

Dear Members

Over the past year your electric cooperative has moved forward in many areas to fulfill our mission to provide our members the ability to access affordable, reliable electric service options that support and simplify their lives. We continue to make progress on our long-term strategic goals, while providing our members with the services they rely on today. By the standards that matter most to you--reliability, affordability, and member service--NHEC had a great year.

RELIABILITY

Our top priority is always keeping our members' lights on, and 2019 was NHEC's best year in the past decade for service reliability. Last year NHEC's system was available to our members 99.8% of all the hours in the year. That success doesn't happen on its own; it is a product of our tree trimming and right-of-way clearing practices, investments in remote system control, and the commitment of our skilled lineworkers.

We continue to relocate our power lines from forested rights-of-way to the sides of roads. We are also seeing the benefits of our multi-year effort to interconnect our substations with new tie lines, which allows our lineworkers to bypass a substation during an outage to provide power to members from a different substation.

In 2019 we began a 15-year program to replace 44 miles of "direct buried" power lines throughout NHEC's service territory. Direct buried power lines were installed underground without being encased in a conduit in the 1970's and 1980's, when this was the industry standard. Now most of these lines are approaching the end of their service life. Rather than waiting for outages and fixing them as they occur, we will replace over 400 sections of direct buried line with new lines that are encased in protective conduit.

AFFORDABILITY

In March NHEC's Board of Directors voted to reduce our Co-op Power charge by 26% to reflect lower than anticipated regional market electricity costs. As a non-profit cooperative, NHEC operates at cost, so the price we pay to purchase electricity is directly passed along to our members. This resulted in a savings of over \$11 per month for a residential member using 500 kWh.

We were also able to keep our Delivery Charge flat for the second straight year. The Delivery Charge and the Member Service Charge pay for the maintenance of NHEC's poles and wires and our operations. These are the two fees on our members' bills that we have direct control over, and neither has been increased in the past two years.

MEMBER SERVICE

In 2019 we gave our Member Solutions Representatives new tools to help members manage high energy usage. A new process escalates these cases to our Energy Solutions team, who provide expert advice to diagnose the issue, and schedule on-site energy audits, including a meter check if necessary.

We've also improved how we respond to new service requests. A new program provides members and contractors with a single point of contact for new service requests. This contact is the member's advocate and shepherds the new service request through the process, so the member doesn't have to interact with each NHEC department themselves. This has made the process easier and reduced the time it takes to get a new service built and the power flowing.

ENERGY EFFICIENCY & BENEFICIAL ELECTRIFICATION

It is often said that the cheapest watt of electricity is the one that isn't used. Helping our members manage their energy usage and save money is critical to our mission. In 2019, NHEC members used rebates and incentives, available through the statewide NHSaves collaborative, to install energy efficiency measures that will save more than 6 million kilowatt-hours (kWh) of electricity over their lifetime.

NHEC has continued to provide our members with the tools they need to reduce their energy costs, while having a positive impact on the environment, through beneficial electrification. Beneficial electrification is all about encouraging the transition from fossil-fueled equipment to electric-powered alternatives, like heat pumps and electric vehicles (EVs), while saving money through increased efficiency. 2019 was our best year to date, signaling our members' growing embrace of highly efficient electric technology. We helped incentivize over 830 members to install high efficiency heat pumps, heat pump water heaters, EVs, or EV charging stations.

CO-OP IN THE COMMUNITY

Now in its 14th year, and with almost \$4 million awarded to date, the NHEC Foundation continued to put your generosity into action. Through our members' contributions to the Round Up Program, 56 New Hampshire non-profits and charities received over \$237,000 in grants in 2019.

In addition to the financial donations provided by the Foundation, NHEC employees and Directors helped their communities by volunteering at mobile food pantries, as well as partnering with the Red Cross to install 399 smoke alarms in 184 member homes in Raymond and Claremont. We are actively looking to expand these successful programs in the future.

COVID-19 IMPACT

As of the date of this letter, NHEC, our communities, and the world are confronting the challenge of the COVID-19 virus pandemic. NHEC quickly responded to this public health crisis by changing our operations to enable remote work to the greatest extent possible, maximizing social distancing, increasing employee hygiene, and facility sanitation. We will continue to take the necessary steps to provide our members with safe, reliable, affordable electric service.

We also recognize the financial stress this crisis is having on the communities we serve. To help our members during this challenging time, NHEC suspended late fees and disconnections for non-payment. We will continue to look for ways to help our members and communities during these challenging times.



