

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

**Zoom Meeting**

**October 21, 2022 8:30 – 9:45 a.m.**

**Present:** Committee members: Ed French (Chair), Sharon Davis, Brenda Boisvert  
Other Board members: Tom Mongeon, Jeff Morrill, Harry Viens, Carolyn Kedersha, Harry Viens, Bill Darcy, Madeline McElaney  
NHEC employees: Alyssa Clemsen Roberts, Drew Dunagin, Jim Bakas, Geoff Ziminsky, Mike Jennings, Steve Kaminski, Jeremy Clark, Kristen Taylor, Britta Matthews, 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.

With committee members Ms. Boisvert and Mr. Dwyer not currently present, Mr. Morrill as Chair of the NHEC Board appointed himself a voting member of the committee as allowed per board policy.

**Agenda Review/Minutes Approval**

There were no changes to the agenda.

Upon motion by Mr. Morrill, seconded by Ms. Davis, it was

**VOTED:** That the committee approves the September 23, 2022, meeting minutes as written.

The vote was unanimous.

**Annual Inventory Adjustment**

Ms. Matthews highlighted the physical inventory results included in the meeting materials. She commented that last year we had a comparatively larger write-off, and this year's write-off is more the "norm." She also pointed out that we are approximately \$1M more on our book count than we have been in years past, some in direct relation to stocking more material for broadband make ready. Specifically, we want to make sure we do not run short on materials in the case of a storm or new member services.

Ms. Matthews pointed out the warehouse has a new employee and the department hopes to make progress on implementing cycle counting.

Discussion:

- ❖ In answer to a question, Ms. Matthews commented the increase in inventory is driven by both the electric side and the broadband side. She added it is difficult to have exact percentages of each side

since all materials come into NHEC and are charged out to broadband work orders accordingly once the jobs are staked.

- ❖ In answer to a question regarding a higher discrepancy in the Ossipee District, Ms. Matthews answered that they are looking into that to track down the discrepancy.

Upon motion by Ms. Davis, seconded by Mr. Morrill, it was

**VOTED:** That the committee recommends the Board of Directors authorize management to adjust the physical inventory as a result of the 2022 inventory in the amount of \$15,418.60.

The vote passed unanimously.

Ms. Matthews left the meeting at 8:43 a.m.

### **2023 Budget Preview**

Mr. Dunagin provided a high level overview of the NHEC budgeting process adding that though NHEC does not have zero-based budgeting per se, the process is very thorough and includes multiple levels of scrutiny. He shared an overview highlighting Key Budget Figures (Rate Increase, Distribution Margin, Contingency items, Equity) and Key Capital Figures (General Plant, Construction Budget, Major Initiatives). He then reviewed an Overview of Changes that included increased expenses and offsets.

Mr. Dunagin commented the Finance Department received a request yesterday from a board member regarding information on the PR&A budget. Subsequently, a couple of slides were prepared that will be reviewed at the end of today's budget presentation. He mentioned that the information on the slides is a draft and more information will be presented at the next Corporate Services Committee meeting or PR&A Committee meeting.

Ms. Doan reviewed the preliminary 2023 budget including the following:

- Distribution Expenses – 2023 budget compared to 2022 budget
- Expense Highlights – Distribution
  - Payroll and Benefits
  - Tree Trimming Expense
  - Other Key Expenses (Administrative & General, Interest Expense & Other Deduction, Operations & Maintenance, Property Taxes)
  - Capital Expenditures and Depreciation
- Margin – Distribution
  - Budgeted Margin reduced by \$3.9M
  - Major storms now part of expense budget

- Major Capital Initiatives
  - Facilities – Andover/Sunapee \$1.0M
  - Facilities – Plymouth \$0.5M
  - Direct Bury Cable Replacement \$2.1M
  - SCADA Equipment Expansion \$1.0M
  - Land Mobile Radio Upgrade \$1.0M

Ms. Boisvert joined the meeting at 8:49 a.m.

Discussion:

