

Approved 12/28/21

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC.

Minutes of the Meeting of the Board of Directors

November 30, 2021

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 November 30, 2021, at the Cooperative's 287 Highland Street Office in Plymouth, NH.

Directors present were Jeffrey Morrill, Edward French, and Madeline McElaney. Directors Alana Albee, Brenda Boisvert, William Darcy, Sharon Davis, Leo Dwyer, Carolyn Kedersha, Thomas Mongeon, and Daniel Senie participated via Zoom. Others present were Jim Bakas, Interim General Manager; Brian Callnan, VP of Power Resources and Access; Drew Dunagin, VP of Financial Services/CFO; Craig Snow, VP of Energy Solutions/Facilities; Michael Jennings, Engineering Manager; Paul Phillips, Attorney; and Sharon Yeaton, Executive Services Administrator (recording). Others participating via Zoom were Mark Dean, Attorney; Steve Kaminski, Power Planning and Policy Advisor; Mike Licata, VP of Member Services/Public Affairs; Geoff Ziminsky, VP of Technology and Business Services/CIO; Jeremy Clark, Financial Planning, Analysis, and Rates Manager; Autumn Doan, Budget Executive; Lynne Turmel, PR/Marketing Supervisor; and Ken Colburn, NRECA Director for NH.

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

Agenda Review

There were no changes to the agenda.

Approval of Consent Agenda

Chair Morrill drew attention to the consent agenda to approve minutes and director expense reports. Upon motion of Mr. French, seconded by Mr. Darcy, it was

VOTED: That the Board of Directors approves the consent agenda items: October 21, 2021 Special Meeting Minutes, October 26, 2021 Board Meeting Minutes, November 15, 2021 Special Meeting Minutes, and director expense reports.

Vote for the motion was unanimous.

Chair Morrill welcomed Attorney Phillips to the meeting.

Board Safety Moment

Mrs. Turmel presented the board safety moment on the topic of mental health and the holidays. She discussed the added stress the holidays can bring, shared ideas to alleviate the stress, and asked everyone to consider creating a self-care plan and committing 10 to 15 minutes a day to do something they enjoy.

Mr. Darcy mentioned that the NH Department of Health and Human Services is now offering a free set of COVID tests and he will send the website link to Mrs. Yeaton to distribute.

Mrs. Turmel left the meeting at 8:37 a.m.

Chairman's Report

Chair Morrill presented the Chairman's report, first recognizing and congratulating Ms. McElaney and Mr. Senie for completing the NRECA Credentialed Cooperative Director (CCD) program and Mrs. Kedersha for completing the NRECA Director Gold program.

Chair Morrill next thanked Mr. Bakas and expressed his appreciation for his efforts in undertaking the Acting General Manager role and rising to the challenge.

Additional items Chair Morrill discussed included plans for the Executive Committee to review the ERM Report assignments and determine if any of them need to be redirected, and plans to have legal needs and approaches be the strategic topic for discussion at the December board meeting.

Interim General Manager's Report

Mr. Bakas presented the Interim General Manager's Report, first recognizing Mr. Jennings for the excellent job he has been doing in running the Operations and Engineering Division and noting that he has asked Mr. Jennings to join the Senior Management Team. He next asked Mr. Licata to provide an update on COVID.

Mr. Licata discussed the OSHA COVID-19 Emergency Temporary Standard (ETS), noting that it is currently on hold in the courts, but we are planning and developing policy in case it is something we need to comply with. He mentioned that we are encouraging employees to get vaccinated and to turn in their cards to Human Resources. He reported that NH is seeing a rapid increase in COVID cases and is currently the second highest state per capita. He addressed questions on the percentage of employees who have currently provided vaccination cards, as well as current guidelines for wearing masks.

Mr. Bakas introduced Attorney Phillips, noting that going forward he will be attending board meetings.

Attorney Phillips discussed his background and experience, as well that of his firm Primmer Piper Eggleston and Cramer PC. He addressed questions on his working relationship with NHEC, the availability of others in his firm to assist when he is not available, and his experience related to governance.

Mrs. Boisvert joined the meeting at 8:54 a.m.

Mr. Darcy commented that he has worked with Attorney Phillips over the past nine months on broadband issues and he is a highly competent and responsive professional and he is glad that we have him on board at the Co-op. Ms. McElaney echoed those thoughts.

Referring to the Dashboard Report, Attachment #6 in the board packet, Chair Morrill asked about distribution financial performance, with the 2021 margin currently at \$8.4 million versus a

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budget of \$3.9 million and suggested that this should at least be marked as yellow since it is over 115% off from budget.

