

Approved 11.21.2025

**New Hampshire Electric Cooperative, Inc.
Minutes of the Meeting of the
Budget, Finance & Rates Committee
October 24, 2025 @9:00 a.m.**

Present: Committee Members: Jerry Stringham (Chair), Alana Albee, Bill Darcy, Leo Dwyer, John Goodrich, and Peter Laufenberg
Other Board Members: Pat Barbour, Tom Mongeon, Jeff Morrill, Harry Viens, Bob MacLeod
NHEC Employees: Michael Jennings, Kristen Taylor, Josh Mazzei, Jeremy Clark, Brittany L'Heureux, Rob Howland, Christine Alexander, Josh Holbrook, Peter Glenshaw, Maria Stella, and Christine Parent (Recording)

Meeting Called to Order

Chair Stringham called the meeting to order at 9:00 a.m.

Agenda Review and Approval of 09.26.25 Meeting Minutes

There were no suggested changes to the agenda.

Approval of 09.26.25 Meeting Minutes took place at the end of the meeting.

Annual Accounts Receivable Write Off

Ms. Taylor presented the Annual Accounts Receivable Write Off and thanked Ms. Melanson, Consumer Accounting Supervisor, for putting the report together.

Ms. Taylor stated that the October annual write-off includes accounts that have final billed during the twelve-month period from April of 2024 through March of 2025. It excludes any bankruptcies, because we write those off at the time of bankruptcy when we're notified of the filing. The majority of the total write off, or about \$96,000, is from residential accounts receivable. That represents about 0.08% of total billed sales, and the remaining \$27,000 is from non-residential accounts receivable and represents 0.06% of total billed sales for a total proposed write-off of \$123,000. This is down from last year, which was about \$159,000, about 22% lower and, as noted in the summary, this is about 0.07% of total sales, which is under the average range of cooperatives our size, which is 0.10% to 0.30% of sales.

Ms. Taylor stated that we continue to pursue collections on these accounts after the write-off is done. Our disputed bills have returned to a lower, more reasonable level as compared to large disputes that were more of an anomaly last year. We saw an increase in bankruptcy dollars of \$23,000, but the same number of bankruptcies, and most of those are resulting from four businesses and one residential account.

Ms. Taylor stated that inactive accounts have become the basis for the write-off, and we continue to see apartments, campers, and mobile homes having a higher proportion of inactive accounts likely due to the often transient nature of those locations in comparison to single-family homes. We continue to monitor our averages and our AR balances, and we're reserving uncollectable accounts based on a two-year average of write-offs as a percent of revenue.

Also included is our miscellaneous AR write-off, and those are predominantly due to pole crashes. We see these every year. This write-off is higher than last year, \$25,000 versus \$9,000 last year. Average invoices are about \$6,000 per accident, and although we do make attempts to collect, we've been finding that these ones in particular that we're proposing to write off are mostly drivers without insurance, and we follow our protocol of sending invoices, following up, and obtaining police reports. Sometimes they just don't respond. For context, in 2023 we had 29 claims billing \$135,000 in invoices. We were able to recoup about 95% of that, all but one claim. In 2024, there were 26 claims initiated, billing \$141,000. Twenty-one were recouped, with one remaining open, and the other four included in the write-off. This is about an 88% success rate. These will continue to be pursued. The write-off write-up has recoveries, so those are funds received from previously written off amounts that we have recovered.

Ms. Taylor shared the Board Resolution – 2025 Uncollectible Write-off.

Discussion:

Chair Stringham asked if there were any questions or further clarification needed. Mr. Dwyer stated it was a good result. Ms. Albee agreed it is very clear.

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

VOTED: That the committee recommends the Board of Directors to authorize a write-off for uncollectible electric accounts, excluding bankruptcies, in the amount of \$123,154.33 for accounts final billed from April 2024 to March 2025 and miscellaneous accounts receivable in the amount of \$25,117.13. The Board directs staff to continue to attempt recovery of these uncollectible accounts, as presented to the Budget, Finance and Rates Committee on October 24, 2025.

Vote was unanimous.

Schedule of Fees Update

Mr. Clark shared the Schedule of Fees Proposal as follows:

- Terms & Conditions (non-PUC jurisdictional) and Schedule of Fees are rules and regulations of NHEC that may be revised, amended, supplemented, or otherwise changed by the Board from time to time.
- Fee structure is based upon aligning cost causation with each service to minimize the impact on rates.
 - These fees are not applied to members who are using electricity and paying their bills; these fees apply when we have to roll a truck for collections or construction,

for example.

