience and why I believe I am well suited for this position.

Energy Experience:
• 15 years working in Vermont’s energy industry (VEC/Efficiency Vermont)
• First-hand experience with Vermont’s largest energy users, including VEC members
• Understanding of business objectives and how energy costs/reliability impact decisions
• Understanding of regulatory process and requirements

People & Community:
• I am a VEC member in both Town of Georgia and Glover
• I know many of Vermont’s state, regional and local individuals & entities involved in energy
• I have a relationship & rapport with many VEC businesses, municipalities and residents

Interest & Desire:
• Energy touches all facets of our economy, community, environment and way of life
• The energy industry and the role of utilities is rapidly changing – this offers VEC an exciting challenge in balancing both short and long-term goals
• I care deeply about the communities of Northern Vermont as my wife and I raise our four children here

Thank you!
Paul Lambert
plambert@vec.org
C 802-310-2740
www.linkedin.com/in/PaulLambertVT

District 6 — TERM EXPIRES 2019
Berkshire, Enosburg, Franklin, Georgia, Highgate, Montgomery, Richmond, Sheldon, St. Albans Town, Swanton

Scott Cooper
My family has been a Vermont Electric Cooperative customer for 29 years, and we own a small dairy farm in Albany. I am a lawyer and have worked with electric, gas and water utilities for most of my professional career. I have a deep knowledge of the electric industry and will represent the interests of VEC members and make a positive contribution to the management of VEC.
I have a Masters degree in Public Administration from Harvard University, a law degree (J.D.) from the University of New Hampshire School of Law and a B.A. from Wesleyan University.
I believe VEC should provide reliable service for its members and keep its electric rates as low and stable as possible, since electricity costs are a large expense for residents and businesses in the VEC service territory. VEC should promote cost-effective energy efficiency to help members control and reduce their energy costs. While renewable energy has a place in VEC’s portfolio of power sources, commercial-scale wind and solar projects in the VEC territory should not be considered unless they have the support of the local and neighboring towns.
Please contact me, if you have any questions or comments, at ridewesns.msn.com or 802-754-2245.

Robert Dewees
I am seeking to represent the households and businesses contained within the East Zone as its director to the Board of Vermont Electric Cooperative, Inc. I have spent much of my life in Vermont. My background concentrated in successful business, financial, personnel and strategic management primarily in the banking and accounting industry. I currently serve as the president, chief executive officer and director at North Country Bank. I have a committed interest in Vermont’s sustainable and renewable energy use and environmental impacts and believe that I can provide value to the Board and our members. I believe that I am open and fair-minded and will be available to the fellow Board members, Management and members as needed.
I look forward to the potential opportunity to serve, earn and contribute to the Vermont Electric Cooperative. I live in Lamoine and may be reached at my personal email sandcooper@yahoo.com or on my home phone at 802-277-4131 if anyone would like to contact me regarding my candidacy.

Tom Bailey
At this time I wish to ask for your vote to continue as a director at the Vermont Electric Cooperative. I believe that my past 12 years as your VEC director and my 30 year prior career experience in the electric utility industry qualifies me as a good candidate to continue as your VEC director. My main area of expertise includes controlling electric utility operating and construction costs as well as purchasing wholesale electric power in the New England and Quebec markets. Over the past years I have worked closely with your other VEC directors and management to improve these functions at VEC. A snapshot of my relevant past experience would include a Bache-
lor of Science degree from Clarkson University in Engineering and Management, and an MBA from Eastern New Mexico University. I am a veteran of the US Air Force and Air National Guard. I am now retired from a 30 year career in electric utility management. My further experience includes 10 years on the North Country School Board and 12 years of Town service on the Derby Selectboard.
Please contact me if you have further questions at 802-766-2647.

Eric LaPine
I am interested in becoming a member of the board of directors at this time to focus on the integration of renewable energy into the portfolio of the co-op. In addition to the current and future costs of renewable energy, I am also concerned with the integrity and reliability of the power grid. I am a mechanical engineer currently working at Husky in Milton. Over the past 10 years, I have worked with General Electric involved in the design of steam and gas turbines, at the Navy nuclear power school as an instructor, and internships at nuclear and coal power plants.

