

Approved 2/28/23

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC.

Minutes of the Meeting of the Board of Directors

January 31, 2023

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 January 31, 2023, at the Cooperative's 287 Highland Street Office in Plymouth, NH.

Directors present were Jeffrey Morrill, Leo Dwyer, Madeline McElaney, and Harry Viens. Directors Alana Albee, Brenda Boisvert, William Darcy, Sharon Davis, Carolyn Kedersha, and Thomas Mongeon participated via Zoom. Director Edward French was absent. Others present were Alyssa Clemens Roberts, President/CEO; Jim Bakas, Chief Operating Officer (COO); Brian Callnan, VP of Power Resources and Access; Michael Jennings, Director of Engineering; Paul Phillips, Attorney; Kristen Taylor, Interim CFO; Matt Babcock, Safety Administrator; Kelley Achenbach, Controller; Josh Mazzei, Director of Operations; John Geronaitis, Vegetation Management Supervisor; Cooperative Members Pat Barbour, Jerry Beck, and Ted Vansant; and Sharon Yeaton, Executive Services Administrator (recording). Others participating via Zoom were Seth Wheeler, Communications Administrator; and Ken Colburn, NH NRECA Director.

Chair Morrill called the meeting to order at 8:30 a.m. He noted that several guests have joined the meeting.

Agenda Review and Consent Agenda Approval

Chair Morrill asked for any comments on the agenda and drew attention to the consent agenda items, including board meeting minutes of December 20, 2022, as well as a director expense report. Upon motion of Mr. Viens, seconded by Ms. Boisvert, it was

VOTED: That the Board of Directors approves the agenda and consent agenda items as presented in the meeting packet.

Vote for the motion was unanimous.

Board Safety Moment

Mr. Babcock presented the Board Safety Moment on the topic of NHEC's Hazard Identification Program and reviewed the winning submissions from 2022.

Ms. Clemens Roberts pointed out that a lot of great submissions were received and she commended the Safety Department for this program.

Mr. Babcock left the meeting at 8:38 a.m.

Board Operations Moment

Ms. McElaney presented the Board Operations Moment discussing how often times the messenger is more important than the message when it comes to how it is received. She mentioned that two categories of messengers are more received than others: "hard messengers" (those who are perceived to have status over the audience) and "soft messengers" (those that people feel a sense

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of connectedness with), sharing examples of each. She encouraged everyone, in their role as messengers, to think about what hat they can put on so they speak to their audience more broadly.

Ms. McElaney also explained that the Board Operations Moment is a way to talk about how the Board and management can form collaboration, trust, and togetherness as a team and suggested she doesn't always need to be the messenger for this part of the agenda. She posed the idea of each director taking turns and presenting for a month so that other voices are heard, noting that if there is a month no one signs up for she will pick up the slack.

Chair Morrill asked directors to reach out to Ms. McElaney to sign up and mentioned that if anyone wants, he is happy to talk through what they would like to present.

Member Comments

Chair Morrill recognized the guests in attendance and called on each to offer comments.

Ms. Barbour introduced herself, mentioning that she is interested in running for the Board this year and wanted to get a sense of the group.

Messrs. Beck and Vasant each introduced themselves and discussed their concerns about climate change and their desire for the Cooperative to take meaningful action to address carbon reduction in their next strategic plan. They shared their appreciation for the work done so far and offered their assistance to help in the transition to a clean energy environment.

Chair Morrill shared that we have delayed the timing of strategic planning, but will take all the comments into account.

Additional discussion on the subject included: a comment that perhaps looking at carbon reduction now could affect reliability and affordability in a positive way further down the road; a question as to whether it is prudent for us to use our balance sheet to make long term investments when our members who choose to can abandon that service (Co-op Power) and leave other members with a stranded asset; a belief that renewables will drop in price and the cost of fuel will go up and we can't afford to wait until those two curves cross to take action; acknowledgment that the expectation is not that NHEC would all of a sudden be purchasing 100% clean energy, but we have the opportunity and responsibility to educate and do as much as we can to push onto the clean side of energy without significantly affecting cost to members; a suggestion that this subject be included on a future agenda for a strategic topic discussion; and recognition that as a result of the member working group we adopted an environmental policy in August and one item in that is we have a duty to provide a renewable option to our members.

Mr. Callnan stated that it is good to recognize as a Cooperative the significant efforts the member group put into this subject and it highlights the benefit of being part of a Cooperative.

