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

November 21, 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: Harry Viens, Bob MacLeod
NHEC Employees: Michael Jennings, Kristen Taylor, Josh Mazzei, Jeremy Clark, Rob Howland, and Christine Parent (Recording)
Others Present: Burton Benkwith (CFC)

Meeting Called to Order

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

Agenda Review and Approval of 10.24.2025 Meeting Minutes

There were no suggested changes to the agenda.

Chair Stringham asked if there was any discussion regarding the 10.24.2025 meeting minutes. There was none.

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

VOTED: That the Committee approves the 10.24.2025 Budget, Finance and Rates meeting minutes.

Vote was unanimous.

2026 Budget Presentation

Mr. Clark shared the 2026 Electric Budget Final Presentation 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
    - State has jurisdiction over the System Benefit Charge
    - Board has jurisdiction over Regional Access Charge, Co-op Power Charge and Distribution Charge
    - Broadband follows a separate process

- Key Figures – Distribution
  - Capital Budget $31.1M
  - Operating Budget $89.2M
  - Margin $4.1M
  - Rate Increase $1.8M
- 2026 Electric Budget Package Includes:
  - Proposed Electric Capital and Operating Budgets
    - Assumptions
    - Budgets by component
    - Notable year-to-year changes
    - Cost containment actions
  - Proposed Distribution Rate Change
  - Proposed Board Resolution
- Distribution
  - Capital Construction Three-Year Budget
    - Funds line extensions, upgrades, repairs, and improvements to the distribution system.
    - 2026
      - Recurring $10.658M, Elective $11.560M, Total $22.218M
    - 2027
      - Recurring $10.978M, Elective $11.058M, Total $22.036M
    - 2028
      - Recurring $11.307M, Elective $10.963M, Total $22.270M
    - Multi-year authorization requested due to equipment lead-time
    - No changes since October BFR Committee meeting
  - General Plant Budget
    - Funds replacements for vehicles, tools, IT equipment, and minor facility work
      - Transportation $2.159M
      - Technology $0.900M
      - Facilities $0.406M
      - Tools $0.019M
      - Total $3.484M
    - No changes since October BFR Committee meeting
  - Capital Improvement Budget
    - Funds major strategic initiatives
    - Sunapee/Andover merger $3.3M
    - Direct Bury Replacement $2.0M
    - Fiber Backhaul (SCADA) $0.137M
    - Total $5.437M
    - No changes since October BFR Committee Meeting
- Power Resources and Access Budget
  - Power Resources Payroll & Benefits
    - No material changes since October BFR Committee
  - Power Resources Other Expenses
    - No changes since October BFR Committee
  - Power Resources Operating Budget

        - $2.4M Other Expenses, -$0.2M vs. 2025
    - Distribution Operating Budget
        - Sales Forecast
            - Delivery Sales Revenue Growth: +$0.9M (to $78.5M)
                - Weather normalized year with organic growth
                - 1.6% increase in budget net billed kWh sales
            - Other Electric Revenue Growth: +$0.2M (to $4.8M)
                - Mostly related to attachment revenue
        - Key Operating Expenses by Activity
            - Excluding Payroll, Benefits and Fiber Lease
            - Depreciation Expense increased by $1.8M due to ending Depreciation Reserve adjustment (per October Board vote)
            - Interest Expense decreased by $0.2M by reducing assumed Line of Credit rate from 5.875% to 5.75% and new Long Term Debt rate from 6.125% to 5%
            - No changes to Property Taxes or Tree Trimming since October BFR Committee meeting
        - Payroll and Benefits
            - Reduction of 1 FTE as compared to 2025 budget
            - -$0.8M attrition and $0.1M merit-based wage increase reserves
            - No material changes since October BFR Committee meeting
        - $1.8M Rate Increase
        - $7.7M Fiber Lease
        - $89.2M Expenses
            - +5.3M vs. 2025 (+2.8M Net of Fiber Lease)
                - $1.8M Depreciation Study adjustment and $0.5M tree trimming
        - $4.1M margin (above equity management plan of $4M margin)
    - Distribution Rate Change
        - Board of Directors voted in October to reduce the Basic Single-Phase up to 400 Amps Member Service Charge to $29 and to increase Distribution rates by $1.8M (Depreciation Reserve adjustment)
        - Staff proposes to allocate rate increase proportionally to all rate classes
        - Increase to be fully recovered via Distribution kWh Charge for residential classes
        - Staff proposes to allocate increase to Demand Charge and Distribution kWh Charge for non-residential rate classes that include a demand component
    - Basic Residential Member Bill Impact
        - For a member using 500 kWh, the total bill impact of the rate change would be 23 cents, or 0.2%
        - For Basic 1,000 kWh bill impact of rate change would be $6.13, or 2.5%
    - 2026 Electric Budget Highlights
        - Developed through a collaborative process of 5 committee meetings, the 2026 Electric Budget fully funds the Distribution business while minimizing the rate impact for members.
        - The Capital Construction Budget continues the Substation Transformer Replacement Plan and SCADA Expansion to improve reliability for

