

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC.

Minutes of the Meeting of the Board of Directors

June 26, 2018

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 June 26, 2018, at the Cooperative's 287 Highland Street Office in Plymouth, NH.

Directors present were Joseph Kwasnik, Joan Aubrey, Brenda Boisvert, Leo Dwyer, Edward French, Carolyn Kedersha, Thomas Mongeon, Jeffrey Morrill, Daniel Senie, Georgie Thomas, and Harry Viens. Others present were Steve Camerino, President/CEO; Jim Bakas, VP of Operations & Engineering; Dena DeLucca, VP of Corporate Services; Brenda Inman, VP of Financial Services/CFO; Craig Snow, VP of Member Services; Mark Dean, Attorney; Brian Callnan, Director of Power Resources and Access; Pam Ouellette, Director of Human Resources; Guy Ford, Corporate Risk and Compliance Executive; Jim Horan, Operations Supervisor; Lynne Turmel, PR/Marketing Supervisor; and Sharon Yeaton, Executive Services Administrator (recording).

Chair Kwasnik called the meeting to order at 8:40 a.m.

Approval of Minutes and Agenda Review

The minutes of the Board Meeting of May 29, 2018 were reviewed. Upon motion of Mr. Mongeon, seconded by Mrs. Aubrey, it was

VOTED: To adopt the minutes of the May 29, 2018, meeting of the Board of Directors as presented.

Vote for the motion was unanimous.

No changes were made to the agenda.

Board Safety Moment

Mr. Horan presented the Safety Moment on the topic of switching and tagging and addressed questions.

Mr. Horan left the meeting at 8:50 a.m.

Chairman's Report

Chair Kwasnik presented the Chairman's Report, mentioning the new format tried for last week's Annual Meeting and distributing copies of a proposed resolution thanking employees for their innovative efforts.

Mrs. Turmel shared statistics from the meeting, including on-site and on-line attendance and addressed questions.

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

VOTED: That the Board of Directors wishes to thank the following NHEC employees for their innovative efforts to develop, plan and implement the new Annual Meeting format and are encouraged to continue to explore new ways to make these meetings more attractive to members and thus encourage more members to participate in future Annual Meetings: Lynne Turmel-Program Manager; Britta Matthews-Purchasing; Dee Boxer-Computer Setup; Geoff Burton-Computer Setup; Jason Smith-On-site IT Assistant; Mary Dirrane-Floater; Lisa Sheehy-Floater; Seth Wheeler-Floater/Communications; Sara Thielbar-Dignitary Invite; Scott McNeil-Parking; Phil LaMoreaux-Parking/ES Table; Mike Reynolds-Parking/Front Door; Alicia Melanson-Ustream Assistant; Bethany Fralick-Registration; Stacy Toomey-Registration; and Edee Murphy-Facilities.

Vote for the motion was unanimous.

Mrs. Turmel left the meeting at 9:00 a.m.

Continuing his report, Chair Kwasnik mentioned that directors will be asked to provide updated bios for NHEC's website. He also discussed board committee meetings, indicating that meetings can be scheduled to run in parallel; plans for the Governance Team to address any issues around the implementation of the Nominating Committee Policy approved in May; plans to add an agenda item at the end of general session each month for members to ask questions; the June 18th orientation session, advising that he plans to make this an annual event; and two items related to the National Rural Electric Cooperative Association (NRECA), which will be addressed later in the meeting.

President's Report

Mr. Camerino presented the President's Report and addressed questions. He reviewed a dashboard of key operating metrics for safety, various financial measures, service reliability and the Balanced Scorecard (BSC), reviewing changes in the BSC item related to safety. He mentioned that staff will begin work on a Cost of Service Study with National Rural Utilities Cooperative Finance Corporation (CFC); discussed the annual update to the Enterprise Risk Management Report; circulated and discussed an article on NH Solar Shares; and reviewed topics to be covered at upcoming Board meetings.

There was discussion on the Strategic Plan review meeting in August, with Mr. Camerino advising that the meeting is scheduled on the regular Board meeting day and between the two meetings directors should plan on a full day. There was discussion regarding preparation for the meeting, and it suggested that the Strategic Plan Steering Committee meet to discuss. Mr. Camerino requested that directors send him an e-mail if there is information they feel they need for the August discussion.

Mr. Camerino also mentioned a half-day Rate Design Presentation from Jim Lazar on Monday, October 29th and addressed a question he received asking if there was any conflict resulting from his role on the Franklin Pierce University (FPU) board and Mr. French's employment at FPU.

Messrs. Camerino and French both advised that there is no direct reporting relationship and they do not believe there is a conflict. Mr. Camerino indicated that the board may want to consider the extent to which Mr. French is involved in setting Mr. Camerino's compensation during the period that Mr. Camerino is on the FPU board. Mr. Camerino noted that his role as Chairman of the FPU board is expected to end in October 2019 and his term as a trustee ends in October 2020. He noted that both positions were previously approved by the NHEC board during prior executive session discussions.

Capital Credits Discussion

Mr. Camerino kicked off the capital credits discussion noting that this is a chance for directors to formulate their views. The goal for the day is to understand the concepts and considerations necessary to decide when and how to retire capital credits, not to make any decisions. He mentioned that there will be a review of the equity management plan at the September meeting.

Attorney Dean drew attention to the Capital Credits paper, Attachment #11 in the Board packet, noting that this has been furnished to provide an overview and stimulate discussion. He briefly discussed NHEC's history related to operating margins and its current position of nearing 50% equity.

Mrs. Inman addressed questions, discussing non-operating margins, average capital credit payouts, retirement cycles, unclaimed capital credits and NHEC's S & P rating.

