

**New Hampshire Electric Cooperative, Inc.
Minutes of the Meeting of the
Corporate Services Committee**

**Zoom Meeting
November 17, 2023 8:30 a.m.**

Present: Corporate Services Committee members: Ed French (Chair), Alana Albee, Leo Dwyer, and Bill Darcy
Other Board members: Jeff Morrill, Tom Mongeon, Carolyn Kedersha, Sharon Davis, Madeline McElaney, and Harry Viens
NHEC employees: Alyssa Clemesen Roberts, Mike Jennings, Jeremy Clark, Kristen Taylor, Josh Mazzei, Kelley Achenbach, Autumn Doan, Sonja Gonzalez, Carla Munoz, Peter Glenshaw, and Edee Murphy (Recording)
Others Present: Paul Phillips-NHEC Counsel

Meeting Called to Order

Chair French called the meeting to order at 8:30 a.m.

Agenda Review/Minutes Approval

There were no suggested changes to the agenda. Ms. Albee requested the words, "effective August 1, 2024" be added to page 4, line 43, which refers to the 10% increase in healthcare.

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

VOTED: That the committee approves the October 26, 2023, Corporate Services Committee meeting minutes as amended.

Vote was unanimous.

2024 Budget Presentation

Ms. Clemesen Roberts thanked staff for the incredible amount of time put into the 2024 budget and thanked the board for their comments and questions at the October 26, 2023, Corporate Services preliminary budget presentation meeting.

Ms. Taylor, Ms. Doan, and Mr. Clark reviewed the 2024 Budget information included in the meeting packet, pointing out changes from last month's presentation as requested, which included:

- \$2.3M Distribution margin down from \$2.4M after the last few adjustments to expenses were made on the Distribution side.
- "Effective date of August 1, 2024" has been noted on the health insurance expense.
- Rounding done on the Sales Forecast numbers to: \$0.6M Delivery Sales Revenue Growth, and \$0.3M Other Electric Revenue Growth.

Discussion:

- ❖ In answer to a question regarding FTEs, Ms. Clemesen Roberts clarified there are not seven "additional" positions per se, because those positions were budgeted last year; we actually cut ten positions. The seven positions are in the following areas: One broadband, two in Power Supply, one lineworker, one OS, an accountant, and an IT position.
- ❖ It was noted that the presentation was marked confidential consistent with past budget

presentations, but that the confidential marking would be removed from the presentation at the November Board of Directors meeting.

- ❖ It was noted that the increase in 2024 Budget for Power Resources Other Expenses, Consulting & Legal, is for a one-time consultant to review purchasing strategies, staffing, etc., and is budgeted at roughly \$100K.
- ❖ In response to a comment, Ms. Clemesen Roberts commented that next year, all three budgets (Distribution, Broadband and PR&A) will be presented at the same time.
- ❖ It was confirmed that the budget resolutions in today's meeting packet include Distribution and Power Resources. Ms. Clemesen Roberts mentioned that the board will have the 2024 Broadband budget at the November 28, 2023, board meeting. Mr. Mongeon commented that including the budget dollar amounts in the resolutions would be helpful.
- ❖ Mr. Darcy mentioned he had requested information on residential billing and metering costs. Staff responded that information is not readily available and is not an "easy ask," but they will look into it.
- ❖ In answer to a comment, staff mentioned that Basic allocations of rate increases (volumetric charge vs. Member Service Charge) can be discussed in conjunction with the 2024 Cost of Service Study (COSS).

Ms. Clemesen Roberts paused on the Rate Change Scenarios slide, which shows volumetric/Member Service Charge scenarios, and requested committee member feedback.

Discussion:

- ❖ Mr. Dwyer voiced he would choose 100% Member Service Charge for the rate increase to encourage members to shift towards electricity usage (cars, heat pumps, etc.); putting the rate increase to the Member Service Charge discourages that. He also suggested performing a study of the average consumption of a seasonal member.
- ❖ Ms. Albee voiced her concern that low consumers of electricity who try to become more efficient are still faced with a bill that has a quite high proportion of Member Service Charge. She would like to learn more about what Vermont Electric Cooperative does, as their beneficial electrification has taken off more than NHEC. She also wonders if there is anyone who has capped the residential member service charge in any way.
- ❖ Mr. Darcy stated his recommendation is 100% volumetric; NHEC's Member Service Charge currently is not only way above our peers in New Hampshire, it is way above our peers in the cooperative world. He added that both Washington and Vermont Electric are less dense than NHEC, so density is not what moves the meter.
- ❖ Mr. French commented that when looking at the kWh usage for lower income members of NHEC, they were actually using higher levels of kWh than others, so increasing the volumetric charge would disproportionately hurt those lower income members. He commented he prefers 100% Member Service Charge but could support a 75% Member Service Charge/25% volumetric.