Continued on page 3
The 2013 & 2014 winter storms

Although now a distant memory to some, VEC faced the two most expensive storms in our history in 2013 and 2014. The 2013 December ice storm cost VEC nearly $6.4 million in total restoration costs. Just as we were working through a financial recovery from that storm, cost of living adjustments and another winter storm in December 2014 added $3 million in additional restoration costs. The costs from these two storms totaled over $9.4 million, more than twice our entire 2016 earnings, and could have adversely impacted VEC and our members for many years.

The two major winter storms could have crippled VEC because our rates did not include restoration costs anywhere near this level. However, rather than put the storm costs on the backs of our members, we accepted the challenge to mitigate the financial impact of the two storms before pursuing rate recovery. VEC sought and received assistance from the Federal Emergency Management Agency (FEMA) and a storm deferral from the Vermont Public Service Board (PSB) to allow VEC time to mitigate the trauma impact to members for both storms. As a nonprofit electric cooperative, VEC has access to federal assistance for major disasters. Working through Vermont Emergency Management Agency, we alerted FEMA to the extensive damages during the two storms. Both storms resulted in disaster declarations, qualifying VEC’s eligible storm costs for a 75-percent FEMA reimbursement.

The FEMA declaration was critical, but it did not address the full impact of the storm costs on VEC’s financial profile. Because those costs were so extensive, the 75-percent federal reimbursement on eligible costs still left nearly $2.9 million in unrecoupable costs.

Since January 2014, VEC has been working to mitigate the remaining storm costs. We utilized our joint pole ownership agreements with telecommunication companies to receive a portion of the storm recovery costs. During the years since the two storms, any major storm savings from amounts included in rates were applied to the storm deferral balance. Finally, in the interim periods since the storm we have applied any other savings to the storm deferral.

I am proud to report to our members that at the conclusion of our 2016 financial statement we have mitigated all of the deferred 2013 & 2014 major storm costs.

Patronage capital, a co-op advantage

For the fourth straight year VEC returned patronage capital to members. One of the great things about the cooperative model is that our customers are also our owners. Patronage capital is a member’s share of the money remaining after VEC pays its operating expenses. It is allocated to members based on how much they were billed for electric service that year compared to all members. When the financial condition of the cooperative is strong enough, the Board of Directors may decide to return a portion of patronage capital to the membership.

VEC bylaws, along with Internal Revenue Service regulations, govern how patronage capital may be distributed. The Co-op’s bylaws require that VEC’s balance sheet must show a minimum equity level of 40 percent before patronage capital can be returned. Because VEC exceeded this important milestone, the Board of Directors developed a plan to return a portion of this equity to members, while still maintaining the minimum 40 percent equity balance. Between 2013 and 2016, VEC has returned $2.4 million in patronage capital to members.

It’s important for members to understand that to protect the Co-op’s financial stability patronage capital will be returned over time. Patronage capital cannot be applied to electric bills or cashed in until the Board of Directors determines that VEC’s financial condition is strong enough and specifies which years will be returned. When this happens, VEC members in good standing who were members during the selected years will receive a portion of their patronage capital balance, as a bill credit for active members and by check for inactive members.

Every year, VEC updates members’ bills with their new patronage capital balances. Very soon we will be reporting an update to members’ patronage capital balances to reflect the financial results from 2016.

Using member money responsibly

Across the company, VEC employees work hard to provide good value to members. We are proud of the work we’ve done to improve reliability while keeping rates stable in the face of unprecedented storm costs and significant cost pressures. If you are interested in additional financial information, VEC’s financial reports can be found on our website at www.vermontelectriccoop.com/reports/reports-financial-reports.
Vermont Electric Cooperative

Program Agenda:
8:00 a.m. – 10:00 a.m. Complimentary member breakfast and exhibitor showcase
10:00 a.m. – 12:00 p.m. Business Meeting of the Membership, presentation Challenges and Opportunities of the Changing Technology Landscape, and questions & answers
12:00 p.m. – 1:00 p.m. Voting results, door prize raffle, and exhibitor showcase

Join us to:
- Learn about current energy issues, VEC's accomplishments during the past year, and upcoming projects
- Connect with your elected representatives on the Board of Directors
- Top into energy information by visiting the exhibitor showcase
- Enjoy a complimentary breakfast buffet

CEO Update from pg. 1

Serve. Directors and employees at your co-op have the same pride of place as you do because it is our community too. We act like neighbors because we are neighbors.