- Most recent fee change was reviewed by Budget, Finance and Rates Committee in October 2024 and implemented on January 1, 2025.
 - In the past, this would go sometimes five years between reviews, but in recent years, with inflationary pressures, this is being updated every year.
- Recommended Structural Changes
 - Interconnection Application Fee Change
 - Currently flat fee assessed to all net metering installations
 - Last year the PUC approved a tiered interconnection application fee structure for the regulated utilities based upon size of the prospective installation.
 - The vast majority of our installations are less than 25 kW, because we are predominantly residential, but we do have some large ones that take up a lot of administrative time.
 - Staff proposes instituting same tiers, aligned with the NHEC estimated administrative costs.
 - Up to 25 kW AC – Single Phase and Multi Phase \$220, increased from \$200
 - Greater than 25 kW to 100 kW AC – Single Phase and Multi Phase \$600, increased from \$200
 - Greater than 100 kW AC – Single Phase and Multi Phase \$1,000, increased from \$200
 - Energy Supplier Fee Change
 - Moved from tariff to Schedule of Fees with PUC Order No. 26,975 (Purchase of Receivables or POR).
 - Staff propose aligning Supplier Setup Fee with POR configuration and estimated administrative cost, and Custom Programming with actual cost.
 - Discount Percentage Rate computed pursuant to PUC Order No. 26,975
 - The energy supplier fee structure was put into place over 20 years ago. Due to the PUC order from POR legislation, the concept of paying third party energy suppliers for billing changed. NHEC and the investor-owned utilities in New Hampshire have to provide the service. In the past, it was based upon when a customer or member paid the utility, the utility would in turn pay the supplier. With POR this changes the process to be based upon the actual billed amount, less a discount percentage rate.
 - Staff propose the following changes:
 - Remove the supplier set up fee for standard billing, because that is no longer a valid configuration.
 - Rename the supplier set up fee for consolidated billing and update it to reflect our current cost.
 - The custom programming fee is also outdated and hasn't been used in many years. It's unlikely that the current \$110 cover the charges of our third-party vendors. We are proposing this be changed to actual cost.
 - Discount rate is based on the PUC order, which is a formula of both the write-off percentage over supplier sales as well as the cost of

implementing this POR program. There is a significant decrease in this based upon the denominator changing, because we have more energy supplier sales billed in our system with community aggregation. Therefore, the percentage comes down, but at the end of the day, this has zero impact on Co-op rate payers. There's no margin, there's no loss, it's just a pass-through based upon the legislation.

- Service Dispatch/Connection Fees
 - Generally tracking right around 3 ½%. They increment up in about \$5 - \$10 increments for single-phase Service Dispatch and Standard Connection/Reconnection.
- Collections & Meter Fees
 - Collection Fee is a \$5 increase
 - Meter Test Fee is a \$10 increase for single-phase
 - If there is a problem with the meter, the member is refunded this cost.
- Construction – Temporary Service
 - Labor-based portion of this construction fee and temporary relocation
 - 2% - 7% increase
- Outdoor Lighting
 - Rates include amortized labor and fixture costs.
 - Fees recover costs incurred if a member changes fixtures prematurely.
 - Installation of fixture within 12 months of removal and Replacement of LED fixture within 5 years - \$20 increase to \$750 and \$340, respectively
- Construction – Transformer and Other
 - Single-phase greater than 400 amps and all Multi-Phase services are charged the estimated cost for the new construction. The cost of the transformer is applied to the project as a fee based upon the characteristics of service listed.
 - Transformer fees are not assessed to basic residential single-phase, these are for large services
 - 0% - 9% increase
- Deeds, Easements and Permits
 - Generally, \$5 - \$10 increments except for very complex ones, for example, railroad crossings and scenic roads

Mr. Clark shared Board Resolution – Schedule of Fees Proposal.

Discussion:

- Mr. Goodrich asked why single phase and multi-phase are listed separately when they are the same amount. Mr. Clark replied it is just formatting, because our Schedule of Fees has always had those columns.
- Ms. Albee stated it would be helpful to have a bar chart showing the change in fees over

time. Mr. Clark thanked her for her comment.