members.
- The General Plant Capital Budget replaces aging components of our fleet for reliability and our technology footprint for cybersecurity.
- The Capital Improvement Budget consolidates two aging districts into a modern facility and continues the Direct Bury Replacement project for reliability.
- The Operating Budget reduces the rate impact from overbudgeting of payroll and property taxes, while increasing tree trimming and addressing the recent depreciation study.
- Cost Containment measures have reduced these budgets by millions of dollars, resulting in a modest rate increase that is less than the reasonable rate of trajectory.

Mr. Clark shared the Board Resolution – 2026 Electric Budget.

Discussion:

- Ms. Albee asked what caused the change in the Operating budget to go to $89.2M from $79.4M in October and why the margin has gone from $4.3M last month to $4.1M this month. Mr. Clark replied that the number now includes the fiber lease which nets to zero at the bottom line. Mr. Clark added there are no material changes relative to what was decided on in October.
- Mr. Darcy stated last year at this time the Board had received answers to about 50 data requests. This year they did it differently, and it was better for the Board and staff. Mr. Darcy noted that there was discussion early on regarding the attrition adjustment to personnel numbers, led by Chair Stringham, conservatism on revenue numbers and discussion of how the construction budget wasn't always spent, which led to the Board feeling more involved in the process. He thanked staff and the Board for working cooperatively.
- Mr. Jennings thanked Mr. Clark for his hard work. He also noted the budget funds everything needed to operate the business while dealing with the depreciation adjustment and a very moderate rate increase and that staff are pleased with the result.

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

  That the Board of Directors approves the 2026 Distribution Capital Budget of $31.1M, Other Power Resources Operating Budget of $2.4M, Distribution Operating Budget of $89.2M, and Distribution Rate Change of $1.8M as recommended by the Budget, Finance and Rates Committee on November 21, 2025, as presented to the Board of Directors on November 25, 2025.

Discussion on the Motion:

- Mr. Laufenberg stated he fully supports the budgets and fully supports the rates. He added that from a Board perspective and procedural perspective, this should be two different resolutions: one to approve the budget and one to approve the rate changes. Mr. Laufenberg stated this would make it clear to members that these are two different processes, even though they are related. Mr. Dwyer stated he agrees with this. Mr. Darcy stated he does not agree with that, because this was taken care of at the last meeting when they took care of the depreciation and other matters that are components of this budget. Mr. Dwyer stated he would like to support the budget, but not rate, because the increase goes on to large users. Mr. Darcy stated this is the first time higher usage users have had a higher increase over the lower usage, 500 kWh users, in five plus years, which he sees as a positive change. Mr. Dwyer reiterated that he supports the budget, but he doesn't like how it's paid for.

- Mr. Darcy stated that the Resolution being proposed is just the budget, it is not rates. He suggested another vote on rates at Board meeting, and it is not needed here. Chair Stringham agreed.

  VOTE: For the motion was unanimous.

