New Hampshire Electric Cooperative, Inc.
Minutes of the Meeting of the
Budget, Finance, and Rates Committee

Virtual Meeting
October 25, 2024 8:30 a.m.

Present: Committee members: Jerry Stringham (Chair), Alana Albee, Leo Dwyer, Carolyn Kedersha, Jeff Morrill, John Goodrich, and Bill Darcy
Other Board members: Pat Barbour, Peter Laufenberg, Tom Mongeon, and Harry Viens
NHEC employees: Alyssa Clemsen Roberts, Mike Jennings, Jeremy Clark, Kristen Taylor, Autumn Doan, Josh Mazzei, Peter Glenshaw, Sonja Gonzalez, Carla Munoz, Rob Howland, Maria Stella, Luke Croteau, Robyn Sarette, Maddie Conkling, Sydney Marshall, and Edee Murphy (Recording)
Others Present: Tom Beamon from Bolinger, Segars, Gilbert & Moss LLP

Meeting Called to Order
Chair Stringham called the meeting to order at 8:29 a.m.

Agenda Review
Mr. Darcy requested the last agenda item, ACES Policy Review, be moved to a future meeting due to a very full agenda. He also requested a brief overview of CFC long-term borrowing, an item on the October 29th board meeting agenda. Mr. Jennings requested two minutes at the end of the agenda to comment on the policies to help with future discussion.

Annual A/R Write-off
Ms. Taylor thanked Robyn Sarette for her work on the annual A/R write-off. She then reviewed the write-off information provided in the meeting packet highlighting the following:

- The October 2024 annual write-off includes accounts that final-billed during the 12-month period from April 2023 through March 2024 as well as miscellaneous receivable balances that have been deemed unrecoverable.
- The majority of the write-off, about $147,000, is from residential A/R and represents approximately .12% of total billed sales. The remaining $12,000 is from non-residential A/R and represents approximately .03% of total billed sales for a proposed write-off of $158,885.
- The write-off amount is 8% higher than last year's write-off, mostly due to disputed bills and miscellaneous A/R write-offs due to pole crashes.
- There were five large disputed bills; two instances were due to meters installed in opposite locations during a mass meter exchange in 2019. The other three instances were meters set at new construction locations without the Billing Department being notified, resulting in a significant delay in billing the members. To mitigate future disputed bill issues, the Billing Department worked with IT and NISC to create a bi-weekly report that identifies meters that have been installed in the field and are communicating through our AMI system that have not been entered into our billing system.
- Pole crashes – one pole crash involved CCI, and we were advised by legal counsel to discontinue efforts to recover the cost of the damage. Due to timing, this did not get included in last year's write-off. The other write-offs are due to pole crashes where the driver was nonresponsive, or insurance would not cover it.
- Our inactive accounts have become the basis for A/R write-off. Following the 2024 annual write-off, the 90-day inactive balance is less than 2023, but greater than 2022.
- Due to community aggregation, we were required to propose the PUC program for our purchase of receivables for community aggregators and competitive energy suppliers. The plan was approved in March 2024 and will be implemented in spring of 2025. Currently, we bill our competitive suppliers when the members pay us, but due to this change, we will be assuming those receivables which may impact our A/R next year.

Discussion:

- ❖ Ms. Albee mentioned she has brought up the issue before of low-hanging wires, attachments, double poling, and over lashing. She requested the topic of pole crashes be added to an agenda in 2025 for either the Budget, Finance and Rates Committee or a board meeting to discuss what this is costing NHEC and how we can improve the situation. She said she understands that the crashes have been caused by the bottom wire which is generally cable and not our wires, but the poles are owned by NHEC. She mentioned that internal audit is scheduled to performance compliance testing on the pole policy. Mr. Jennings pointed out that the majority of the pole crash incidents are from drivers hitting the physical pole, not any low wires; more times than not, it is an erratic or impaired driver. Typically, when we cannot recover the cost, it is due to difficulties with local law enforcement not providing the information to NHEC. Otherwise, we fully bill the party for the associated cost. At times someone will ever hit a low wire but it’s typically in instances where someone driving a dump truck left the bucket up or another height issue, in which case their height exceeds the DOT limit. Most instances where we do have violations are not due to our infrastructure or any violations of the electric code, they are due to either a telco or telco attachment that come afterwards.