- Mr. Stringham asked what the rationale is for raising the fee for the 25 kW. He added it's nice to have sources of electricity other than Eversource, so if we don't need to raise that fee, he'd prefer not to. Mr. Clark replied there is a cost-based model behind all the fees in our Schedule of Fees. As cost of labor and transportation go up, the fee increases as well.
- Mr. Dwyer asked how many applications we get per year. Mr. Clark replied he does not have the exact number, but it's in the hundreds. Mr. Dwyer stated he was approached by a solar installer complaining about our response time for this \$200. He said that the state required a 10-day turnaround on applications and we're coming nowhere near that. He asked if that was true. Mr. Jennings replied we can look into that, but our turnaround time is significantly better than other utilities in the state. Mr. Dwyer stated that may not be a good benchmark. Mr. Jennings agreed.
- Mr. Laufenberg asked how long the Interconnection Fee has been at \$200. Mr. Clark answered it's been a year or two. Prior to that it was \$150 for a long time, but he does not have the exact time offhand. He added that the PUC authorized \$200 about a year ago.
- Mr. MacLeod thanked Mr. Clark for a great presentation. He stated it's important to do this every year, because the increases are striking, and if it's not looked at for many years there will be these huge jumps.
- Mr. Dwyer asked if we are currently getting 3.2% for the co-op off the bills we send to people that are not using a competitive supplier and we're going to get 1.4%, how that doesn't impact our members. Mr. Clark replied it is a regulatory asset, so that's where it's being applied to. The cost of the program is estimated to be about \$300,000 to be paid down over five years, and we receive interest on the balance, that should be of no impact to members. It should be net zero based upon approval from the PUC. Mr. Dwyer followed up by asking if this is the rate it gets paid off. He stated we've borrowed money to build the system and this is amortizing the system. Mr. Clark replied it is two components. The first is the cost of the system, which is the largest portion. The second is the estimated write-off percentage, which by statute has to be the same as ours (for instance, Co-op Power). It should be of no impact to our members. Mr. Dwyer asked if it changes how quickly we get the money back. Mr. Clark replied yes, the PUC approved a five-year recovery.
- Mr. Dwyer asked why there is a cost for reconnection fee if no one needs to go out for a site visit and it's just basically reprogramming. Mr. Clark replied there are two functions of the reconnection fee. The first is for cost causation, the second is for sending a price signal. An example of the latter is a disconnect reconnect after disconnection of less than minimum term of service. Mr. Dwyer asked what if someone gets disconnected for late payment or non-payment. Mr. Clark referred to the disconnection for non-payment fee. Mr. Dwyer asked what the fee is if no one goes out for non-payment. Mr. Clark replied we have to out of to physically reconnect a meter. It cannot be done remotely. Mr. Jennings added we are required by the PUC to actually knock on people's doors when we disconnect for non-payment.
- Ms. Albee asked why an employee getting paid by the Co-op gets paid to go out during business hours. Mr. Clark replied it is due to the cost of fuel and if the employee is working on other projects, they must instead allocate their time to collections. Ms. Albee replied it sort of seems like double charging. She understands if it's overtime, but what if it's during business hours. Mr. Clark replied the cost of an employee handling collections comes from other electric revenue, leading to a revenue alignment with cost causation. If we didn't do that, it would come out of rates. Mr. Jennings added that it's more of a philosophical

discussion of whether we would rather everyone pay for the person causing additional costs, or just the person causing the additional costs to pay. We've leaned towards the individual contributor over the years. Chair Stringham added that people with payment agreements are often doing their best to stay current despite struggles, and if disconnections remain part of our process, we'll need additional staff to handle that workload.

- Chair Stringham would like to see our revenues by revenue categories before the Board meeting. He stated concern about fees having a negative impact on solar applications. Mr. Jennings asked for clarification. Chair Stringham replied he would like to see fees collected by category and if our fees might adversely impact solar projects. Mr. Jennings stated he will look into that, but it is tough to make those assumptions because the projects vary so much.
- Mr. Laufenberg asked if we, as a co-op, have discretion over our fees. Mr. Jennings stated he has waived fees in the past for extenuating circumstances, but it doesn't happen very often.

Upon motion by Chair Stringham, seconded by Mr. Laufenberg, it was

VOTED: That the committee recommends to the Board of Directors to authorize staff to update the Schedule of Fees and Terms & Conditions as recommended in the January 2026 Schedule of Fees Proposal presented to the Budget. Finance and Rates Committee on October 24, 2025.

Vote was unanimous.

Depreciation Study Financial Impacts

Ms. Taylor shared Executive Summary of Depreciation Study Financial Impacts as follows:

- With the three options that were presented on the depreciation study and the impacts, the Board had asked for the financial impact on the option recommended by the auditor, which was to unwind the regulatory liability, and then determine if a rate increase would be necessary as a result of that.
- We would be reversing the portion that remains from the accounting that was done originally to unwind the liability. Then, we would discontinue the reduction of the expense to the depreciation expense of \$1.8 million per year, which would result in a 2.3% impact on distribution rates.
- If we choose not to include a rate increase to offset that reduction in expense, there are two scenarios:
 - How would this affect our ratios and our covenants with our lender?
 - Our main covenant with our lender is our MDSC.
 - We also get a discount with CFC if we are a 100% borrower and equity to assets.
 - Scenario 1 (with \$1.8 million rate increase)
 - Equity to assets ratio would be favorable
 - Modified Debt Service Coverage (MDSC) would be favorable
 - Times Interest Earned Ratio (TIER) would be unchanged
 - Scenario 2 (without rate increase)

- Over time would be unfavorable – first couple of years would be favorable results, there wouldn't be enough to withstand that update
- MDSC would be unchanged
- TIER would be unfavorable