- Mr. Jennings clarified that the $1.8M rate change was approved, but how that is allocated will be discussed. Mr. Dwyer stated it will be voted on separately. Mr. Darcy stated at least two members want a second vote on rates that are a result of $1.8M increase. Mr. Laufenberg stated the Resolution that just passed will be presented to the Board. He added that last year there was a 6 to 5 vote on the budget, but he feels the Board would have unanimously approved the budget if the rates had been a separate discussion. Mr. Laufenberg stated he received many questions at the recent election as to why the Board was split on the budget. In order to be clear to members, the Board should vote on the budget and then vote on how the budget increase is going to be applied to rates. Mr. Laufenberg reiterated for transparency, there should be two separate votes. Mr. Dwyer added one is the revenue side, and one is the expense side.

KRTA Review

Ms. Taylor stated she asked Mr. Benkwith to present 2024 KRTAs as part of strategic plan goal under affordability to do benchmarking with other cooperative providers. Mr. Benkwith shared 2024 KRTA Results as follows:

- Key Ratio Trend Analysis (KRTA)
  - 145 Financial and Operational Ratios
  - Includes 800+ Distribution Systems Annually
  - Comparisons by peer group and over time (20+ years)
  - Sourced from CFC and RUS Form 7 Consolidated Results
- How to Use/Things to Consider
  - What you CAN do
    - Observe trends
    - Benchmark results
    - Identify strengths
    - Identify area to improve
  - What you can't do
    - Answer why a ratio is high/low
    - Interpret financial goals
    - Understand other co-ops
- Comparison Groups and Base Ratios
  - Consumers: 84,793
  - kWh sold: 811M

  - Total utility plant: $538M
  - Employees: 231
  - Miles of line: 5,737
  - Density: 14.78
  - Number: 1
  - Note: NHEC is among the largest 10% of co-ops in US by Consumers (51/815) and Plant (59/815)
  - Compared to co-ops with 60,000 and 100,000 members (Size), NEAEC and US
- Revenues and Costs
  - Lower in both 2023 and 2024
  - Among lowest 25% in US
  - Compared to US median (~$2700), NHEC members paid ~$600 less annually
- Total kWh Sold
  - NHEC among top 25% in US
  - Sales increased 3.96% in 2024
  - Low compared to consumer size peep group: ranked 40/41
  - 2024 Sales Mix NHEC
    - Residential 63%
    - Large Commercial 8%
    - Small Commercial 29%
    - Other 0%
  - Comparable Size Co-ops
    - Residential 64%
    - Large Commercial 11%
    - Small Commercial 19%
    - Other 6%
  - US
    - Residential 56%
    - Large Commercial 18%
    - Small Commercial 18%
    - Other 8%
- Total Cost of Electric Service Per Consumer
  - NHEC saw lower costs in 2023 and 2024 (driven by lower power costs)
  - Costs below median of US and Comparable Size
  - US Median was $2,563 (~$525 more than NHEC)
  - NHEC in lower 25% of country from total cost of service perspective, and below cost of service among co-ops of similar size, and in line among northeast co-ops
  - NHEC has done a tremendous job managing costs and affordability.
- Power Cost Per Total kWh Sold (Mills)
  - Driver of overall cost declines
  - Lower power costs in 2023 and 2024
  - Power costs comparatively high (no G&T)
  - Almost 3 cent decline in total cost of power to membership, 21% decrease in power costs
- Margins, Ratios and Plants
  - Total Margins Per Consumer
    - Margins increased year over year

        - Remain comparatively low (lowest quartile)
    - Tier (Times Interested Earned Ratio)
        - Common financial ratio
        - Results higher in 2024
        - Interest cost average $88/consumer, $30 less than country average
        - NHEC has done a good job of keeping interest cost low
    - Modified Debt Service Coverage (MDSC) (2 of 3 Year High Average)
        - CFC's loan covenant; 1.35x (best 2 of 3 years)
        - Well within range, consistent results
        - MDSC looks at ability to cover interest and principal
    - Equity As A % of Assets
        - Lowest in recent years given extensive plant investment (see next)
        - Strength of the co-op
        - Well above any industry threshold floors
    - Total Utility Plant (TUP)
        - TUP increased in $537.9M, up 11.85%
        - Larger co-op by plant; ranked 59th out 815
        - Consistent annual investment
        - Is expected due to fiber investment
    - Annual Growth in TUP Dollars (%)
        - Significant growth in last 3 years
        - Results above comparative peer groups
    - 2024 KRTA Results – NHEC Summary Observations
        - Among the largest 10% of co-ops by Consumers and Plant
            - Ranked 51/815 for Number of Consumers
            - Plant of $538M ranked 59/815 in US
        - Strong Operating Performance
            - Increased consumers and kWh sold in 2024
            - NHEC balanced lower total costs (driven by lower power costs) and lower rates resulting in higher margins and ratios in 2024
        - Growing Balance Sheet
            - Plant growth has increased annually, nearly 12% in 2024, growth ranked among top 10% in US in 2024
            - Equity remains a strength during tremendous growth

