

# Dear Members

## From the CEO:

In 2015, NHEC dealt head-on with changes in the energy landscape that were being discussed in only theoretical terms a mere decade ago. Fortunately, we've been able to start from a solid base of strong finances, a robust distribution system, and a highly skilled, committed team of employees to take on the challenges posed by these new realities.

In early 2015, we became the first electric utility in the state to reach the state-mandated "cap" on net metered renewable energy production. Net metering is the process that allows owners of renewable energy systems (such as rooftop solar) to transfer surplus power to the electric grid. In April, NHEC hit its net metering cap of 3.16 megawatts of renewable energy generation, enough to power more than 500 homes. This milestone prompted a rethinking of our net metering policies, which define how we compensate members for this surplus power. As a cooperative, NHEC had the flexibility to implement a new policy enabling it to allow members to continue to install net metered renewable generation without waiting for the Legislature to act. The result – Co-op members installed an additional two megawatts of renewable energy in just the last eight months of 2015, while the rest of the State's electric utilities had to await further authorization.

In 2015, NHEC also focused on developing solutions for another regional problem – the additional costs we incur based on the level of energy usage on our system during peak periods. The peak periods

actually consist of relatively few hours during the year, but they have a big impact on rates because the independent entity that operates New England's transmission system sets certain charges based on each utility's peak period demand for electricity. In an effort to reduce the power that the system requires to be delivered from the New England electrical grid during these peak periods, NHEC announced a number of new programs that offer various incentives to reduce electric use during these limited times. You'll be hearing a lot more about these opportunities as we roll out our Go Beyond the Peak! program in 2016.

With regard to service reliability (i.e., how well we do keeping the lights on and getting them back on after they go out), NHEC had its best performance ever in 2015. After years of steadily expanding our vegetation management program (sometimes referred to as tree trimming), service reliability hit an all-time high in 2015. Averaged out across all members, the lights were on more than 99.9% of the time in 2015. This achievement is the result of not only increased right-of-way clearing, but also additional investments to upgrade our distribution system and connect substations in a way that allows them to be fed from multiple sources.

Three years after installing new meters across our service territory, NHEC continues to build on the benefits of this major technology upgrade. SmartHub, our electronic payment and account management tool, allows members to see data showing their monthly, weekly, daily, and hourly usage. If you match that information with

what you know about your use of appliances and other energy consuming devices, you can begin to gain a better understanding of what uses are driving your electric costs. Once we roll out our time of use rates as part of the Go Beyond the Peak! Program, the information on SmartHub will help you see whether you can shift some of your electric usage to other time periods to save money on your bill.

In closing, we are committed to providing you with electric service that is second to none. I feel privileged to lead the hardworking people at NHEC who are focused on fulfilling that commitment every day. We value the trust you place in us as members and welcome your comments, suggestions, and ideas for the future of your electric cooperative.



Steve Camerino, President/CEO

## From the Chairman of the Board:

This will be the last time I have the privilege of addressing the membership of New Hampshire Electric Cooperative in the annual report as your elected Board Chair. I started as an NHEC employee in 1979, retired in 1999 and was elected to the Board of Directors as a petition candidate in 2001. By this June I will have completed 15 years on the Board. Back when I started, I thought the 15-year term limit was too short. I also thought we should change the bylaws to allow for a term longer than three years. Now, I think they are both very appropriate!

I've seen so much change in this Cooperative since 1979. It seems like yesterday that I was running to the bank on a Monday morning to cash my payroll check, just ahead of the company declaring bankruptcy. Our financial trouble in the 1980's and early 1990's was a hard experience that I would not recommend for the faint hearted. When I joined the Board, NHEC was in a negative equity position. That means we owed more than we were worth. I'm proud to say that I am leaving the Board with NHEC in its best-ever financial condition. Achieving a healthy equity has been quite an experience. I attribute our comeback to the skill and commitment of our Board, senior management and our employees.