Chair Morrill echoed his gratitude and noted that the Board has had some in-depth conversations and this is high on the priority list.

In response to a question, Chair Morrill suggested this could be the strategic topic for May's Board meeting.

Mr. Vasant left the meeting at 9:02 a.m.

Chairman's Report

Chair Morrill mentioned the need to set compensation for the Nominating Committee, calling attention to the resolution in the meeting packet. Upon motion of Mr. Dwyer, seconded by Mr. Viens, it was

VOTED: That members of the 2023 Nominating Committee shall be compensated \$350 per meeting, capped at a maximum payment of \$1,050. The Nominating Committee Chair will receive an additional \$150 and the Vice Chair will receive an additional \$100. Any mileage will be reimbursement at the IRS rate.

In response to a question, Chair Morrill advised that the fees are the same as last year. It was suggested it might be helpful to set the compensation rate in Board Policy B-40, Nominating Committee, so the Board knows when they are moving it ahead. Chair Morrill suggested this be added to the list for the Policy Committee.

Vote for the motion was unanimous.

Chair Morrill mentioned that part of the policy and process calls for the Board Chair to meet with the Nominating Committee and since he will be traveling he has asked Vice Chair Davis to step in and do that.

President's Report

Ms. Clemsen Roberts presented the President's Report, discussing items from her written report, including membership in the Coalition for the Advancement of Reliable Electric Systems (CARES), noting that the group is currently focusing on supply chain issues and there is no cost to join; the topic of deferred revenue, which will be addressed later in the meeting; NHEC's presentation to the House Science, Technology, and Energy Committee and meetings with the NH Division of Homeland Security, Department of Energy, and Governor Sununu's staff; and presentations to staff sharing the results of the Employee Engagement Survey.

Mr. Geronaitis joined the meeting at 9:10 a.m.

Continuing her report, Ms. Clemsen Roberts discussed the NRECA CEO Conference she attended, including the panel she participated on and sessions she attended; provided an update on facilities needs and planning, advising that she has asked Mr. Bakas to take the lead on this effort; discussed the status of recruitment efforts for the vacant Vice President positions, sharing the status of each opening; mentioned two member letters included in the meeting packet, along with NHEC's responses; and shared that NHEC did an exceptional job with storm restoration during the two recent winter storms.

Mr. Mongeon complimented Ms. Clemsen Roberts on an excellent CEO Report.

Ms. Clemsen Roberts next addressed questions, confirming that there is a good possibility NHEC will receive some Federal Emergency Management Agency (FEMA) reimbursement for the winter storm; advising that we just started requiring employees to come into the office for 16 hours a week the first of January and we have not performed a study on the pros and cons of hybrid work; noting that an issue with depreciation expense was known and reported last year; and mentioned that we are investigating competitive FEMA grants to provide funds for mitigation efforts to reduce potential impacts of future storms.

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Ms. Davis pointed out that the resolution to approve NHEC's membership in CARES needed to be voted on. Upon motion of Ms. Davis, seconded by Mr. Mongeon, it was

VOTED: That the Board of Directors approves NHEC's membership in the Coalition for the Advancement of Reliable Electric Systems (CARES).

Vote for the motion was unanimous.

Ms. McElaney thanked Ms. Clemesen Roberts for her leadership during the storm.

Mr. Callnan mentioned some direct feedback he has received on hybrid work, stating that he has heard nothing but good things about employees coming into the office and it is helping to build back the culture.

In response to Chair Morrill's inquiry regarding NHEC participation and engagement with NRECA, Ms. Clemesen Roberts confirmed that it is a give and take and discussed a key takeaway from the NRECA CEO conference.

Referring to the Dashboard Report, Chair Morrill commented on the financial performance metric which is now showing red. Ms. Achenbach advised that these results are preliminary and it is likely this number will change to a positive margin, noting that we are still closing the books and there are still a lot of items being posted and with a FEMA reimbursement expected we will be able to defer some of our storm expenses.

Chair Morrill suggested that since there are such big variables in storms this might not be the best metric. Ms. Clemesen Roberts agreed and noted that this is why we did budget for major storms in 2023. She suggested staff come back in a month with ideas of what should be included in the metric. Chair Morrill commented that he is looking for the metric to truly represent financial performance and not the exceptions.

