

# Dear Members

Our members are beginning to see changes in how electricity is generated and used in our everyday lives. Solar power, energy efficiency, electric vehicles, heat pumps, retirement of major power plants and the rise of community interest in non-polluting forms of electricity have begun to affect our daily lives and will continue to do so. In response to these and anticipated future changes, your Co-op put in place a comprehensive strategic plan to ensure our ability to continue providing reliable, cost effective and environmentally sound electric service to meet your current and future energy needs. Many of the changes we've been making began to bear fruit in 2018.

To address a long period of flat or declining kilowatt-hour (kWh) usage on our system, we have focused on efforts to grow load responsibly through "beneficial electrification," which encourages the transition from fossil-fueled equipment like oil furnaces and gasoline engines to electric-powered alternatives like heat pumps and EVs. This evolution will help members save on their overall cost of energy, while also benefiting the environment.

In 2018, we:

- Added nearly 3 million kWh of new electric load through our members' participation in NHEC heat pump and EV programs
- Incentivized the installation of high efficiency heat pumps and heat pump water heaters for more than 450 members
- Provided rebates to 71 members who purchased EVs
- Had 18 members install EV charging stations at their home or business

The added electric load from these uses helps keep rates down for all members, while those members who take advantage of these electric-powered technologies save money on their overall energy bills and reduce harmful air emissions.

This was also the first full year of production at our Moultonborough solar array, the largest in the state of New Hampshire. We're pleased to report that its output exceeded our expectations, even in a year that was less than optimal for solar production. The 3.325 million kWh of electricity it produced in 2018 was enough to power more than 600 homes and offset hundreds of thousands of dollars in capacity and transmission costs that we would otherwise have paid to import that much energy from the New England grid.

NHEC is also well along in exploring battery storage capabilities at the Moultonborough site. By charging a large battery at the solar site and discharging it during peak demand periods, we can avoid purchasing power when costs are highest and demand is at its peak. That same thinking is driving a pilot program we're planning for residential battery storage. You'll be seeing more about this promising technology in the coming months.

In May last year, we faced some unexpected challenges when our 83 union employees went on strike after lengthy negotiations failed to produce a successor agreement to their employment contract that expired in April. At issue were the difficult matters of pay, pension and 401k benefits. We take our responsibility to our employees seriously and work hard to balance that with our responsibility to our members. The work interruption during this period was unfortunate, and we'd sincerely like to thank our members for

bearing with us during this difficult time. We want to assure you that all our employees understand the extent to which our members rely on us to keep them connected to the modern world.

## NHEC LEADING THE WAY

A recent study by Smart Electric Power Alliance placed NHEC in the top quartile of U.S. electric utilities in a ranking of those companies most prepared to leverage EVs as a grid asset. In 2018, we became the first utility in the state to offer discounted rates to members who charge their EVs during off-peak hours. By incentivizing the use of electricity during off-peak hours, we can grow load responsibly without further straining New England's generation and transmission infrastructure or creating new costs to expand our own distribution system.

In a related development, we've also enrolled 2,745 members in a voluntary load reduction program that notifies participants when peak demand events are occurring and encourages them to reduce their power use where possible. This program has already produced benefits for all members, and we are hopeful that it will yield even more substantial savings as we go forward.

## IMPROVING SERVICE TO MEMBERS

Member service also took a big step forward this past year with the addition of expanded after-hours call center service for service interruptions. The Cooperative Response Center (CRC) now fields NHEC member outage calls during non-business hours and at times when our regular call center is at full capacity. The results have been dramatic – in the months since partnering with CRC, the average time for answering calls has gone from two minutes and 43 seconds to just 17 seconds. This has been especially valuable for members during times of major power outages.

Another member service improvement accomplished in 2018 will ensure that our distribution system is prepared to accommodate the increasing number of members who want to play a more direct role in how their energy is generated and managed. Toward that end, we replaced and upgraded the system that allows us to remotely monitor the substations on our distribution system and worked on plans to expand our ability to do so over the entire system. We also upgraded portions of our communications network and will continue to do so in 2019 and beyond.