Discussion:

- Mr. Darcy stated to a certain extent, this is the curse of the consultants. We've had three different depreciation consultants over a period of years that came to different views. He asked what years those studies were done in. Ms. Taylor replied there have only been two studies done by external parties including this one, and the last one was done in 2018-2019. Prior to that they were done internally, following RUS guidelines. Mr. Darcy asked if the elimination of the \$1.8 million credit essentially splits the difference between the two consultant recommendations. Ms. Taylor agreed that it was a middle step rather than applying any of the new rate recommendations. That was a \$7 million change, so this would be much less.
- Mr. Dwyer asked how much the increase is due to the change. Mr. Jennings replied it's about 3 ½%. Mr. Darcy added eliminating the \$1.8 million is a little more favorable than that, at 2.3%. Ms. Taylor agreed.
- Chair Stringham stated we can manage the finance of the business with either of the two scenarios and manage relationships with lenders, but there may be an impact on rates in order to do that. Mr. Clark agreed.
- Mr. Darcy stated that he is conflicted on staying where we are, to eliminating the \$1.8 million, to the 2.3% rate impact.
- Mr. Dwyer stated we accepted the \$1.8 million unquestioned and had overcharged our members for 15-20 years, then took it as a windfall and used it as a benchmark for our performance. He agrees with Mr. Darcy that there is some arbitrariness, but we pay consultants because we value their advice. Mr. Dwyer and Mr. Darcy both stated they are leaning towards at least reversing the \$1.8 million.
- Mr. Jennings agreed and stated we do not need to make a decision at this moment. It might be easier to consider after the budget discussion, but at the very least we should eliminate what he would consider an overcorrection and our depreciation.
- Mr. Laufenberg asked how we got to the \$1.8 million figure. Ms. Taylor responded the \$1.8 million was what we were amortizing each year of the 12-year recommendation from the 2018 study. Of the \$21 million we divided that by 12 years, it was \$1.8 million reduction to depreciation expense. Mr. Jennings added that is eliminating the overcorrection from the last study.
- Mr. Laufenberg asked if we have to do it all at once or if the adjustment could be spread over two years. Mr. Jennings replied technically we could, but if we were acknowledging what our depreciation should be, we would want to accumulate that all at once. Ms. Taylor added if we wanted to eliminate the \$1.8 million with the caveat of spreading so the rate impact is low, we could technically do that. Mr. Jennings added from an accounting perspective we would want to do it all at once.
- Chair Stringham added that we make representations to our lenders and that affects what interest rate we pay, so we want that to be internally consistent.
- Mr. MacLeod asked what the \$1.8 million means to the member in terms of rate impact. Mr. Jennings replied it equates to a 2.3% rate increase on January 1. Mr. Clark added it

would be 2.3% of distribution rate, so when you bring in the total bill impact, it would be less than when you bring in power and transmission.

- Mr. Darcy stated what we're doing by eliminating the \$1.8 million is agreeing with the original staff evaluation based on RUS and useful life we estimated.
- Mr. Dwyer stated the \$1.8 million is an increase on \$70 million of distribution collections, and that's where the 2% comes from. Mr. Clark agreed that's a portion of distribution billed revenue excluding other electric revenue.
- Chair Stringham asked if we want to make a recommendation to the full Board as a committee or just take it to the full Board for this month's meeting. Ms. Taylor added the upcoming budget presentation does not have any adjustment to depreciation.
- Mr. Dwyer stated he recommends making the recommendation to the Board for the \$1.8 million and including it in the budget presentation to the full Board.
- Mr. Darcy stated he will abstain from the vote because we shouldn't make any decisions on things like the capital budget or depreciation until we get the full view of the rate increase. The Board makes a more rational decision if it looks at the overall impact on members. Mr. Mongeon stated he agrees with Mr. Darcy. Mr. Dwyer stated he also agrees with Mr. Darcy, and we shouldn't make decisions on pieces. Ms. Albee stated she thinks everyone agrees with that.
- Mr. Laufenberg stated all we're doing here is recommending to the Board that the \$1.8 million adjustment is correct, but the Board will make the final decision.
- Mr. Jennings clarified that what we need as staff is just the recommendation to what level of depreciation to account for in the budget. The rate decision is a separate discussion, but it should be considered when you're making that threshold for what level you're going to depreciate for that. Mr. Darcy stated you need something at the Board meeting on Tuesday that makes a judgment on this and then you can prepare based on this factor, the E&O budget, the member service charge, and put together a budget that contains all these items. Mr. Jennings confirmed that is correct, and it doesn't commit us to a 2.3% rate increase. That will be a later discussion. Mr. Darcy stated that he is convinced.