Upon motion by Mr. Darcy, seconded by Mr. Dwyer, it was

VOTED: That the committee recommends the Board of Directors authorize a write-off for uncollectible electric accounts, excluding bankruptcies, in the amount of $158,885.42 for accounts final billed April 2023 to March 2024 and miscellaneous accounts receivable in the amount of $8,945.37. The Board directs staff to continue to attempt recovery of these uncollectible accounts, as presented.

Vote was unanimous.

Primary Rate Proposal and Net Metering Annual Review Proposal

Mr. Clark reviewed a presentation with the following agenda items:

- Rate Design Review
- Rate Change Timeline
- Primary Rate Rebalancing Proposal
  - Primary Rate:
    - Applies to multi-phase non-residential accounts up to 1,000 kVA in demand served at primary voltage
    - Rates codes P, N33, G33
    - Currently 19 accounts
    - Members are responsible for their own transformer(s) and secondary wiring
      - Industrial classification provides transformation and secondary wiring
  - Primary Rate Comparison:
    - Primary Member Service Charge is currently higher than Industrial, despite not including transformer or secondary infrastructure.
      - More demand included
    - Price signal steers new construction toward Industrial class
  - Primary Rate Proposal:
    - Reduce Primary Member Service Charge on a revenue-neutral basis by reducing included demand from 125 to 80 kVA
    - Most accounts would see a 1% change to Distribution charges
      - Monthly impact would range from -$415.58 (-35%) to +$65.02 (2%)
    - Proposed January 1, 2025 implementation (in conjunction with January Distribution rate change)

Discussion:

- ❖ Ms. Albee asked if the intention is to move over time to having just one rate category for primary and industrial and to reduce the rate codes or just to make them similar? Mr. Clark replied that the main objective is to have a better price signal for new construction because the member service charge incentivizes. NHEC is trying to incentivize and send a better price signal with this proposal. This has no impact on the existing industrial rate classes.

- ❖ There were questions on why a member would choose one rate over the other. Mr. Jennings commented there are instances where, from a design perspective, we do not give members an option. If lines and equipment are in a place that we cannot access or we cannot properly maintain them, then we need to leave that on the responsibility of the member.
- ❖ Mr. Goodrich asked if NHEC has had a lot of cases where people are opting industrial just to have that coverage or is NHEC just anticipating? Ms. Clemsen Roberts commented she does not believe there have been a lot; we are simply trying to send the right price signals to incentivize the behavior that is beneficial to NHEC.

Upon motion by Mr. Darcy, seconded by Mr. Dwyer, it was

VOTED: That the committee recommends the Board of Directors authorize staff to update the Schedule of Rates as recommended in the October 2024 Primary Rate Rebalancing Proposal as presented.

Vote was unanimous.

- Net Metering Annual Review Proposal – Mr. Clark reviewed the proposal (full presentation is posted to OnBoard) covering the following topics:
  - Net Metering Background
  - Payment for Surplus Generation
  - Group Net Metering Annual Review
  - Annual Review Implementation
    - Staff proposes implementing individual and group-host annual review changes effective January 1, 2025.
    - 2024 group-host annual review process would be waived
    - Above the Cap individual net metered members would be informed of additional opportunities to receive check with spring 2025 annual review mailing

Discussion:

- ❖ Mr. Darcy commented it is a reasonable proposal and does not impose too many administrative costs on NHEC.

Upon motion by Mr. Darcy, seconded by Ms. Albee, it was

VOTED: That the committee recommends the Board of Directors authorize staff to update the Schedule of Rates and Terms & Conditions on a bills-rendered basis effective January 1, 2025 as recommended in the Net Metering Annual Review Proposal as presented.

Vote was unanimous.