Thomas Mongeon, Board Chair



Steve Camerino, President/CEO

2019-2020 Board of Directors

Thomas Mongeon, Chair.....	Rumney
Jeffrey Morrill, Vice Chair.....	Holderness
Carolyn Kedersha, Treasurer.....	Tuftonboro
Joan Aubrey, Secretary.....	Jackson
Leo Dwyer, Assistant Treasurer.....	Sandwich
Alana Albee.....	Center Tuftonboro
Brenda Boisvert.....	Campton
Sharon Davis.....	Campton
Edward French.....	Raymond
Daniel Senie.....	Charlestown
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

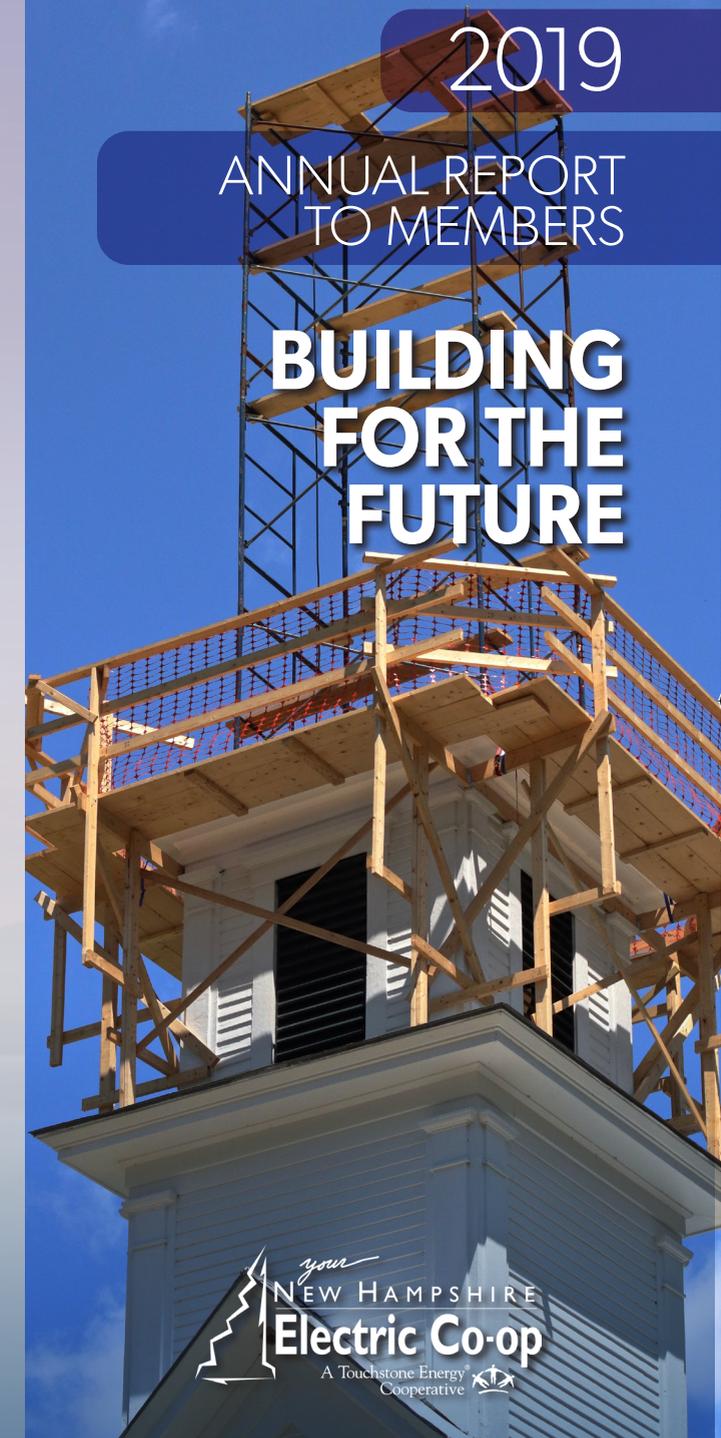
Our members will have the energy they need, the information they want and a partner they can trust.™

About the Cover Photo

As NHEC builds for the future, so too is The Little White Church in Eaton, NH, where fundraising is underway for a new steeple on the 1879 structure. Picture by NHEC member Steve Lauer mann of Ossipee.

2019 ANNUAL REPORT TO MEMBERS

BUILDING FOR THE FUTURE



Financials

Statement of Operations

	2019 (\$000)	2018 (\$000)
ASSETS		
Current Assets		
Cash & Cash Equivalents	\$7,109	\$11,699
Receivables from Members – Energy Sales	13,315	13,705
Other Receivables	3,028	4,475
Material & Supplies Inventory	3,274	3,060
Prepayment & Other Current Assets	2,727	2,653
Total Current Assets	29,453	35,592
Utility Plant	389,588	378,163
Less: Depreciation	(158,240)	(151,303)
Net Utility Plant	231,348	226,860
Other Assets		
Temporary investments	2,300	-
Intangible assets	1,375	1,375
Non-utility property	114	264
Investments in Assoc. Organizations	11,767	11,709
Total Other Assets	15,556	13,348
Deferred Debits	7,704	12,401
Total Assets	284,061	288,201
LIABILITIES & EQUITY		
Current Liabilities		
Line of Credit	\$3,645	\$7,343
Accounts Payable	12,555	11,872
Accrued Liabilities	3,832	3,013
Member Deposits	1,759	2,036
Current Portion of Long-term Liabilities	5,795	5,564
Total Current Liabilities	27,586	29,828
Long-Term Obligations	92,872	98,667
Deferred Credits	28,300	31,448
Member Equity	135,303	128,258
Total Liabilities & Equity	\$284,061	\$288,201