Speaking of employees, NHEC has a phenomenal group of them. Their jobs are not easy but it is a comfort knowing that whatever they do is for the benefit of the members. They aren't trying to make a profit for shareholders or for an out-of-state holding company. We are a cooperative and that means that our first and only obligation is to you, the member-owners.

From my first year on the Board until today, the two most important questions have been: what does the future hold and how can we make decisions that are fair for all members? The electric utility industry is changing rapidly. The old business models are crumbling under the weight of new realities. The spread of renewable energy, not just large-scale production but the proliferation of backyard solar and other distributed generation, poses numerous challenges for NHEC. How much of our future power supply will be from renewables? Will it be reliable? What will the costs be? These are just a few of the tough questions that staff and management will be addressing in the years to come. But as we have since 1939 when NHEC was founded, I have no doubt we will do what's right for the members.

Thank you, NHEC members, for putting your trust in me and electing me five times. Thank you, NHEC employees, for your support and

friendship both as a fellow employee and as a Director. Thank you, fellow NHEC Directors, for your confidence in electing me 14 times as Chairman of the Board. And most of all, thank you Lynne, my wife, for your support during this entire time.

Although I won't be directly connected to NHEC in an official capacity any longer, I'll still be a member. I'll be happy to talk with any fellow members about any and all utility issues.

Thank you all again.



Earl Hansen, Board Chair

## 2015 Board of Directors

- Earl Hansen..... Board Chair, Holderness
- Joe Kwasnik.....Vice Chair, Jackson
- Joan Aubrey..... Secretary, Jackson
- Sharon Davis.....Treasurer, Campton
- David Talbot ... Assistant Treasurer, North Woodstock
- Chuck Braxton ..... Meredith
- Ken Colburn ..... Meredith
- Jerry Hopkins .....Moultonborough
- Georgie Thomas ..... Intervale
- Harry Viens .....Center Harbor
- Bruce Wiggett..... Plymouth

# 2015 ANNUAL REPORT TO MEMBERS

## Building On Our Past for a Better Future

Putting the Power in Your Hands™



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# Financials

## Balance Sheet

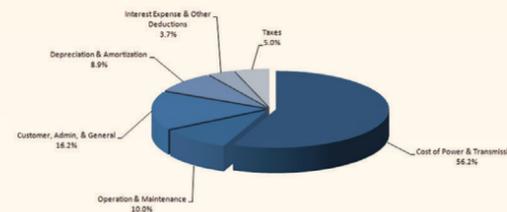
	2015 (\$000)	2014 (\$000)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash & Cash Equivalents	\$6,742	\$13,078
Restricted Cash	500	-
Receivables from Members – Energy Sales	11,559	12,108
Other Receivables	2,952	3,754
Material & Supplies Inventory	2,905	2,797
Prepayment & Other Current Assets	2,767	1,955
<b>Total Current Assets</b>	<b>27,425</b>	<b>33,692</b>
Utility Plant	346,755	337,903
Less: Depreciation	(150,856)	(145,348)
<b>Net Utility Plant</b>	<b>195,899</b>	<b>192,555</b>
<b>Other Assets</b>		
Temporary investments	3,700	1,700
Intangible assets	1,375	1,375
Non-utility property	293	302
Investments in Assoc. Organizations	11,390	11,197
<b>Total Other Assets</b>	<b>16,758</b>	<b>14,574</b>
Deferred Debits	7,866	12,606
<b>Total Assets</b>	<b>\$247,948</b>	<b>\$253,427</b>
<b>LIABILITIES &amp; EQUITY</b>		
<b>Current Liabilities</b>		
Lines of Credit	\$8,473	\$14,171
Accounts Payable	10,899	10,274
Accrued Liabilities	3,299	4,042
Member Deposits	1,872	1,679
Current Portion of Long-Term Obligations	5,861	5,526
<b>Total Current Liabilities</b>	<b>30,404</b>	<b>35,692</b>
Long-Term Obligations	97,982	103,853
Deferred Credits	7,060	10,897
Member Equity	112,502	102,985
<b>Total Liabilities &amp; Equity</b>	<b>\$247,948</b>	<b>\$253,427</b>