Schedule of Fees Proposal

Mr. Clark reviewed the proposal (detailed presentation included in the meeting materials) including the following highlights:

- Staff proposes to remove former NHEC legacy load management program from Schedule of Fees and Terms & Conditions.
- NHEC's Purchase of Receivables (POR) plan approved in March 2024; estimated implementation in spring 2025. Staff proposes inclusion of a Discount Percent Rate (DPR) in the 2025 Schedule of Fees.
- Proposed fee changes – service dispatch/connection fees, reconnection fees, meter test fee (refundable if there is an issue with the meter), construction–temporary service, outdoor lighting, construction–transformer fee, and various deeds, easements, and permits fees. Staff is proposing a $50 increase on

the interconnection application fee (from $150 to $200) to be applied to all new applications, regardless of size.

Ms. Kedersha made the following **motion**, seconded by Mr. Darcy:

That the committee recommends the Board of Directors authorize staff to update the Schedule of Fees and Terms & Conditions as recommended in the January 2025 Schedule of Fees Proposal as presented.

Discussion on the motion:

- ❖ In answer to a question from Mr. Dwyer, Mr. Clark clarified the interconnection application fee is not a site visit fee but is technically just for the interconnection application. NHEC does have a site visit fee in place for return visits. These fees are subject to change as we watch other utilities.

Vote for the motion was unanimous.

2025 Budget – Preliminary Review

Ms. Clemsen Roberts kicked off the preliminary budget review by thanking the Budget, Finance & Rates committee for the opportunity to present staff's distribution, PR&A, and broadband budget. This is the first time NHEC has presented all three budgets in a consolidated fashion. She thanked the senior leadership team for the many, many meetings and reviews of the budget and proposals from staff for items continuing and new items. A huge thank you to staff who took the time to fill out all the budget sheets and present their cases for new equipment, items, and programs. And thank you to the Finance team who is light right now in terms of personnel; it took countless hours, an incredible amount of patience, and really collaborative work to complete this budget proposal. She then turned it over to Ms. Taylor, CFO.

Ms. Taylor provided an agenda of budget topics covered in the budget presentation included in the meeting materials.

Agenda:

- Overview
- Broadband Budget
- Power Resources Budget
- Distribution Budget
- Consolidated Budget
- Rate Design Review
- Rate Change
- Board Resolutions

Key Figures – Consolidated Budget:

- $79.7M Capital Budget
- 179.2M Operating Budget
- $1.1M Margin

Broadband Budget

Key 2025 Budget Figures:

- $15.3M Operating Budget – This assumes an ISP transition for Conexon to agree to terminate their contract with us for their ISP operations of the business.
- $52.5M Capital Budget
- $0M Grants – we do not anticipate any grant money coming in next year; the next tranche of BEA funds will come in at the completion of the grant.
- ($4.9M) Net Loss

- ❖ Mr. Dwyer asked how the $4.9M loss compares to the broadband budget presented some months ago? Ms. Taylor replied it was about $5.3 or $5.1.

Key Assumptions – 2025 Operating Budget:

- 861 Miles
- 44,899 total homes passed adding 5,451 subscribers in 2025
- Average of 100 installs per week
- Total revenue $10.2M (including RDOF)
- Blended ARPU of $81.93
- System wide take rate for revenue of 28%
- Projected revenue allocation 95% Internet and 5% Voice
- 96% Residential and 4% Commercial
- Transition to ISP model requires 13 FTE positions plus NHEC shared services

Discussion:

- ❖ Mr. Darcy commented that even with storms this year, we are planning on completing over 1,000 miles and asked why we are projecting only 861 in 2025. Ms. Clemsen Roberts replied a couple of reasons are there are off-system attachments; we want to make sure we can get those applications through. Also, a lot is island work which is a lengthy permitting process.
- ❖ In answer to Mr. Laufenberg's question regarding the cost of the transition to ISP, Ms. Taylor replied that initially it was $1.6M when we first negotiated in May, then with the ongoing costs and a transition date of June, we assumed a $3M buyout if it happens by June 1st.
- ❖ In answer to a question, Ms. Taylor stated the cost of the 13 FTEs is $1.2M including benefits. It was noted that 11 of the 13 would start in May to get them ready for a June 1st takeover. The other two would start in December and that is due to subscriber growth.
- ❖ In answer to a question, Ms. Taylor replied that most shared services will remain.

