

Approved 10/31/17

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC.

Minutes of the Meeting of the Board of Directors

September 26, 2017

Pursuant to proper notice duly provided to all Directors, the regular meeting of the Directors of the New Hampshire Electric Cooperative, Inc. (NHEC) was held September 26, 2017, at the Cooperative's Pemi Board Room in Plymouth, NH.

Directors present were Joseph Kwasnik, Joan Aubrey, Charles Braxton, Kenneth Colburn, Sharon Davis, Leo Dwyer, Carolyn Kedersha, Thomas Mongeon, David Talbot, Georgie Thomas, and Harry Viens. Others present were Steven Camerino, President/CEO; Jim Bakas, VP of Operations & Engineering; Brenda Inman, VP of Financial Services/CFO; Steve Kaminski, VP of Power Resources and Access; Craig Snow, VP of Member Services; Mark Dean, Attorney; Lynne Turmel, PR/Marketing Supervisor; Ed French, Member; and Sharon Yeaton, Executive Services Administrator (recording).

Chair Kwasnik called the meeting to order at 9:42 a.m.

Approval of Minutes and Agenda Review

The minutes of the Board Meeting of August 29, 2017, were reviewed. Upon motion of Mr. Talbot, seconded by Mrs. Kedersha, it was

VOTED: To adopt the minutes of the August 29, 2017, meeting of the Board of Directors as presented.

Vote for the motion was unanimous.

There were no changes to the agenda.

Board Safety Moment

Mr. Kwasnik presented the Safety Moment sharing fall foliage safety tips for pets and children.

Chairman's Report

Chair Kwasnik presented the Chairman's Report first distributing copies of a resume from an individual interested in serving on the Nominating Committee. He next touched on the subject of governance and the proposal Mrs. Kedersha will review later in the meeting to conduct committee self-assessments.

Power Resources & Access Committee

Committee Chair Viens reported on the Power Resources & Access Committee portion of the joint meeting with the Corporate Services Committee held on September 19th, advising that the focus was on the Demand Response (DR) Program.

Mr. Camerino joined the meeting by phone at 9:56 am.

Mr. Kaminski addressed questions on the DR Program and the next steps.

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Mr. Kaminski drew attention to Attachment #11 in the Board packet, Certificate of Designation of Delegate/Alternate Delegate and Director/Alternate Director for the National Renewable Cooperative Organization (NRCO), noting that Brian Callnan would replace Craig Snow as NHEC's alternate, however, Mr. Snow would continue to be involved with NRCO. Upon motion of Mrs. Aubrey, seconded by Mr. Colburn, it was

VOTED: That the Board of Directors duly authorizes Stephen E. Kaminski and Brian M. Callnan to act as Delegate and Alternate Delegate, respectively, to the Annual Meeting of the Members of the National Renewables Cooperative Organization (NRCO) and to serve in that capacity until the next Annual Meeting and, furthermore, appoints Stephen E. Kaminski as New Hampshire Electric Cooperative's Director on the NRCO Board and Brian M. Callnan as the Alternate Director.

Vote for the motion was unanimous.

Mr. Kaminski mentioned NRCO's expanded mission to include energy storage projects, and discussed the potential for NHEC to work with them on an energy storage pilot.

Mr. Kaminski discussed ongoing Federal Energy Regulatory Commission (FERC) litigation on the Return on Equity matter and reported on a conference call outlining a proposal from the transmission owners for a change in the way bulk transmission costs are calculated and billed.

Mrs. Turmel joined the meeting at 10:17 a.m. Mr. French left the meeting at this time, during a brief power resource discussion. Mr. French rejoined the meeting at 10:20 a.m.

Mr. Kaminski discussed the Forward Capacity Market (FCM) and the continued development of the two-part auction to accommodate sponsored public policy resources.

Mr. Camerino joined the meeting in person at 10:23 a.m.

Executive Committee

Chair Kwasnik drew attention to the draft minutes of the August 29th Executive Committee meeting, Attachment #12 in the Board packet. Upon motion of Mr. Mongeon, seconded by Mrs. Kedersha, it was

VOTED: To approve the minutes of the August 29, 2017, Executive Committee meeting as presented.

Vote for the motion was unanimous.

Governance Team

Governance Team Chair Kedersha drew attention to the draft minutes of the Governance Team meetings of September 5th and September 12th, Attachments #13 and #14, respectively, in the Board packet. Upon motion of Mr. Mongeon, seconded by Mrs. Aubrey, it was

VOTED: To approve the minutes of the September 5, 2017, and September 12, 2017, Governance Team meetings as presented.

Vote for the motion was unanimous.

Governance Team Chair Kedersha next drew attention to the proposal to conduct committee self-assessments, Attachment #15 in the Board packet. She reviewed the proposal and the anticipated timeframe, noting that the next step will be for each director to receive a packet of reading material in early October to start everyone out with a common understanding of good corporate governance.