Attorney Dean discussed state statutes related to cooperatives that NHEC operates under, RSA 301 and 301-A.

Mrs. Inman distributed copies of a table of capital credit allocations by year, noting that 90% of our allocations are from 2000 and forward.

Mr. Camerino mentioned that the financial forecasts the Board will be provided in September will be key for its consideration and will show what it takes to maintain the desired level of equity once you begin paying out capital credits.

Mrs. Inman addressed questions on the Capital Credit Policy, noting that it was modeled after the CFC Capital Credit Task Force Report. She advised that the objective to reach 50% equity before considering retiring capital credits is basically an industry standard.

There was discussion regarding things that need to be considered in the decision to pay out capital credits, including rates, borrowing, future capital needs, risks of not paying out capital credits and public relations/voice of the member.

Chair Kwasnik suggested it would be helpful to have a copy of the NRECA Task Force Report.

In response to questions on what a pro forma would like under various scenarios, Mrs. Inman stated that we will have forecast models and scenarios in September.

Mr. Camerino asked directors to let staff know if there is specific information they would want to have prior to consideration of the Capital Credit Policy and a decision on when to begin retiring capital credits so we can try to coordinate those requests and cover as much as possible.

Mrs. Kedersha stated that directors can send their thoughts to her and at the July Corporate Services Committee meeting they will start to put together a list.

Board Committees

Chair Kwasnik mentioned that since there were no committee meetings this past month all committee reports were combined into one item with approval of the Executive Committee minutes, Attachment #12 in the Board packet, being the only action item. Upon motion of Mrs. Kedersha, seconded by Mr. Mongeon, it was

VOTED: To approve the minutes of the May 21, 2018, Executive Committee meeting as presented.

Vote for the motion was unanimous.

Mrs. Kedersha reported on the NHEC Foundation board meeting held yesterday, noting that grants totaling \$39,000 were approved. She also mentioned that one more NHEC director is needed for the Foundation board if anyone is interested.

Mr. Mongeon reported that information on the direct buried cable project is on target to be provided prior to the Engineering & Operations Committee meeting scheduled for July.

Questions on Korn Ferry/Hay Group, the organization retained to work with NHEC on its culture initiative, were addressed.

Chair Kwasnik mentioned that when Mrs. Kedersha was reviewing the last Governance Team minutes she had the perspective that they were the right balance of providing enough detail so directors who were not members of the committee wouldn't feel they needed to be present at the meeting. He asked committee chairs to see if they can strike the right balance of detail in committee minutes so directors don't feel they need to be present at every meeting.

Attorney's Report

Attorney Dean reported that HB 324, to establish a commission to study utility property valuation, was signed by the Governor. He also mentioned that pole attachment rules were approved by the Joint Legislative Committee on Administrative Rules (JLCAR) and are now being formally put in place.

Board General Session

Board Tracking Report

The Board Tracking Report, Attachment #7 in the Board packet, was reviewed.

Committee Meetings

Following is a list of upcoming committee meetings:

- Corporate Services Committee – July 30th at 8:30 a.m.
- Power Resources & Access Committee – July 30th at 9:30 a.m.
- Engineering & Operations Committee – July 30th at 11:00 a.m.
- Member Solutions Committee – August 27th at 8:30 a.m.
- Audit Committee – August 27th at 10:00 a.m.

NRECA Report

Chair Kwasnik mentioned that Mr. Colburn is currently attending the NRECA board meeting and will provide a report from that meeting next month. He drew attention to the e-mail from Mr. Colburn regarding his representation on the NRECA board, Attachment #19 in the Board packet. Upon motion of Mr. Mongeon, seconded by Mrs. Kedersha, it was

VOTED: That the Board of Directors approves Ken Colburn’s continuation as the New Hampshire Director on the NRECA Board for the remainder of his current term, which will end in February 2020.

Mr. Mongeon noted that the Board should also be thinking about the future and having someone attend NRECA meetings with Mr. Colburn to gain some experience.

Mr. Camerino mentioned that it is also important for the Board to provide the direction and focus it wants to have the NH representative bring to NRECA.

Vote for the motion was unanimous. Mr. Mongeon advised that he would let Mr. Colburn know of the Board’s decision.

Chair Kwasnik drew attention to the proposed amendment to the NRECA Resolution “Greenhouse Gas Emissions” being proposed by an Alaskan co-op and the supporting letter from Washington Electric Cooperative, Attachment #18 in the Board packet. He proposed that NHEC submit a letter of support and indicated he would work with staff to put together a draft for the Board’s consideration.

NHEC Foundation Report

Chair Kwasnik noted that the NHEC Foundation Report was provided earlier.

Expense Reports

Director expense reports were circulated for review.

NRECA Voting Delegate

Harry Viens was appointed as NHEC’s voting delegate for the National Rural Electric Cooperative Association (NRECA) Regional Meeting in September.

Executive Session

Upon motion of Mr. Kwasnik, it was

VOTED: That the Board of Directors move into Executive Session for the purpose of confidential discussion of legal claims/litigation, confidential contract information, confidential financial information, confidential cyber security information and confidential personnel matters.

Vote for the motion was unanimous and the Board moved into Executive Session at 11:47 a.m.

The Board moved out of Executive Session at 1:45 p.m.

Upon motion of Mr. Dwyer, seconded by Mrs. Kedersha, it was

VOTED: That Directors will send bullet items on lessons learned from union negotiations to Carolyn Kedersha by July 15, 2018.

Vote for the motion was unanimous.

Adjournment

Chair Kwasnik adjourned the meeting at 1:50 p.m.

Joan Aubrey, Secretary

A TRUE COPY ATTEST:

Joseph Kwasnik, Chair of the Board