Herbicide Follow up

Mr. Mazzei introduced himself and Mr. Geronaitis, noting that they will provide an update on how we will handle maintenance of the herbicide opt-out list going forward. He reviewed a PowerPoint presentation covering slides on the annual list advantages, noting that members who have previously opted out will be proactively reminded to renew their status each year; and the 2023 opt out sequence, sharing the timeline for opting out and when herbicide application commences.

Messrs. Mazzei and Geronaitis addressed questions on the number of members opting out, stating that there are 311 members on the opt out list and some of those are members who opt out every year so are not on that year's clearing schedule.

Ms. Albee expressed her appreciation for the creative solution for a multi-year opt out option. She requested that the website be reviewed and updated as the current wording implies that a member can only opt out in January. She also asked about the opt out notification in the newsletter, to which Mr. Mazzei advised it would be in the February newsletter.

Messrs. Geronaitis and Mazzei left the meeting at 9:43 a.m.

Strategic Topic Discussion – Deferred Revenue/Reserve Fund

Ms. Taylor shared a PowerPoint presentation on Deferred Revenue, reviewing slides on ASC 980 – Regulatory Operations Liability; deferred revenue pros and cons; key definitions of revenue, margin, and cash; cash flow, noting that it is also important to look at cash on hand; financial impacts, displaying original financials and mocked financials to show what it would look like if we deferred revenue; and conclusions, advising that weather impacts can change margins dramatically, cash on hand is needed to utilize a deferred revenue plan effectively, and situations where deferred revenue would be a useful tool.

Ms. Taylor addressed questions throughout the presentation. With regard to the pros and cons, she stated that they may not all be applicable to us, but these are the things the auditors wanted to point out. She noted that if we implemented a deferred revenue plan we would need to allocate all margins to members first and for calculating the following year's margins we would need to back out what we deferred before allocating margins.

Feedback shared included that the main con of increased accounting complexity due to having a deferred revenue arrangement is significant and while it is an interesting concept, we need to keep these down sides in mind.

Ms. Clemesen Roberts noted that the biggest issue she sees is the need for cash on hand, which would require us to borrow money. The rules around deferred revenue require you to put cash in the account. In response to an inquiry, she explained that if you look at most electric cooperatives it is not odd to not have cash on hand as it is a capital intensive business. Ms. Achenbach added that when our cash balance builds we pay down our lines of credit.

It was noted that the original intent of looking at deferring revenue was to help smooth rates to members, but that does not appear to be the outcome. Ms. Clemesen Roberts explained that you cannot smooth rates when you are borrowing; you are putting upward pressure on future rates.

In response to a suggestion to create a provision for a future expense rather than deferring revenue, Ms. Achenbach explained that expenses need to be paid in the year they are incurred.

A question was raised as to whether NRECA has any best practices list that other cooperatives use for smoothing rates to members.

It was requested that the Deferred Revenue presentation be posted on OnBoard and suggested that we should examine further what other cooperatives have done for reserve funds.

In response to a comment expressing a desire to ask the auditors questions on their letter, Ms. Albee suggested this topic could be added to the Audit Committee agenda for March. Ms. Taylor added that the auditors have also offered to come to a Board meeting to address any questions.

The meeting recessed at 10:08 a.m. Mr. Beck and Ms. Achenbach left the meeting at this time. The meeting reconvened at 10:22 a.m.

Ms. Clemesen Roberts recapped the follow up items from the deferred revenue discussion, indicating that the presentation would be posted to OnBoard and directors could attend the next Audit Committee meeting, or provide the Audit Chair (with a copy to Ms. Clemesen Roberts and Ms. Taylor), any questions they have around this topic, and then we can determine what, if any, the next steps are.

Board Committees

Audit Committee

Audit Committee Chair Albee reported on the January 17th Audit Committee meeting, noting that responses from committee members related to cyber security and how support is going has been received and consolidated. She also mentioned that the audit process is ongoing.

Power Resources and Access Committee

Power Resources and Access Committee Chair Darcy reported on the January 17th Power Resources and Access Committee meeting, mentioning a motion that was proposed to have staff prepare for a renewable power option for the next rate period which ended in a tie vote. He suggested perhaps it can be discussed further at the next Corporate Services Committee meeting. He next suggested that an issue for the Policy Committee is staff's proposal to change the bounds of authority for contracting for power resources, sharing that what caused consternation for him is the authority of staff to make commitments of up to \$21 million per year for long term contracts without any Board review. He suggested the Policy Committee create guidelines for submission of these kinds of contracts, stating that long term contracts create more risk than short term contracts. He also reported that staff proposed that there not be a Power Resources Committee meeting this spring and commented that he has some doubts about that. He continued his report, noting that there was agreement to report before September on what ISO-NE was doing regarding reliability.