We are looking forward to the opportunity to serve you during the coming year and to doing the hard work necessary to ensure that the service NHEC provides meets our members' evolving needs for many years to come.



Steve Camerino, President/CEO



Joe Kwasnik, Board Chair

## 2018 Board of Directors

Joseph Kwasnik .....	Board Chair, Conway
Thomas Mongeon .....	Vice Chair, Rumney
Carolyn Kedersha.....	Treasurer, Center Tuftonboro
Joan Aubrey .....	Secretary, Jackson
Leo Dwyer .....	Assistant Treasurer, Sandwich
Brenda Boisvert .....	Campton
Edward French .....	Raymond
Jeffrey Morrill.....	Thornton
Daniel Senie .....	Charlestown
Georgie Thomas.....	Intervale
Harry Viens.....	Center Harbor

## MISSION STATEMENT

Our mission is to provide our members the ability to access affordable, reliable electric service options that support and simplify their lives.

## VISION STATEMENT

Our members will have the energy they need, the information they want and a partner they can trust.™

## FAREWELL AND THANKS!

NHEC wishes to express its deep appreciation to Joe Kwasnik and Georgie Thomas for their years of service on the NHEC Board. Joe leaves us this year after nine years on the Board, the last three of which he served as Chairman. Georgie is retiring from the Board after 15 years of consecutive service.

Cover Image: This beautiful picture of Lonesome Lake in Franconia Notch was taken on January 30, 2019 by NHEC member Alan Barrett of Groton.

2018

## ANNUAL REPORT TO MEMBERS

## ON OUR WAY





# Financials

## Statement of Operations

	2018 (\$000)	2017 (\$000)
<b>ASSETS</b>		
Current Assets		
Cash & Cash Equivalents	\$11,699	\$12,118
Restricted Cash	-	3,064
Receivables from Members – Energy Sales	13,705	13,968
Other Receivables	4,475	6,470
Material & Supplies Inventory	3,060	2,893
Prepayment & Other Current Assets	2,653	2,735
<b>Total Current Assets</b>	<b>35,592</b>	<b>41,248</b>
Utility Plant		
Less: Depreciation	(151,303)	(170,195)
<b>Net Utility Plant</b>	<b>226,860</b>	<b>203,989</b>
Other Assets		
Temporary investments	-	1,000
Intangible assets	1,375	1,375
Non-utility property	264	274
Investments in Assoc. Organizations	11,709	11,563
<b>Total Other Assets</b>	<b>13,348</b>	<b>14,212</b>
Deferred Debits	12,401	10,062
<b>Total Assets</b>	<b>\$288,201</b>	<b>\$269,511</b>
<b>LIABILITIES &amp; EQUITY</b>		
Current Liabilities		
Lines of Credit	\$7,343	\$3,751
Accounts Payable	11,872	14,663
Accrued Liabilities	3,015	4,017
Member Deposits	2,036	1,842
Current Portion of Long-Term Obligations	5,564	6,127
<b>Total Current Liabilities</b>	<b>29,830</b>	<b>30,400</b>
Long-Term Obligations	98,667	104,231
Deferred Credits	31,448	6,792
Member Equity	128,256	128,088
<b>Total Liabilities &amp; Equity</b>	<b>\$288,201</b>	<b>\$269,511</b>

## Statement of Operations

	2018 (\$000)	2017 (\$000)
<b>Revenue</b>		
Operating Revenues	\$145,386	\$139,471
<b>Expenses</b>		
Cost of Power & Transmission	75,811	72,252
Operation & Maintenance	20,257	14,594
Customer, Admin. & General	22,302	19,911
Sales	2,688	2,063
Depreciation	12,664	12,252
Interest Expense & Other Ded.	4,310	4,569
Taxes	7,920	7,738
<b>Total Operating Expenses</b>	<b>145,952</b>	<b>133,379</b>
<b>Operating Margins</b>	<b>(566)</b>	<b>6,092</b>
<b>Non-Operating Margins</b>		
Interest Income & Patronage	692	665
Other	42	49
<b>Total Non-Operating Margins</b>	<b>734</b>	<b>714</b>
<b>Net Margins</b>	<b>\$168</b>	<b>\$6,806</b>

# Treasurer's Report

It is my pleasure to report the financial results of your cooperative for the year ending December 31, 2018. NHEC ended the year with a positive net margin of \$168,000 from our delivery service operations. The combined impact of several significant variances from budget led to this outcome.