- ❖ There was general discussion related to the topic of attaining and retaining the right employees and moving pay scales to the appropriate ranges.
- ❖ Mr. Darcy inquired that if the previously unbudgeted \$1.3M major storms expense was not included in the budget, would it be the equivalent of having a \$3.2M margin using the previous budget method? Mr. Dunagin answered affirmatively.
- ❖ Mr. Mongeon suggested a summary of budget assumptions be provided to assist the board. He also commented it would be helpful to know the current cost sharing related to employees working on broadband, and an update on efficiency outcomes and impact related to continuous improvement.
- ❖ Mr. Mongeon requested more information on what is driving the cost increase on tree trimming. Mr. Jennings explained the recommendations of the consultant to gradually get to an eight-year trimming cycle on the system. He added that the more we defer tree trimming the more expensive it would be in the future. It was also pointed out that cutting back on tree trimming may have negative consequences on system reliability. Mr. Bakas pointed out there have been major increases in tree trimming contract labor costs.
- ❖ Ms. Albee stressed the importance of the need for the board to decide which budget “levers” to pull and how. She also suggested Ms. Clemens Roberts consider other levers such as NHEC-owned property, e.g., fairgrounds, and related property taxes.
- ❖ In answer to a comment about capital credits possibly being a lever, Mr. Dunagin clarified that capital credits are not an income statement item and not built into the rates. Chair French added that capital credits will be discussed at this month’s board meeting.
- ❖ Mr. Viens commented he would also like to see budget assumptions. He requested staff’s opinion on potential threats to the budget and suggested staff be the ones to recommend which levers be pulled.
- ❖ Ms. Kedersha requested consideration of NHEC hiring in-house crews for vegetation management. Mr. Jennings commented that is part of the plan to analyze in 2023.
- ❖ In answer to a comment about tree trimming expense as it relates to broadband, Ms. Clemens Roberts replied NHEC owns the fiber; therefore, a typical pole attachment rate would not apply to NH Broadband. However, costs may be assigned through the lease to NH Broadband. She stressed the importance and value of NHEC maintaining ownership of the fiber.
- ❖ In answer to a question, Mr. Dunagin confirmed that the increased interest expense from the power supply under-recovery is being captured in the Co-op Power rate.
- ❖ Chair French reminded everyone that the budget will be further discussed at the November 18, 2022

Corporate Services Committee meeting and requested that comments and questions regarding the budget be sent to Ms. Clemens Roberts, Mr. Dunagin, and him by November 4, 2022 to allow staff to gather appropriate information.

- ❖ Mr. Morrill suggested a meeting be held prior to the November Corporate Services meeting. Chair French and Mr. Morrill agreed to discuss this off-line.

Mr. Clark continued his presentation, moving onto the revenue side of considerations including:

- Sales Forecast
  - Delivery Sales Revenue Growth
  - Other Electric Revenue Growth
  
- Rate Change Proposal – 3.5% Increase
  - Class Allocation
  - Component Allocation
  - Member Service Charge (+\$2.01 or 1.3% 500 kWh Bill Impact)

Discussion:

- ❖ In answer to a question about a potential Power Resources increase, Mr. Clark commented those numbers will be reviewed in November to bring a proposal in the December 2022 timeframe. He added that for now, the numbers we have were presented in the Power Resources Committee meeting a few weeks ago.
- ❖ In answer to a question, Mr. Clark mentioned that if NHEC keeps with the reasonable rate trajectory, rates will most likely increase 3.5% each year; NHEC will continue to use the Cost of Service Study (COSS) as a tool.

Mr. Dunagin reminded everyone to please submit comments or questions to Ms. Clemens Roberts, Mr. French and him, by November 4<sup>th</sup>. He then reviewed Next Steps including budget approval meeting dates and the Proposed Rate Change implementation date of January 1, 2023.

Mr. Dunagin reviewed two Power Resources & Access slides which included a high-level summary of the following:

- Expense Highlights (Draft)
  - Payroll and Benefits (2017 – 2021)
  - Other Expenses (Consulting, Legal, Sponsorships & Subscriptions, Software, Load Settlement, Conferences)

Mr. Dunagin pointed out this information is not necessarily accurate yet; information is still being compiled. Ms. Clemens Roberts reiterated what Mr. Dunagin said earlier in the meeting, that PR&A budget information should be provided to the board and requires oversight (as stated in an email from a board member), adding this is separate from what is being discussed today. She commented she believes the PR&A budget should be presented to the board every time NHEC sets a rate, as it affects the members. It can be decided whether it

is presented at a Corporate Services Committee or a PR&A Committee meeting – or a joint committee meeting – with Brian Callnan, Mr. Dunagin and her present. Mr. French requested that Mr. Darcy (as Chair of the PR&A Committee), and he (as Chair of the Corporate Services Committee) be involved in deciding at which committee the information should be presented. Ms. Clemens Roberts agreed. Mr. Darcy mentioned he is the board member who sent the email, and thanked Ms. Clemens Roberts and Mr. Dunagin for summarizing the reasons we should be reviewing the PR&A budget information.

In closing, Ms. Clemens Roberts commented she supports the budget staff has proposed; it has been a rigorous process and she supports raising the member services charge (and considering renaming the charge to the “Grid Access Charge” in the future). She added she believes the budget is where we need it to be, and that we are projecting a rate projection smoothing process that is good for the co-op and good for the members.

#### **Adjournment**

Upon motion by Ms. Davis, seconded by Ms. Boisvert, Chair French adjourned the meeting at 9:45 a.m.