Key Assumptions – 2025 Capital Budget:

- $52.5M Total Capital Budget (861 Miles Constructed)
- 5.75% interest rate

Ms. Taylor commented that Brent from Conexon said that versus average connect projects, NHEC's cost per mile is running about 19% higher due to higher labor rates in the region as well as increased material costs. With that, NHEC's all-in cost per mile has increased to about $50K versus the $38K budgeted for in 2024.

- ❖ In answer to a question, Ms. Taylor commented that staff received a request from the board on Monday for a budget without the ISP; staff has been working to pull that together for the broadband meeting on Monday.
- ❖ In reply to a comment regarding depreciation, Ms. Taylor clarified that the budget shows the parent company, the OE (Operating Entity) which is the subsidiary, and then the consolidated so you are able to see what NHEC owns, what the subsidiary owns, and then on a consolidated basis what broadband investment we have.

Broadband Budget Takeaways/Risks:

- Revenue projections are based on assumptions of growth from 2024 actuals and build schedule.
- Will continue to monitor expenses as they are incurred by phase.
- Labor and material costs could increase.
- Potential for delays in build due to weather and off-system attachments.
- Timing of ISP transition is uncertain.

Power Resources Budget

Mr. Clark reviewed the preliminary PR&A budget included in the meeting materials. Highlights included:

- Pro-forma Revenue: $81.6M; Total Cost of Electric Service: $81.6M; Operating Margin: 0; Net Margin: 0
- PR&A Payroll & Benefits – 2025 budget -8.5% vs. 2024 budget; 4 FTE in 2025 budget (same as 2024)
- PR&A Other Expenses – 2025 budget similar to 2024 budget; additional software budget for Co-op Power file replacement project

In answer to a question, Mr. Jennings explained that the Co-op Power file is the primary tool used in the department and is currently Excel spreadsheet based. Staff is looking to use more of a database protocol and have some in-house software to support with finances and achieve better modeling.

<u>Distribution Budget</u>

Key Figures:

- Capital Budget: $27.2M
- Operating Budget: $83.6M
- Margin: $6.1M
- Rate Increase $4.25M (approximately 5.7% increase)

Assumptions:

- 0.9% increase in net billed kWh sales
- 237 full-time equivalent company-wide positions (same as 2024 budget; excludes new ISP positions)
- 5% increase in health insurance expense effective August 1, 2025
- 80% Balanced Scorecard Achievement for Success Sharing Plan incentive payout
- No increase to tree trimming budget
- No Distribution revenue allocated to Social & Environmental Responsibility (funded by EE Performance Incentive)
- 5.75% new Long Term Debt interest rate
- 6.5% Line of Credit interest rate
- No capital credit retirement in 2025
- No major storm expenses
- Fiber lease revenue offset by the corresponding depreciation and interest expense, net of patronage capital from borrowing

Mr. Clark pointed out the important fact of rising material costs that continue to impact NHEC that in the end members have to pay:

- 68% URD Secondary Wire increase since 2022
- 65% Pole Mounted Transformer increase since 2020
- 86% Pole Increase since 2020
- 450% Conduit Increase since 2020
- 43% Bucket Truck increase since 2022
- 73% Substation Transformer increase since 2023

Mr. Clark also showed the increases across the electric industry including Distribution, Transmission, and System Operator (ISO NE).

Mr. Darcy requested an updated rates comparison with other utilities.

Distribution Capital Budgets:

NHEC has three capital budgets that fund new distribution assets:

- Capital Construction Budget (Reviewed at Engineering & Operations Committee meeting) – 2025: $21.657M; 2026: $23.804M; 2027: $23.537M.
- General Plant Capital Budget – $2.300M
- Capital Improvement Budget – $3.240M ($6.1M less than 2024 budget; Fairgrounds project delayed due to broadband financial needs)

The 2025 Distribution Capital Budget is lower than 2024 predominantly because of the Fairground facilities postponement.

