

VERMONT ELECTRIC COOPERATIVE, INC.
79TH ANNUAL MEETING OF MEMBERS
MAY 6, 2017
APPROVED MINUTES

The meeting was called to order by VEC President Dan Carswell at the Jay Peak Resort, Jay Peak, Vermont at 10:02 a.m. President Carswell reminded those present that the ballot box would be closing at 10:30 a.m. President Carswell also noted that copies of the 2016 Annual Meeting minutes, 2016 Financial Statements and VEC Bylaws were available for those members wishing to take a copy home.

INTRODUCTIONS

President Carswell introduced 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; Rich Goggin, South Hero, District #7; George Lague, First Vice President, Derby, East Zone I; Tom Bailey, Derby, East Zone II; Ken Hoepfner, Jeffersonville, West Zone II; and Rich Westman, Cambridge, West Zone III.

Carswell introduced VEC Chief Executive Officer, Christine Hallquist.

Hallquist recognized the following guests: Tom Dunn, President of VELCO; Patty Richards, General Manager of Washington Electric Cooperative; Roger Fox, a board member from Washington Electric Cooperative; Jared Juval, Executive Director of Energy Action Network; Clarence Mahovlich, from Cooperative Finance Corporation. Hallquist also thanked the vendors who supplied booths and displays in the lobby.

Carswell introduced VEC's Safety and Security Manager John Varney to provide a "safety minute." Varney presented examples of every day occurrences in the home which could pose danger of electric shock, including frayed extension cords, damaged outlet covers, old wiring, and overloaded circuits. He encouraged members to check these in their own homes and hire an electrician to get them fixed.

PRESIDENT'S ADDRESS

Carswell reported that VEC's board continues to work with the CEO to do right by the membership. He noted the continued upward pressure on electric rates that all utilities are

experiencing but, on average, VEC has been able to keep rate increases at less than one percent per year for eight years. Challenges ahead include understanding and adopting new technologies and products that members will need and want. The Board will be hearing from experts and members to identify new opportunities. Carswell encouraged members to come forward with ideas, concerns and input to help the Co-op best serve its members.

CERTIFICATE OF QUORUM AND AFFIDAVIT OF MAILING

Secretary Mark Woodward read the Certificate of Quorum stating that there was a quorum of at least 100 members, meeting the legal requirement in VEC's bylaws for the meeting to be held.

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 13, 2017, in the manner prescribed by the bylaws.

Woodward noted that it is customary to waive the reading of the Notice of Annual Meeting and asked whether there was any opposition to that. Seeing no opposition, the reading of the notice was waived.

MINUTES OF THE 2016 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.

Tom Bailey moved and Kevin Perry seconded:

That the reading of the minutes of the May 21, 2016 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 #2 Director Candidate: John Ward of Newport.

District #6 Director Candidate: Paul Lambert of Georgia

East Zone #2 Director Candidates: Tom Bailey of Derby; Brian Carroll of West Glover; Scott Cooper of Guildhall; and Robert Dewees of Albany

West Zone #3 Director Candidates: Paul Lesure of Hinesburg; RichWestman of Cambridge; and Eric LaPine of Fairfax.

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 continues to be an A+ rating with a stable outlook, which 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 2016 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 2016 calendar year, VEC had revenues of \$76.7 million which was a decrease of .5 percent from the prior year. He reported that net income after expenses \$4.3 million, an increase of about \$600,000 from the prior year.

Ward reported that between 2013 and 2016, VEC has returned \$2.35 million of patronage capital to our members in the form of bill credits to members and checks to former members.

He noted that VEC did not seek rate increases in 2015, 2017 or 2017 and the Co-op's rate increases over the past eight years have averaged less than one percent a year.

Capital spending for 2016 was \$10.4 million to improve our electric infrastructure.

Charlotte Kennedy moved and Rose Ann Beaudry seconded:

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

No discussion was forthcoming and the motion carried.

CHIEF EXECUTIVE OFFICER'S REPORT

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

Hallquist discussed how VEC approaches moving forward to meet the challenges presented by the changing industry. As part of the strategic planning process the Board reviews the Co-op's

mission and vision and the core competencies that we need to have to meet those. Then the Co-op identifies several key focus areas to work on during the year ahead. For 2017 those focus areas were (1) energy transformation, (2) meeting renewable energy requirements, (3) workplace culture, and (4) core business strength.

