APPROVED
July 28, 2026

New Hampshire Electric Cooperative, Inc.

Minutes of the Meeting of the

Budget, Finance & Rates Committee

June 15, 2026

Present: Committee Members: Jerry Stringham (Chair), Alana Albee, Bill Darcy, John Goodrich, Peter Laufenberg, Leo Dwyer

Other Board Members: Pat Barbour, Bob MacLeod

NHEC Employees: Michael Jennings, Kristen Taylor, Josh Mazzei, Jeremy Clark, Rob Howland, Britta Matthews, Maddie Conkling, Sydney Marshall, Christine Parent (recording)

Meeting Called to Order

Chair Stringham called the meeting to order at 1:00 pm.

Agenda Review

There were no suggested changes to the agenda.

Annual Inventory Adjustment

Ms. Matthews presented the annual inventory adjustment from June of 2025 to May of 2026. There was an overall shortage for the NHEC side of $65,913, which is 1.37% of inventory. Key drivers were operational complexities, storm activity, and multiple handling points throughout the year. The on-hand inventory was roughly $4.87 million, representing about 22% of our capital construction budget.

On the broadband side, there is 100% write-off of approximately $127,000. Ms. Matthews stated that the make ready contract, as it was developed, lacks material management provisions. From 2023 to 2026, just over $3 million was spent in work orders, which equates to 4.16% of the make ready cost altogether. Encompassing everything, there was a total shortage of $191,922, for about 3.84% of inventory.

Ms. Matthews stated options are being explored for newer, more technologically advanced options for transfers and charge outs to eliminate some manual processes, as well as additional storm supports and provisions going forward for additional contracts, if needed.

Discussion:

Mr. Darcy asked if we know what is causing the loss. Ms. Matthews replied this is only on the electric construction make ready side, and there was a lot of work done in a short period of time. The process did not capture all the charge outs. She added that there is an overage on the master warehouse.

Mr. Jennings stated that the write-off could have been a lot worse considering the numerous crews routinely coming on and off the job, and the electric make ready was scaled up very quickly.

Mr. Darcy asked if there was a transfer in responsibility between Three Phase and Eustis during this time. Mr. Jennings replied that they had distinctly separate work, but we were originally issuing materials straight out of the warehouse directly to them, but quickly grew out of that due to the scope we needed them to operate in. They took on more of a material management process than anticipated when the contract was signed.

Ms. Albee asked if there are any contract penalties. Mr. Jennings stated it was not built into the contract to begin with. Ms. Albee asked if that will be changed in the future. Mr. Jennings replied it would, but Three Phase has completed their work. Any new broadband projects will have that included, and the scope would not be as significant.

Mr. Laufenberg asked for a historical perspective of the last five years in future presentations. Ms. Taylor stated she has that info and she will share it with the committee. Ms. Taylor added this encompasses all three years of Three Phase work.

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

VOTED: that the committee recommends the Board of Directors authorizes management to adjust the physical inventory as a result of the May 2026 inventory in the amount of $191,922.

Vote was unanimous.

Co-op Power/RAC Rate Change

Mr. Clark shared the August 1, 2026 Co-Power and Regional Access Rate Change Proposal found in the OnBoard meeting materials, with the following highlights:

- 2026 Rate Timeline
- Rate Components
  - Regional Access and Co-op Power will be affected by current proposal
- Co-op Power Load Projection
  - Load 3% higher due to colder than normal winter
- Co-op Power Cost Projection
  - Projecting 2% increase in energy cost due to increased load, offset by 7% increase in billed revenue.
- Co-op Power Over/Under Recovery
  - Forecast $5.5 million under recovery on February 1, 2026.
    - $2.7 million to be collected in rate period
  - August 2026 Rate Period - Forecast $9.1 million under recovery on August 1, 2026.
    - $4.6 million to be collected in rate period
- Co-op Power Load Forecast
  - 1400 Waterville Valley members forecast to move to community aggregation, which reduces capacity obligation
- Co-op Power Cost Forecast
  - We expect higher energy costs
  - Capacity will decrease due to the community aggregation migration
  - Ancillary costs will continue to be high due to Day Ahead Ancillary Services Initiative
- Co-op Power Proposed Rates
  - Proposed increase of 1.8 cents per kWh, which would total 13.968 cents for most members.
  - Co-op Power component would be a 26% increase for most members
- Co-op Power Charge History

- Regional Access Cost Projection
- Regional Access Proposed Rates
  - Proposed 4% decrease for most members
- Residential Bill Impact
  - Total bill impact 10%, or about $13 per month for Basic Residential 500 kWh member.