Distribution Capital Budget Takeaways:

Proposed combined capital budget $27.2M

- Recurring Capital Construction Budget cost increases are being mitigated with Construction Allowances implemented in 2024

- Continued funding for strategic projects as the Transformer Replacement Plan and Direct Buried Cable Replacement
- New facilities at Fairgrounds delayed due to Broadband financial needs

Operating Budget – additional detailed information is available in OnBoard. A few highlights were as follows:

- Sales Forecast: Delivery Sales Revenue Growth: $0.7M – organic sales growth without a rate increase is approximately $0.3M; Other Electric Revenue: -$0.4M – mostly related to CATV revenue from telecom settlement.
- Major Storms Expense – Major storms were first budgeted in 2023, but subsequently removed in 2024. 2025 budget assumes no major storms. 2024 August YTD actual is $3.2M, Net of FEMA reimbursements, and does not include the recent wind event.
- Property Tax Expense – $0.9M increase due to capital investments and 37 towns revaluating.
- Social & Environmental Responsibility – Distribution funding eliminated with 2024 budget; now funded by NHSaves Energy Efficiency Programs Performance Incentive.
- **Distribution Margin** – Equity Management Plan calls for at least a $4M distribution margin; budgeted margins ranged from $4.1M to $7.4M from 2013 to 2024; staff proposes a $6.1M distribution margin in 2025.

Mr. Darcy requested budgeted margins for 2021 through 2023.

Budget Risks:

- One or more major storms could result in unbudgeted operating expenses.
  - A mid-year Distribution rate increase may be required.
- Greater than assumed interest rates (6.5% line of credit, 5.75% new long-term debt) would increase interest expenses.
- Supply chain and inflationary pressures could increase operating expenses and negatively impact capital projects.
- Warmer than average winter weather and colder than average summer weather could adversely impact revenue from volumetric and demand charges.
- Lower consolidated margin may cause a credit rating downgrade.
- Expense overruns or revenue shortfalls could result in violation of mortgage covenants.

Equity Management Plan Comparison:

Financial Ratio	Goal	2025	Notes
Equity	30% to 50%	**29.68%**	
Debt Service Coverage (DSC)	1.5 to 1.75	**1.36**	
Modified Debt Service Coverage (MDSC; Best 2 of 3 Years)	1.5 to 1.75	**1.57**	Late 2024 or 2025 storm(s) may reduce MDSC. Mortgage covenants require 1.35 MDSC.
Minimum Distribution Net Margin Requirement	$4M	**$6M**	
S&P Rating	A-		2024 rating: A negative Outlook. Downgrade could increase lending and power supply costs.
Reasonable Rate Trajectory	4%	5.7%	

Discussion:

- Mr. Darcy commented that in the banking industry when a cooperative is doing a major capital asset increase that will eventually increase their revenue significantly, they understand the equity to debt ratio and a number of these indicators have to go down; as long as it is not a result of the degradation of the core business, it is not necessarily a problem. Ms. Clemsen Roberts pointed out that NHEC gets an equity percentage discount; we asked for a waiver and were given it this year, we may not receive it next year or going forward. She added that one thing that concerns her the most is NHEC's ability to borrow more debt should we need it in the future. These are actual numbers and this is what we are anticipating; staff wants to make sure that everyone understands what this looks like in terms of the

NHEC Equity Management Plan as well as key ratios because those are things that impact NHEC and staff would be remiss in their duties if we did not provide this information. Mr. Darcy said he agrees but it is also staff and the board's duty to understand the context of these numbers and what it means.

- ❖ Ms. Doan pointed out that by not meeting the mortgage requirement (1.35 MDSC), NHEC also loses all the discounts that equal $0.5M we have received every year.
- ❖ Referencing an earlier question from Mr. Darcy regarding a seemingly low number of forecasted miles of line (861) for 2025, Ms. Taylor stated NHEC was only able to obtain CFC financing for approximately $59M for 2025; that is with two tranches based on performance of the broadband business. We do not have the capital to build more miles of line.

