

Approved 10/25/22

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC.

Minutes of the Meeting of the Board of Directors

September 27, 2022

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 September 27, 2022, at the Cooperative's 287 Highland Street Office in Plymouth, NH.

Directors present were Jeff Morrill, William Darcy, Sharon Davis, Leo Dwyer, Edward French, Madeline McElaney, and Harry Viens. Directors Alana Albee, Brenda Boisvert, Carolyn Kedersha, and Thomas Mongeon participated via Zoom. Others present were Alyssa Clemsen Roberts, President/CEO; Jim Bakas, VP of Operations and Engineering; Drew Dunagin, VP of Financial Services/CFO; Michael Jennings, Director of Engineering; Geoff Ziminsky, VP of Information Services/CIO; Jeremy Clark, Financial Planning, Analysis, and Rates Manager; Autumn Doan, Budget Executive; Maida Lessard, Operations/Engineering Administrative Assistant; Kristen Taylor, Financial Services Manager; Ken Colburn, NH NRECA Director; Mike Delaney, NHEC Member; and Sharon Yeaton, Executive Services Administrator (recording). Others participating via Zoom were Brian Callnan, VP of Power Resources and Access; and Paul Phillips, Attorney.

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

Agenda Review

Upon motion of Mr. French, seconded by Ms. Davis, the agenda was unanimously approved as presented in the meeting packet.

Consent Agenda Approval

Chair Morrill drew attention to the consent agenda items, including board meeting minutes of August 30, 2022, as well as director expense reports.

Upon motion of Mr. French seconded by Mr. Viens, it was

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

Vote for the motion was unanimous.

Board Safety Moment

Ms. Lessard presented the safety moment, discussing the topic of preparing for a disaster and the steps to take.

Ms. Lessard left the meeting at 8:37 a.m.

Board Operations Moment

Ms. McElaney presented the Board Operations Moment on the article included in the board packet about managing negative naysayers. She shared highlights from the article, as well as a real life

situation she faced, noting that if she had handled it with a face to face discussion it might have turned out differently.

Cooperative Member Mike Delaney joined the meeting at 8:43 a.m.

Member Comments

Chair Morrill introduced NHEC Member Mike Delaney. Mr. Delaney addressed the board sharing his concerns on the inability to bring cheaper green hydro power from Canada to New Hampshire with the failure of Eversource's Northern Pass Project to receive approvals to move forward. He shared his feelings that a project such as this would benefit the many members who are struggling with the cost of electricity.

Chair Morrill thanked Mr. Delaney for his input and advised that NHEC is looking at rate and economic options and he encouraged Mr. Delaney to stay for today's discussion on rates and the budget.

Mr. Delaney left the meeting at 8:55 a.m.

Chairman's Report

Chair Morrill presented the Chairman's Report, noting that he would like to have a detailed discussion regarding the transition of leadership of NH Broadband, LLC to Ms. Clemesen Roberts and since it will involve confidential personnel discussion he would like to go into executive session. Upon motion of Mr. Darcy, seconded by Ms. Davis, it was

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

Vote for the motion was unanimous and the Board moved into executive session at 8:57 a.m. Staff, with the exception of Ms. Clemesen Roberts and Mrs. Yeaton left the meeting at this time.

The board moved out of executive session at 9:22 a.m. and staff rejoined the meeting.

President's Report

Ms. Clemesen Roberts presented the President's Report, first discussing strategic planning, noting that following her call with Joe Raia of Glimmerglass Consulting, the timeline would have a first draft of the Strategic Plan to the Board in May and the final draft proposed at the June Board meeting. Addressing questions, she noted that items in the Strategic Plan would be included in the 2024 budget, and based on her conversation with Mr. Raia she is comfortable with the timeline, but if there were any roadblocks we would then discuss.

Continuing her report, Ms. Clemesen Roberts discussed her first three weeks at NHEC, including district visits, in-person and virtual meetings with staff, some one-on-one meetings, and attendance at NHEC's Safety Fair. She stated that everyone has been incredibly kind, welcoming, and helpful and that speaks to the culture at NHEC.

