

**New Hampshire Electric Cooperative, Inc.
Minutes of the Meeting of the
Budget, Finance, and Rates Committee**

June 13, 2025 3:00 p.m.

Present: Committee members: Jerry Stringham (Chair), Alana Albee, Carolyn Kedersha, Jeff Morrill, John Goodrich, Bill Darcy, and Leo Dwyer
Other Board members: Pat Barbour and Peter Laufenberg
NHEC employees: Kristen Taylor, Rob Howland, Jeremy Clark, Britta Matthews and Edee Murphy (Recording)

Meeting Called to Order

Chair Stringham called the meeting to order at 3:01 p.m.

Agenda Review

There were no suggested changes to the agenda.

Annual Inventory Adjustment

Ms. Matthews reported that inventory began on May 13, 2025, and resulted in an overall inventory shortage of \$57,409 which is 1.1% of total inventory. Projects included:

- Broadband make ready
- Direct buried cable program
- SCADA expansion
- Substation rebuilds
- Failed pole program
- Capital construction work

In addition, NHEC had six major storms last year, two of which were FEMA declared. All of this activity can provide shortfalls in accurately tracking inventory. Staff has spent time learning how to better mitigate shortcomings as we have a goal to reduce overall losses. Some of the improvements we have or are planning on implementing are:

- More training with contractors on documentation of materials.
- Material support in districts during any storm situation.
- Monthly item listing reports sent to districts.
- Implement new transfer location process for contractor work.

Discussion:

- ❖ Ms. Kedersha asked where broadband inventory stands. Ms. Taylor stated there is a separate inventory for broadband. We have been doing it twice a year per our auditors' recommendation and we have not done any adjustments this year. After the build is completed, we will be able to do an end-of-build true up.

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

VOTED: That the committee recommends the Board of Directors authorize management to adjust the physical inventory as a result of the May 2025 inventory in the amount of \$57,409.

Vote was unanimous.

Co-op Power and RAC Rate Change Proposal

Mr. Clark thanked fellow staff members for help in compiling this information, especially Mr. Howland's team.

Highlights of Mr. Clark's presentation included:

- 2025 Rate Timeline
- Rate Components
- Co-op Power Load Projection
 - Load Obligation up 6% above the original rate forecast – colder than average weather
 - Capacity 2% greater – higher capacity load obligation
 - Sales up 6% - colder than average weather
- Co-op Power Cost Projection
 - Energy up 19% - higher load and LMP
 - Renewable up 27% - Class III RPS requirement increase. We had a .5% Class III biomass and methane assumption for 2024 and 2025; however, the DOE changed that to 1% for 2024; 2025 has not yet been set but we are assuming 4% because of changes in the New England market and availability of those particular RECs.
 - Ancillaries up 129% - Day-Ahead Ancillary Services Initiative (DASI).
 - Total Cost up 20%
 - Billed Revenue up 14% - increased sales and April rate adjustment.
- **Co-op Power Over/Under Recovery**
 - **August 2025 Rate Period:**
Forecast \$4M under-recovery on August 1, 2025
 - \$2M to be collected in rate period
 - 0.6 cents per kWh embedded charge
- Co-op Power Load Forecast – August 2025 Rate Period
 - Load Obligation (GWh) up 8% - seasonality and community aggregation migration
 - Capacity up 7% - increased peak contribution.
 - Net Billed Sales (GWh) up 4% - seasonality and community aggregation migration
- Co-op Power Cost Forecast – August 2025 Rate Period
 - Energy up 39% - higher energy costs
 - Capacity up 6% - increased peak contribution
 - Renewable up 19% - Class III RPS requirement increase
 - Ancillaries up 126% - Day-Ahead Ancillary Services Initiative (DASI)
 - Other – up 28% - higher interest charges
 - Total Cost up 35%
 - Billed Revenue up 50% - Higher energy costs and under-recovery charge

Note: Costs and revenue exclude Primary Ski class. Numbers may not add due to rounding.
- Co-op Power Proposed Rates
 - Basic: \$0.11464. For most members: 29% increase compared to current rate
- Co-op Power Charge History
- Regional Access Cost Projection
- **Regional Access Over/Under Recovery**
 - **August 2025 Rate Period:**
Forecast \$0.3M under-recovery on August 1, 2025 including \$0.5M over-recovery attributable to Primary Ski
 - 0.8 cents per kWh embedded credit – Primary Ski
 - 0.1 cent per kWh embedded charge – all others
- Regional Access Cost Forecast
 - Total Costs -4%
 - Billed Revenue -7% - lower under-recovery charge; increased RGGI rebate

- Regional Access Proposed Rates
 - Basic: \$0.03894. For most members: 2% decrease compared to current rate
- Regional Access Charge History
- Residential Bill Impact
 - Monthly total bill impact for 500 kWh: About \$12 per month, or 10%.
 - Monthly total bill impact for 1000 kWh: About \$25 per month, or 11.5%

Discussion:

- ❖ Mr. Dwyer commented we are about 55% covered in terms of what we project as our energy requirement and that it seems low to enter rate period; he asked if that is concerning. Mr. Howland replied the discussion that that the board had in the past was to hedge this coming rate period to 67%; however, in December, the board authorized a purchase of less than that amount because we wanted to have a conversation about whether or when we would start rolling in longer term purchases longer than six months; and unfortunately, that conversation did not happen. It would still be timely to purchase an additional 12% (44,000 MW) or so if the committee is interested. August, December and January are the months that are most likely to have volatile or higher prices. Mr. Darcy commented it is a bad time to purchase right now because of the situation with Iran. Mr. Howland stated we watch pricing on a daily basis and likely we could make some purchases that would be at or below what we have embedded in the calculations for these rates.
- ❖ Mr. Dwyer stated he is comfortable with entering a rate period with relatively low coverage with the understanding that we are taking a risk, but we have to get better at being willing to react to changes in the market if we take that risk.
- ❖ Mr. Clark mentioned that when we make a rate change we should be providing 30 days' notice to members after board approval because we want to make sure members are informed of the rate they are taking service under.
- ❖ Ms. Kedersha asked if the committee is going to give Mr. Howland the ability to go and buy the 44,000 MW? Mr. Darcy suggested having the discussion at the board meeting with Mr. Jennings' input.

