

Approved 10/30/18

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC.

Minutes of the Meeting of the Board of Directors

September 25, 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 September 25, 2018, at the Cooperative's 287 Highland Street Office in Plymouth, NH.

Directors present were Joseph Kwasnik, Joan Aubrey, Leo Dwyer, Edward French, Carolyn Kedersha, Thomas Mongeon, Jeffrey Morrill, Daniel Senie, Georgie Thomas, and Harry Viens. Director Brenda Boisvert participated by telephone. Others present were Steve Camerino, President/CEO; Brenda Inman, VP of Financial Services/CFO; Steve Kaminski, VP of Power Resources and Access; Mark Dean, Attorney; Brian Callnan, Director of Power Resources and Access; Pam Ouellette, Director of Human Resources; Dan Cornelissen, Manager of Operations; Nicole Colby, Safety Administrator; Jim Horan, Operations Supervisor; Josh Mazzei, Manager of Operations; Frank Parks, Safety Manager; Ken Colburn, New Hampshire's NRECA Director; and Sharon Yeaton, Executive Services Administrator (recording). Also participating by phone was Craig Snow, VP of Member Services.

Chair Kwasnik called the meeting to order at 8:30 a.m.

Approval of Minutes and Agenda Review

The minutes of the Board Meeting of August 28, 2018 were reviewed. Upon motion of Mrs. Aubrey, seconded by Mr. Viens, it was

VOTED: To adopt the minutes of the August 28, 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. Camerino recognized Plymouth District Operations Supervisor Jim Horan for his many years of service providing "Fires and Wires" training for local first responders. The Board expressed its appreciation for Mr. Horan's efforts on this important public safety matter.

Mrs. Colby presented the Safety Moment sharing her history and philosophy on safety.

Mr. Horan, Mrs. Colby and Mr. Parks left the meeting at 8:40 a.m.

Chairman's Report

Chair Kwasnik presented the Chairman's Report, reporting on the Strategic Planning Oversight Committee meetings held September 12th and 24th to review the draft updated Strategic Plan, advising that the revised plan will be presented to the Board for approval in October.

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Chair Kwasnik next led a discussion on the current practice of having Board-only executive session discussion every month. Following discussion, Chair Kwasnik concluded that it was the sense of the Board that instead of including this as a regular agenda item each month, if a director has an item for Board-only discussion that fits under the guidelines for an executive session they will let the Chair know and he will include it on the agenda.

With regard to board governance, Chair Kwasnik discussed the subject of a board 360 review and mentioned proposals received from two consultants. Following discussion, Chair Kwasnik stated that he will contact Pat Mangan, Director of Governance Education at NRECA, to get his thoughts and will report back at the October Board meeting.

Chair Kwasnik next addressed the topic of board committee operations, indicating that he would like committee chairs to make recommendations at the October Board meeting on how to improve the efficiency, effectiveness and reporting of committee activities to the Board. He advised that he would e-mail a list of questions to committee chairs.

President's Report

Mr. Camerino recognized Leo Dwyer for his completion of the National Rural Electric Cooperative Association (NRECA) Credentialed Cooperative Director (CCD) program.

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). He also discussed a Business and Industry Association (BIA) panel on the New Hampshire Energy Landscape, which he participated in yesterday; deep dive topics for Board meetings, noting that today's topic is Equity and we would like to continue these sessions next year so directors can let him know if there is a topic they feel would be of value; and the CFC Boston 100 Conference he attended, sharing some slides from presentations that focused on the changing electricity system landscape and asking directors to be thinking about this when they hear the rate design presentation from Jim Lazar on October 29th.

Equity Management Discussion

Mrs. Inman drew attention to handouts distributed today containing additional information on the forecast scenarios. She noted that the goal for today's discussion is to understand the various elements that go into an Equity Management Plan and provide input for management to update the plan.

Mrs. Inman reviewed what is currently in place related to equity management, including Board Policy B-33 - Equity Management and the Equity Management Plan, discussing the current status of the financial goals that were established in 2015. She mentioned the things to consider when developing an Equity Management Plan (investment in assets, capital credits policy, margin requirement and equity target) and advised that decisions in each of these areas are interrelated and must support each other. She drew attention to the three forecast models and the two scenarios that were provided for each model, discussing the impact to equity on the various scenarios and noting that we need to determine our desired equity level.