Addressing a question on the Korn Ferry Employee Engagement Survey results, Ms. Clemesen Roberts discussed the steps being taken to determine the priorities to focus on prior to holding meetings with all employees to share both the results and the action plan going forward. She

noted that the plan is to hold meetings with employees before year-end and a report back to the board can occur after that.

Questions were addressed on materials in the board packet, including the Dashboard Report, with it noted that the Transactive Energy Rate Project is shown as yellow because it is something we are always monitoring; the Board Report, with an explanation of the steps being taken to improve the phishing score; and the Power Resources Variance Report, with discussion of the current and projected under recovery balance, and a suggestion for further discussion by the Power Resources and Access Committee including discussion on the maximum and minimum thresholds to determine what parameters the board is comfortable operating within.

Strategic Topic Discussion – Rate Trajectory

Mr. Dunagin opened the topic mentioning that while we were able to keep rates flat for a number of years, we have known from our financial forecast that we would be facing upward pressure on rates. He noted that we have been talking about developing a reasonable rate trajectory for a number of years, commenting that he feels there is value to our members in having a steady increase in rates rather than no increase for three years and then an 8% - 10% increase, and it is necessary for us from a long-term/strategic planning perspective.

A PowerPoint Presentation, Reasonable Rate Trajectory, was shared. Mr. Dunagin discussed the slide showing the 10-year financial forecast that was presented with the July 2022 Equity Management Plan showing significant upward pressure on rates. He noted that staff worked through some metrics to determine a reasonable rate trajectory.

Mr. Clark next reviewed slides on the comparable metrics staff compiled, including Metric 1 – NHEC Revenue Budgets, Metric 2 – Consumer Price Index, and Metric 3 – NH Residential Rate Comparisons (500 kWh).

Mr. Dunagin reviewed the slide covering the recommendation to establish a reasonable rate trajectory of 3.5% per year, which is about \$2.35 million in revenue. He next discussed the Financial Forecast Comparison slide, noting that a 3.5% rate increase does not alleviate all our problems. He mentioned that he would like people to be in the mindset of being flexible with the current goals in the Equity Management Plan. He commented that if we can set the baseline it is a good starting point and staff can then come back to the board on some of the other measures and continue to update the Equity Management Plan. Mr. Dunagin asked for feedback on the recommendation and the following points were shared:

- It is the responsible thing to do; it is a guideline and gives management something they can work with and then they can present budgets to the board for approval, it is not just providing a blank check.
- Discussion on rate class subsidization, with Ms. Clemens Roberts noting that all rate classes should be contributing to the margin and you want to make sure there is no major cross subsidization. She also touched on reasons the Cooperative's member service charge is high compared to other utilities, noting that a list of talking points would be emailed to directors.
- From a member perspective times are tough with such a high inflationary period and we should take a cost containment approach to budgeting and look at where we can trim costs and we should take a hard look at our vegetation management costs. What would it look

Approved 10/25/22

like if we were budgeting a 3.5% increase and what would it look like if we budgeted a 0% increase?

- Recognition that staff is cognizant of the impacts of inflation on members and that is why they are asking for an increase of 3.5% instead of 7.7%; acknowledgment that vegetation management tends to be an area where cuts are made and without proper vegetation management you have reliability issues; and confirmation that staff does use a cost containment approach when developing the budget each year.
- It was requested that Ms. Clemens Roberts review NHEC's vegetation management practices to ensure they are being done in the most efficient way possible. Ms. Clemens Roberts indicated that she would continue to look at vegetation management with Mr. Bakas and the team.
- There are too many variables to support any increase moving forward. We need to do strategic planning, then our annual operating plan based on the Strategic Plan and look at the budget at that point. It makes sense to look at and consider zero-based budgeting.
- This is a positive movement in our members' favor and while we should try to beat that number this shows staff is moving in the right direction and thinking about the right considerations.
- Philosophically don't like the idea of setting a number. With 3% inflation built into the numbers and a 3.5% targeted increase it says we are essentially targeting 0%.
- We need to disconnect the zero-based budget from this proposal. This is a guide to give management something to work with. It is not a blank check; management will present a budget that is defensible and supports our members and it will still need board approval.
- It is better to have incremental change over time rather than a large jump because it was postponed.
- When you are prioritizing from a strategic planning perspective, you need to know that you have the financial capability, so rates needs to come first in informing the Strategic Plan.
- A desire for information/data to provide confidence in whatever number is deemed appropriate so we are funding all the things we need to do, while making sure we are not overzealous and trying to do everything; prioritization is important.