Statement of Operations

	2019 (\$000)	2018 (\$000)
Revenue		
Operating Revenues	\$142,495	\$145,386
Expenses		
Cost of Power & Transmission	71,420	75,811
Operation & Maintenance	16,041	20,257
Information Technology/Telecommunications	3,962	3,145
Administrative & General	16,031	16,614
Member Service	2,543	2,543
Energy Efficiency/Beneficial Electrification	3,474	2,688
Depreciation	11,180	12,664
Interest Expense & Other Deductions	3,975	4,310
Taxes	7,470	7,920
Total Operating Expenses	136,096	145,952
Operating Margins	6,399	(566)
Non-Operating Margins		
Interest Income & Patronage	597	692
Other	50	42
Total Non-Operating Margins	647	734
Net Margins	\$7,046	\$168

Treasurer's Report

It is my pleasure to report the financial results of your cooperative for the year ending December 31, 2019. NHEC ended the year with a net margin of \$7.0 million from our delivery service operations. This is \$1.6 million more than budgeted, and \$6.9 million over 2018. These favorable results were due to slightly higher than projected revenues and numerous expense savings.

In 2019, your cooperative continued to grow, as we added 490 new services, 35 more than in 2018. The total amount of kilowatt-hours (kWh) delivered to our members last year was down 1.8% compared to 2018.

NHEC continues to make every effort to keep our operating costs down, while improving our service to our members. We continue to invest in right-of-way clearing and tree trimming. Since tree damage is the leading cause of power outages, these investments reduce the number and duration of outages, while decreasing the cost to restore power. Over the past three years we have cleared and maintained over 1,500 miles of line.

Another way we improve reliability is through capital investments in our distribution system. In 2019, we rebuilt and upgraded several of our substations. Substations take power from transmission providers and feed our distribution system, and are a critical link in the flow of electricity to our members. We also continued to improve the reliability of our circuits by installing devices that automatically sense the loss of power and isolate sections of our lines, which reduces the number of members who are impacted during an outage. We also initiated a 15 year project to replace 44 miles of "direct buried" cable. Investing in replacing this older infrastructure today will significantly reduce the number of underground cable outages. In total, NHEC has invested more than \$33 million in reliability initiatives over the last three years to improve our service to our members.

The cost of the electricity we purchase from the regional market for our members, and the cost of transmission services to deliver that electricity to our system, comprise roughly half of all the charges paid by our members who buy Co-op Power. In 2019, these costs were 5.6%, or \$4.4 million lower than in 2018. These savings were passed directly on to our members through lower Co-op Power rates.

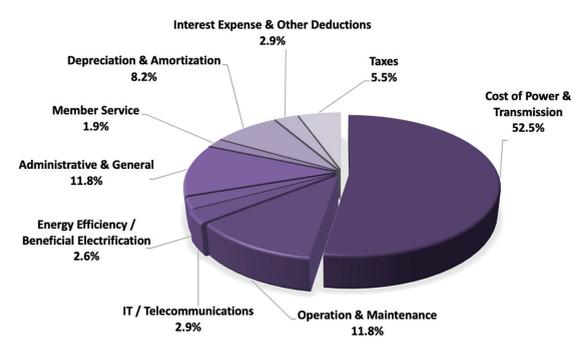
Overall, NHEC's strong financial health continues to support our efforts to ensure that we have the capital necessary to make the investments required to maintain and improve the distribution system our members rely on every day.

Traditionally the Treasurer's Report has reflected exclusively on the past year's activities and financial performance. However, I would be remiss if I did not mention the COVID-19 pandemic, and its impacts on our members and community. The pandemic has already disrupted many of our members' lives and the operations of our commercial members. I am pleased that NHEC's Board acted quickly to pass lower market prices back to our members by reducing the Co-op Power rate in March 2020, instead of waiting until the normal cycle in May. This action lowered the Co-op Power rate by 26%, which saved the residential member using 500 kWh over \$11 per month. This has provided real savings for our members, during this challenging time. Through our efforts to prudently manage the organization's finances, NHEC is well positioned to weather this event and support our members, as we continue to provide the essential services they need.

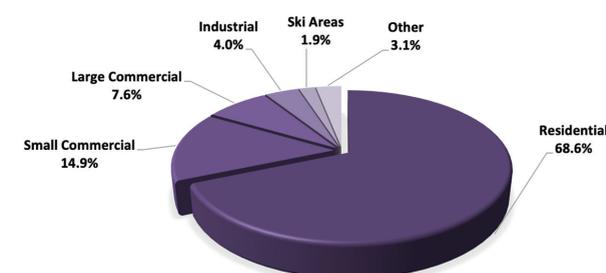
Respectfully submitted,

Carolyn Kederasha
Carolyn Kederasha

Expenses by Category – 2019



Operating Revenue – 2019



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.