

Approved 8/26/25

**New Hampshire Electric Cooperative, Inc.
Minutes of the Meeting of the Executive Committee
Teams Meeting
July 9, 2025 10:00 a.m.**

Present: Executive Committee Board Members: Bill Darcy (Chair), Alana Albee, Tom Mongeon, Leo Dwyer, Jerry Stringham, and Jeffrey Morrill

Other Board members: Pat Barbour, Robert MacLeod, Harry Viens, John Goodrich, and Peter Laufenberg (in person)

NHEC employees: Michael Jennings, Kristen Taylor, and Maida Lessard
(Recording)

Other: Attorney Fahey

Meeting Called to Order

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

Agenda Review

Chair Darcy requested to add an item to the agenda that Mr. Jennings will update the committee on a personnel matter.

Mr. Jennings made the committee aware of a personnel change for the controller at NHEC. Ms. Axton was the controller and now moving forward it will be Ms. Stella who has attended board meetings over the years. She has agreed to step up and fill in this role which will make the transition smoother for us.

NH Broadband Operating Agreement

Chair Darcy drew attention to the two draft operating agreements between NHEC and our wholly owned subsidiary NH Broadband LLC submitted by himself and Attorney Fahey and the purpose of all the changes. He noted he contemplated making more significant changes to the allocation of duties but decided against it at this time as lenders and others could be looking at this document. The one change in the allocation of power made was allowing the LLC to appoint an advisory commission committee without the approval of the NHEC board. He also changed the amount for sale of assets to \$500k.

Chair Darcy asked for a motion to recommend the amended operating agreement to the NHEC Board to approve.

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

VOTED That the Executive Committee approve the amended the NHBB LLC operating agreement as presented in the meeting packet and to recommend the amended operating agreement to the NHEC Board of Directors for approval.

Vote for the motion was unanimous.

Mr. Mongeon commented that previous general counsels for the Co-op had concern about the number of NHEC board members were on the NHBB LLC Managers Committee. He asked what these concerns were and are they still valid.

Chair Darcy commented the expressed concerns of the general counsel and the previous CEO with having six board members was it looked like a majority of the LLC could control things as six members is the majority of the NHEC board, so it was changed to five board members. He commented that it has been discovered that six is an appropriate number and common practice for many other subsidiaries of cooperatives. There is no restriction on this in our bylaws or the operative statute section 301 of the general statutes or anywhere else. The board has to be cautious as there is a fiduciary duty to both organizations and needs to be sensitive and transparent about any conflicts that may arise.

Attorney Fahey commented he is in agreement with Chair Darcy and also noted that the sole member of the LLC is NHEC and he is not concerned about any of those issues. He suggested being open to having new members on the board if it should come up.

Mr. Jennings commented he has had the opposite concern over the years where there was such a small subsection of the board that could make financial decisions that impact NHEC, we are better suited having the majority of the board on the LLC committee.

Mr. Mongeon agreed with Attorney Fahey's comments about being open-minded for someone external to the Co-op that could help us perform our fiduciary responsibility.

Attorney Fahey left the meeting.

Director Budget Guidance and Discussion

Chair Darcy drew attention to his memo and noted three directors had procedural and informational budget requests of staff. He would like to give staff some more substantive directions such as the overall rate increase percentage, new capital expenditures, rate design and some specific issues, one of which was brought up recently. This was whether or not we should take the \$250,000 expected post-retirement healthcare benefits out of the fund designated for that purpose or out of operating expenditures that increases our rates. He has a position on this topic and it has been conveyed to the newly appointed trustees.

He commented that in a recent OCA's column, it was noted that New Hampshire distribution utilities in NH have rate increases that have outpaced inflation. It was attributed to gold-plating capital costs, making more transmission and distribution expenditures than necessary and investor returns, utilities building in returns to reward investors.

He would like to request two charts to better understand how our organization compares with our rate increases compared to inflation over the past five years, including years with no increases and years with high or low inflation. The second chart showing what our margin has been as a percentage of operating expenses for the distribution company as a proxy for return on our investment within our rate making process.

Ms. Albee suggested having budget guidelines from the board to staff outlining the requests made so far that can be referred to over time and adjusting as necessary in memo form. This would set a framework of all the issues from timing to substantive issues on rate return charts or percentages that have been agreed to.

Chair Darcy commented this is an interactive process as staff may not know what the cost inputs are yet so it would be hard to make a decision where the numbers or percentages should be for the rate guidelines. We can talk with staff about capital expenditures on facilities, deferring capital credits until after our major capital expenditure on broadband and other items, and vegetation management.

Ms. Albee commented she is in agreement with this but suggests we set a deadline for ourselves as to when we will have the information and determine the percentage increase max, so staff has the time to get the information in time in a budget guideline format.

Chair Darcy commented he was thinking that Mr. Jennings and Ms. Taylor could take the results of these discussions and the input from other board members and produce something for the next board meeting that would be a summary.

Mr. Mongeon asked when the last time the Co-op did zero based budgeting.

Mr. Jennings replied he can't answer that but the staff is very critical in going through every department's budget and every line, every year on what we determine is absolutely critical. Reliability projects would be hard to consider if you're looking at zero based budgeting as those are additional investments in the system but we could get by without. He does not think the Co-op has ever 100% gone through a zero-based budgeting process because of the type of projects and the risk involved with cutting out certain aspects of the business but could give it an attempt.

He commented we are going through a learning process this year so the budget process won't be perfect. His goal is to be open and transparent with the board on how we develop and what all the items are in the budget, so everyone understands what they are approving of or not approving of. If we do have guidelines, we can always come back to the board and discuss the impacts if necessary. The budget does not vary widely from year to year as a large portion of our

expenditures are things like power supply, depreciation, interest, and payroll expenses.

