

**New Hampshire Electric Cooperative, Inc.
Minutes of the Meeting of the
Corporate Services Committee**

**Zoom Meeting
March 16, 2023 8:30 a.m.**

Present: Corporate Services Committee members: Ed French (Chair), Sharon Davis, Brenda Boisvert
Other Board members: Jeff Morrill, Carolyn Kedersha, Bill Darcy, Harry Viens, Tom Mongeon
NHEC employees: Alyssa Clemens Roberts, Jim Bakas, Mike Jennings, Brian Callnan, Jeremy Clark, Kristen Taylor, Kelley Achenbach, Autumn Doan and Edee Murphy (Recording)
Others Present: Paul Phillips-NHEC Counsel

Meeting Called to Order

Chair French called the meeting to order at 8:33 a.m. He pointed out there needs to be one more committee member present to make a quorum and called on the Board Chair to make a temporary appointment. Mr. Morrill, Board Chair, appointed Ms. Kedersha to stand in on the committee for today only. Ms. Kedersha accepted.

Agenda Review/Minutes Approval

There was a correction to the agenda to remove reference to “Joint” meeting with the PR&A Committee. The meeting is just the Corporate Services Committee.

Balanced Scorecard (BSC) Incentive Payout

Ms. Clemens Roberts reviewed results of the 2022 Balanced Scorecard and incentive payout recommendation, stating achievement was 56.5% of the targeted performance for a total payout of \$286,054 in accordance with the provisions provided in meeting packet.

Discussion:

- ❖ Committee members thanked staff for the clear writeup and had no questions. Chair French commented that Leo Dwyer, committee member, could not be present today but he relayed he had no objection to the recommended BSC payout.

Ms. Boisvert, committee member, joined the meeting at 8:37 a.m. Chair French and Mr. Morrill agreed that Ms. Kedersha will continue as a stand-in for Mr. Dwyer for this meeting.

- ❖ Mr. Mongeon wondered if the committee might discuss and/or ask staff for a recommendation as follows: Based on the fact that NHEC has a largely reduced senior management team which is unprecedented, perhaps the board may grant some leniency and increase the BSC payout. He added that staff also continues to do ‘double time’ in a lot of areas due to broadband.
- ❖ Chair French voiced he is against increasing the payout and believes the metrics that were designed should be followed. He added if there were a subsequent request from management to do something different, it should be dealt with separately and not mixed with the balanced scorecard.
- ❖ Mr. Darcy agreed with Chair French’s comment above, adding it is the CEO/President’s prerogative to make the evaluation.

Upon motion by Ms. Davis, seconded by Ms. Kedersha it was

VOTED: Based on achievement of 56.5% of the established 2022 Balanced Scorecard (BSC) goals, the committee recommends the Board of Directors authorize the payment of \$286,054 to eligible individuals in accordance with the provisions of the NHEC Success Sharing Plan.

Vote was unanimous.

Equity Management Plan Review/Recommended Changes

Ms. Taylor reviewed the Equity Management Plan with recommended changes including the following:

Equity – Update desired equity range to 30-50%

Minimum Distribution Net Margin Requirement: Reduce to \$2M

Reasonable Rate Trajectory: Add an Acceptable Total Distribution Annual Rate Increase of 3.5% to the Financial Goals of the Equity Management Plan to guide long-term planning.

Ms. Taylor mentioned Board Policy 32 – Capital Credits is due for review in April 2023; the policy may be updated now to reflect the change in the equity goal range and be in conjunction with the Equity Management Policy and Plan, if committee members are amenable.

Discussion:

- ❖ Referring to the last page of the financial forecast, Mr. Darcy commented that after three years the cash flow goes up dramatically from \$11M/year to \$45M/year in 2031, and he assumes it is due to broadband revenues. He added that thereafter there seems to be a dramatic fluctuation in the next three years from \$1.4M, to \$24M, then back to \$11M and asked if that is grant related. Ms. Doan was not on audio at the time, so we will get back to that question. Chair French commented it is a good question, but the answer will not affect how we proceed with the Equity Management Plan.
- ❖ Mr. Darcy commented it appears the financials assume no distribution from the broadband entity to the distribution business. He mentioned that the agreement still needs to be worked on by Mr. Phillips, Ms. Clemens Roberts and himself. Ms. Clemens Roberts commented it has not yet been agreed upon what the lease will look like; however, we have had some discussions with our auditors and another group out of Texas. Until lease terms are decided, it is difficult to project. Chair French agreed it is an important discussion, but not for the purpose of today's meeting.
- ❖ Chair French relayed a question from Mr. Dwyer – Has broadband Capex been reviewed, based on some current history? Ms. Taylor responded that NHEC is auditing the Sandwich and Acworth work orders against the Conexon bill of material invoices and is looking to see what the \$6M budget for Sandwich/Acworth was based upon in order to perform a proper analysis. Chair French clarified this issue has no bearing on whether we approve this Equity Management Plan.

Upon motion by Ms. Davis, seconded by Ms. Kedersha it was

VOTED: That the committee recommends the Board of Directors approve the Equity Management Plan through Attachment 2, with Attachment 3 and beyond included as supplemental information, as presented.

VOTED: That the committee recommends the Board of Directors approve the update to the Equity goal range from 40-50% to 30-50% on Attachment B - Procedures for Capital Credit General Retirements of Board Policy B-32, and reaffirms Board Policy B-32 itself, as well as Attachments A and C, as presented.

Policies Review

Ms. Taylor relayed she has no recommended changes to Board Policies B-2, Attachment B – Corporate Services Committee, and B-33 – Equity Management Policy. Chair French commented the committee reviews these policies on an annual basis and he had no suggested changes.