With respect to renewable energy, she noted that VEC will meet renewable goals through 2024, largely with power from three large solar projects in Alburgh, Grand Isle and Hinesburg. She noted that VEC has offered sponsorships of the Alburgh project to members as a net metering option that does not require installation at the member's premises.

As to energy transformation, this is a state-supported program that allows utilities to convert fossil fuel uses to clean electric power to reduce carbon. VEC provides incentives for members to purchase such products as electric vehicles and heat pumps. It also offers discounts on line extensions for members (including a number of sugarmakers) who want to switch to electricity from fossil fuels.

As to core business, paying attention to the fundamentals is critical to success. VEC has a number of measures that it must meet, e.g. call-wait times, outage recovery times, to ensure a high level of member service.

And all of this important work can only be carried out by a strong workforce. VEC has spent a great deal of time focusing on a culture where leadership is the responsibility not only of top managers but of all employees within their area of expertise.

KEYNOTE PRESENTATION

VEC's Manager of Systems Engineering Cyril Brunner gave a presentation entitled "Challenges and Opportunities of the Fast-Changing Electric Grid." He noted that in order to meet statewide renewable goals and achieve energy transformation goals, the electric grid will need to be more integrated and efficient. Whereas the grid of the past basically transmitted energy from large power plants to substations to end use customers in one direction, the grid of the future will need to integrate smaller distributed renewable generation sources, energy transformation products and batteries. The goal is to do this in a way that maximizes the use of the electric grid and the benefits and opportunities for all members. Brunner described the details of a number of initiatives that VEC is pursuing, including (1) using batteries to help shave peak usage that drives transmission costs; (2) using weather analytics to more accurately predict weather and improve storm restoration; (3) pursuing software that allows the components on the grid to "talk" to each other and balance out load; (4) developing innovative rate structures that shift load to off peak times.

VOTING RESULTS

President Bailey introduced ballot teller Susan Bahr. Bahr presented the election results for the ballot items as follows:

Ballot Item 1: Shall Article IV, Section 3 be amended to prohibit certain elected officials from serving on the Board of Directors? There were 832 votes yes and 1,821 votes no.

Ballot Item 1 failed.

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? There were 2,465 yes and 187 votes no.

Ballot Item 2 passed.

Ballot Item 3: Shall the introductory paragraph of the bylaws be amended to recognize that Vermont Electric Cooperative will comply with all equal opportunity state and federal laws? There were 2,569 yes and 95 votes no.

Ballot Item 3 passed.

Ballot Item 4: Shall Article XI, Section 4 be amended to conform to the Board's current practice whereby the Board reviews financial statements quarterly? There were 2,600 yes and 55 votes no.

Ballot Item 4 passed.

Ballot Item 5: Shall Article IV be amended to remove outdated language and to clarify that a director elected to fill a vacancy shall serve out the remainder of the vacated term? There were 2,616 yes and 46 votes no.

Ballot Item 5 passed.

Ballot Item 6: Shall Article IV, Section 3 be amended to remove a restriction as to who may run for a director seat? There were 2,203 yes and 444 votes no.

Ballot Item 6 passed.

DIRECTOR ELECTION - Ballot Items 7 & 8:

The election results for candidates running for the Board of Directors are as follows:

District 2:

- John Ward received 374 votes

John Ward is the Director for District 2.

District 6:

- Paul Lambert received 229 votes

Paul Lambert is the Director for District 6.

East Zone II:

- Tom Bailey received 644 votes
- Brian Carroll received 83 votes
- Scott Cooper received 82 votes
- Robert Dewees received 353 votes

Tom Bailey is the Director for East Zone II.

West Zone III:

- Paul Lesure received 432 votes
- Eric LaPine received 346 votes
- Richard Westman received 682 votes

Richard Westman is the Director for West Zone III.

Hallquist engaged in a lengthy question and answer session with members of the audience.

ADJOURNMENT

There being no further business before the meeting:

The meeting was adjourned by vote of the membership.

The meeting adjourned at 11:30a.m.

Respectfully submitted by:

Mark Woodward, Secretary

and

Daniel Carswell, President