Some members ask, “if the cooperative model is so great, why can’t rates be lower?” The answer gets to the basic role of the electric cooperative—to serve the rural communities. Electric cooperatives serve only 12 percent of Americas, but the line crew serves over 75 percent of the country. In the early 1930s, only 25 percent of the country’s land mass was served by profit electric utilities. There simply were not enough people in rural America to justify the investments to provide electricity. The United States government made the decision to invest in electric cooperatives to serve less populated areas, which led to one of the country’s greatest accomplishments — access to electric service for all.

However, because we have significantly fewer members per mile, the costs are lower. And because fewer people are served, the unit cost of providing service is higher. According to the National Rural Electric Cooperative Association, on average, electric cooperatives collect $155 per mile versus $75/k per mile for for-profit utilities.

Despite this challenge, VEC works to find efficiencies throughout the company, from power supply to capital investments, to keep rates stable for members. VEC is recognized as a leader in the use of technology to provide excellent service to members. The cooperative model is key to VEC’s success, and cooperatives exist to serve communities, not to compete among cooperatives.”

VEC benefits from the knowledge of working with over 900 electric cooperatives serving 42 million members across the country from best while keeping costs down.
the power line and supporting equipment it would need, negotiated with a contractor, and started dig-
ging a trench for underground service. Very quickly they ran into ledge, the rock that had pushed this ridge into the sky eons ago. Testing revealed they would encounter ledge most of the way, and though you can embed power line into ledge, doing so for half a mile isn’t advisable, and it’s prohibitively expen-
sive. So David called the whole thing off, and VEC refunded his money.
Along comes energy transformation
Not long afterward, Vermont legislators began formulating Act 54, which, when it became law in 2015, contained an “energy transformation” pro-
vision or (“Tier III”) that required electric utilities to come up with programs to encourage and assist cus-
tomers (or co-op members) in reducing their fossil fuel usage. (See “VEC’s Tier III Incentives on page 4) These energy transformation requirements put into action the state’s goals of stimulating wider use of renewable energy and combating climate change by reducing carbon emissions from fossil fuel com-
bustion. At VEC, former Chief Operating Officer Jeff Wright thought about isolated maple sugaring op-
erations in northern Vermont, like David Schurman’s. He knew they burned great quantities of fossil fuels because they couldn’t afford the cost of the line ex-
tension or service upgrade.
At about the same time, David Schurman was at-
tending a professional seminar, where he heard that VEC was formulating plans to help sugaring opera-
tions make the switch. So David called Jeff Wright, and soon thereafter Jeff Wright called Evan Mercy, a VEC field engineer who works out of the Co-op’s district office in Rich-
ford.
“By that time, we knew Tier III was coming, and that David and his sugarhouse would be an ideal candi-
date,” says Evan.
In fact, this was such a good idea that VEC made what is now called the Clean Air Program (CAP) the cornerstone of its 2017 Tier III Compliance Plan. CAP
is primarily geared towards helping connect remote maple sugaring operations to the Co-op’s electric distribution lines, making life easier for them and re-legating their fuel-consum-
generating generators to a standby role. VEC is pursuing six such line extensions (and is receptive to more). Although most of the opportunities are sugaring businesses, CAP is open to any off-grid or underserved home or business currently operat-
ning a generator on a regular basis.
The projects go through substantial review to gauge how much fuel will be saved, how much electric load will be add-
ed, and to ascertain that there will be no adverse impacts on the local distribution system or the Co-op’s budget and operations. Individualized cost-sharing contracts are estab-
lished with each sugarmaker; they still pay upfront for the extensions, but on average the projects are reducing their costs by about 23 percent. Each project must be approved in advance by the Vermont Public Service Board.
As this was in the works for David Schurman last year, he went about talking to his neighboring landowners and secu-
ring easements. A 50-foot-wide-right-of-way needed to be cleared for the new poles and wires, and David undertook that task as well. The long first portion of the extension that climbs the hill up from Westover Road is very open and bright today. It wasn’t always that way.
The Richford crew got their work order for the Schurman project in May 2016. Evan had finished engineering the proj-
et, and the crew fit it into their busy summer schedule. It was completed on September 2, 2016. Group Leader Don-
ad Gates provides the statistics: 2,910 total feet in length; 11 poles; and a final section of primary line 260 feet long, buried underground in an area on the other side of the ridge where blasting was unnecessary.
District Supervisor Michael Hemond – an enthusiastic sugarer himself – oversaw the project, and other VEC staff besides Evan Mercy and Donald Gates included Richford line crew members Gerald Gates, George Jacobs, and Fred Jewett. At times they got reinforcement from Travis Elwood, from VEC’s Grand Isle station and Orton Hichcock from the Johnson-based crew.
On October 14, metering technicians Nate Perham and Tyler Jacobs installed the frame-based meter, and Little Charlie’s Sugarbush was officially back in business. There’s no word whether Little Charlie herself understands what an improvement the project made in her father’s life, but David gets it.
“Having utility power here is a big relief,” he says. And re-
ducing the fossil fuel impact of sugaring in Vermont benefits everyone.

