

**New Hampshire Electric Cooperative, Inc.**

**Minutes of the Meeting of the  
Audit Committee**

**Virtual Meeting  
March 21, 2025 10:00 a.m.**

**Present:** Committee Members: Alana Albee (Chair), Bill Darcy, Pat Barbour, Carolyn Kedersha, Peter Laufenberg, Tom Mongeon, and Harry Viens  
Other Board Members: John Goodrich and Jerry Stringham  
NHEC Employees: Michael Jennings, Kristen Taylor, Sonja Gonzalez, Brittany L'Heureux, Chris Axten, Autumn Doan and Edee Murphy (Recording)  
Guest: Terry McMichael of McNair, McLemore, Middleton & Co, LLC

**Meeting Called to Order**

Chair Albee called the meeting to order at 10:00 a.m.

The Chair explained actions that have taken place since the last committee meeting on October 21, 2024, as follows:

Posted to OnBoard:

- Procurement Procedures (internal), 2025
- Third party addendum for contractors focused on NHEC cybersecurity rules
- Veg Management Plan (2024)
- Complete list of all major internal procedures/plans, including the date of the most recent update

**Agenda Review**

Chair Albee stated the memo from her and interim President/CEO Jennings regarding internal audit would be the first agenda item under Financial Internal Controls Audit. There were no other suggested changes to the agenda.

**Audited Financials**

Ms. Taylor welcomed external financial auditor Mr. McMichael, from McNair, McLemore and Middlebrook & Co.

Mr. McMichael gave a slide presentation and provided an outline of items he will review with the committee, as follows:

- Audit Engagement Summary
- Required Communications
- Report on Compliance
- Independent Auditor's Report

Discussion:

- ❖ Mr. Mongeon asked why the external auditor is not making an opinion on internal financial controls as referenced in the Auditor's Report and what best practices are related to that. He also asked if tests have been done for management override of controls (an issue raised in previous year's audit). Mr. McMichael replied that for some entities, such as publicly traded companies, a full-scale test of internal controls is done and ultimately an opinion issued. He stated his firm certainly took a look at internal controls and

sampled them to understand how these might impact financial reporting; however, his firm does not issue a separate opinion on the internal control environment specifically. He mentioned that would probably be done by a separate entity. He stated they do test for management override of controls focusing primarily on two areas: 1) journal entries; and 2) prior year estimates, how those ultimately occurred in January, and was there any evidence of override. He said his firm also performs surprise procedures where they pick an area to test they do not necessarily look at every year.

Mr. McMichael went on to summarize highlights of the Consolidated Financial Statements as of December 31, 2024 and 2023 and Independent Auditor's Report as provided in the meeting packet.

Discussion:

- ❖ Mr. Darcy mentioned he has suggestions for changes to the auditor's notes to ensure the information is accurate, complete and clear. He commented these comments had been sent to Chair Albee, Ms. Taylor and Mr. Jennings as follows:
  - The audit needs to be clear when making statements about number of members NHEC has versus the number of meters.
  - Under/over recoveries: this issue is before the legislature and is ambiguous in the auditor's notes. He stated that since the audited financials are a public document he wants to be sure it is accurate and does not state anything that could be misconstrued. He commented the decision to make any editorial changes, or not, can be decided by Mr. McMichael, Chair Albee, Ms. Taylor, and Mr. Jennings.
  - He asked for explanation of debt securities and capital term investments, and what that gives NHEC separate and apart from the debt with CFC. Ms. Taylor commented it is her understanding that the \$3M in capital term certificates are subordinate certificates that were required for long-term debt advance with CFC. Out of the \$3.3M, \$1.7M was issued prior to 1984 with a maturity date of 2030 to 2080; the remaining \$1.6M are debt advances from 1999 to 2008. During this period, CFC required all cooperatives to invest in CFC when cooperatives were advanced long-term debt. The certificate portion returns to the cooperative annually and the return amount is based on principal payment times the invested rate.
  - The large reduction in year-end electric receivables (page 17) from \$26M to \$17M was queried. Ms. Taylor stated that is due to settlement payment from litigation with the telecommunications company.
  - Deferred debits was explained by Mr. McMichael and was largely a result of FEMA, anticipating NHEC will be getting \$7.7M from them.
- ❖ Ms. Kedersha commented about over recovery of energy efficiency and asked why NHEC does not just spend it all. Mr. Jennings explained that is one of the few areas NHEC is rate regulated – the energy efficiency charge/system benefits charge. We are basically forced to spend a certain amount every year to meet that requirement and it has been a challenge for us to spend enough of what we are required to spend for energy efficiency purposes. This can be added to a board agenda for further discussion.
- ❖ Pole attachment revenue has decreased, Mr. Jennings reminded board members about a PUC ruling where CCI is no longer able to collect attachment fees on poles they do not own; CCI had to refund that money. Typically, we would receive that payment from CCI; however, the PUC told CCI they cannot send us the money. We are in the long process of revising all of our attachment agreements and drafting new invoices for all the third-party attachers that we now have to bill directly. There is a little bit of a grey area on whether or not we can recover that money because our attachment agreements are currently drafted to say "joint use" or "joint owned" poles; we have to revise those to specifically say only "joint owned" poles.

Chair Albee made a **motion** as follows:

That the Committee recommends the Board of Directors approve the Audited Financials as presented, assuming the changes suggested by Mr. Darcy.

Discussion on the motion:

- ❖ Chair Albee asked committee members about going into executive session with the auditor without staff. Mr. Darcy suggested any executive session discussion be held at the board meeting so all board members have a chance to ask questions.

Mr. Laufenberg seconded Mr. Darcy's motion and the vote was unanimous.

**Financial Internal Controls Audit**

Chair Albee drew attention to a memo by the interim President/CEO Jennings and herself about recruiting a new Executive Officer for Internal Audit. The memo was included in the meeting packet. The Chair explained given recent staff changes and challenges, a deeper look at the internal audit arrangements took place and led to defining a new elevated internal audit function reporting directly to the President/CEO and the Audit Committee Chair. There were no questions, although the Chair encouraged further discussion at the next April meeting.

Mr. Darcy motioned to go into executive session for the purpose of discussing confidential financial internal controls audit and cybersecurity. The motion was seconded by Mr. Laufenberg, passed unanimously, and the committee entered executive session at 10:47 a.m.

At 11:58 a.m. the committee came out of executive session.

**Adjournment**

Upon motion by Mr. Darcy, seconded by Mr. Laufenberg, Chair Albee adjourned the meeting at 11:58 a.m.