Upon motion by Ms. Boisvert, seconded by Ms. Davis it was

VOTED: That the committee recommends the Board of Directors reaffirm Board Policies B-2, Attachment B – Corporate Services Committee and B-33 – Equity Management Policy, as presented.

Vote was unanimous.

Transactive Energy Rate Pilot Proposal

Mr. Callnan walked through his presentation which included the following topics:

- Transactive Energy Business Model: Strategic Plan Goal
 - Historical timeline (2017 – 2021/2022)
 - 2023: Launch the TER Pilot
 - Board of Directors Meeting: March 28, 2023
 - Launch six month, 50 member TER pilot, batteries and EV's to start April 1, 2023
 - Pacific Northwest National Laboratory (PNNL) Report on low to moderate income TER participation – May 2023
 - GM Chevy Silverado V2G testing – September 2023
- Transactive Energy Rate (TER) Pilot: Data Flow
 - Registration by Device
 - Day-ahead Hourly Price Signal
 - Devices React & Share Usage Data
 - Monthly Bills & Credits Generated

Discussion:

- ❖ Chair French relayed questions from Mr. Dwyer as follows:
 1. How much would the TER pilot cost to prepare, and what would be the cost during the pilot stage?
 2. Do we have 50 members identified who would adopt the program?
 3. How would the program be accounted for (over/under)?
 4. Assuming the pilot is a success, where do we see it going in terms of member adoption?

Mr. Callnan's responses were as follows:

1. So far we have spent: In 2021 = \$48,000; 2022 = \$365,000; and expecting \$40,000 for 2023.
 2. He believes there are 30 or 40 Bolts or Volts that could take advantage of the program; there are 10 who are taking the EV rate we have today; about 10 batteries that could sign up. EV sales are up and he does not feel there will be a problem reaching 50. He referred to a graph in his presentation entitled "Transactive Energy Rate Member Adoption."
 3. He does not believe NHEC does separate over/under accounts for any of its rates, however, they will be tracking over/under revenue costs.
- ❖ Ms. Clemens Roberts commented she sits more on the hopeful, but skeptical, end of the spectrum regarding the program. We think there are about 50 people who could partake in this pilot; that does not account for anyone we are unaware of or who would be adding one of the three aggregators

devices within the next six months. The senior management team met with the full group of staff working on this, and they feel confident that up to 50 sign-ups was something we are able to handle and manage. She added she would be shocked if all 50 participate; 100% participation within NHEC territory would be almost an unreasonable expectation. She pointed out that NHEC has three aggregator partners we are working with; in the future we will be looking at adding different aggregators, i.e., different technology/tools, batteries, different EVs, heat pumps, etc. She feels that for the future there is great potential, but she does not want to set the expectation of 50 sign-ups at the end of the six month pilot. She added that going forward it costs approximately \$2,500 per month for the software and project management. We should know more after six to twelve months as far as if the program adds value for our members, and we adopt the program, or not. She agrees there are some exciting parts of the program and it is where the industry is headed, but nobody is quite there yet. It will be a great opportunity to see what happens. She commended Mr. Callnan on doing a great job getting the team ready to go and getting to a level of comfort, as it is so outside of NHEC's normal operations as an electric utility.

- ❖ In answer to a question, Mr. Callnan responded that if Tesla were to create a way they could use OpenADR so NHEC could see the amount of energy that is being used from their vehicles, we may be able to integrate them into the rate. Or if you had a Tesla and wanted to use a Fermata energy bidirectional charger, you would not be relying on Tesla as the vehicle manufacturer, you are relying on the charger manufacturer; therefore, you could sign up on the transactive energy program.
- ❖ Mr. Darcy asked what other utilities have adopted transactive energy rates and what their experience has been. Mr. Callnan responded there have been some utilities in southern California; he also pointed to the real time rate that has been going on in Illinois for about four or five years. Their members can sign up for real time passthrough costs on a daily basis which is similar to what NHEC is doing with the 24-hour "day ahead" rate. He added that NHEC talked with ComEd out of Chicago to discuss their lessons learned. Mr. Callnan offered to send Mr. Darcy the report.
- ❖ Mr. Darcy commented he agrees with Ms. Clemens Roberts where it is very exciting, but terribly complex and he is concerned about ease of interface for the members.
- ❖ There were general comments related to the challenges of third party aggregators and maintaining high member satisfaction with NHEC.
- ❖ Mr. Mongeon suggested to keep in mind: 1) How to measure success, 2) How does this fit into what NHEC might be doing next, 3) Marketing, 4) What are the unintended consequences?

Upon motion by Ms. Boisvert, seconded by Ms. Davis it was

VOTED: That the committee recommends the Board of Directors authorize staff to offer the Transactive Energy Rate Pilot and update the Terms and Conditions consistent with materials presented.

Vote was unanimous.

Mr. Callnan made a special point to recognize the team members involved in the TER project as follows:

Systems and Programming: Daron Whitehouse, Mark Patton

Consumer Accounting: Robyn Sarette, Chelsea Varin

Member Solutions: Shayna Williams

Finance: Jeremy Clark, Mel Querry

Energy Solutions: Scott McNeil

Engineering: Dinesh Pradhan

Metering: Zack Gilpatric

Communications: Seth Wheeler

Power Resources and Access: Dave Erickson, Angelo Van Engelen, Brian Callnan

And many others over the years.

Ms. Doan announced she has the answer to Mr. Darcy's earlier question regarding the difference in cash flows; one reason was related to Depreciation and Amortization; the second reason was related to a change in Assets. In addition, there is an assumption the telecommunications litigation will be settled in 2023. Ms. Doan offered to provide her explanation in writing to the full board.

Upon motion by Ms. Davis, seconded by Ms. Boisvert, Chair French adjourned the meeting at 9:31 a.m.