Upon motion from Mr. Dwyer, seconded by Ms. Albee, it was

VOTED: That the committee recommends to the Board of Directors to discontinue the reduction of the expense to the depreciation expense of \$1.8 million and include that in the budget presentation to the Board.

Vote was unanimous.

Second Preliminary Electric Budget Review (Capital and Operating Budgets)

Ms. Taylor started by thanking Mr. Clark for his hard work putting the budget together.

Mr. Clark shared the 2026 Budget Second Preliminary Discussion as follows:

- 2026 Budget Timeline
 - June – BFR Committee, Budget Objectives
 - September – BFR Committee, preliminary presentation of core budget
 - October – E&O Committee, Capital Construction Budget
 - BFR Committee, second preliminary presentation and Schedule of Fees

- proposal
 - November – BFR Committee, final budget presentation
 - Board of Directors Meeting, budget vote
 - January – budget, rates and fees implemented
- Functional Budgets
 - The Board has jurisdiction over distribution rates and power resources and access rates
 - System benefit charge is under state jurisdiction
 - Broadband will be happening in executive session
- Electric Budget Process
 - Depreciation study impact is so important because there is a lot of compounding impact throughout a budget when you change certain assumptions.
 - We have some placeholders here and as we continue to get updated data, for instance I just received the Department of Energy Assessment a few weeks ago, which we included. Numbers are subject to change between now and the final presentation including things such as interest.
- Key Figures – Distribution
 - Capital Budget \$31.1M
 - Operating Budget \$79.4M
 - Margin \$4.3M
- Cost Increases
 - Distribution equipment costs have skyrocketed over the past five years
 - Primary wire +61.78%, Insulators +58.03%, Crossarms +103.37%, Surge Arrestors +88.85%, Transformers +98.5%, Cutouts +57.97%, Secondary Wire +32.27%, Guy Wire +89.07%, Ground Wire +51.09%
 - The cooperative has done a lot to try to keep these cost increases out of rates wherever possible
 - Equity management plan calls for 4% reasonable rate trajectory for distribution. With the exception of 2024, it has been less than that.
- Distribution Capital Budget
 - Capital Construction Budget
 - Final year of SCADA expansion program
 - Center Harbor and Bartlett substation transformer replacements expected to be completed.
 - Engineering & Operations Committee recommended elective budget reduction of \$1M to \$22.2M, 3% increase over 2025
 - Capital Construction Three-Year Budget
 - Multi-year authorization requested due to equipment lead time
 - 2027 \$22.036M
 - 2028 \$22.27M
 - Tentative substation transformer replacements for Alton and Sunapee in 2027 and Lee and Intervale in 2028
 - Capital Construction Cost Containment
 - Construction allowances changed in 2024
 - New Lines reduced from \$3.5M in 2023 to \$2M in 2026
 - Upgrades reduced from \$0.7M in 2023 to \$0.4M in 2026
 - Schedule of Fees updated annually (as compared to five-year lapse

- in the 2010s) to reflect latest pricing
 - Purchasing Department working with additional vendors to obtain competitive pricing
 - Engineering & Operations Committee recommended an elective budget reduction of \$1M in 2026
- Capital Improvement Budget
 - Funds major strategic initiatives
 - Facilities – Sunapee/Andover merger \$3.3M
 - Direct Bury Replacement \$2M
 - Fiber Backhaul (SCADA) \$0.137M
 - Total \$5.437M (\$2.2M greater than 2025 budget)
 - Cost Containment
 - Upgrade only one aging district office instead of two
 - Anticipate \$100K of annual operations savings in future years for Sunapee/Andover merger
 - Projected \$0.6M from sale of Andover facility in 2027
 - Fairgrounds Phase 1 site work postponed until at least 2028
- General Plant Capital Budget
 - Funds replacements for vehicles, tools, IT equipment, and minor facility work
 - \$2.3M budget approved in 2025
 - Included authorization for four bucket trucks in 2026 (due to lead time)
 - \$3.5M preliminary budget in 2026
 - \$4.4M originally requested (\$0.95M rejected)
 - \$2.0M annual transportation budget requested for 2027 (lead time for 3 bucket trucks and 1 digger)
 - Cost Containment
 - Standard pickup changed from F150 to Ranger (\$8k/truck savings)
 - Assigned trucks with useful life reallocated to districts as spares
 - Employee vehicle share ended (reduced mileage and wear)
 - \$0.95M in requested capital rejected
 - Phased approvals where possible (e.g. half of DC Power System Controls and Chargers request approved, with removed systems to be recycled for parts for existing systems).
- Business Cases
 - NHEC staff have submitted business cases for Transportation, Facilities, Technology, Technology (Telecommunications), Tools, and Other categories
- Power Resources & Access Operating Budget
 - This is a pro-forma budget
 - Board approves rates every six months for Power Resources & Access and most of the cost has to do with energy and transmission, which we don't have direct control over.
 - Proposed 2026 budget \$2.3M, which is a slight reduction from 2025, which was \$2.5M
- Power Resources Payroll & Benefits
 - 2026 budget -8.5% vs. 2025 budget