Mr. Callnan clarified that there was no change in the policy related to the bounds of authority, noting that there was an update in the dollar amount because it is 30% of energy needs and because we are spending more on energy that number went up. Mr. Darcy commented that he has not found where this policy was adopted by the Board as a whole and it's his view that this is a major risk issue that the entire Board should be involved in. Chair Morrill suggested adding this to the policy list for Attorney Phillips to review.

Mr. Callnan shared that all four NH electric utilities are now on the same term for their power cost rate adjustments.

Member Services Committee

Member Services Committee Chair McElaney reported on the January 23rd Member Services Committee meeting, noting that the committee did its annual review of the six Board policies it is responsible for. She reviewed the committee's recommendation, including pausing on taking any action on Board Policy B-30, Communications, and sending it to the full Board with similar policies so they can be reviewed in a holistic way.

Upon motion of Mr. Viens, seconded by Ms. Boisvert, it was

MOVED: That the Board of Directors approves the revisions, as recommended by the Member Services Committee, to Board Policies B-12, Membership Dues and Contributions Policy; and B-39, Member Electrical Usage and Generation Data; and reaffirms Board Policies B-2, Attachment D, Member Services Committee; B-13, Disclosure of NHEC Information and Open Conduct of Meetings of the Board of Directors and its Committees; and B-23, Economic and Community Development.

Mr. Darcy commented on Board Policy B-30, suggesting that it be reviewed by the Policy Committee to make sure it is consistent with Board Policy B-31, Code of Conduct. He also recommended the Policy Committee review Board Policy B-13, Disclosure of NHEC Information

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and Open Conduct of Meetings of the Board of Directors and its Committees, sharing his opinion that it is inconsistent with the duties imposed by RSA 301:61 to provide open access to business records to the same extent as citizens of NH are entitled to access under RSA 91-A, and regardless of that compliance we ought to be more consistent with the spirit and intent of that issue.

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

VOTED: That the motion to approve Board policies be amended to exclude Board Policy B-13, Disclosure of NHEC Information and Open Conduct of Meetings of the Board of Directors and its Committees.

Mr. Darcy noted that the recommendation is that both Board Policies B-13 and B-30 be referred to the Policy Committee.

Attorney Phillips commented that he has done a comprehensive analysis and his conclusion is that there is not a direct correlation between the Right-to-Know Law (RSA 91-A) and RSA 301:61. He shared the history of RSA 301:61, noting that it was not intended to be a wholesale adoption of the Right-to-Know Law, but was intended to create a comparative obligation. He stated that the obligation does not apply to every activity NHEC engages in, it is directed toward those activities that were previously regulated and it is important that the Board recognize the limitations of that statute. He suggested that before making revisions to Board Policy B-13, the Board take account of the context and history and understand what the implications are to the Board's business practices. He added that Board Policy B-13 is the Board's attempt to balance statutory obligations against business interests.

Mr. Darcy stated that even if the Right-to-Know Law does not apply, he felt we can modify the policy to be more welcoming to members. Mr. Dwyer added that he feels we should be moving to more transparency, rather than less.

Attorney Phillips pointed out that a failure of the Board to reaffirm a policy is not a rejection of the policy, it is just a continuance of the policy. He added that the obligation of each committee is to review the policies they oversee annually so that obligation has been fulfilled.

Ms. Davis urged the Board to reaffirm Board Policy B-13 as counsel has advised.

Vote for the motion to amend was six in favor (Directors Albee, Darcy, Dwyer, Mongeon, Morrill, and Viens) and four opposed (Directors Boisvert, Davis, Kedersha, and McElaney). The motion carries.

The amended main motion was next addressed:

VOTED: That the Board of Directors approves the revisions, as recommended by the Member Services Committee, to Board Policies B-12, Membership Dues and Contributions Policy; and B-39, Member Electrical Usage and Generation Data; and reaffirms Board Policies B-2, Attachment D, Member Services Committee; and B-23, Economic and Community Development.