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Mrs. Inman reviewed the handouts, discussing impacts of the various scenarios to key financial metrics and addressing questions. She noted that the questions that need to be addressed are: 1) what should we be targeting for an equity level, 2) what should the net margin requirement be, 3) what major projects/initiatives do we have to do, and 4) what projects/initiatives would be nice to do? Using Board feedback, management will provide a draft updated Equity Management Policy and Plan later this year.

In response to a question about doing some sensitivity analysis on changes in growth rates, inflation, etc., Mr. Camerino suggested those could be performed as we narrow the options. Responding to additional questions, Mrs. Inman explained the difference between equity to assets and debt to capitalization ratios, discussed the poll of members of the Association of Large Distribution Cooperatives (ALDC) regarding equity targets and reviewed the equity level required to maintain rate discounts with CFC, advising that she would confirm with CFC that the level cannot fall below 40%.

In response to the question posed earlier by Mrs. Inman regarding high priority projects/initiatives, the following items were identified:

- Retire capital credits in November 2020 (need to get on Board agenda for vote)
- Direct buried cable project
- New headquarters facility (this could potentially be done in phases)
- Fiber to substations

There was discussion around the timing of retiring capital credits, with the question raised if the payout could start sooner than November 2020. Management will pull together the timeline of what needs to be accomplished so a reasonable timeframe for retirement can be identified.

In response to a question regarding whether or not the right-of-way budget would ever be reduced, Mr. Camerino explained that it is something we discuss every year and once we get to a regular clearing cycle we will have a better sense of the cost to maintain that cycle.

Discussion ensued on the desired target for equity with a suggested range of 40% to 50, with a preference to not go below 42%.

Margin requirements were next discussed, with a suggestion that this also be a range. There was discussion on a range of \$3 million to \$5 million and another suggestion that instead of a fixed number the level be set at budget plus half a percent.

Mr. Camerino noted that based on today's discussion, management will bring back a proposed plan for the Board to consider.

In response to a request of Mr. Dwyer, Mr. Camerino stated that the formulas and everything in them for equity to total assets and equity to total capitalization will be e-mailed to directors. Mrs. Inman mentioned that equity to total assets is the measurement that CFC uses.

Board Committees

Chair Kwasnik drew attention to the draft minutes from the Executive, Audit, and Member Solutions committee meetings held on August 27th. Upon motion of Mr. Viens, seconded by Mr. French, it was

VOTED: To approve the minutes of the August 27, 2018, Executive, Audit, and Member Solutions Committee meetings as presented.

Mrs. Thomas drew attention to the vote at the Member Solutions Committee meeting to change the committee name to Member Services Committee. Chair Kwasnik suggested the name change be postponed until a decision has been made on committee structure.

Vote for the motion to approve the minutes was unanimous.

Audit Committee Chair French noted that an Audit Committee meeting has been scheduled for October 30th, following the Board meeting.

Power Resources and Access Committee Chair Viens clarified that feedback on the dashboard discussed at yesterday's committee meeting is welcome from anyone, not just committee members, but responses are needed by October 15th.

Engineering and Operations Committee Chair Mongeon reported on the September 12th committee meeting and mentioned that minutes from that meeting will be included in the next Board packet.

Corporate Services Committee Chair Kedersha next drew attention to the resolutions from the September 24th Corporate Services Committee meeting.

Upon motion of Mr. French, seconded by Mr. Senie, it was

VOTED: That the Board of Directors authorizes a write-off for uncollectible electric accounts in the amount of \$81,638.87 for accounts final billed October 2017 to March 2018 as well as bankruptcy filings through August 2018. The write off includes \$1,307.56 for bankruptcies and \$218.76 for disputed bills. The board directs staff to continue to attempt recovery of these uncollectible accounts.

Vote for the motion was unanimous.

Upon motion of Mrs. Thomas, seconded by Mrs. Aubrey, it was

VOTED: That the Board of Directors authorizes management to set the Co-op Power and Regional Access Charges as recommended on a bills-rendered basis effective November 1, 2018.