- 4 FTE in 2026 budget (same as 2025)
- Power Resources Other Expenses
 - 2026 software budget less than 2025 (Co-op Power file replacement project delayed)
- Power Resources Budget Key Takeaways
 - Proposed Other Power Resources Budget of \$2.3M
 - Payroll & Benefits similar to 2025 budget
 - Other Expenses less than 2025 budget
- Distribution Operating Budget
 - Sales Forecast
 - Delivery system Revenue Growth: +0.9M (to \$78.5M)
 - Weather normalized year with organic growth
 - 1.6% increase in budget new billed kWh sales
 - Other Electric Revenue Growth: +0.2M (to \$4.8M)
 - Mostly related to attachment revenue
 - Budgeting \$1.1M of incremental revenue
- Payroll and Benefits
 - 232 electric FTE positions (1 FTE reduction since September presentation)
 - 5% increase on health insurance expense effective August 1, 2026 (same as 2025 budget)
 - 80% Balanced Scorecard achievement for incentive payout (same as 2025 budget)
 - Assumes 3.5% wage increase (April non-union; October union), \$0.1M merit-based wage increase reserve, and -\$0.8M attrition reserve
 - \$19.2M payroll expense (\$0.4M greater than 2025 budget)
 - \$8.1M benefits expense (\$0.4M less than 2025 budget)
 - 18% benefit allocation to work orders based on last 3 years (15% in 2025 budget; \$0.5M greater than 2025 allocation).
- Property Taxes
 - Legacy methodology has resulted in property taxes being over-budgeted in recent years due to difficulty in estimating abatements, assessments, rates per thousand, and timing of capitalization of new assets by town.
 - Staff is using a system-wide methodology with macro assumptions, resulting in a property tax budget of \$7.4M (\$0.4M less than 2025 budget).
- Interest Expense
 - With favorable revenue and expenses, 2025 Line of Credit interest expense has been less than budget
 - 2026 Assumptions
 - 5.875% Line of Credit interest rate (6.5% in 2025 budget)
 - 6.125% interest rate on new and repriced (3 notes) Long Term Debt
 - Loss of Collateral and Equity discounts on Long Term Debt (25 basis points)
 - Interest expense may vary based on timing and amount drawn downs, repricing of existing notes, and availability of lender discounts
- Depreciation
 - Based on the capital budget assumptions, depreciation would increase by \$0.7M to \$15M.
 - Does not include any adjustment related to 2025 Depreciation Study (assumes no change to \$1.8M reserve).

- Additional Operating Budget Assumptions
 - No capital credit retirement in 2026
 - No major storm expenses (average 5-year net of FEMA reimbursement is \$2.8M)
 - Fiber lease revenue offset by the corresponding depreciation and interest expense, net of patronage capital from borrowing
- Preliminary Distribution Operating Budget
 - Without rate increase revenue of \$83.3M, including other electric revenue
 - Total cost of service \$79.4M
 - Margin \$4.3M, slightly above equity management plan of \$4M and also slightly above this year's budgeted margin
 - Subject to change as we continue to receive additional data on budget items
- Operating Budget Cost Containment
 - No new positions (1 FTE reduction)
 - Diversification of lender portfolio for financing
 - Reduced Board of Directors baseline budget
 - Reduced legal expenses
 - Reduced reliance on outside contracting engagements where possible
 - Annual updates to Schedule of Fees to align recovery with cost increases (keeping cost out of rates)
 - More aggressive payroll attrition reserve and property tax budget assumptions to minimize rate impact
 - Modest investment to AI to find future savings

Discussion:

- Ms. Albee asked if there is some strategic thought about putting away a capital improvement amount for the Fairgrounds project. Mr. Jennings replied there are other options out there, and he has a hard time justifying the significant price tag originally budgeted for the facilities rather than investing in reliability projects for the membership. He does not have a new budget for that yet. Ms. Albee added it would hurt less if we saved toward a project like that. Mr. Jennings replied he didn't think so since these would be capitalized over time and funded through loan programs. That would not be his preferred course of action to fund that project. Chair Stringham added we'd be asking ratepayers to pay more now so we could put money into a piggy bank so that we only have to pay 80% of the project instead of 100%. Mr. Clark added that the Co-op previously did this as a medium term note, and it was subsequently deemed not financially favorable to members.
- Mr. Jennings stated the importance of the Pemi Lobby Renovation. He stated we are a member first organization, and our members cannot come in to see us. He added that the whole team is in the meeting to further explain any of the business cases. This is the first time they have been shared in such detail, and it is important for the Board to understand the types of things we are asking for as the budget is evaluated.
- Mr. Laufenberg stated the number one complaint he gets from older members is that they can't drop their bill off in person. There is no personal interaction between members and the corporate office, and he thinks the Pemi Lobby renovation is a great idea.
- Mr. Goodrich asked how many face-to-face encounters we would experience with the lobby renovation. Mr. Glenshaw stated the bank sees 70 to 80 people a day, and there are one or two a week that stop by HQ to pay their bill and chat. He added it's a huge part of Member Engagement. Mr. Jennings added it's more than just come in and drop off your bill. It's