Rate Design Review

Mr. Clark reviewed the Rate Design Guiding Principles and the pros and cons of allocating rate increases to the Member Service Charge. He also covered the following topics:

- Meter per mile (compared with other utilities) – NHEC has fewer meters per mile to share costs
- Non-Residential Load (compared with other utilities) – Large non-residential load typically reduces pressure on residential ratepayers; NHEC has less non-residential load than other NH utilities
- Average Resident kWh (compared with other utilities) – Lower average kWh shifts cost to year-round, non-net metered members; NHEC residential members average fewer kWh than other NH utilities.
- Average Monthly Residential Net kWh – Billed kWh skewed by seasonality and net metering
- Member/Customer Service Charge (NH and select Northeast cooperatives) – NHEC is higher than other NH utilities, but comparable to other eastern cooperatives.
- Basic Member Service Charge History

Utility Comparison Takeaways:

- NHEC has less density than its peers – fewer accounts to share costs.
- NHEC has less non-residential load than its peers – pressure on residential ratepayers
- NHEC has lower residential average usage than peers – skewing charges toward those who use more kWh than average.
- NHEC has a higher fixed monthly charge than its NH peers – cooperatives have higher fixed monthly charges than investor and municipal utilities.

<u>Comments</u>:

- ❖ Mr. Darcy commented there are important considerations regarding the Member Service Charge: 100 of our towns are also being provided with Eversource member service charge that their members can ask their fellow town members about, and that service charge is dramatically lower than our member service charge. Every PUC he has seen adjusts the member service charge below the cost of service recognizing that people with smaller houses, the poor, and seniors, deserve a break on that since it is such a high percentage of their costs; also, it used to be we were concerned about conservation, and an increase in the member service charge decreases the incentive to insulate your house and take other actions to reduce the load. He would like to see a presentation with consideration of the variables.
- ❖ Mr. Clark pointed out that the Meter Per Mile and Non-Residential Load slides are not even necessarily directly pointing at the member service charge, but rather our residential ratepayers in general – regardless of the bucket you put it in, there is more pressure on them because NHEC does not have a large load/density to help them out in the ways that investor owned residential ratepayers might see because of the nature of our rural service territory. Chair Stringham commented these are very telling slides and very critical information.
- ❖ Mr. Darcy mentioned that some electric utilities impose a higher member service charge for seasonal and/or net metering members whose load is not as high as one would expect of the average kWh usage of members. Mr. Clark mentioned it may be difficult to set parameters that could be easily determined; he added a similar attempt was made about 20 years ago that was not successful.

- ❖ Mr. Dwyer asked if the Average Monthly Residential Net kWh slide information could be run showing in-state and out-of-state mailing addresses. Staff will look into it.
- ❖ Mr. Jennings clarified the key to the Member Service Charge Comparison slide is ratepayer perception of service charge.

Rate Change Proposal:

- +$4.25M (5.7%) Proposed Rate Increase
  - 1.7% higher than Acceptable Total Distribution Annual Rate Increase in Equity Management Plan
- Class Allocation
  - Increase will be allocated to all rate classes
- Component Allocation
  - Single-Phase: Uniform allocation. Apply 5.7% increase to each rate component (Member Service Charge, Meter Charge where applicable, Distribution kWh Charge)
  - Multi-Phase: Member Service Charge, Demand Charge, kWh Charge
  - Lighting: Device Charge where applicable

Mr. Clark reviewed Rate Change Scenarios for Rate Impact and Bill Impact using 100% Volumetric, Uniform existing allocation (proposed), and 100% Member Service Charge.

Next Steps

Ms. Taylor reviewed Next Steps as follows:

Date	Expected Outcome
November 6, 2024	Budget questions and comments due to Committee Chair and Board Chair
November 26, 2024	Board of Directors Meeting – Board budget approval
January 1, 2025	Proposed rate change implemented; proposed fee change implemented

Discussion/Comments:

- ❖ Ms. Clemsen Roberts commented that some of Mr. Darcy's questions or requests submitted previously are included/answered with today's presentation. One request was for a broadband budget that did not include the ISP transition; staff is working on that. Another request was for detailed budget numbers for each functional unit including personnel number and cost, consultant costs, etc. Mr. Darcy agreed 'functional unit' may be reported as VPs and their respective departments.
- ❖ Chair Stingham asked about the detailed model for the Cost of Service Study rather than just the summary. Ms. Clemsen Roberts mentioned staff is working with CFC to obtain that. She added that CFC informed staff an NHEC Director contacted them through LinkedIn asking for a call, so they reached out to let us know, and we will be discussing that as well.
- ❖ Mr. Laufenberg asked to whom he should email his questions. Ms. Clemsen Roberts said it would be helpful if he would email them to Chair Stringham, Board Chair Darcy, Ms. Taylor as CFO, and her.