Ms. Albee commented that she would like to avoid the term zero based budgeting because it means different things to different people and raised a lot of concerns. She liked the idea of a core budget beginning with the immovable parts assuming a certain stability in staffing other than decisions that have already been made. She would like to see the overall percentage increase and any electives that each department would like to have as well as the senior staff's recommendations.

Mr. Jennings agreed to explore this further but also commented he thinks we run a very lean operation as the PUC testified. There will always be room to find and cut money in some areas as needed but overall, there is not a lot of excessive spending. We will communicate and show that to the board and also show where all the money that the members are spending is going.

Chair Darcy requested another data point of a comparison over the same 5-year period of our estimated revenues for budget purposes and the actual revenues at the end of that same year.

Mr. Laufenberg asked how we got to the current 4% increase annually that was recommended to be 3 ½% according to the rate trajectory report completed in 2022.

Chair Darcy replied the number he mentioned was a product of the strategic plan that the former CEO and staff pressed hard for.

Ms. Taylor commented she didn't believe the 3 ½% was achievable.

Mr. Dwyer commented it wasn't meant to be a target we want to hit every year, but an agreement that there is some growth in it and that might be a number that would vary.

Mr. Jennings commented that he believes the 4% partially came from our long-term forecasting where we were trying to maintain a 30% equity.

Mr. Dwyer asked about the budget books that the board was to receive.

Ms. Taylor responded they have the business case template ready, but the budget workbooks are still being updated.

Mr. Stringham commented he appreciated all the staffing tables that were provided as part of an earlier presentation. He noted several elements of the budget such as property taxes that we don't have a lot of flexibility on and energy purchase costs and the degree of staff that we have to optimize energy purchases.

Mr. Laufenberg asked if this will be discussed in more detail at the board meeting.

Chair Darcy replied yes and he would like the document he discussed to be summarized by Mr.

Jennings with what has been received so far for discussion at the board meeting.

Mr. Jennings acknowledged the request and commented he and staff have been reviewing the estimated to actual revenues more and will prepare something is a base case or something that's weather normalized as usually the over/under revenue will usually be weather driven. We are looking into the areas that have variances every year such as payroll and budget more attrition every year or discount other categories to prevent such large variances.

Chair Darcy also requested some raw data with the actual budget estimate for revenues and the actual. He understands when developing the budget that you have to weather normalize however, he would like to see that process. This seems to be a big subject of controversy about how this process occurs, but he would like to see some alternatives.

Transformer Bid

Chair Darcy commented that this topic didn't have to come before this committee but thought it would be helpful to see the rationale that staff is providing on this subject. In the future, if the expenditure is consistent with the budget and the competitive bid process and it's the lowest bidder, it will not be submitted to any committee as it can be approved by the board chair. He asked if there has been a significant increase in cost from the previous transformer approval and this current one.

Mr. Jennings responded he didn't recall what the last unit cost was, but he believes it was more as where it was being utilized requires more expensive insulation and a higher cost of materials to build it.

Mr. Goodrich commented that the manufacturing of transformers is pretty competitive for the buyers because the suppliers are booked. There is a lot of emphasis on building up the grid and adding modern capabilities.

Chair Darcy asked if the delivery date is consistent with our needs and is there a backlog.

Mr. Jennings replied one manufacturer on the bid sheet did meet the date and that manufacturer had no exceptions and was also the lowest price. He noted they had five bidders this time around which in the past only we received only one or two due to the high demand.

Mr. Mongeon stated he did not have any objections and appreciates the analysis. He asked if there were any lessons learned with purchases of previous transformers making reference to the possibility of the mobile substation being overweight. He asked what the circumstances are when staff would pursue a competitive bid for transactions or projects over a certain dollar amount, minimum number of bidders, and the RFP process.

Mr. Jennings responded there is a length policy that include a threshold of \$50k however, this does not mean we wouldn't get a bid for items under that amount; it is just the minimum in

which it is always required. We emphasize obtaining bids whenever possible and we try to get at least three bidders. This goes through the purchasing manager to ensure it is impartial and fairly evaluated as sometimes the lowest cost might not meet our criteria.

Ms. Albee noted that there is an up-to-date procurement procedure in OnBoard that describes in detail what the staff does for this process.

Mr. Goodrich asked if there is someone on site when they do the testing at the facility.

Mr. Jennings responded they do offer it remotely, but we usually have sent someone to the site to do the testing.

Board Policies and Committees

Chair Darcy drew attention to his email and the list of committees in the meeting packet but noted he wanted Mr. Morrill added to the Audit Committee.

Mr. Mongeon asked if there is a timeline, charter, objectives and milestones established for the ad hoc Financial Reporting Committee.

Mr. Dwyer responded the objective would be to update the reporting which we are getting close to wrapping up, but we are waiting on some broadband items to straighten out.

Mr. Mongeon asked for confirmation that there is nothing in writing.

Mr. Dwyer responded there is not.

Chair Darcy asked for a motion to go into executive session to discuss a detailed personnel issue and the CEO evaluation.

Upon motion of Mr. Mongeon, seconded by Mr. Morrill, it was

VOTED That the directors of the Executive Committee go into executive session for the purposes of discussion of confidential legal, litigation, and personnel matters.

Vote for the motion was unanimous.

The committee moved into executive session at 10:44 a.m.

The committee moved back into public session at 11:15 a.m. and Chair Darcy asked for a motion to adjourn the meeting.

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

VOTED That the Executive Committee adjourn the meeting at 11:15 a.m.

Vote for the motion was unanimous.