Make the most of the upgrades to your sugarhouse
Our customer support team can provide technical expertise or quickly connect you with a qualified vendor.
Robots
Act now to take advantage of increased incentives.

Cut boiling time by
50–75%
reduce labor and
fuel expenses, increase production

Can be
cost-effective
for small producers

Remove more than
75%
of the water content from sap before it reaches the evaporator

High Brix Reverse Osmosis up to
25% of project costs
Reverse Osmosis (First Time Purchase) up to $3,250
Steam-Enhanced Preheater up to
25% of project costs
VFDs on Sap Vacuum Pumps up to $550
Rotary Screw Sap Vacuum Pumps up to $250/HP
Offers valid through 12/31/17.

Sap Preheating
Steam-enhanced pre-heaters recycle evaporator steam to pre-heat the sap before it enters the pan. By reinjecting air into the sap, this technology can speed up evaporation of the water content before it reaches the evaporator.

Vacuum Pumps
Sugarmakers longing to maintain high vacuum and high CFM can do so using less energy with a Rotary Screw Vacuum Pump. Reduce the horsepower of your vacuum pump system while increasing production.

Variable Frequency Drives: on maple sap vacuum pumps can vary the pump’s speed to deliver only what’s needed in the moment. This technology can ramp down the pump speed when the adequate vacuum is achieved, which saves energy and results in less wear on your equipment.

Agricultural Energy Loan
Efficiency Vermont is proud to partner with VEC to provide loans to Vermont agricultural operations for qualifying energy efficiency improvements. Rates are as low as 2.5%. Please contact us for more information.

Make the most of the upgrades to your sugarhouse

Make the most of the upgrades to your sugarhouse

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Make the most of the upgrades to your sugarhouse
**BYLAW CHANGES REQUIRING MEMBER VOTE**

**Ballot Item 1:** Shall Article IV, Section 3 be amended to prohibit certain elected officials from serving on the Board of Directors?

Yes ___ No ___ (Board recommends)

**Explanation of Ballot Item 1**

This ballot amendment was proposed by member petition under Article XIII of VEC's bylaws. The Vermont Electric Cooperative, Inc. Board of Directors cannot approve a member's ability to submit a bylaw amendment through member petition. The Board does not support placing the limits proposed in the amendment, and the VEC bylaw states that “the Cooperative encourages all eligible members to seek election to the VEC Board of Directors.” (Article IV, Section 1(a).

The bylaw changes would add a new provision: Article IV, Section 3(g) to the VEC Board of Directors’ “(Article IV, Section 1(a).

**Ballot Item 2:** Shall Article XIII be amended to clarify that only a court or the Public Service Board can determine the legality of member-initiated bylaw changes and to clarify the process for member-initiated bylaw changes?

Yes ___ No ___ (Board recommends)

**Explanation of Ballot Item 2**

These proposed amendments clarify that only the Public Service Board or a court, and not the Board of Directors, can determine that a bylaw amendment proposed by VEC members is “consistent with law.” This amendment is consistent with a ruling by the Public Service Board.

A second change clarifies that members may seek bylaw changes in two ways: by petition or by making a request to the Board of Directors.

The bylaw changes are set forth below (added language is underlined; deleted language is strike-through).

