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

Zoom Meeting
September 23, 2022 10:30 – 11:30 a.m.

Present: Committee members: Ed French (Chair), Leo Dwyer, Sharon Davis, Brenda Boisvert
Other Board members: Tom Mongeon, Jeff Morrill, Harry Viens, Carolyn Kedersha, Harry Viens, Bill Darcy
NHEC employees: Alyssa Clemsen Roberts, Drew Dunagin, Geoff Ziminsky, Steve Kaminski, Jeremy Clark, Kristen Taylor, Robyn Sarette, Autumn Doan, and Edee Murphy (Recording)
Others Present: Paul Phillips-NHEC Counsel

Meeting Called to Order

Chair French called the meeting to order at 10:31 a.m.

Agenda Review/Minutes Approval

There were no changes to the agenda.

Upon motion by Ms. Davis, seconded by Ms. Boisvert, it was

VOTED: That the committee approves the July 19, 2022, meeting minutes as written.

The vote was unanimous.

Semi Annual A/R Write-off

Mr. Dunagin commended staff (Finance, Member Solutions, in-field collections personnel, etc.) for doing a great job through COVID and beyond, adding that write-offs for this period are exceptionally low. The current write-off period is October 2021 through March 2022, which is subsequent to the period where accounts would have gone final that were post-COVID and were written off. He mentioned that is why there was a slight jump on the last write-off as shown in the summary; however, given COVID, it was not outside the norm of prior write-offs.

Mr. Dunagin reviewed uncollectible electric accounts and miscellaneous accounts receivable write-off amounts and the percentages of write-offs to sales. He reminded the committee that NHEC continues to pursue collections on these accounts, and that the finance department will be closely monitoring how the A/R balance is trending.

In answer to a question, Mr. Dunagin confirmed that this write-off is for inactive accounts. In answer to another question, Mr. Clark responded that as of September 21, 2022, all 90-day arrears (active and inactive accounts) after today’s write-off, is approximately $129,000.

Upon motion by Ms. Davis, seconded by Ms. Boisvert, it was

VOTED: That the committee recommends the Board of Directors authorize a write-off for uncollectible electric accounts, excluding bankruptcies, in the amount of $43,881.58 for accounts final billed October 2021 to March 2022 and miscellaneous accounts receivable in the amount of $25.00 and directs staff to continue to attempt recovery of these uncollectible accounts, as presented to the Corporate Services Committee on September 23, 2022.

The vote was unanimous.

Mr. Dunagin then reviewed a proposal for the uncollectible inactive accounts and miscellaneous AR process. That is, beginning in 2023, staff is proposing to transition from a semi-annual write-off to an annual write-off in October. The write-off would include accounts that have final billed during the twelve-month period from April 2022 through March 2023 and would generate better year over year reporting. Moving the process from September to October would bring alignment with the timing of the inventory adjustment/write-off and would eliminate the need to present the write-off as a topic in the March Corporate Services Committee meeting. Staff will prepare an executive summary for the uncollectible electric accounts and miscellaneous receivable write-off informing the Board of the write-off.

Board Policy B-2, Attachment B, was included in the meeting packet, with redline edits to reflect the proposed changes mentioned in the paragraph above.

Upon motion by Ms. Davis, seconded by Ms. Boisvert, it was

VOTED: That the committee recommends the Board of Directors approve Board Policy B-2, Attachment B – Corporate Services Committee with recommended changes as presented.

Vote was unanimous.

Mr. Phillips joined the meeting at 10:48 a.m.

Signatory Authority

Ms. Achenbach reviewed proposed changes as presented in the meeting packet. The changes were mainly due to the onboarding of the new President/CEO, Alyssa Clemsen Roberts, along with other changes in personnel. In answer to a question, Ms. Achenbach clarified that authorization limits are outlined in NHEC procedures.

Upon motion by Ms. Davis, seconded by Ms. Boisvert, it was

VOTED: That the committee recommends the Board of Directors approves NHEC Signatory Authority List with recommended changes as presented.

Vote was unanimous.

Reasonable Rate Trajectory

Mr. Dunagin commented that the reasonable rate trajectory topic has been on the horizon for discussion for a number of years. Rate trajectory is necessary in order for effective long-term/strategic planning and prioritization of initiatives. Referencing the projected Financial Forecast that was presented at the July 2022 Corporate Services Committee meeting, he pointed out two categories where there is a lot of pressure on the budget: Distribution margin ($4 million), and the equity level of 40%. He mentioned the board may want to consider accepting something less on the Net Margin, and perhaps reconsider the initiative for capital credits. In summary, staff proposes to establish a reasonable rate trajectory to guide budgeting and planning with the goal of ensuring financial stability for the cooperative and rate stability for members. If approved, this would be added as a goal in the Equity Management Plan.