Vote for the motion was unanimous.

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

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VOTED: That the Board of Directors authorizes management to update the Schedule of Fees as proposed effective November 1, 2018, and also authorizes management to update the Terms and Conditions to reflect fee additions and removals as proposed.

Vote for the motion was unanimous.

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

VOTED: That the Board of Directors authorizes management to revise the Terms and Conditions as proposed for: Section C – Deposits; Section O – Lighting; Section X – Net Metering, to be effective on a bills rendered basis November 1, 2018 and Section T – Consumption Tax and BET Tax to be effective on a bills rendered basis January 1, 2019.

Vote for the motion was unanimous.

Attorney's Report

Attorney Dean presented the Attorney's Report, advising that he would discuss Elster litigation later in executive session. He discussed property in Colebrook that NHEC purchased in 2010 for a tower site as part of its Advanced Metering Infrastructure (AMI) project, and addressed questions. He noted that the property was subdivided and management would like authority to sell the portion of the property it doesn't need. An opinion of the property value was received from a realtor and NHEC has received an offer for that amount with no contingencies.

In response to a question on any potential conflict of interest, Mr. Camerino stated that he would confirm that there is no connection between the purchaser of the property and the real estate agent who provided the market assessment.

In response to a question, Attorney Dean advised that a deed will be created and whether the easement is included in the deed or as a separate document it will be part of the arrangement to ensure that NHEC has continued access to its tower site.

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

VOTED: To authorize NHEC management pursuant to Article X, Section 1(a) of NHEC's bylaws, to sell a parcel of land, with buildings, located on Deer Run Road in Colebrook, which neither is, nor will be, necessary or useful in operating and maintaining NHEC's system and facilities, at such price and upon such terms as NHEC management considers reasonable and in NHEC's best interest.

Vote for the motion was unanimous.

Board General Session

Board Tracking Report

No changes were made to the Board Tracking Report.

In response to a question on the timing of the Broadband Report from Conexon, Mr. Camerino advised that a second draft of the report was just received and we are getting closer to having something for the board, but he can't promise it for October.

Committee Meetings

Following is a list of upcoming committee meetings:

- Member Solutions Committee – October 29th at 8:30 a.m.
- Audit Committee – October 30th (following the Board meeting)

NRECA Report

Mr. Colburn presented the NRECA report and addressed questions. He drew attention to his written report provided to directors via e-mail and highlighted a few of the items in the report. He advised that he would provide of a copy of Sheldon Peterson's remarks from the NRECA Regional Meeting.

NHEC Foundation

Mrs. Kedersha reviewed the August financials, noting that the Foundation is well positioned. She mentioned that the next meeting is scheduled for October 2nd.

Expense Reports

Chair Kwasnik noted that expense reports were circulated for review.

Other Items of Business

Following up on a question at yesterday's Power Resources and Access Committee meeting, Mr. Kaminski distributed copies of a chart showing the history of NHEC's default service rates compared to other utilities.

As a follow-up from yesterday's Corporate Services Committee meeting, a resolution for the use of Medium Term Notes (MTNs) was presented. Upon motion of Mrs. Aubrey, seconded by Mr. Viens, it was

VOTED: That the Board of Directors authorizes management to utilize funds, as they mature, from the Storm Fund and from the Medium Term Notes to pay off the strike related expenses.

Vote for the motion was unanimous.

In response to a question about liquidating the MTNs, Mrs. Inman explained that there are a total of 20 notes and between now and March we will utilize the funds from the notes that mature and we can decide what to do with the other notes as they mature.

The meeting recessed at 11:57 a.m. and reconvened at 12:10 p.m.

As a follow-up to the chart he distributed earlier, Mr. Kaminski distributed another chart showing total rates compared to other utilities indicating that this was the interest.

Executive Session

Upon motion of Mr. Mongeon, seconded by Mr. Senie, it was

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

Vote for the motion was unanimous and the Board moved into Executive Session at 12:12 p.m.

The Board moved out of Executive Session at 2:00 p.m.

Adjournment

Chair Kwasnik adjourned the meeting at 2:01 p.m.

Joan Aubrey, Secretary

A TRUE COPY ATTEST:

Joseph Kwasnik, Chair of the Board