

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

**Zoom Meeting
October 26, 2023 8:30 a.m.**

Present: Corporate Services Committee members: Ed French (Chair), Alana Albee, Leo Dwyer, and Bill Darcy
Other Board members: Jeff Morrill, Tom Mongeon, Carolyn Kedersha, Sharon Davis,
NHEC employees: Alyssa Clemsen Roberts, Mike Jennings, Jeremy Clark, Kristen Taylor, Josh Mazzei, Kelley Achenbach, Robyn Sarette, Autumn Doan, Sonja Gonzalez, Carla Munoz, Peter Glenshaw, and Edee Murphy (Recording)
Others Present: Paul Phillips-NHEC Counsel

Meeting Called to Order

Chair French called the meeting to order at 8:31 a.m.

Agenda Review

Chair French pointed out the Expected Outcome for 2024 Budget Preview under Section V. should be "Committee informed and any questions addressed." The budget is not up for approval and recommendation to the board today; that will be for the November 2023 meeting.

Annual A/R Write-off

Ms. Taylor thanked Ms. Sarette and her group for helping develop the executive summary provided in the meeting packet, and the hard work on collection efforts. She reminded the committee that the A/R write-off historically occurred semi-annually and is now performed annually to generate better year-over-year reporting.

Staff has reviewed unpaid inactive electric service account balances and miscellaneous receivable balances and is proposing a write-off of \$146,997. Staff has developed this proposal pursuant to Board Policy No. B-2, Attachment B, Section I.9, which states the Corporate Services Committee shall "Annually review and discuss the miscellaneous and accounts receivable write-offs proposal and make recommendations to the full Board."

The October 2023 annual write-off includes accounts that have final billed for the 12-month period from April 2022 through March 2023. This excludes bankruptcies as those accounts are written off promptly when NHEC is notified of the filing. The write-off as a percentage of sales equals 0.08%. Ms. Taylor reminded the committee NHEC continues to pursue collections for these accounts even after the write-off is done.

Ms. Taylor noted that there is an increase this year in bankruptcies. Bankruptcies are automatically written off; the information is provided for informational and reporting purposes only. Inactive accounts have become the basis for this write-off; in post-COVID times we continue to see apartments, campers, and mobile homes having a higher proportion of inactive accounts in comparison to single-family homes and condominiums.

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 \$146,997.58 for

accounts final billed April 2022 to March 2023, and direct staff to continue to attempt recovery of these uncollectible accounts. There was no amount to write-off for miscellaneous accounts receivable.

Vote was unanimous.

Distribution Rate Simplification Proposal

Mr. Clark reviewed the proposal for Distribution Rate Simplification that included the following:

- Rate Change Timeline
- Retire BL3 Rate
- Primary Demand Simplification
- Retire Ski Contract Rate Code

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

VOTED: That the committee recommends the Board of Directors authorize staff to update the Schedule of Rates and Terms and Conditions as recommended in the October 2023 Distribution Rate Simplification Proposal.

Vote was unanimous.

Schedule of Fees Changes

Mr. Clark reviewed the proposal for changes to the Schedule of Fees that included the following:

- Proposed Construction Allowances – Staff recommends returning to dollar-based allowances to mitigate the financial impact to the cooperative; the new allowances would go into effect with new jobs starting in January 2024. The new allowances could reduce capital costs by \$2M starting in 2025.
- Proposed Design Fee Name Change – Staff proposes to change the name to Site Visit Fee to better describe the service associated with the fee.
- Proposed Inclusion of Supplier Fees – Staff proposes to include existing supplier-related fees in the Schedule of Fees.
- Proposed Fee Changes – Staff proposes fee changes as presented.

Discussion:

- ❖ Mr. Darcy requested examples of what a typical service upgrade (increased breaker size, large capacity EV charging station, amp service conversion, different distances from poles, etc.), showing the current charges for such services, the revised charges, and difference in member cost.
- ❖ In response to a question, Mr. Clark confirmed that these changes would have no impact on solar.

Mr. Darcy moved to table the resolution provided in the meeting packet until the information he requested above is obtained.

Discussion on the motion:

- ❖ In answer to a question, Mr. Clark stated that if the construction allowances were not to be approved this month, it would impact our proposed budget because there would be some impact to the capital portion of the budget. He added that if the proposed changes are not approved until the November board meeting, we would have some internal struggles; some of these changes require internal process changes and the construction manual needs to be printed, so we are trying to get this resolved in October.
- ❖ Chair French reiterated that these are costs NHEC will incur one way or the other; it is a question of

who pays for them – the individual member causing the fees or the entire membership.

- ❖ Ms. Clemens Roberts suggested this be moved to a vote at the October board meeting; the information requested by Mr. Darcy can be provided in time for the October board meeting if that would be acceptable to the committee.

Upon amended 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 Fees and Terms & Conditions effective January 1, 2024, as recommended in the January 2024 Schedule of Fees Proposal as presented, contingent upon the requested member cost information being provided by the October 31, 2023, board meeting.

Vote was unanimous.

2024 Budget Preview/Rate Design Review and Rate Proposal Preview

Ms. Taylor thanked Ms. Doan and Mr. Clark for the enormous amount of time and effort they put into this preliminary budget. She pointed out that, although it is preliminary, the same amount of work needs to go into the analysis and preparation to get to this point. Historically, staff gave one budget presentation; a year or two ago a preview of the budget was requested in advance of the November meeting. As this has all evolved, staff is realizing this is a lot more extensive of a preview than was done in the past. She added staff will be trying to figure out the right balance between trying to provide some high-level assumptions/indicators of the budget, and preparing two full budget presentations, so that we are utilizing staff resources in an appropriate way.