**Ballot Item 3:** Shall Article IV, Section 3 be amended to clarify that, whenever directors are elected to fill a vacancy on the board, that director will serve only until the next Annual or Special meeting of the members held not less than ten (10) days after the date of such election?

Yes ___ No ___ (Board recommends)

**Explanation of Ballot Item 3**

This ballot amendment was proposed by member petition under Article XIII of VEC's bylaws. The VEC bylaw states that “the Cooperative encourages all eligible members to seek election to the VEC Board of Directors.” (Article IV, Section 1(a).

The bylaw changes are set forth below (added language is underlined; deleted language is strike-through).

**Ballot Item 4:** Shall Article IV, Section 3 be amended to prohibit a director from generating electric energy on his or her own premises?

Yes ___ No ___ (Board recommends)

**Explanation of Ballot Item 4**

Currently the Board of Directors reviews VEC's financial statements on a quarterly basis, making it unnecessary for a separate quarterly review by a committee. The amendment revises the bylaws to conform with that practice.

**Ballot Item 5:** Shall Article IV be amended to remove outdated language and to clarify that a director elected to fill a vacancy shall run out the remainder of the vacant term?

Yes ___ No ___ (Board recommends)

**Explanation of Ballot Item 5**

This amendment removes bylaw provisions which are a legacy of when the Cooperative changed its voting districts. These provisions no longer serve a meaningful purpose. The amendment also clarifies that when a director is elected to fill a vacancy on the board, that director will serve only for the remainder of the prior director's term and not for a new four-year term. The terms are set up so that three seats are open each year, and this amendment preserves that process.

The proposed bylaw changes are set forth below (added language is underlined; deleted language is strike-through).

**Ballot Item 6:** Shall Article IV be amended to clarify that Vermont Electric Cooperative will comply with all equal opportunity state and federal laws?

Yes ___ No ___ (Board recommends)

**Explanation of Ballot Item 6**

This ballot amendment was proposed by member petition under Article XIII of VEC's bylaws. The VEC bylaw states that “the Cooperative encourages all eligible members to seek election to the VEC Board of Directors.” (Article IV, Section 1(a).

The bylaw changes are set forth below (added language is underlined; deleted language is strike-through).

**Ballot Item 7:** Shall Article IV be amended to require 75% of the members to vote on bylaw changes?

Yes ___ No ___ (Board recommends)

**Explanation of Ballot Item 7**

This amendment removes bylaw provisions which are a legacy of when the Cooperative changed its voting districts. These provisions no longer serve a meaningful purpose. The amendment also clarifies that when a director is elected to fill a vacancy on the board, that director will serve only for the remainder of the prior director's term and not for a new four-year term. The terms are set up so that three seats are open each year, and this amendment preserves that process.

The proposed bylaw changes are set forth below (added language is underlined; deleted language is strike-through).

**Ballot Item 8:** Shall Article IV be amended to clarify that a director elected to fill a vacancy shall run out the remainder of the vacant term?

Yes ___ No ___ (Board recommends)

**Explanation of Ballot Item 8**

This amendment removes bylaw provisions which are a legacy of when the Cooperative changed its voting districts. These provisions no longer serve a meaningful purpose. The amendment also clarifies that when a director is elected to fill a vacancy on the board, that director will serve only for the remainder of the prior director's term and not for a new four-year term. The terms are set up so that three seats are open each year, and this amendment preserves that process.

The proposed bylaw changes are set forth below (added language is underlined; deleted language is strike-through).

**Ballot Item 9:** Shall Article IV be amended to remove outdated language and to clarify that a director elected to fill a vacancy shall run out the remainder of the vacant term?

Yes ___ No ___ (Board recommends)

**Explanation of Ballot Item 9**

This amendment removes bylaw provisions which are a legacy of when the Cooperative changed its voting districts. These provisions no longer serve a meaningful purpose. The amendment also clarifies that when a director is elected to fill a vacancy on the board, that director will serve only for the remainder of the prior director's term and not for a new four-year term. The terms are set up so that three seats are open each year, and this amendment preserves that process.

The proposed bylaw changes are set forth below (added language is underlined; deleted language is strike-through).