- come in and see all the broadband and energy efficiency products we offer.
- Mr. Darcy stated he supports the Pemi Lobby renovation and asked if these numbers were already included in the E&O capital budget. Mr. Clark replied no, the E&O budget is for the distribution system. This falls under the General Plant Budget.
 - Mr. MacLeod asked how the security will work and how we will make the lobby more welcoming. Mr. Jennings replied this is just a budgetary estimate at this point, and we don't have detailed plans yet. He added the lobby is already segmented with a door from the rest of the office space, and we should only need some glass, desk space and paint. Mr. MacLeod added the lobby now is uninviting and empty, and it is an important thing to do.
 - Mr. Dwyer asked if we budget on disposal value for trucks we are getting rid of. Mr. Clark replied we get every last bit out of those, so they go from district to spare.
 - Mr. Goodrich asked if when we are budgeting these expenses we look at last year or experience and other special situations. Mr. Clark replied the business cases are pulled together by supervisory staff, then we review it. Mr. Jennings added these are all incremental costs, so they aren't compared to last year. Mr. Clark added these are in addition to the base budget that was presented last month.
 - Ms. Albee asked what caused Power Resources taxes to go down. Mr. Clark replied that it was a rounding error, and there was an assumption built in that was not the case. Mr. Clark added it's not material and rounds to zero.
 - Mr. Darcy noted that the actual property tax in 2024 was more than \$1M less than the budgeted amount for 2026 and asked what the basis for the escalation from that number was, as well as the estimated 2025. Mr. Clark replied 2025 was generated by staff that is no longer here. It was a detailed comparison by town and asset base and there were some timing issues between valuation and tax rate, so the \$7.8M is inflated. The assumption is based on where the consultants think we'll land in 2025 with the addition of incremental tax increases in town and additions to plant with the capital construction budget. Ms. Taylor added there was also a five-year phase-in of leveling how property taxes were calculated across the state that has come to an end across all municipalities.
 - Mr. Jennings thanked Ms. Taylor and Mr. Clark for diving into the numbers and finding where we may have been over budgeting in the past. Mr. Jennings stated that, absent the depreciation adjustment, we do not need a rate increase for next year as long as the Board is comfortable with the \$4.4M margin. He added that he is comfortable with the \$4.4M margin, but if the Board has less of a risk appetite, the margin can be discussed, and we could consider increasing that. Mr. Jennings stated that we have had a nice cushion going into reporting the financials every month due to overbudgeting taxes and payroll, and we won't necessarily always have a positive story to tell every month. He stated this is a more realistic budget, and it gives us a lot more flexibility to not be worried about changing the depreciation rates.
 - Mr. Darcy stated he has been on the Board for five years and this is the first time he's seen a concerted effort to change budget assumptions and be more realistic based on past experiences. He thanked the staff for their work.
 - Mr. Dwyer echoed Mr. Darcy's statements regarding the budget. He asked what the tree trimming budget will be next year versus this year. Mr. Clark replied it is a proposed budget of \$10M, which includes the amortization of the write-off of the litigation outcome. It is \$9.5M this year. Mr. Dwyer clarified that last year it was increased by \$0.5M, and this year we are increasing it another \$0.5M. Mr. Clark confirmed.
 - Ms. Albee stated this is much clearer and more understandable, and she's very pleased

with the tightening up of the budget, even if it means there are some bumps in the month-to-month process of how we're doing our margins, etcetera. She added she appreciated the depth of understanding on projects in addition to day-to-day operations.

- Mr. Laufenberg stated he is much more confident in voting for the budget this year than last year. He also thanked the staff for their work.
- Mr. Mongeon and Mr. Goodrich echoed their appreciation and thanked the team.
- Chair Stringham stated there is no need for a motion since this is a draft budget. He stated they have made more progress in the budget than he'd expected, and it has been transformative in many ways. He also thanked Mr. Jennings, Ms. Taylor and Mr. Clark.
- Mr. Jennings stated now that they have the recommendation for depreciation, that will be included in next month's BFR meeting and it will be the final version for recommendation to the Board.