The agenda for the 2024 Budget Preview presentation included the following:

- Overview
- Assumptions
- Capital Budget
- Operating Budget
- Budget Risks
- Rate Design Review
- Rate Change
- Next Steps

Ms. Taylor provided an overview and noted that some of these preliminary figures will change, including the margin, as additional information is coming in.

Mr. Clark reviewed the Key Distribution Budget Figures and Assumptions.

- ❖ In answer to a question, Ms. Doan confirmed that the stated “6.5% Long Term Debt blended interest” relates to new debt.
- ❖ In answer to questions regarding healthcare cost, Ms. Doan responded that total healthcare cost is \$5M; the 2024 budget reflects a projected 10% increase (\$202,000), effective August 1, 2024.

Mr. Clark went on to review Capital Budgets (Capital Construction, General Plant Construction, and Capital Improvement). He also provided a Capital Budget history and Capital Budget takeaways as follows:

- Proposed combined capital budget \$33.4M
 - Recurring Capital Construction Budget cost increases are being mitigated with revised Construction Allowances
 - Includes previously budgeted items such as the Land Mobile Radio Upgrade, Andover/Sunapee

- facility, Fiber Backhaul SCADA Pilot, and mobile substation
- Continued funding for strategic projects such as the Transformer Replacement Plan and Direct Buried Cable Replacement
- Initial planning and site work for new facilities at Fairgrounds

- ❖ In answer to a question related to new facilities at Fairgrounds, Ms. Clemesen Roberts clarified that the reference in the budget to new facilities at Fairgrounds is related to sitework for the Warehouse/ Plymouth District. She added that she has requested a Buildings Committee meeting be held in November, after which there will be an update on overall facilities.
- ❖ In response to a comment regarding the Land Mobile Radio (LMR) upgrade, Mr. Jennings commented that once we get the fiber system deployed, we will still rely on the LMR and microwave systems for critical infrastructure at the co-op. Ms. Gonzalez pointed out that the LMR and microwave systems are both end of life which becomes a cyber security risk. Mr. Mongeon requested that the Communications Plan be checked for alignment.

Mr. Clark and Ms. Doan reviewed the Operating Budget which included:

- Sales Forecast
- Distribution Payroll and Benefits
- Tree Trimming Expense
- Distribution Depreciation Expense
- Major Storms Expense
- Other Key Distribution Expenses (A&G, Interest Expense & Other Deduction, O&M, Property Taxes)
- S&ER
- PR&A Payroll and Benefits
- Power Resources Other Expenses (Consulting & Legal, Credit, Software)
- Distribution Margin Considerations
- Distribution Margin Comparison
- Distribution Margin actuals
- Operating Budget Takeaways
 - Modest organic revenue growth has been absorbed by uncontrollable costs such as depreciation and interest
 - Cost reductions include tree trimming, S&ER funding, IT efficiencies, and removing unfilled positions
 - A low distribution margin is proposed to limit rate pressure
 - A 4% distribution rate increase is proposed to fund the operating budget

Discussion:

- ❖ In answer to a question, Ms. Clemesen Roberts explained that although a full study has not been done, staff has deemed in-house tree trimming as not beneficial to NHEC due to the cost of equipment and the level of additional staff, with fully loaded benefits, which would be required. She does not believe a full study would be good use of staff time. Staff believes the least expensive way for tree trimming is to use contractors, as most cooperatives do. She stressed that NHEC has “kicked the can” down the road so many years, that we are playing catchup; we are essentially proposing in 2024 to kick the can down the road again. She cautioned that if you do not pay for it today, you will probably pay more for it tomorrow. Staff has attempted to achieve balance in terms of what we would like to have, what we should have, and what we are willing to pass on to our members. Mr. Mazzei concurred that in-house tree trimming would be prohibitively expensive. Ms. Albee requested that a summary report-out be provided at the board meeting and receive confirmation from the full board that a full analysis is not necessary at this time.
- ❖ In answer to a comment, Ms. Clemesen Roberts stated that last year was the first that NHEC budgeted

for storm expense, but even if you were to add the storm expense we have budgeted this year, it is still less than what our average of the last three years has been; also, even if you added the storm expense to our anticipated margin, we would still have a lower margin projection than most cooperatives do, or that is recommended.

Mr. Clark reviewed Budget Risks, Rate Design Review, and Rate Change Proposal.

Discussion:

- ❖ There was discussion on the Rate Change Scenarios provided in the presentation; specifically, the recommended 4% increase, 50%-50% split between Member Service Charge and kWh Charge.
- ❖ In answer to a comment that there is a need for rate making principles, Ms. Clemesen Roberts reminded the committee that the board approved rate-making principles which put the charge 100% in the Member Service Charge; however, based on the discussion the board had last year, and based on investor-owned utilities we are surrounded by in New Hampshire, staff has attempted to modify or moderate rate impact and strike a more measured balance. She commented that this proposal potentially changes what the board has codified in terms of rate-making principles.

Ms. Taylor concluded with review of Next Steps as follows:

November 2, 2023	Budget comments due to Board Chair
November 17, 2023	Corporate Services Committee Meeting/Committee budget recommendation
November 28, 2023	Board of Directors Meeting/Board budget approval
January 1, 2024	Proposed rate change implemented, Proposed fee change implemented

Ms. Taylor thanked staff for all of their hard work and the committee for the input, feedback, and great questions.

Chair French echoed Ms. Taylor's thanks and requested that board members "cc" him on any budget questions they send to Board Chair Davis.

Ms. Clemesen Roberts encouraged open and transparent budget discussion in public session at the November board meeting.

Adjournment

Upon motion by Ms. Davis, seconded by Mr. Dwyer, Chair French adjourned the meeting at 10:28 a.m.