Mr. Dunagin explained the reasons for the variance, including an error on depreciation when the budget was prepared last year, a timing issue for expenses related to tree trimming, staff time being charged to broadband and higher sales than forecast. He indicated that he did not feel there was any cause for alarm at the size of the variance.

Board Committees

Corporate Services Committee

Corporate Services Committee Chair French reported on the November 18th Corporate Services Committee meeting. He noted that he hoped everyone had an opportunity to review the meeting packets and audio recordings from both the October and November committee meetings. He stated that there are five resolutions being recommended today.

Ms. Albee stated that the Corporate Services executive session was not recorded and therefore was unavailable to board members who were unable to attend. Committee Chair French commented that is a good point and suggested that part of the meeting could be discussed later.

Committee Chair French first discussed the motion for the inventory adjustment, noting that it is 2% of total inventory, but it is anticipated there will be a recovery as items get appropriately charged to construction projects. He indicated that we would be moving to cycle counting, which should minimize adjustments in the future.

Upon motion of Mrs. Davis, seconded by Mrs. Kedersha, it was

VOTED: That the Board of Directors authorizes a write-off for the physical inventory in the amount of \$60,772.13 taken September 16, 2021, as presented to the Corporate Services Committee on November 18, 2021.

Vote for the motion was unanimous.

Committee Chair French next drew attention to the motion to update the Schedule of Fees, noting that the last time a full review was conducted was in 2018. He stated that the fees being proposed reflect the cost for the associated services.

In response to a question regarding the cycle time to review all fees, Mr. Clark advised that we are trying to target every two years, but currently expenses are changing quickly so we will monitor it and may look at doing it every year.

Upon motion of Mrs. Davis, seconded by Mrs. Kedersha, it was

VOTED: That the Board of Directors authorizes management to update the Schedule of Fees effective January 1, 2022 as recommended in the Schedule of Fees Proposal as presented to the Corporate Services Committee on November 18, 2021.

Vote for the motion was unanimous.

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Committee Chair French next drew attention to the proposed 2022 Balanced Scorecard (BSC), noting that this tool helps move the strategic objectives of the organization.

There was a question regarding when there would be a refresh of the BSC items, with Mr. Bakas explaining that there would be more of a refresh next year when we update our strategic plan.

Chair Morrill indicated that he is not comfortable with some of the items on the BSC, and stated that he wants to make sure we are raising the bar.

Mr. Darcy asked if approval of the BSC could be tabled and referred to the Executive Committee for further consideration. Mr. Bakas stated that the BSC has no impact on the budget so does not need to be approved today. Mr. Callnan commented that it is important to staff that the BSC is in place by the end of the year.

Chair Morrill suggested that Mr. Bakas and his team take a first pass at any changes to the BSC for further discussion at the Executive Committee meeting. It can then be added to the board agenda for approval in December.

Mr. Mongeon asked that directors keep in mind that the BSC is a management tool to drive performance, and while it needs board approval the board should be careful not to micromanage it.

Committee Chair French next discussed the capital construction budget, the general plant capital budget, and capital improvement projects, sharing highlights. He noted that the \$12 million placeholder for a new headquarters complex would require board approval prior to any spending. Questions were addressed by Messrs. Dunagin and Snow related to maintenance expenses for the existing headquarters facilities, and Mr. Jennings addressed a question related to substation security upgrades.

Upon motion of Mr. Darcy, seconded by Mrs. Kedersha, it was

VOTED: That the Board of Directors approves the 2022 Capital Construction Budget, the 2022 General Plant Capital Budget and the Capital Improvement Projects as recommended by Management in the proposal as presented to the Corporate Services Committee on November 18, 2021.

Vote for the motion was unanimous.

Committee Chair French next covered the operating budget being recommended for approval by the Corporate Services Committee. He reviewed margins, distribution expenses, the need for a \$3 million increase in distribution revenue to meet margins, and the major drivers. He advised that this is the first distribution rate increase request in four years, since January 2018.

Discussion ensued on the proposed budget, including the \$3 million distribution rate increase; vegetation management expenses; the vegetation management fees owed to NHEC by Consolidated Communications; grant funds that may be available for vegetation management through the Infrastructure Bill; staffing, including vacant position already in the budget, new

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positions being added, deferring additional staff until a new CEO is hired, O & M budget impact of the positions, and management's desire to determine which positions get filled if the board desires to reduce the payroll budget; and the amount of the budget increase over the 2021 budget.