## Statement of Operations

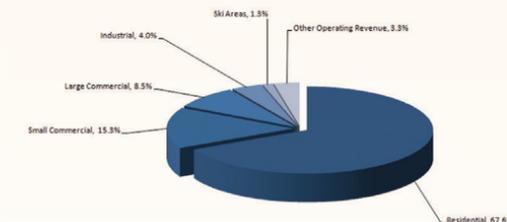
	2015 (\$000)	2014 (\$000)
<b>Revenue</b>		
Operating Revenues	\$139,009	\$135,488
<b>Expenses</b>		
Cost of Power & Transmission	73,231	73,001
Operation & Maintenance	13,071	14,502
Customer, Admin. & General	18,942	18,615
Sales	2,169	2,464
Depreciation	11,597	10,834
Interest Expense & Other Ded.	4,831	4,891
Taxes	6,538	6,348
<b>Total Operating Expenses</b>	<b>130,379</b>	<b>130,654</b>
<b>Operating Margins</b>	<b>8,630</b>	<b>4,834</b>
<b>Non-Operating Margins</b>		
Interest Income & Patronage	590	629
Other	297	205
<b>Total Non-Operating Margins</b>	<b>887</b>	<b>834</b>
<b>Net Margins</b>	<b>\$9,517</b>	<b>\$5,668</b>



## Expenses by Category – 2015



## Operating Revenue – 2015



The annual audit of New Hampshire Electric Cooperative's records was made by BerryDunn, 100 Middle Street, Portland, ME 04104-1100 and reviewed by the Audit Committee of the Board of Directors of New Hampshire Electric Cooperative. Copies of the complete report are available by mail upon request, or online at [www.nhec.coop](http://www.nhec.coop).

# Treasurer's Report

It is my pleasure to report to you the financial results of your cooperative for the year ending December 31, 2015. Generating positive operating margins places New Hampshire Electric Cooperative, Inc. (NHEC) in a very good position for the future. NHEC ended the year with a net margin from operations of \$9.5 million which was \$3.8 million higher than last year. Increased revenues and a reduction in operating expenses contributed to this favorable margin. One other key measurement of financial strength is the ratio of Equity to Assets which was 45.37% at year end. As of December 31, 2014, this ratio was 40.64%.

Operating revenues totaled approximately \$139 million of which 67.6% was Residential; 15.3% Small Commercial; 8.5% Large Commercial; 4.0% Industrial; 1.3% Ski Areas and 3.3% Other Operating Revenue.

Overall, Kilowatt-hour-sales (kWh) were slightly down from the previous year while the number of active members was up by only 0.5%. Commercial and Industrial consumption was 18% lower than 2014. The winter months of January, February, March and December were warmer than the 25-year average which contributed to the reduction in sales.

NHEC continues to experience relatively flat sales growth with little to no growth in new members. In order to serve our members, we must have an operating electric system available 365 days a year, 24 hours a day, 7 days a week. A major element of our rate structure is the fixed costs that do not vary based on how much electricity a member uses. The member service charge portion of your bill is designed to cover a portion of these fixed costs which NHEC did increase approximately 4% this year based on expected increases in costs resulting in a 1.8% increase in the total bill for a 500 kWh residential member.

Power costs comprise 56% of all costs for NHEC leaving only 44% that can effectively be managed. NHEC was very fortunate not to encounter any major storms in 2015 and it continues to fund Right of Way clearing in order to provide a reliable and efficient distribution system. Another continuing financial challenge for NHEC is increasing property taxes. NHEC has experienced a 78% increase over the past 5 years. NHEC is a capital intensive business and the high level of investment required to maintain and improve the distribution system further reduces that portion of manageable expenses. Continuing to make investments that will benefit the membership of NHEC and managing our costs are extremely important to the Board of Directors and officers and employees of your cooperative.

Respectfully submitted,

Sharon L. Davis, Treasurer



**Putting the Power in Your Hands™**