Ms. Clemens Roberts indicated that when staff proposes the budget they will also include some suggestions on what the board could consider cutting if they want to cut deeper and it will be up to the Board to decide what they are willing to let go and what they are not willing to let go.

Upon motion of Mr. French, seconded by Ms. Davis, it was

VOTED: That the Board of Directors authorizes the addition of an Acceptable Total Distribution Annual Rate Increase of 3.5% to the Financial Goals of the Equity Management Plan to guide long-term planning, as presented to the Corporate Services Committee on September 23, 2022. In the future, this would be re-evaluated with the regular biennial review of the Equity Management Plan. Further details can be found in the September 23, 2022, Corporate Services Committee meeting minutes.

Vote for the motion was eight in favor (Directors Darcy, French, Kedersha, Boisvert, McElaney, Davis, Viens, and Morrill) and three opposed (Directors Albee, Mongeon, and Dwyer). The motion carries.

Approved 10/25/22

Mr. Clark next shared the Rate Design Update PowerPoint presentation. He reviewed slides covering the rate design timeline, the 2019 cost of service review, the 2020 rate design review, and rate design guiding principles. Following discussion, agreement was reached to keep each of the principles in place:

1. NHEC's rates and charges should provide the revenue needed to meet the Cooperative's operating costs and maintain its financial strength.
2. NHEC's rates and charges should be fair and equitable to all members. All rate classes should contribute to the margin.
3. When making significant changes to its existing rates and charges, NHEC should seek to make those adjustments gradually over time unless doing so would unduly undermine the objective of making the change.
4. NHEC should seek to make its rates and charges simple and understandable for its members.
5. NHEC's rates and charges should be premised on the cost of providing the relevant service and, to the extent deemed advisable, be structured in a manner that reflects how those costs are caused.
 - a. All members should pay a Member Service Charge based primarily upon cost.
 - b. Rates should be structured in a way that they serve as an effective price signal to members.

It was suggested that we have some work to do on item #4. It was also recommended that we have this as a strategic topic discussion at some point so we can make some traction.

The meeting recessed at 10:28 a.m. and Mr. Clark left the meeting at this time. The meeting reconvened at 10:40 a.m.

Broadband Update

Mr. Dwyer reported on the Department of Business and Economic Affairs (BEA) \$50 million grant, stating that they will not be making a public announcement on the grant until they have contracts in place with the awardee.

Mr. Jennings provided an update on the Acworth/Sandwich Project, reporting that Acworth has about a 32% take rate after only six months and installs started last week in Sandwich and we have 600 preorders, which is about a 50% take rate. Referring to the Grafton County Project, Mr. Jennings stated that things are progressing well and we expect the fiber hut for Rumney to be delivered Thursday and the Fairgrounds hut shortly after.

Board Committees

Corporate Services Committee

Corporate Services Committee Chair French reported on the Committee's September 23rd meeting, noting that the rate trajectory and rate design items were covered earlier in the meeting. He reviewed the additional items covered by the Committee, including the Accounts Receivable Write-off, the amendment to Board Policy B-2, Attachment B - Corporate Services Committee, and changes to the Signatory Authority List. Upon motion of Mr. Darcy, seconded by Mr. Dwyer, it was

Approved 10/25/22

VOTED: That the Board of Directors authorizes a write-off for uncollectible electric accounts, excluding bankruptcies, in the amount of \$43,881.58 for accounts final billed October 2021 to March 2022 and miscellaneous accounts receivable in the amount of \$25.00 and directs staff to continue to attempt recovery of these uncollectible accounts, as presented to the Corporate Services Committee on September 23, 2022. Further details can be found in the September 23, 2022, Corporate Services Committee meeting minutes.