Upon motion of Mr. Darcy, seconded by Mrs. Davis, it was

MOVED: To amend the 2022 operating budget resolution to reduce the management recommended budget by \$1 million.

Discussion ensued on the motion with a recommendation to consider a further reduction in the budget. Ms. Albee objected to the proposed operating budget because of inclusion of 20 plus staff positions prior to the appointment of a new CEO.

Mr. Darcy requested to withdraw his motion, which was seconded by Mrs. Davis. There were no objections and the motion was withdrawn.

Upon motion of Mr. Darcy, seconded by Mrs. Davis, it was

MOVED: To amend the 2022 operating budget resolution to reduce the management recommended budget by \$1.5 million.

Following discussion, vote for the amendment was five in favor and six opposed, with Directors McElaney, Mongeon, Kedersha, French, Boisvert, and Senie opposed. The motion fails.

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

VOTED: To amend the 2022 operating budget resolution to reduce the management recommended budget by \$1 million.

Vote for the amendment was six in favor and five opposed, with Directors Mongeon, French, Senie, Albee, and Morrill opposing. The motion carries.

Committee Chair French next called for a vote on the amended main motion, which was moved by Mrs. Kedersha, and seconded by Mr. Darcy:

MOVED: That the Board of Directors approves the 2022 operating budget with a reduction of \$1 million from the budget presented at the November 28, 2021, Corporate Services Committee meeting.

Vote for the motion was five in favor and six opposed, with Directors Mongeon, Dwyer, French, Senie, Albee, and Morrill opposing. The motion fails.

In response to a question, Mr. Dunagin stated that proposed increase in distribution revenue was slightly under 5% and every million dollars would be about a 1.5% change.

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Committee Chair French moved to reconsider the previous motion, which was seconded by Mr. Darcy:

VOTED: That the Board of Directors approves the 2022 operating budget with a reduction of \$1 million from the budget presented at the November 28, 2021, Corporate Services Committee meeting.

Vote for the motion was six in favor, five opposed, with Directors Mongeon, Dwyer, Senie, Albee, and Morrill opposing. The motion carries.

Committee Chair French next discussed the proposed rate change, noting that with the \$1 million budget reduction we now need a \$2 million increase in distribution revenue. He reviewed the recommendation to fully allocate the increase to the member service charge, which is in line with the rate design guiding principles the board adopted in 2020.

Mr. Clark shared his screen and reviewed the proposed rates for each class, noting that for basic single phase the member service charge would go from \$29.32 to \$31.02.

Mr. Darcy commented that he would normally vote against this recommendation because we have the highest member service charge in the state; however, this option has less of an impact on our members who are on the Energy Assistance Program, and with one-third of our members being second homeowners, the member service charge is the fair way to recover the cost of providing service. He noted that he will support this recommendation, but we need to recognize that we have a high member service charge.

Upon motion of Mr. Darcy, seconded by Mrs. Davis, it was

VOTED: That the Board of Directors approves the recovery of \$2,000,000 in Distribution Revenues through the member service charge on a bills-rendered basis effective January 1, 2022.

Vote for the motion was nine in favor and two opposed with Directors Mongeon and Albee opposing. The motion carries.

Additional Committee Items

There were no additional committee items to be addressed.

Board General Session

Board Tracking Report

Chair Morrill reviewed the Board Tracking Report, Attachment #13 in the board packet. He noted that he and Ms. McElaney would be following up on board succession planning at the December Executive Committee meeting.

Committee Meetings

Ms. Albee advised that an Audit Committee meeting has been scheduled for December 8 for directors, and Attorneys Dean and Phillips will be invited as well.

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Following is a list of upcoming meetings:

- Audit Committee – December 8, 1:00 p.m.
- Executive Committee Meeting – December 14, 8:00 a.m.

NRECA Report

Mr. Colburn presented the NRECA Report and addressed questions. He next shared highlights from his written report and mentioned additional entries to his bibliography, both of which were included in the board packet.

NHEC Foundation Report

NHEC Foundation Chair Davis advised that the next meeting is scheduled for December 27.

The meeting recessed at 10:42 a.m. Mr. Colburn left the meeting at this time. The meeting reconvened at 10:50 a.m.

Executive Session

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

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

Vote for the motion was unanimous and the board moved into executive session at 10:50 a.m.

The board moved out of executive session at 2:07 p.m.

Adjournment

Chair Morrill adjourned the meeting at 2:07 p.m.

Brenda Boisvert, Secretary

A TRUE COPY ATTEST:

Jeffrey Morrill, Chair of the Board