**Ballot Item 10:** Shall Article IV be amended to require 75% of the members to vote on bylaw changes?

Yes ___ No ___ (Board recommends)

**Explanation of Ballot Item 10**

This amendment removes bylaw provisions which are a legacy of when the Cooperative changed its voting districts. These provisions no longer serve a meaningful purpose. The amendment also clarifies that when a director is elected to fill a vacancy on the board, that director will serve only for the remainder of the prior director's term and not for a new four-year term. The terms are set up so that three seats are open each year, and this amendment preserves that process.

The proposed bylaw changes are set forth below (added language is underlined; deleted language is strike-through).

**Ballot Item 11:** Shall Article IV be amended to clarify that Vermont Electric Cooperative will comply with all equal opportunity state and federal laws?

Yes ___ No ___ (Board recommends)

**Explanation of Ballot Item 11**

This amendment removes bylaw provisions which are a legacy of when the Cooperative changed its voting districts. These provisions no longer serve a meaningful purpose. The amendment also clarifies that when a director is elected to fill a vacancy on the board, that director will serve only for the remainder of the prior director's term and not for a new four-year term. The terms are set up so that three seats are open each year, and this amendment preserves that process.

The proposed bylaw changes are set forth below (added language is underlined; deleted language is strike-through).

**Ballot Item 12:** Shall Article IV be amended to require 75% of the members to vote on bylaw changes?

Yes ___ No ___ (Board recommends)

**Explanation of Ballot Item 12**

This amendment removes bylaw provisions which are a legacy of when the Cooperative changed its voting districts. These provisions no longer serve a meaningful purpose. The amendment also clarifies that when a director is elected to fill a vacancy on the board, that director will serve only for the remainder of the prior director's term and not for a new four-year term. The terms are set up so that three seats are open each year, and this amendment preserves that process.

The proposed bylaw changes are set forth below (added language is underlined; deleted language is strike-through).
VEC 2016 Financial Statement

VERMONT ELECTRIC COOPERATIVE, INC.
Balance Sheet
Year ended December 31, 2016

<table>
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<th>Assets</th>
<th>2016</th>
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<td>Electric plant, at cost:</td>
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<td>Electric plant in service</td>
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</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>44,587,708</td>
</tr>
<tr>
<td>Net electric plant in service</td>
<td>118,311,716</td>
</tr>
<tr>
<td>Construction work in progress</td>
<td>1,061,630</td>
</tr>
<tr>
<td>Net electric plant</td>
<td>119,373,346</td>
</tr>
</tbody>
</table>

Current assets:
- Cash: 2,308,647
- Notes receivable: —
- Accounts receivable, less allowance for doubtful accounts of: 932,435 in 2016: 6,531,789
- Unbilled revenue: 5,159,809
- Inventories: 4,280,313
- Prepaid expenses: 451,964
- Total current assets: 18,932,492
- Other assets:
  - Nonutility property: 65,697
  - Other investments: 30,327,358
  - Deferred charges: 4,789,353
  - Total other assets: 30,393,055
- Total assets: $168,698,893

Liabilities and Equity

<table>
<thead>
<tr>
<th>Liabilities and Equity</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity:</td>
<td></td>
</tr>
<tr>
<td>Patronage capital assignable</td>
<td>$69,061,838</td>
</tr>
<tr>
<td>Other equity:</td>
<td>648,122</td>
</tr>
</tbody>
</table>
| Contributions in aid of construction: | —
| Net equity: | 49,709,960 |
| Long-term debt, excluding current installments: | 80,042,004
| Obligations under capital lease, excluding current installments: | 198,222
| Deferred Compensation Plan: | 162,646 |
| Current liabilities: | |
| Current installments of long-term debt: | 3,849,281
| Current installments of capital lease obligations: | 18,751
| Revolving debt: | 2,300,000
| Accounts payable: | 6,192,121
| Customer deposits: | 1,040,164
| Deferred credits: | 396,391
| Other accrued expenses: | 4,280,313
| Total current liabilities: | 18,586,061 |
| Commitments and contingencies: | |
| Total liabilities and equity: | $168,698,893 |

VERMONT ELECTRIC COOPERATIVE, INC.
Statement of Operations
Year ended December 31, 2016

