

Approved 5/28/19

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC.

Minutes of the Meeting of the Board of Directors

April 30, 2019

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 April 30, 2019, at the Cooperative's 287 Highland Street Office in Plymouth, NH.

Directors present were Joseph Kwasnik, Leo Dwyer, Edward French, Carolyn Kedersha, Thomas Mongeon, Daniel Senie, Georgie Thomas, and Harry Viens. Directors Joan Aubrey and Jeffrey Morrill participated by telephone. Others present were Steve Camerino, President/CEO; Jim Bakas, VP of Operations and Engineering; Brian Callnan, VP of Power Resources and Access; Mark Dean, Attorney; Brenda Inman, VP of Financial Services/CFO; Steve Kaminski, Power Planning and Policy Advisor; Pam Ouellette, Human Resources Director; Craig Snow, VP of Member Services; Geoff Ziminsky, Director of Information Technology; Guy Ford, Corporate Risk and Compliance Executive; Nici Colby, Safety Administrator; Ken Colburn, New Hampshire's NRECA Director; and Sharon Yeaton, Executive Services Administrator (recording).

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

Agenda Review and Approval of Minutes

There were no changes to the agenda.

The minutes of the Special Board Meeting of March 25, 2019, were reviewed. Upon motion of Mr. French, seconded by Mr. Viens, it was

VOTED: To adopt the minutes of the March 25, 2019, special meeting of the Board of Directors, as presented.

Vote for the motion was unanimous.

The minutes of the Board Meeting of March 26, 2019, were reviewed. Upon motion of Mr. Viens, seconded by Mr. Senie, it was

VOTED: To adopt the minutes of the March 26, 2019, meeting of the Board of Directors, as presented.

Vote for the motion was unanimous.

Board Safety Moment

Ms. Colby presented the Safety Moment, discussing her involvement with the Energy Council of the Northeast (ECNE) Safety and Operations Committee and their discussions on various aspects of safety.

Chairman's Report

Chair Kwasnik presented the Chairman's Report, mentioning the issue of pace of change and suggesting 30 minutes be set aside at the May Board meeting for a discussion. He also mentioned the SCADA expansion project and suggested at the June meeting the new Board Chair start the discussion to formulate the Board's guidance to management on what the project justification should include.

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). He also discussed the upcoming employee workshop with Korn Ferry to promote an understanding of the strategic plan and goals; information he circulated at the request of Mrs. Aubrey related to rate case filing requirements of the Public Utilities Commission; a lecture that he and Mr. Callnan attended at the Thayer School of Engineering on some modeling for ISO NE of different scenarios involving the growth of renewables on the system; NHEC's sponsorship of programs at the Squam Lakes Science Center and NH Public TV; and member correspondence, noting that those dealing with individual member information will be addressed in Executive Session.

There was a brief discussion regarding restoration to island services when conditions are unsafe to cross the lake and the correspondence from a member on Bear Island suggesting that NHEC obtain its own equipment capable of servicing the islands throughout the year. Mr. Camerino will let the member know that we will be considering the issues raised.

Capital Credits and Equity Management

Mrs. Inman drew attention to the Equity Management Plan, Attachment #3 in the Board packet. She noted that the objectives for today are to review and approve the Equity Management Plan Financial Goals and the Equity Management and Capital Credits Board Policies. She reviewed the five financial forecast scenarios that were included in the attachment and focused attention on information in scenario 3, which includes all of the projects and initiatives identified by the Board last September and the retirement of capital credits starting in 2020.

Mrs. Inman next reviewed proposed financial goals and addressed questions.

There was discussion on the retirement of capital credits and whether a Board vote directing management to prepare for a 2020 retirement was necessary. Mrs. Inman noted that the decision on whether we retire capital credits in 2020 would need to happen in the fall of this year. She discussed the work that needs to be done by staff to prepare for the retirement and the importance of making sure we are fully prepared before moving forward. Mr. Camerino added that management is clear on the Board's desire to have retirement of capital credits beginning in 2020 be a high priority and the plan is to develop a budget for 2020 based on that. There is a lot of detailed work that needs to be accomplished and if there are obstacles to being able to make this happen in 2020 management would come back to the Board.

After further discussion, Mr. Dwyer offered a motion, which was seconded by Mrs. Kedersha: that the Board directs management to prepare all the necessary management systems that will allow NHEC to retire capital credits in 2020. The system should be seen as being sustainable since retiring capital credits will become a core part of the business.

In response to a concern that this motion would tie management's hands if 2020 turns out not to be a doable date, Mr. Camerino advised that whether there is a vote or not he is clear on the direction the Board would like to go and he is comfortable with the discussion management has had with the Board that if we run into obstacles management will come back to the Board to discuss.

Mr. Dwyer offered an amendment to the motion to add that management would report back to the Board as soon as practical if they determine there are obstacles to starting the retirement in 2020.

There was additional discussion on the motion. Chair Kwasnik suggested tabling the motion and requesting management prepare a resolution for the Board to address in May.

Mr. Dwyer withdrew his motion.

Mrs. Inman next drew attention to the proposed Financial Goals. It was agreed that a resolution would be presented to the Board for approval in May.

Mrs. Inman next reviewed the proposed changes to Board Policies B-32, Capital Credits, and B-33, Equity Management. It was agreed to change item II. A. i. 2 in Board Policy B-33 to read "...no less frequently than once every five years."

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

VOTED: That the Board of Directors adopts the changes to Board Policies B-32, Capital Credits, and B-33, Equity Management, as presented.

Vote for the motion was unanimous.

Mrs. Inman closed with a review of things to consider for a capital credits retirement, noting that these will be discussed with the Board in the fall. She also distributed a handout showing information on capital credit retirements from two cooperatives similar in size to NHEC.