Vote on the amended main motion was seven in favor (Directors Albee, Darcy, Dwyer, Kedersha, Mongeon, Morrill, and Viens) and three opposed (Directors Boisvert, Davis, and McElaney). The motion carries.

Attorney Phillips mentioned that when the Policy Committee was first proposed it was a narrowly defined project to review existing policies and see where they could be streamlined, shortened, etc. He noted that over the last couple of months the Board has had some substantive concerns about some policies that have now been added on. He mentioned that the deadline for the project is next month, but additional time will be needed for the policies that have been referred to the committee for revision. Chair Morrill agreed that the initial piece could be delivered next month and additional time given for the added items.

Ms. McElaney reviewed the other items covered at the Member Services Committee meeting, including a report on year-end results of the Energy Solutions programs; a strategic discussion around annual meeting; the idea of a director candidate night hosted by NHEC; and a conversation about what directors need to know about our membership as we move to strategic planning.

There was discussion regarding the value and participation of programs, and what we need to know about our membership for strategic planning.

In response to a comment regarding surveying employees on the top member priorities they would like the Board to know for the strategic planning process, Ms. Clemsen Roberts explained that she is not opposed to a member or employee survey, but if we do a survey we cannot ignore the results, something will need to be included in the strategic plan.

Ms. Kedersha left the meeting at 10:50 a.m.

Board General Session

Board Tracking Report

Chair Morrill advised that unless someone wants to champion the committee structure item he is going to table it until after strategic planning.

In response to a question on the investigate process item, Attorney Phillips mentioned that a hotline/contact number at his firm has been set up and he will be working with Ms. Clemsen Roberts to develop a script. Ms. Clemsen Roberts added that once everything is all set we will do an email communication and post the information. The Board Tracking Report will be updated to indicate that this will be finalized and launched by the end of Q1.

Committee Meetings

No committee meetings were scheduled for February.

NHEC Foundation Report

NHEC Foundation Chair Davis drew attention to the 2022 Fourth Quarter Foundation Report, Attachment #11 in the meeting packet, noting that grants totaling \$34,690 were awarded, the trustees decided to start meeting in person beginning in March, and grants for 2022 totaled \$241,371.

NRECA Report

Mr. Colburn presented the NRECA Report, sharing highlights from his written report and additions to the bibliography. He discussed the Farm Bill, in which NRECA will focus on broadband support for cooperatives; NRECA's regulatory efforts; the National Resolutions

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Committee, noting that proposed resolutions were just released and suggesting the Board should take time next month to review them; the need to appoint a voting delegate and alternate for the PowerXchange conference; and the Cooperative Family Fund, mentioning that a request will be sent to all cooperative CEOs seeking a donation of \$1,000 a year with the purpose of creating a fund to make \$10,000 available (at age 18) for every child of a cooperative employee who dies prematurely.

Appointment of an NRECA Voting Delegate and Alternate was next addressed. Upon motion of Mr. Dwyer, seconded by Mr. Viens, it was

VOTED: To appoint Madeline McElaney as NHEC's voting delegate and Alyssa Clemens Roberts as the alternate voting delegate for the 2023 NRECA PowerXchange conference.

Vote for the motion was unanimous.

In response to a request for a summary of the follow-ups from the member concerns that were shared around climate change, Ms. Clemens Roberts noted that this will be the Strategic Topic for the May Board meeting and staff will take some time to discuss and come back to the board in February with an outline of the plan for that discussion.

It was suggested that a discussion around preparing for the strategic plan (what information we need, what information we have, what are the gaps, and what is reasonable to ask for) be a strategic topic. Chair Morrill replied that this would tentatively be slotted as the June strategic topic. It was suggested that having this discussion sooner than June be explored.

Executive Session

Upon motion of Mr. Viens, seconded by Ms. Boisvert, it was

VOTED: That the Board of Directors move into executive session for the purpose of discussion of confidential legal, litigation and personnel matters.

Vote for the motion was unanimous and the Board moved into executive session at 11:28 a.m. Ms. Barbour and Messrs. Beck and Wheeler left the meeting at this time.

The Board moved out of executive session at 12:27 p.m.

Adjournment

Upon motion of Mr. Dwyer, seconded by Ms. McElaney, it was unanimously voted to adjourn the meeting. Chair Morrill adjourned the meeting at 12:27 p.m.

Brenda Boisvert, Secretary

A TRUE COPY ATTEST:

Jeffrey Morrill, Chair of the Board