Mr. Mazzei shared ALDC Co-ops Benchmarking as follows:

- Association of Large Distribution Cooperatives (ALDC)
    - 49 distribution cooperatives
    - Central Virgina EC 39,573 members
    - Middle Tennessee ED 344,984 members
    - ALDC Median 118,481 members
    - ALDC Lower Quartile 102,622 members
    - NHEC 84,793 members
    - Data from ALDC surveys from 2012 - 2024
- Benchmarking Cohort
    - ALDC cooperatives with similarities to NHEC in terms of miles of line and members served

        - Baldwin EMC (AL020)
        - Farmers Electric Cooperative (TX067)
        - Horry Electric Cooperative (SC031)
        - Ozarks Electric Cooperative Trinity Valley (AR024)
        - Trinity Valley Electric Cooperative (TX162)
        - New Hampshire Electric Cooperative (NH004)
- ALDC Metrics Comparisons
    - Employee count
        - NHEC has grown 20% from 2012, 192 employees, to 2024, 231 employees
        - Other co-op growth ranges from 12% - 64%
        - Growth based on member needs and broadband
    - KWH Sold
        - NHEC has been consistent from 2012-2024
    - Capital Percentage vs. O&M – Payroll
        - NHEC capitalized payroll averages 16% from 2012-2025
        - We make sure employees are charging time appropriately
        - Elements of NHEC workforce do not capitalize time
    - ROW – cost per mile cleared
        - NHEC at top in this metric at around $23,000 per mile
        - Percentage of Forested Land
            - USA 36%
            - NH 85%
            - Texas 37%
            - Arkansas 57%
            - South Carolina 67%
            - Alabama 71%
        - $8-$10/hour difference in pay rates
    - Annual Percentage of Customer Growth
        - NHEC averages less than 1% growth in meters since 2012
    - Safety –
        - Motor Vehicle Accidents (at fault)
            - NHEC 2025 YTD Goal 2.06, Actual 0.71
        - Days Away Restricted Duty
            - NHEC 2025 YTD Goal: 2.06, Actual 2.79
- Take Aways
    - NHEC performs well in safety
    - NHEC has near flat membership growth
        - Other cohort members are in suburban areas
    - NHEC's ROW costs are high
        - NH highly forested with higher labor costs
    - NHEC capitalizes a low percentage of payroll
    - NHEC must remain focused on efficiently aligning staffing with workload as the business evolves

Discussion

- Mr. Jennings stated figures shared in Mr. Benkwith's presentation include power supply, they are not distribution only.