Discussion

Mr. Darcy asked if the $9.1 million under recovery is from the current period or a combination of that period and the residual six months of the prior period of under recovery. Mr. Clark replied, it is a forecasted balance as of August 1, so it is cumulative. Mr. Clark added that although the cost is about $1.2 million higher than forecast, the billed revenue is about $2.2 million higher than projected, which makes up for some of the under recovery. We are currently $3 per MWh less than forecast for unhedged energy for the current rate period, which is factored in the anticipated under recovery.

Ms. Albee asked if the 4% is higher than it had been in the past and if we need to be worried about aggregations more than in the past. Mr. Clark replied that 4% is due to the change in peak and the aggregation. He noted this is not a CPCNH aggregation and it went from notification to launch in a two-month period. Ms. Albee asked if any other communities are going this route. Mr. Clark replied that no other launch notifications have been received.

Mr. Jennings stated we will continue to track pending aggregations. It is not a huge impact on us. He added that Mr. Clark has run numbers on this in the past, looking at what the rate impact would be if a certain percentage of our members migrated to community aggregation, and they will get that ready to share with the board.

Chair Stringham stated his concern is how this could impact hedging, which will be discussed later in the meeting.

Mr. Laufenberg asked if the Waterville Valley aggregation included the ski area. Mr. Clark does not know offhand if the ski area was included and added that we do not procure for ski area load, since it's real-time pricing.

Mr. Laufenberg asked what the motivating factor was for the town to do this. Mr. Clark replied they are looking to fund municipal projects with the proceeds.

Mr. Laufenberg stated the board will need to revisit the community aggregation discussion in the future to determine what risk it poses and what can be done about it.

Mr. Goodrich asked what happens to our actual costs when community aggregation takes place. Mr. Clark replied that the only thing that changes is the energy component, which is Co-op Power, which we sell at cost, so it has no direct impact on us financially. Mr. Clark added that even if the Co-op saw 50% migration, the fixed costs for Co-op Power are so low that it has no impact on the core business distribution.

Ms. Albee stated hedging is important because of the impact of migration. Mr. Clark replied yes, and there are PUC rules about when aggregations can launch in part due to that concern.

Mr. Goodrich asked what happened in response to the Day Ahead Ancillary Charge (DASI) charge. Mr. Howland stated ISO has proposed changes to costs, but nothing will likely go into effect until next winter, and his team monitors this on a regular basis.

Mr. Dwyer asked for a spreadsheet comparing capacity and RAC charges and how much is allocated for each rate class. Mr. Clark will take a look at this as it is not in a spreadsheet, it is in an application.

Upon motion from Chair Stringham, seconded by Mr. Goodrich, it was

VOTED that the committee recommends that the Board of Directors authorizes staff to set the Co-op Power and Regional Access charges on a bills-rendered basis effective August 1, 2026 as recommended in the August 1, 2026 Co-op Power and Regional Access Rate Change Proposal presented to the Budget, Finance and Rates Committee on June 15, 2026.

Vote was unanimous.

Moultonborough Solar Array and Battery ROI Analysis

Mr. Howland shared the Moultonborough (MOBO) Solar and Battery Cost Benefit Analysis, found in the OnBoard meeting materials, as follows:

Mr. Howland shared the MOBO Solar Array became operational in May of 2018. It is 2 megawatts and produces about 3,100 MW-hours per year. It has produced around 26,000 MW hours since it started. There was a capital investment of $5.3 million. It has a 25-year lifespan, and the initial projection was that it would cost $700,000 more than alternatives. Through 2025, it has been $600,000 less costly than the alternatives due to the market value of solar being higher than assumed in 2017, and the cost to build was lower.

