

Vernon Electric Co-operative 2021 Review Committee Report

The Review Committee members, consisting of Gary Flock, Marvin Christianson, and Rob Danielson met at Vernon Electric Cooperative headquarters on March 1, 2022. Also present were Vernon Electric Cooperative CEO & General Manager Craig Buross and Executive Assistant, Janet Kotek.

The Review Committee provides this report in recognition that the Board of Vernon Electric is accountable to Vernon Electric Cooperative members, at large. The Committee reviewed the Minutes of the 2021 Board Meetings, with the Bylaws assigned purpose of advising members at the Annual Meeting about matters of special attention. Board Minutes are now available through member *Smart Hub* accounts (see "Documents" under "My Profile.")

Board Attendance

The Review Committee would like to commend Board Members for their perfect attendance in 2021, a challenging year for meetings due to the Covid-19 virus.

Financials & Rates

The Cooperative remains in a good financial position. Margins had a positive variance from budget due to lower power costs from Dairyland Power, low controllable expenses, and a federal grant. \$600,000 in capital credits were returned to the members, and the Cooperative received approval from RUS to defer \$1.6M in revenue which will be used to help stabilize future rates. There was no rate increase in 2021 and rates are projected to remain stable moving into 2022.

In regard to future rates, Vernon Electric Cooperative's consultant, Power Systems Engineering (PSE) presented a cost-of-service analysis to the Board based on projected 2022 wholesale power costs. PSE concluded that our Co-op should be able to maintain stable rates for the next few years. This is assuring, in light of large rate increases happening within for-profit, public utilities. VEC Board minutes report that PSE studied different rate incentives that could be used to promote off-peak electric vehicle (EV) charging. PSE also analyzed economic impacts ("cost recovery") of "distributed generation" accounts which include members who own solar.

In addition to these financial considerations, Review Committee members identified, categorized, and ranked the following topics discussed by the Board in 2021:

- **Solar, Load Management & Efficiency Development**
- **VEC / DPC Strategic Planning**
- **Updating Rate Structure / Wholesale Power Rates**
- **Electric Vehicles & Charging**
- **Power Plant & Transmission Investments**
- **VEC Distribution Line & Substation Assets**
- **Distributed Generation (Solar) Policy**

- **Member - Owner Participation**

Electric Vehicle Charging Update

VEC is one of the first Cooperatives to support electric vehicle (EV) charging. Our first charger was installed at Kickapoo Creekside restaurant in Readstown. Installation is underway for two additional DC fast chargers at the new Sleepy Hollow Ford Dealership in Viroqua. Chargers have been added without Co-op general funds by partnering with neighboring electric Cooperatives and utilizing grant money from Dairyland Power. VEC is a founding member of CHARGE EV, LLC aimed at developing a regional EV charging network.

Energy Efficiency

Our Cooperative continues use of the Focus on Energy (FOE) program to offer efficiency and solar rebates. VEC frequently promotes efficiency and conservation skills in VEC publications. The Review Committee encourages members to become familiar with our improving SmarHub resources for tracking energy use. The Board is also exploring an "on-bill" financing program that would allow members to take out loans for energy improvements and pay them back as part of normal bill payment.

Solar Power Plant Being Considered For VEC

VEC's power contract with Dairyland allows our Co-op to own or purchase a portion of our energy through renewable resources. The General Manager reported that the Cooperative, "is reviewing the feasibility of another solar project and the potential benefits of working with other Cooperatives to obtain the most competitive pricing."

Also related to solar development, General Manager, Craig Buros, is representing Wisconsin Distribution Co-ops concerning distributed generation policy in Wisconsin (PSC Code 119) and made reports about these developments to the Board.

Investments in Vernon Electric's Distribution Substations and Lines

Our Cooperative's largest assets are our distribution facilities: the poles, wires, and transformers (substations) needed to provide reliable electric service. The Cooperative continues to invest in upgrading lines due to loading, age, and condition following a maintenance schedule and industry standards. The cost and possible benefit of purchasing substation assets from Dairyland Power is also being considered.

Suggestion Made About Encouraging More Member Participation

Noting increasing member interest in VEC policies, it was observed that current Board policy allows interested members to attend portions of Vernon Electric Co-op Board meetings but does not allow members to attend and "listen in" throughout entire meetings. The Committee suggests there should be more opportunities for members to get clarification and additional

information about topics raised in board meetings that they may be interested in.

Long Term Planning, Community Support & Safety

The Board chose to utilize planning facilitation services offered by the National Rural Utilities Cooperative Finance Corporation (CFC) for ongoing Strategic Planning.

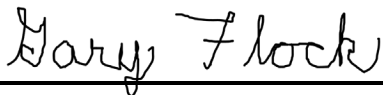
The Cooperative applied for and received a \$250,000 grant from USDA to assist Vernon County in funding construction of the Vernon Acres Senior Living Facility. The Grant included a 20% match from Vernon Electric to provide a \$300,000, 0% interest loan for a period of 10 years. As this loan is paid back, funds will go into a revolving loan fund account to continue support for local economic development.

In 2021, VEC awarded numerous scholarships and made donations to various non-profit organizations. Twenty, \$750 scholarships were awarded to high school seniors. Donations were made to (40) Fire and EMS Departments, (9) food pantries, the Kickapoo Valley Reserve Visitor Center, the Readstown Library, the Vernon County Fair Meat Animal Sale, the Vernon County K9 unit and several Youth Programs. All these funds were provided from the Federated Youth Foundation, which is funded by unclaimed capital credits.

Our tradition of emphasis on worker safety really paid off in 2021. Due to on-going training and having proper emergency response equipment, two VEC linemen saved the life of a Co-op member who went into cardiac arrest. Matt Hirschfield and Mike Berger, were recognized by the Sparta Area Fire District for their "courageous and quick actions during and emergency." The Review Committee joins all VEC members in congratulating these employees and our Board's support for the purchase of emergency equipment for all Cooperative vehicles in 2021.

The Review Committee finds the minutes of the Board of Directors in good order after reviewing and discussing them on March 1, 2022, and in preparation of this report to membership.

Respectfully Submitted,



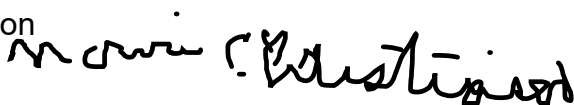
3/15/2022

Gary Flock

Rob Danielson

3-15-2022

Rob Danielson



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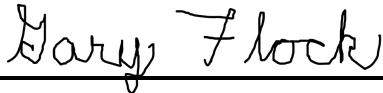
Marvin Christianson

**Vernon Electric Co-operative
2021 Review Committee Report - Addendum**

]-The Review Committee members, consisting of Gary Flock, Marvin Christianson, and Rob Danielson met online on March 22, 2022. Also present were Vernon Electric Cooperative CEO & General Manager, Craig Buross and Executive Assistant, Janet Kotek.

The Review Committee met to consider an advisory resolution proposed by a member. The proposed advisory resolution was timely submitted prior to the deadline set in the annual meeting rules. The Review Committee completed its review. The advisory resolution will be presented to the members for consideration at the annual meeting.

Respectfully Submitted,

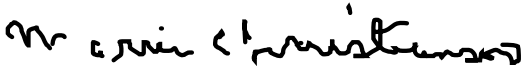


3/22/2022

Gary Flock

Rob Danielson 3/22/2022

Rob Danielson



3/23/2022

Marvin Christianson