Ms. Taylor thanked Mr. Clark, Ms. Doan, Ms. Stella, and the SLT. It was a lot of hard/good work and she is proud of their efforts.

Community Aggregation Update

Mr. Clark reviewed a presentation on Community Aggregation that included background and objectives of the program. As of July 2024, first NHEC members billed with automatic-opt-in community aggregation.

Towns that have launched:
Launched April 2023 – Enfield, Hanover, Plainfield
Launched May 2023 – Canterbury
Launched May 2024 – Sugar Hill, Charlestown
Launching October 2024 – Campton, Epping, Franklin, Gilford, Lee, Lyme, Newport, Northfield, Wilmot

By the November 2024 billing period, staff projects 5,000 accounts taking power from Community Aggregation rather than Co-op Power or a competitive supplier.

Load Migration Scenarios:

- 20% migration impact: $0.001 per kWh
- 50% migration impact: $0.004 per kWh

Future Impact:

- Staff continues to actively monitor the advancement of community aggregation.
- Prior to setting Co-op Power rates, staff revises load and sales forecasts to reflect the anticipated impact from aggregations that have confirmed launch dates.

ACES Policy Review

Due to time constraints, the committee agreed these policies will be further reviewed at a future meeting.

Mr. Jennings commented he pulled these policies together as a way to set the table for the board to initiate conversation about how best to bring purchases to the board ahead of time and also discuss hedging strategies. ACES, the consultant NHEC hired to help look at our power supply operations, recommended revision to our policies. Mr. Jennings said he took a crack at revising Policy B-11 (formerly Policy B-27) to put some content there that we could consider and discuss, understanding that these are board policies and board responsibility; whatever ends up in the policy is up to the board, but staff is happy to provide comments and recommendations. He commented that the three attachments (A, B and C) to the policy put better definition to what ethically trading means in his mind. He reiterated these documents are meant to facilitate discussion and are simply a template.

CFC Long-Term Borrowing

Ms. Taylor mentioned there are loan documents and resolutions in the board packet; basically, we are looking to extend the broadband line of credit and reducing it from $20M to $5.5M which is in alignment with our long-term Note 9089. There is also an RDOF letter of credit; we are required by USAC to increase that letter of credit to three years of support. For new borrowing, we are asking CFC for a $4M Power Vision loan to cover our electric distribution needs based on what is in our capital investment assumptions for 2025 along with what is outstanding in long-term notes. So we are seeking only $4M for distribution and then for broadband, based on 2024 and 2025 CapEx investments and financing our losses, we asked for $59M and they have agreed to give us two tranches of long-term borrowing; one would be made available in the beginning of the year for $30M and the second one would be made available mid-year. There are some special considerations for that second long-term note; we need to provide project statistics and take rates to show that our performance is as we forecast them to be as well as the termination agreement with Conexon. So that second loan is contingent on the Conexon MOU being executed. Todd Fahey, NHEC counsel, is reviewing the loan documents. Then there are two lines of credit that match those two long-term borrowing for the $30M and the $29M. The only amendment we want to make to that is that the interest payments for the long-term notes are moved from quarterly to monthly because, at the moment, we are able to include those as priority costs in our statement to Conexon. She added that there is an updated analysis of financing in the board packet (posted last night) that outlines how staff determined what we needed to borrow as well as the forecast that we sent to CFC that reflects the same data.

<u>Discussion</u>:

- ❖ Mr. Darcy asked if all those anticipated costs from all these debt financings that are going before the board are included in the budget that was presented today. He clarified he means the interest expense. Ms. Clemsen Roberts replied, yes, it is included.

Adjournment

Upon motion by Mr. Darcy, seconded by Mr. Dwyer, Chair Stringham adjourned the meeting at 10:52 a.m.