The MOBO battery has been in operation since 2021. It is a 2.5 MW battery that has an output of 5 MW hours. It is dispatched at two hours at a time, and the purpose of it is to shave transmission peaks and annual capacity peaks, which are forecast each day. There was no up-front cost since NHEC partnered with a third party. The projected lifespan of the battery is ten years, but the components can be repaired as they fail. The reduction cost is nearly $800,000 through 2025. NHEC pays the owner $23,000 per month for the services we ask for. Mr. Howland stated that there is an electronic bulletin board connected to the owner and that is how NHEC schedules the battery to run.

- The battery has had historical issues including early performance issues and reduced effectiveness.

Despite MOBO operational issues, NHEC still recovered monetary benefits through non-performance protections which included dollar for dollar reduction in service charges for failed dispatches. Mr. Howland presented the overall cost/benefit for both units as $1.4 million. These are net benefits, taking into consideration depreciation, operation and maintenance.

<u>Discussion</u>:

Mr. Darcy asked if we maintain the solar unit ourselves or if we have a maintenance contract. Mr. Howland stated there is a $5,000 maintenance budget for snow plowing and cutting the grass.

Mr. Darcy inquired about subsidies. Mr. Jennings replied that the battery did not have a subsidy.

Mr. Darcy asked if the MOBO numbers could be used for planning purposes for a battery and solar array in Rumney. Mr. Jennings replied that NRCO suggested we wait due to increased prices due to tariffs.

Mr. Darcy shared that he had a conversation with another utility that said that their batteries would not have been possible without grants and this is an important factor moving forward.

Mr. Goodrich asked if the decline in solar panels is figured into the calculations in terms of the value of investment. Mr. Howland replied the decline was factored into the analysis, but production has remained steady thus far and is monitored monthly.

Mr. Darcy asked if our deal runs beyond ten years, can it be renegotiated by the battery's third party. Mr. Howland will provide that information. Later in the meeting, Ms. Conkling provided Mr. Howland with the contract information that confirmed the contractual life is ten years.

Mr. Darcy noted that the NHEC website states the battery is going to produce a saving of $2.1 million, and that should be revised. Mr. Jennings replied that can be updated, but with capacity prices going up, it may reach that original projection.

Mr. Laufenberg asked if the $800,000 reduction cost is gross or net. Mr. Howland replied it is a net reduction cost.

Mr. Jennings stated that the battery arrangement allows NHEC to share in revenue and ancillary market services as well. He also added that there was a lower interest rate on the solar array because it was funded through a federal bond program. Chair Stringham asked what the interest rate was, and Mr. Jennings will follow up with Chair Stringham on that.

Spring Hedging and Rate Purchasing Strategy

Mr. Howland presented the Spring 2027 Power Purchase Plan and Schedule Proposal, found in the OnBoard meeting materials, as follows:

The spring 2027 rate period is February 1, 2027 – July 31, 2027. The total load forecast for spring 2027 period is 340,000 MWh. Mr. Howland's recommendation is to hedge approximately 67% of the total load. The purchasing timeframe is July 2026 – November 2026.

Mr. Howland reviewed the load forecast, hedging approach, and forecasted pricing. For the rate planning schedule, PR&A proposes making four to six purchases between July and November of 14,000 – 21,000 MWh each. PR&A recommends authorization for up to one long-term purchase, only if significant savings are present. This is not to exceed five years, and not to exceed 6% of total load over the term of the purchase.

Mr. Howland reviewed part of Board Policy B-10, Default Service Power Procurement and Risk Policy and a comparison of historical LMP to current pricing. He shared that markets are not just six months or five years, but for any reasonable timeframe. Mr. Howland also shared historical natural gas prices, as more than 50% of the electricity in New England is produced by natural gas.

<u>Discussion</u>:

Mr. Dwyer stated it may be presumptuous to think that $76 is going to be a high price in five years based on five years ago. When we don't have a locked in customer base due to community aggregation, it can be compared to a bank that takes deposits on short-term and makes investments long-term, and he resists it. Mr. Jennings replied that is why we want to structure long-term purchases in a tiered manner. He added that the contracts are not an entire loss, even if there is more purchased than load obligation, because there is real market value.