If anyone has something they want to add to the process, Chair Kwasnik suggested they talk to Mrs. Kedersha and Mr. Dwyer.

Power Resources & Access Committee (continued)

Mr. Kaminski discussed some solar projects NHEC has learned are being proposed in our service territory as a result of actions of the Massachusetts legislature requiring utilities there to have more low- and no- emissions resources in their portfolios.

Mr. Kaminski left the meeting at 10:47 a.m.

Engineering & Operations Committee

Committee Chair Mongeon reported on the September 12, 2017, Engineering & Operations Committee meeting, noting that topics covered included a review of board policies falling under the committee's responsibility, an update on the capital construction budget and discussion of the strategic plan items pertaining to operations.

Upon motion of Mr. Colburn, seconded by Mr. Braxton, it was

VOTED: That the Board of Directors reaffirms Board Policies B-2, Attachment C – Engineering & Operations Committee and B-25 – Service Territory Realignment.

Vote for the motion was unanimous.

Committee Chair Mongeon mentioned a couple of questions that came up related to cyber security and a new Supervisory Control and Data Acquisition (SCADA) system, which Mr. Camerino commented on and advised that staff would get back to the board with specific answers.

President's Report

Mr. Camerino presented Carolyn Kedersha with her Credentialed Cooperative Director certificate from the National Rural Electric Cooperative Association (NRECA).

Mr. Camerino next presented the President's Report and addressed questions. He reviewed a dashboard of key operating metrics for safety, various financial measures, the balanced scorecard (BSC) and service reliability. He discussed upcoming items that will be addressed at either committee or board meetings, including the 2018 budget, capital credits, and Enterprise Risk Management (ERM).

Mrs. Turmel discussed plans to roll out the Strategic Plan, both externally with members and internally with employees, and addressed questions. She noted that the approach to communicating with members is to show the plan in action, she discussed the articles included in the September and October newsletters and mentioned that every article we do will be looking at it

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from the perspective of what is in it for the member. Discussing internal communications of the plan, Mrs. Turmel stated that we are developing storyboards to share with staff that will address their role in delivering on the strategy.

Mrs. Turmel left the meeting at 11:23 a.m.

Mr. Camerino made a presentation and addressed questions and feedback on some observations and lessons learned from NHEC's 2016 Demand Response Program, noting that the focus is on the lessons we can apply as we undertake other projects in the future.

Chair Kwasnik suggested in the near future the Board have a more in-depth discussion on what they felt were the lessons learned. Mr. Camerino advised that a copy of his presentation would be e-mailed to directors.

The meeting recessed at 12:03 p.m. and reconvened at 12:11 p.m. All those in attendance prior to the recess, with the exception of Mr. Bakas, rejoined the meeting.

Corporate Services Committee

Committee Chair Davis reported on the Corporate Services Committee portion of the joint meeting with the Power Resources & Access Committee held on September 19th. She mentioned the proposal for the write-off of uncollectible accounts and drew attention to the resolution in the Board packet, Attachment #17. Upon motion of Mr. Talbot, seconded by Mrs. Kedersha, it was

VOTED: That the Board of Directors authorizes a write-off for uncollectible accounts in the sum of \$99,959.86 covering accounts which were closed during the six-month period of October 2016 through March 2017, as well as bankruptcy filings through August 31, 2017, and directs the staff to continue to attempt recovery of these uncollected accounts.

Vote for the motion was unanimous.

Committee Chair Davis next distributed and reviewed a revised page from the Executive Summary for the Co-op Power & Regional Access Rate Change Proposal.

In response to a question, Mrs. Inman discussed how the over/under recovery is calculated.

Mr. Dwyer thanked staff who took the time to meet with him to provide further detail on the rate change proposal, however, he doesn't feel he has the understanding he needs to make a decision so he will be abstaining from today's votes on rates.

Upon motion of Mr. Talbot, seconded by Mr. Viens, it was

VOTED: That the Board of Directors authorizes management to set the Co-op Power and Regional Access Charges as recommended in the proposal on a bills-rendered basis effective November 1, 2017.

Vote for the motion was ten in favor and one abstention, motion carries.

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Committee Chair Davis drew attention to the PSKI Delivery Charge resolution, Attachment #19 in the Board packet, and discussed the requested to change the effective date to November 1st. Upon motion of Mrs. Aubrey, seconded by Mr. Mongeon, it was

VOTED: That the Board of Directors authorizes management to set the PSKI Delivery Charge as recommended in the proposal on a service-rendered basis effective November 1, 2017.

Vote for the motion was ten in favor and one abstention, motion carries.