The meeting recessed at 10:15 a.m. and reconvened at 10:29 a.m. Ms. Colby left the meeting at this time.

Board Committees

Chair Kwasnik drew attention to the draft minutes from the March 18, 2019, Strategic Planning Oversight Committee meeting and the March 25, 2019, Corporate Services Committee meeting, Attachments #4 and #5, respectively, in the Board packet. Upon motion of Mrs. Kedersha, seconded by Mr. Mongeon, it was

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VOTED: To approve the minutes of the March 18, 2019, Strategic Planning Oversight Committee meeting and the March 25, 2019, Corporate Services Committee meeting, as presented.

Vote for the motion was unanimous.

Audit Committee Chair French drew attention to the items recommended for Board approval from the Audit Committee meeting held yesterday, including the IRS Form 990 and Committee policies and charter, Attachments #6 and 7 in the Board packet. Upon motion of Mrs. Thomas, seconded by Mr. Viens, it was

VOTED: That the Board of Directors accepts NHEC's 2018 IRS Form 990 as presented.

Vote for the motion was unanimous.

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

VOTED: That the Board of Directors reaffirms the Audit Committee Charter, Board Policies B-2, Attachment G – Audit Committee; B- 28 – Audit Policy; B-29 – Statement on Ethics and B-37 Safeguarding Member Information and adopts the changes to Board Policy B-34 – Record Retention and Destruction, as presented.

Vote for the motion was unanimous.

Member Solution Committee Chair Thomas reported on items covered at the yesterday's Member Solutions Committee meeting and drew attention to the resolution to appoint ballot counters for the upcoming director election, Attachment #8 in the Board packet. The following resolution was offered by Mr. Senie and seconded by Mr. French:

RESOLVED, that in accordance with Article III, Section 4, of the New Hampshire Electric Cooperative's Bylaws the ballots shall be opened and counted on such date and place as designated in the annual meeting notice, by a committee of tellers as appointed herewith: Brenda Inman, Chair; Seth Wheeler, Patti Corbeil, Shauna McNair, Robyn Sarette, Doug Bergholm, Kristie Saulnier, Daron Whitehouse, Autumn Doan, Phyllis Evans, Sharon Yeaton, Sara Thielbar, Kristen Taylor, Kathryn Smith, Lisa Sheehy, Scott Davis, Shayna Williams and Sharyn-Lynn Gilpatric.

Vote for the motion was unanimous.

Corporate Services Committee Chair Kedersha noted that the Committee has not met since the last Board meeting, but she drew attention to items included in the Board packet requiring Board action, including the corrected Success Sharing Payout (Attachment #10) and the Joint Membership Termination and Capital Credit Allocation Agreement (Attachment #11). Upon motion of Mr. Mongeon, seconded by Mr. French, it was

VOTED: That the Board of Directors authorizes the revised Success Sharing payout amount of \$317,000 for individuals employed during calendar year 2018 in accordance with the provisions of the NHEC Success Sharing Plan based on achieving 75% of the established 2018 Balanced Scorecard goals.

Vote for the motion was unanimous.

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

VOTED: The Board of Directors authorizes implementation of the new Joint Membership Termination and Capital Credit Allocation Agreement effective May 1, 2019.

Vote for the motion was unanimous.

Mrs. Kedersha next addressed governance items, reminding everyone of the director training scheduled for May 7th and discussing director interest that has been expressed to date in the various officer positions, noting that others have the opportunity to express an interest prior to the June officer elections.

There was a discussion on the officer election process and how the results are announced at the Board Organizational meeting.

Attorney's Report

Attorney Dean presented his report and addressed questions. He provided an update on legislative and regulatory matters, including property tax legislation (HB 700), legislation to establish a statewide energy data platform (SB 284), and proposed changes to DES wetland rules.

Attorney Dean discussed a request to change some language related to the character of candidates' NHEC service location on the director election ballot material. He explained that the Board Secretary, in consultation with the attorney, is responsible for making decisions related to this material. He advised that the decision was made to keep the information consistent with the categories outlined on the Board Candidate Questionnaire that all candidates completed. He noted that Mrs. Aubrey wanted to bring this to the Board's attention to see if the Board wanted to revisit the language before the next election cycle.

Chair Kwasnik suggested the Board revisit this sometime before the next election process begins to determine if any changes are desired.

Board General Session

NRECA Report

Mr. Colburn presented the National Rural Electric Cooperative Association (NRECA) Report highlighting a number of items from his written report.

Mr. Colburn left the meeting at 11:15 a.m.

Board Tracking Report

Chair Kwasnik noted there is one item remaining on the Board Tracking Report, Non-financial Internal Controls Process.

Mr. Dwyer requested an item be added to the Board Tracking Report to develop a plan to use data analytics. After discussion, including where this would fit in our near term priorities, Chair Kwasnik asked Mr. Dwyer to craft some proposed language to be included on the report.

Committee Meetings

Following is a list of upcoming committee meetings:

- Power Resources and Access Committee – May 29th at 8:30 a.m.

NHEC Foundation

Mrs. Kedersha drew attention to the written NHEC Foundation Board Report included in the Board packet as Attachment #13.

Expense Reports

Chair Kwasnik noted that expense reports were circulated for review.

Executive Session

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

VOTED: That the Board of Directors move into Executive Session for the purpose of confidential discussion of personnel matters, legal claims/litigation, contract negotiations, and member-specific information.

Vote for the motion was unanimous and the Board moved into Executive Session at 11:23 a.m.

The Board moved out of Executive Session at 1:42 p.m.

Adjournment

Chair Kwasnik adjourned the meeting at 1:42 p.m.

Joan Aubrey, Secretary

A TRUE COPY ATTEST:

Joseph Kwasnik, Chair of the Board