- Mr. Dwyer asked what the average residential kWh per month is. Mr. Benkwith answered the average is 1100 kWh per month, and NHEC is at 577 kWh per month.
- Mr. Darcy asked if there is a big difference between southern and northern co-ops. Mr. Benkwith replied yes, and it has a lot to do with cooling load in the summertime which drives average residential usage up. Electric heat in the south also drives this up in the winter. Ms. Albee asked how much seasonality plays into this. Chair Stringham added we have a lot of members that don't use a lot of energy because they're not here. Mr. Benkwith agreed that it is a factor, and it creates a problem because the investment is the same in that service as one that is using electricity daily, and it creates recovery challenges. He added that NHEC has done a great job at managing the challenge.
- Mr. Goodrich stated that the change from 8% to 11% in large commercial is pretty significant, it's almost 30% more than what we have on average, which helps cover overhead. Mr. Benkwith agreed and stated large commercial improves load factors for the whole system, and the ripple effects are tremendous.
- Mr. Dwyer asked if these numbers are ever run without the power cost in them. Mr. Benkwith answered they have that data. Mr. Dwyer added the market out west is a lot different. Mr. Benkwith agreed and stated individual costs are in the KRTA.
- Ms. Albee stated that the positive data is very interesting to hear and see from a third party.
- Mr. Jennings stated that our capitalization rate is low compared to other cooperatives in part due to our Energy Efficiency and Power Resources and Access departments, which cannot capitalize their time. He added they will be looking at this more closely next year, because it is something that drives the budget significantly. Part of the value of looking at benchmarking is you can see where you are an outlier and where to make changes.
- Mr. Dwyer asked that both sets of slides be shared. Ms. Taylor replied they are both posted in OnBoard.
- Chair Stringham asked why we would capitalize more labor rather than expensing things on a real-time business. Mr. Jennings replied we don't have the same investor-owned utility motives to prioritize capitalization. It depends on when you want to pay for that dollar – today, or gradually down the road? We have to look more holistically and ask; are we truly capitalizing engineering and labor that should be associated with a specific project, or are we expensing it? Ms. Albee added it's hard to gauge what other co-ops are doing and that this needs a lot more analysis. Mr. Jennings added a lot of co-ops are going to a 100% contribution for new construction costs. Mr. Benkwith agreed there is a renewed focus to better capture a lot of costs up front over the last several years with line extension policies.
- Chair Stringham stated he was surprised that our cutting costs are the highest.
- Mr. Dwyer stated that clearing is pretty much a fixed cost at $12 per member per month. He stated this might be part of the rational for higher Member Service Fee.
- Mr. Goodrich stated that the terrain is also a little rougher in addition to being highly forested, which increases costs. Mr. Mazzei agreed.
- Mr. MacLeod stated the slide is like comparing apples to oranges, because it doesn't include just NHEC territory. Mr. Mazzei agreed and stated it is just a snapshot of data, and it should be evaluated if it's available to us.

Power Supply Master Service Agreement

Mr. Howland presented the Board Resolution – Approval of Master Agreements with Parental Guaranty.

Mr. Howland stated that the co-op buys power that we sell to members, and we engage with trading partners with a Master Agreement that has been in use for many years. We have four active agreements with four trading partners, and we are working this year to add trading partners. One of the Board policies says we need to have a trading partner with an investment grade credit rating, or Board approval is required.

Mr. Howland stated that we have negotiated arrangements with Boston Energy Trading and Marketing Group (BETM) and Brookfield Renewables, which are both active and legitimate trading partners, but don't have investment grade credit ratings. They have provided parental guarantees from their parent companies. Boston Energy Trading is owned by Mitsubishi and Brookfield is owned by Brookfield Renewable Partners, and both are investment grade. The parental guarantees have been vetted by our attorneys, and we have confidence that this provides us the necessary protections.

Mr. Howland stated that we ask the Committee and the Board that we be allowed to trade with BETM and Brookfield at such time as they provide competitive pricing for when we solicit purchasing for our future rate periods.

<u>Discussion</u>

- Mr. Jennings stated this is common practice, but it is a grey area in our policy. Instead of just acknowledging the parental guarantees, he wanted to make sure we have Board authorization before moving forward.
- Mr. Darcy asked if these two entities have done business with other utilities in the ISO New England service area. Mr. Howland replied, yes, and we have done business with Brookfield, purchasing renewable energy certificates from them. Mr. Darcy stated he supports this and agrees it makes more sense to get lower prices by having more competition.
- Mr. Howland added they are discussing with seven additional marketers and in various stages of getting Master Agreements in place with them.

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

VOTED: That the Committee recommends that the Board of Directors approves entering ingo agreements for transactions through Master Agreements with BETM and Brookfield, contingent upon the continued validity of the Parental Guarantees as presented.

Vote was unanimous.

Adjournment

Chair Stringham adjourned the meeting at 10:20 a.m.