<table>
<thead>
<tr>
<th>Operating revenue</th>
<th>2016</th>
</tr>
</thead>
</table>
| Less revenues subject to refund: | —
| Total operating revenue: | $76,665,507 |
| Transmission: | |
| Operations: | 10,791,518
| Maintenance: | 495,122
| Distribution: | |
| Operations: | 5,787,603
| Customer accounts: | 2,899,620
| Administrative and general: | 3,613,785
| General plant maintenance: | 201,400
| Depreciation and amortization: | 5,702,010
| Taxes: | 736,846
| Other deductions, net: | 22,124
| Total operating expenses: | 75,347,221
| Income from operations: | 1,318,286
| Other income (expense): | —
| Gain (Loss) on sale of fixed assets: | (924)
| Other income (expenses): | 2,508,710
| Interest and dividend income: | 3,199,337
| Other capital credits & dividends: | 860,728
| Net income: | 6,287,851

VERMONT ELECTRIC COOPERATIVE, INC.
Capital Spending (System Improvements)
Year ended December 31, 2016

<table>
<thead>
<tr>
<th>Capital Spending</th>
<th>2016</th>
</tr>
</thead>
</table>
| New Construction, System Improvements: | 12,234,900
| Less Contributions in Aid of Construction: | 1,801,255
| Net investment in Utility Plant: | 10,553,645

Meet Peter Rossi
VEC’s New Chief Operating Officer

Vermont Electric Cooperative (VEC) is pleased to announce that Peter Rossi has joined VEC as Chief Operating Officer (COO), a key position in VEC’s senior leadership team. As COO, Rossi will be responsible for overseeing engineering and operations for the co-op.

Rossi joins VEC after 10 years at Powder River Energy Corporation in Wyoming, where he worked first as its Manager of Business Support Services and then as Manager of Service Operations. Prior to that, he worked for eight years in various roles at IBM. He started as VEC’s Chief Operating Officer on March 6.

“Are thrilled that Peter has joined our organization,” said CEO Christine Hallquist. “We conducted an extensive national search for the right candidate. Many VEC employees had the opportunity to meet Peter during a two-day interview earlier this year. He received high praise from employees for his communication skills, technical knowledge, and his commitment to community. Peter will be a tremendous asset to our member-owned cooperative.”

“When I visited VEC, it was evident that VEC employees have a passion for their jobs and are committed to VEC members. They take great pride in the work that they do and are true stewards of the principles of what it means to be part of a rural electric cooperative. I am excited to be part of that culture, and I’m honored to be joining the VEC team,” said COO Peter Rossi. “I look forward to working with all the staff, and especially the Engineering and Operations group, to align everything that we do on a daily basis directly to the strategy of the company. I hope to provide the right support and servant leadership as part of an already high-performing team as VEC moves into the future.”

Board of Director’s Attendance at Regular Monthly Board Meetings
April 2016 to March 2017

In accordance with Vermont Electric Cooperative’s Board Policy B.2 (Duties and Responsibilities of the Board of Directors), director attendance at regular meetings is to be reported annually. Additional information regarding director fees and expenses is available upon request and on VEC’s website at www.vermontelectric.coop.

Director | 06/25/16 | 06/30/16 | 07/26/16 | 08/30/16 | 09/27/16 | 10/25/16 | 11/29/16 | 12/27/16 | 01/31/17 | 03/01/17 | 03/31/17
--- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | ---
Bailey, Tom | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑
Carriwell, Don (S/T - President) | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑
Davia, Michelle | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑
Geoggin, Rich | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑
Hoover, Ken | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑
Lague, George (S/T - 1st VP) | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑
Lambert, Molly | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑
Marchetti, Carol (2nd VP) | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑
Miller, Jack | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑
Ward, John (Treasurer) | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑
Westman, Rich | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑
Woodward, Mark (Secretary) | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑
Worthy, Don | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑ | ☑
**Vermont Electric Cooperative**

**Board of Directors**

**District 1** Don Worth  802-723-6532
P.O. Box 450, Island Pond, VT 05846
district1@vermontelectric.coop

**District 2** John Ward  802-334-6522
145 Mt. Vernon St, Newport, VT 05855
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**District 3** Carol Maroni  802-586-7758
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**District 4** Mark Woodward  802-635-7166
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**District 5** Michelle DaVia  802-922-2537
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**District 6** Molly Lambert  802-868-4989
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**District 7** Rich Goggin  508-439-9166
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**Western Zone**

**District at large**

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