Mrs. Iman discussed the CFC e-Pay/Paying Agent Service resolution, Attachment #20 in the Board packet, and addressed questions. The following resolution was offered by Mr. Talbot, seconded by Mr. Viens:

"WHEREAS, the Organization desires that National Rural Utilities Cooperative Finance Corporation ("CFC") act as its paying agent in certain transactions in which the Organization is obligated to make payments to others; and

WHEREAS, the Organization, in providing the funds with which CFC may make such payments on the Organization's behalf, desires to use those funds due the Organization as a result of the maturity of the Organization's investment in CFC Commercial Paper and/or advances on a Line of Credit now or hereafter established with CFC, or such other funds on deposit with CFC as shall be deemed eligible by CFC from time-to-time to be utilized to make such payments (the last category of funds being referred to herein as "Other Authorized Funds");

NOW, THEREFORE, the following resolutions are hereby adopted:

RESOLVED, that the persons listed on Exhibit 1 hereto (the "Authorized Personnel") are each individually authorized hereby to direct CFC to make payments on behalf of the Organization to the creditors or accounts listed on Exhibit 2 hereto (the "Authorized Accounts");

RESOLVED, that the President/CEO is hereby authorized on behalf of the Organization to amend the list of Authorized Personnel by notifying CFC in writing of the name and position of any such Authorized Personnel being added or deleted from Exhibit 1;

RESOLVED, that the Authorized Personnel are each individually hereby authorized, on behalf of the Organization (i) to add or delete Authorized Accounts by providing written notice to CFC, or (ii) when necessary, to provide CFC with revised account information for the Authorized Accounts;

RESOLVED, that CFC is hereby authorized and directed to make payments to Authorized Accounts on behalf of the Organization as directed by any of the Authorized Personnel;

RESOLVED, that CFC is hereby authorized and directed to use funds from any or all of the following sources, as indicated by the Authorized Personnel in order to make said payments:

- proceeds of maturing CFC Commercial Paper purchased by the Organization;
- advances on a Line of Credit, now or hereafter established with CFC;
- Other Authorized Funds;

RESOLVED, that CFC shall be entitled to rely upon the directions and instructions given by any of the Authorized Personnel, or by the authorized officer(s) named above, without further inquiry and without any further action by this Board;

RESOLVED, that this resolution shall remain in full force effect until CFC is provided with a written copy of resolutions rescinding or modifying these resolutions, certified by the Secretary of the Organization; and

RESOLVED, that the Secretary is hereby authorized and directed to furnish a certified copy of this resolution to CFC."

Vote for the motion was unanimous.

Committee Chair Davis advised that the next Corporate Services Committee meeting is scheduled for October 25th.

Attorney's Report

Attorney Dean reported on activities at the legislature, including the property tax bill, which has been sent to a subcommittee. He discussed NHEC's efforts with regard to the property tax bill and distributed and reviewed a copy of an exhibit we have been using to describe the process from the Co-op's perspective, which shows the divergence from DRA valuation in the 115 towns where NHEC pays property taxes.

Member Solutions Committee

Committee Chair Thomas noted that the Member Solutions Committee has not met since the last Board meeting and there are no items requiring action this month. She advised that the next Member Solutions Committee meeting is scheduled for October 25th at 9 a.m.

Audit Committee

Committee Chair Braxton stated that he would have proposed red-lined changes to the July 25th Audit Committee minutes for the next Board meeting.

Board General Session

Board Tracking Report

In response to a question about removing the item on Board Governance, Chair Kwasnik suggested addressing that next month.

Mr. Dwyer commented that he would like to see members have the ability to download their information and requested that "Green Button" be added to the Tracking Report. Mr. Camerino indicated that it is being worked on, but can be added to the Tracking Report.

Committee Meetings

Following is a list of upcoming committee meetings:

- Member Solutions Committee – October 25th at 9:00 a.m.
- Corporate Services Committee – October 25th following Member Solutions Committee

NRECA Report

Mr. Colburn presented the NRECA Report, mentioning the regional meeting held earlier this month and discussing further the exploration of aggregating data of co-ops as a potential revenue stream that he mentioned at last month's board meeting.

NHEC Foundation Report

NHEC Foundation Chair Davis reported on the NHEC Foundation board meeting held earlier today, noting that grants totaling \$53,500 were awarded.

Expense Reports

There were no expense reports for review.

Miscellaneous

In response to a question on electric vehicle efforts, Mr. Snow reported on the number of incentives NHEC has provided, as well as the Electric Vehicle Drive Night event held at the Common Man Inn on September 14th.

Mrs. Aubrey reported on a web conference of the NRECA Director Advisory Group held yesterday on the topic of member engagement. She noted that copies of material from that call will be forwarded to directors.

Executive Session

Upon motion of Mrs. Aubrey, seconded by Mr. Mongeon, it was

VOTED: That the Board of Directors move into Executive Session for the purpose of discussing confidential legal/litigation issues, confidential contract matters and confidential personnel matters.

Vote for the motion was unanimous and the Board moved into Executive Session at 1:00 p.m. Mr. French left the meeting at this time.

Adjournment

The Board moved out of Executive Session and Chair Kwasnik adjourned the meeting at 1:50 p.m.

Joan Aubrey, Secretary

A TRUE COPY ATTEST:

Joseph Kwasnik, Chair of the Board