Mr. Darcy echoed Mr. Dwyer's concerns and added that markets are in disarray right now, and a better time to strike may be September. Ms. Albee agreed with Mr. Dwyer. Mr. Howland clarified that they do not have a specific date that they would like to make the purchase, but they would like authorization from the board should the opportunity to buy long-term, at a lower rate, present itself.

Mr. Jennings added that this is meant to take a more balanced approach and split the difference a little, so it is not all short-term purchases.

Chair Stringham and Mr. Laufenberg support giving Mr. Howland's group leeway to react to what they see in rates. Chair Stringham added the range of community aggregates will have an effect on how much is hedged.

Mr. Darcy requested a comparison of the five-year spot to a five-year contract and a change in terminology to "ISO New England versus six-month fixed rate" on the report.

Upon motion from Chair Stringham, seconded by Mr. Darcy, it was

VOTED: that the committee recommends that the Board of Directors authorizes the following resolution:

WHEREAS, the organization seeks to secure reliable and cost-effective power supply to meet forecasted load requirements; and

WHEREAS, the long-term price forecast is more favorable than near-term pricing, making a multi-year agreement advantageous; and

WHEREAS, it is prudent to establish clear criteria to ensure financial and operational risk is minimized;

NOW, THEREFORE, BE IT RESOLVED THAT:

1. Staff is authorized to negotiate and execute up to one-time long-term power purchase agreement, after July 2026, subject to the following conditions:
    - Term: The agreement shall not exceed five (5) years in duration.
    - Load Commitment: The purchased power shall not exceed 6% of the organization's forecasted load during the term of the agreement.
    - Long term purchase would be executed only if significant savings exist
2. The contract executed under this authorization shall be considered part of the 67% pre-purchased hedging threshold for the Spring 2027 rate period.
3. In addition, the Board authorizes staff to pre-purchase the remainder of the hedging requirement, approximately 67% coverage of forecasted load, through short-term contracts of approximately six (6) months in duration, consistent with the strategy presented at the June 15th, 2026 Budget, Finance & Rates Committee Meeting.

Vote was unanimous.

Chair Stringham thanked the senior leadership team for the discipline they put into the budget process, balancing reliability, member satisfaction and fiscal discipline.

Budget Objectives Discussion

Ms. Taylor started discussion on budget structure and outlined key budget assumptions. Following last year's schedule, the core budget will be presented first, with business cases presented the following month. She asked the committee if there are any other topics or areas of consideration they would like included in the 2027 budget. Ms. Taylor noted the budget timeline is available in packet.

Mr. Darcy stated he has three items on the distribution budget:

1. Mr. Jennings and Mr. Holbrook are working on a reallocation of costs between the broadband and electric business, which will result in changes on the electric side of capital and operating costs that will need to be presented to the board.
2. Last year, adjustments were made to revenue projections, and they will need to be re-examined again this year.
3. Last year, for first time, there was a payroll attrition assumption, and that should be re-examined to see how we did.

Chair Stringham noted last year's 14.1% margin in relation to future expectations, considered long-term versus near-term allocation of margins and capital credits, confirmed a 4% target for the base business, and noted the upcoming budget timeline leading into a September meeting.

Solar/Net Metering Discussion - EXECUTIVE SESSION

Upon motion from Chair Stringham, seconded by Mr. Goodrich, it was

VOTED: that the committee go into executive session for the purpose of a confidential discussion on solar net metering policy considerations and individual contracts.

Vote was unanimous, and the committee entered executive session at 2:40 p.m.

At 3:06 p.m. the committee came out of executive session.

Action Items:

- Mr. Clark will share a report on what the rate impact would be if a certain percentage of our members migrated to community aggregation.
- Mr. Clark will provide a comparison of the RAC charge and how much is allocated for each rate class.
- Mr. Jennings will follow up with Chair Stringham on the interest rate for the solar array.
- Mr. Howland will provide a comparison of the five-year spot to a five-year contract and change the terminology to "ISO New England versus six-month fixed rate" in the report.

Adjournment

Chair Stringham adjourned the meeting at 3:07 p.m.