Member Service Charge Discussion

Mr. Darcy referenced the Resolution on Member Service Charge shared in the OnBoard packet, highlighting the following areas:

- Upon request from the Executive Committee for additional data, Mr. Darcy highlighted some revealing numbers and summarized letters from consumer advocates, elderly advocates and clean energy advocates.
- Mr. Darcy also added specific data on the proposition that as income rises, so does electrical usage. He noted an anomaly in the graph, which he thought is due to subsidized low-income energy that causes some of our lowest income people to not have to pay for energy.
- He showed a comparison with our actual numbers that are presented in the bill survey and noted a 45% difference in those at 500kWh and those at 1000 kWh. For comparison, Eversource is 21% higher, so there is a big disparity between our high volume and usage houses versus single wide and other low-income members. As demonstrated through competitive analysis, while our rates are higher than Eversource's for low-usage customers, they're significantly lower for high-usage ones, and even with adjustments to the member service and usage charges, the overall rate differences remain surprisingly small, especially for low-income customers, whose bills change by less than 2%. Mr. Darcy also included the request from Mr. Mongeon and Ms. Albee that in the process of reconsidering our rate in budget policies, that we look at the data on this more extensively in the future.
- Mr. Darcy asked if there are any requests for further information before this goes to the Board meeting. He added that he has been responsive to the request for changes thus far and thinks it's important to show our members that we care about them by not being too out of line with other utilities in terms of the Member Service Charge.

Discussion:

- Mr. Jennings reiterated that he thinks this is important and supports it. The total bill impacts are not significant, but from a member perspective, it is significant and something that is critical to consider in rate making that doesn't show up in the numbers.
- Mr. Goodrich stated he supports the reduction of fees. He added he hears from neighbors that this fee is out of line with other utilities, and we owe it to our members to be sensitive

to it.

- Mr. Dwyer asked if there would be analogous changes in other rates. Mr. Darcy replied, no. Mr. Dwyer asked what the logic is for that. Mr. Darcy replied this isn't as sensitive in the commercial industrial sector as it is in the residential sector. Mr. Dwyer stated it is a public relations exercise. Mr. Darcy replied that it is in part public relations which we have to be sensitive to. Mr. Jennings added that this would just impact all of the rates that have the \$34 fixed charge, including net metering and basic single phase non-residential.
- Mr. Laufenberg asked if Mr. Darcy is looking for the committee to make a recommendation to the Board. Mr. Darcy replied, yes, he would like a recommendation from the committee. Mr. Laufenberg added, theoretically, this discussion could occur three times. Mr. Darcy replied he would like this to be included in Mr. Jennings' and Ms. Taylor's recommendation to the Board next month.
- Mr. Laufenberg stated he agrees with what has been presented and the perception of our members is important. We are a non-profit, but we operate in a state where the other utilities are for profit, and the member service fee is a concern.

Mr. Laufenberg made the following motion, seconded by Mr. Goodrich:

That the Board recommends to the Board of Directors that the member service charge for the Basis Single-Phase residential and non-residential up to 400 amps shall be reduced to \$29 for the 2026 rate period.

Discussion on the motion:

- Chair Stringham asked if the Board approves, will it be announced right away, or will it be announced when the new rates become effective. Mr. Darcy replied nobody will see it until next month when the rates are voted on, because the minutes won't be available until then when they're approved. There will not be a public announcement as a result of Tuesday's meeting.
- Mr. Dwyer asked if it will be discussed in public session. Mr. Darcy replied, yes.
- Mr. Dwyer made an amendment to the motion to propose a \$20 member service charge, rather than \$29, to make it more in line with Eversource. Mr. Dwyer withdrew the motion before it was seconded.

VOTE: For the motion was Directors Albee, Darcy, Goodrich, Laufenberg and Stringham in favor. Director Dwyer abstained until he has all the facts.

The motion carries.

EXECUTIVE SESSION Preliminary Broadband Budget Review

Mr. Dwyer motioned to go into Executive Session, seconded by Mr. Laufenberg. Mr. Darcy clarified that we are going into Executive Session to discuss confidential matters regarding unregulated business, not subject to the public information laws, etcetera. The motion passed unanimously, and the committee entered Executive Session at 10:48 a.m.

At 11:06 a.m. the committee came out of Executive Session.

Approval of 09.26.25 Meeting Minutes

Ms. Parent stated the 09.26.25 Meeting Minutes are in the packet for review and asked Chair Stringham if he would like to review them. Chair Stringham asked if they still need to be approved by the full Board. Mr. Jennings and Mr. Darcy stated just the committee members need to approve.

Upon motion from Mr. Darcy, seconded by Mr. Goodrich, it was

VOTED: That the Committee approves the 09.26.25 Budget, Finance and Rates Meeting Minutes.

Vote was unanimous.

Adjournment

Upon motion by Mr. Darcy, seconded by Mr. Dwyer, Chair Stringham adjourned the meeting at 11:07 a.m.