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

VOTED: That the committee recommends the Board of Directors approve the 2024 Capital Construction Budget of \$22.1 million, the 2024 General Plant Capital Budget of \$2 million, and the 2024 Capital Improvement Budget of \$9.3 million for a total Capital Budget of \$33.4 million as recommended by staff in the proposal as presented.

Vote in favor: Ms. Albee, Messrs. Darcy and French. Mr. Dwyer abstained because he wants to see a consolidated budget/consolidated balance sheet for the whole entity.

The motion carried.

Mr. French made the following motion:

That the committee recommends the Board of Directors approve the 2024 Distribution Operating Budget of \$76.8 million, 2024 Distribution Net Margin of \$4.8 million, and 2024 Other Power Resources & Access Operating Budget of \$2.4 million in Other Expenses as recommended by staff in the proposal as presented.

Mr. Darcy seconded the motion “for discussion” purposes.

Discussion on the motion:

- ❖ Mr. Darcy stated he is not satisfied with the answers to the questions he asked, i.e., comparative wage and benefit data. He stated that a request was also made for a spreadsheet with all the major budget categories compared to the last three full years of actual data. He added that some aspects were covered in the presentation, but not on an overall basis. He stated he will not be voting for the operating budget until he receives the information mentioned.
- ❖ Ms. Albee stated that although she understands the reasons behind the budget, she would have liked to have seen an attempt to get to the agreed-upon ceiling of a 3.5% rate increase. She stated she will not vote for this motion.
- ❖ Mr. Dwyer stated he was hoping to receive a spreadsheet with detail he could manipulate and stated he will not vote for the motion.

Vote in favor of the motion: Mr. French voted affirmative; all other committee members voted no.

Motion does not carry.

Mr. Darcy made a motion “for discussion” as follows:

The committee recommends that the Board of Directors approve the recovery of \$2.8 million in Distribution Revenues as recommended by staff in the proposal on a bills-rendered basis effective January 1, 2024 as presented.

Ms. Albee seconded the motion “for discussion” purposes.

Discussion on the motion:

- ❖ Committee members stated that the topic in the motion has already been discussed.
- ❖ Chair French stated that the motion is for the staff-recommended 50/50 split between volumetric and Member Service Charge if the rate increase is approved.
- ❖ Mr. Dwyer commented this needs to be a full board discussion.

Vote: All committee members voted no.

The motion does not carry.

Chair French requested the minutes reflect that the committee is not recommending the 50/50 split and that the topic needs to be discussed at the full board level.

Mr. Dwyer shared a document showing scenarios that he compiled related to kWh consumption and rate increase/Member Service Charge. Mr. Darcy requested that Mr. Dwyer share his document with all board members.

In response to some of the directors' feedback on the budgets, Ms. Taylor commented as follows:

- Staff can try to pull together the wage and benefit analysis, as requested by Mr. Darcy, before the November board meeting.
- Regarding the comment about trimming the rate increase back to 3.5% – staff has done all the trimming we can do. The reality is we need an even healthier margin with the cashflow that is a result of our broadband build. The 4% increase is not enough, but we have done what we can. We are putting together the financial projections for broadband, we will be posting the budget today and presenting it next week, and then at the board meeting, so that we see what the consolidated impact will be with regards to the broadband budget and how it affects our operating and capital budgets.
- On the expense analysis, as part of our strategic planning, we had put together the distribution expenses over the last five years and posted that data as well as normalizing them. She added she is unsure what additional information was requested. Mr. Dwyer commented he was looking for a lot more detailed data/line items and a balance sheet that tied out to the P&L; there are about three or four line items in that spreadsheet and he was looking for 20-30-40 line items to get at more detail, and a balance sheet that tied out to the P&L. Ms. Taylor commented that she believes the request was for the major cost categories which staff provided; if more detail was requested, she is happy to provide that. She added Finance is willing to give any information that will satisfy a comfort level. Mr. Dwyer commented he will put together a more exact request and apologized. Ms. Clemens Roberts commented Mr. Dwyer's request will be reviewed and discussed to see what staff can do. She concurred that the 4% increase is not what staff originally recommended and the margin we have is not what staff would recommend but understands we are threading a needle; this is why staff asked that the full budget be presented at the board meeting where everyone will be in attendance and we can have a robust discussion about what the board feels is the strategic priority in terms of rates and what this should look like going forward.

Chair French thanked staff for developing this comprehensive package and commented there was good discussion today. He added he would have liked the committee to have recommended the budget, but the full board will have the opportunity to look at it, and staff may have an idea in terms of providing additional information to hopefully bring us forward at the November board meeting.

Adjournment

Upon motion by Mr. Dwyer, seconded by Mr. Darcy, Chair French adjourned the meeting at 9:53 a.m.