Upon motion by Mr. Darcy, seconded by Ms. Kedersha, it was

VOTED: That the committee recommends the Board of Directors authorize staff to set the Co-op Power and Regional Access Charges on a bills-rendered basis effective August 1, 2025 as recommended in the August 1, 2025 Co-op Power and Regional Access Rate Change Proposal.

Vote was unanimous.

Spring 2026 Procurement Plan Proposal

Mr. Howland reviewed staff's proposal for the Co-op Power procurement plan for the Spring 2026 rate period which runs from February 1, 2026 through July 31, 2026.

Scenario 1 reflects staff's recommendation for hedging for the Spring 2026 (February – July 2026) rate period. The hedge volumes are derived based upon historical electricity market price volatility, reflecting a methodology predominantly used for rate planning for the past several years

For discussion and to offer options for the Committee to review we have prepared two additional scenarios based around the previously discussed hedge target of 67% of forecasted load.

Considering previous Committee discussions Staff have developed several proposals for the BFR Committee to consider but recommend an approximate 80% hedge coverage scenario (Scenario 1) for the Spring 2026 rate period.

Schedule

Staff proposes a tentative schedule for approximately six (6) purchases between the last week of August and the first week of November, subject to adjustments if market conditions warrant. Each purchase would be for approximately 25,000 to 35,000 MWh, although volumes may vary with market conditions.

Completion of power purchases for the Spring rate period by early November is necessary to allow the Finance Department adequate time for analysis and finalization of proposed rates for the BFR Committee review in early December and full Board review at its December 2025 meeting. Proposed rates would be for an effective date of February 1, 2026.

Tentative Schedule of Purchases (subject to change).

Week of:

1. August 27
2. Sept 10
3. Sept 24
4. Oct 8
5. Oct 22
6. Nov 5

Discussion

- ❖ Mr. Darcy stated he is reluctant to accept staff's recommendation so soon; we examined over a longer period of time the difference between the spot market and the contracted ahead prices and it showed that in both up and down markets the spot market, on average, was better than the contracted market. There is a premium built into the contracted prices because they are taking the risk. He said he would like to see how we do at the 33% level the board authorized previously before we make a change.
- ❖ Ms. Kedersha suggested reviewing historical data back to 2015 for the critical months of January/February and July/August showing the spot market versus forward curve, as in the chart Mr. Howland presented today. Then, distinguish our decision between two types: Based on that data for those four months, decide whether we want to be more hedged or leave it at the 30% unhedged, and for the other months, go even lower – instead of being 60% hedged in those other months maybe go down to 40%. She stated we are using year-long averages and that is probably not the way to look at this.
- ❖ Messrs. Darcy and Stringham agreed with Ms. Kedersha's suggestion.
- ❖ Mr. Darcy asked Mr. Howland if it is okay to defer the decision to go to 70% or 80% for a few months until we get the data Ms. Kedersha requested? Mr. Howland responded that is fine.
- ❖ Mr. Darcy stated that Mr. Howland has authority to go to 67% and the board will determine at a later date whether to increase that percentage. Mr. Howland remarked he was not aware of a board decision authorizing the 67%. Mr. Darcy corrected himself and stated authorization will be voted on at the upcoming board meeting.

Budget Objectives

Chair Stringham suggested the board be involved in the budget process sooner in the year, during the summer.

Ms. Taylor presented an overview of the current budget process, including:

- Sales forecast is developed in August for following fiscal year
- Staff develops an annual consolidated budget for Board approval.
- The standard baseline budgeting method is used with in-depth reviews of any requested increases.

- Controllable baseline expenses are scrutinized to identify areas of reduction through efficiency and prioritization.
- Funded with forecast base revenue and a proposed rate increase.

Ms. Taylor included the Budget Timeline which begins in July of each year. She commented staff can keep the board informed of progress along the way, but there is nothing to present until October.

Budget Assumptions:

- % increase in net billed kWh sales
- # of full-time equivalent company-wide positions
- % increase in health insurance expense effective August 1, 2024
- 80% Balanced Scorecard Achievement for Success Sharing Plan incentive payout
- Tree trimming goals
- Capital budget costs and income statement implications
- Long Term Debt blended interest & Line of Credit interest rates

Discussion:

- ❖ Chair Stringham – Comic Book Example (as an experimental process): Around mid-September each department head would give a presentation on strategic objectives of the group, etc.
- ❖ Mr. Dwyer requested an example of the budget workbook template.
- ❖ Mr. Laufenberg requested the board get more time to review the proposed budget and be a bit more involved overall.
- ❖ Mr. Goodrich inquired about adding definitions to “nice to have” versus “must have” for business cases.
- ❖ Mr. Darcy commented they are looking for broad objectives the board can give staff direction on so they are not surprised in October with a change of direction.
- ❖ Mr. Darcy confirmed the budget topic will be discussed at the June board meeting.

Adjournment

Upon motion by Mr. Darcy, seconded by Mr. Dwyer, Chair Stringham adjourned the meeting at 4:18 p.m.