The extreme cold at the beginning of 2018 and the extended heat during the late summer helped contribute to distribution revenues that were approximately \$530,000 more than forecast. Operations and maintenance expenses, however, significantly exceeded budget. There were two major contributing factors: the cost of hiring replacement line crews during the two-week strike by NHEC's unionized employees in May (approximately \$4.5 million) and the cost of storm response and restoration work throughout the year (approximately \$1.9 million).

We were able to offset these expenses by achieving approximately \$1.3 million in savings in other operating expenses. The result was a margin that was approximately \$4.8 million less than budgeted. Despite our lower margin for the year, NHEC's equity position remains strong, and we are well positioned to make the investments needed to maintain and upgrade our distribution system to meet our members' current and future electric service needs.

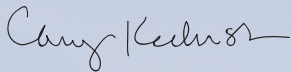
For the 2018 year, overall member growth increased to 455 new services, compared to 373 in 2017 and an average of 262 new services annually over the last decade. Total kilowatt-hours (kWh) delivered in 2018 were up 4.2% over 2017 and exceeded our forecast by 3.7%. The average monthly kWh consumption for residential members increased 3.43%, likely attributable to the weather as noted above.

In 2018, we made investments to upgrade several of our substations to ensure we have optimal ability to detect overloads and voltage variations in order to reduce potential outages. We also continued work on improving circuit reliability by increasing the number of devices that automatically isolate faults occurring on distribution circuits and reduce the number of members affected by a given outage. All these investments lead to improved system reliability and reduced operating expenses. Many of them also allow us to restore power more quickly, should there be a fault on our system or if service to our substations is disrupted due to an event on our transmission provider's system.

Wholesale power costs and the cost of transmission services (bringing the power from the regional grid to NHEC's distribution system) comprise roughly 52% of all costs for members who buy Co-op Power from us, the remainder being the cost of the delivery service we provide all members. Of the total power and transmission costs, approximately 40% are capacity-related, meaning that they are based on the amount of power used by NHEC's members during peak periods.

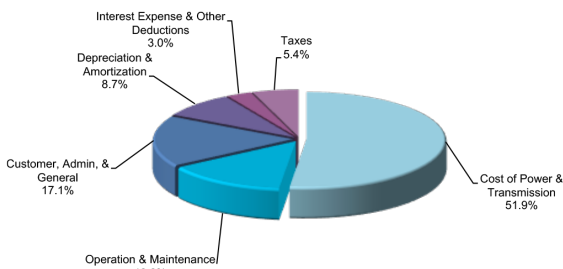
Our Behavioral Demand Response Program, initiated in 2016, achieved an annual capacity savings of 2 Megawatts last year, which resulted in savings of more than \$310,000 that will be passed onto members. This is the largest savings since the implementation of the program.

Respectfully submitted,

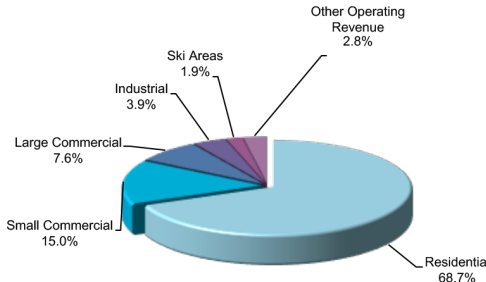


Carolyn Kedersha

## Expenses by Category – 2018



## Operating Revenue – 2018



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.com](http://www.nhec.com).