Vote for the motion was unanimous.

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

VOTED: That the Board of Directors approves Board Policy B-2, Attachment B – Corporate Services Committee with recommended changes as presented to the Corporate Services Committee on September 23, 2022. Further details can be found in the September 23, 2022, Corporate Services Committee meeting minutes.

Vote for the motion was unanimous.

Upon motion of Mr. Darcy, seconded by Chair Morrill, it was

VOTED: That the Board of Directors approves NHEC Signatory Authority List with recommended changes as presented at the September 23, 2022, Corporate Services Committee meeting. Further details can be found in the September 23, 2022, Corporate Services Committee meeting minutes.

Vote for the motion was unanimous.

Corporate Services Committee Chair French advised that the Committee has meetings in October, November, and December. He noted that the October and November meetings are focused on the 2023 budget and he encouraged directors to attend.

Additional Committee Items

Ms. McElaney mentioned that a Member Services Committee meeting is scheduled for October 18th and asked who she should work with from staff. Ms. Clemsen Roberts stated that she would get back to Ms. McElaney with a response.

Ms. Albee noted that the October 21st Audit Committee meeting will focus on a cyber security update and the kick off with the new external auditor. Mr. Dunagin added that the Audit Engagement Letter was just received and he will forward it to Ms. Albee.

Mr. Darcy discussed the Power Resources and Access Committee meeting scheduled for October 6th, noting that there will be discussion about implementation of the Co-op Power renewable options part of the environmental resolution. Mr. Callnan added that National Renewable Cooperative Organization (NRCO) will also give a presentation on renewable pricing.

Board General Session

Board Tracking Report

Chair Morrill drew attention to the Board Tracking Report, Attachment #12 in the meeting packet.

Committee Meetings

Following is a list of upcoming committee meetings:

- Power Resources and Access Committee – October 6, 8:30 a.m.
- Member Services Committee Meeting – October 18, 8:30 a.m.
- Corporate Services Committee – October 21, 8:30 a.m.
- Audit Committee – October 21, 10:00 a.m.
- Engineering & Operations Committee – October 24, 2:00 p.m.

NHEC Foundation Report

NHEC Foundation Chair Davis reported on yesterday's NHEC Foundation meeting, noting that 12 grants were awarded totaling \$60,980. She advised that a written report would be included in next month's board packet.

Ms. Kedersha left the meeting at 11:00 a.m.

NRECA Report

Mr. Colburn presented the NRECA Report sharing highlights from his written report and additions to the bibliography. He discussed the NRECA Regional meeting presentations and resolutions process, the five consortia organized by NRECA, and the launch of NRECA's broadband initiative.

Mr. Viens discussed Ms. McElaney's unanimous appointment to the NRECA National Legislative Committee, with Mr. Colburn noting that Mr. Viens serves on the NRECA Regional Legislative Committee.

Mr. Viens shared additional information on some of the presentations and speeches made at the NRECA Regional meeting, which were highlighted in Mr. Colburn's written report.

Mr. Colburn addressed a question, explaining the CFC board election process.

Executive Session

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

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

Vote for the motion was unanimous and the board moved into executive session at 11:10 a.m. Ms. Doan and Ms. Taylor left the meeting at this time.

The board moved out of executive session at 12:58 p.m.

Approved 10/25/22

Adjournment

Upon motion of Ms. Davis, seconded by Mr. Viens, it was unanimously voted to adjourn the meeting. Chair Morrill adjourned the meeting at 12:58 p.m.

Brenda Boisvert, Secretary

A TRUE COPY ATTEST:

Jeffrey Morrill, Chair of the Board