Mr. Clark reviewed comparable metrics compiled by staff that could be used as comparisons in developing a reasonable rate trajectory, highlighting the following areas:

- Metric 1: NHEC Revenue Budgets
- Metric 2: Consumer Price Index
- Metric 3: New Hampshire Residential Distribution Rate Comparisons

Recommendation: Staff recommends establishing a reasonable rate trajectory of at least 3.5% per year. This parameter would be included in the next Equity Management Plan as the Acceptable Total Distribution Annual Rate Increase and would be re-evaluated with the biennial Equity Management Plan review. Based upon the 2023 billed revenue budget, a 3.5% increase to rates would be $2.35 million. This would result in an approximate $2 per month increase for Basic Residential members if fully allocated to the Member Service Charge.

Mr. Dunagin emphasized that this discussion and recommendation is step one in a process of re-evaluating the Equity Management Plan. NHEC needs to at least set a baseline, and from there have budget discussions regarding best priorities on which to focus. He reviewed a forecast comparison indicating if rate increases are capped at 3.5%, and we do not change anything else, we get to a loss for 2024 and beyond. Mr. Dunagin welcomed committee input.

Discussion:

- Chair French echoed Mr. Dunagin's point that based on everything we have been doing, and are planning to do, there is significant rate pressure in the coming years partly caused by NHEC holding off on distribution rate increases for a few years. The revenue we raise dictates what we will be able to do with expenses, including general operations, capital items, strategic items, etc. This discussion will provide guidance to management in terms of board comfort regarding rate increase. He added it does not guarantee or require the board to approve a budget that meets this, but if we suggest a certain percentage we are comfortable with, it gives management a working point. The board will still look at and approve budgets.
- Committee members and other board members complimented staff for engaging in this exercise and offered some comments as follows:
  - Rate trajectory planning should help alleviate some of the rate shock.
  - Take a serious look at cutting costs. Also look at items in cost structure that are going to be affected by CPI; those are real costs that need to be passed through.
  - There was a suggestion that, in addition to the one-year and ten-year figures, a five-year CPI average be included in the presentation.
  - There was suggestion of zero-based budgeting and cost containment.
  - There was a comment that there may be a cooperative culture where management is reluctant to reduce headcount.
- Mr. Dunagin assured the committee that staff is diligent in the budget process; however, there are sizeable upward cost pressures going on at one time including tree trimming and capital construction, as well as other increased costs that hit the P&L.
- Chair French commented that staff will make recommendations when the budget is presented; those decisions are not being made today.
- There was mention of looking at in-house tree trimming versus contracting.

- ❖ Ms. Clemsen Roberts commented that the 3.5% is pretty measured, and one of the reasons NHEC is in this position is because we have not had rate increases for years. This has long been a utility practice, to go as long as possible without raising rates. Then you have some sticker shock with the actual increase suggested in the spreadsheet over 7%, and then almost 7% the next year, to level out at 2.5%. So, the question is beyond what the amount is – it's how does NHEC and the board of directors believe NHEC should be budgeting and planning for rate increases. Like everyone else, NHEC is facing inflationary pressures. Regarding the board member comment about reducing headcount, Ms. Clemsen Roberts commented that so far, she has found a staff that is probably extended as far as they can be, and in some areas NHEC is grossly understaffed, with areas not being properly attended to. She added that a rate increase discussion is not easy but is needed to continue to meet the price of materials, the salaries to retain our highly qualified dedicated staff, and possibly more to attract new staff.
- ❖ Ms. Clemsen Roberts commented that as we go to set the budget and leading into strategic planning, it will be essential that everyone is on the same page with what we can and cannot do with the budget and the staff that we have.

Upon motion by Ms. Davis, seconded by Ms. Boisvert, it was

VOTED: That the committee recommends the Board of Directors authorize the addition of an Acceptable Total Distribution Annual Rate Increase of 3.5% to the Financial Goals of the Equity Management Plan to guide long-term planning, as presented. In the future, this would be re-evaluated with the regular biennial review of the Equity Management Plan.

<u>Discussion on the motion</u>:

- ❖ Mr. Dwyer questioned the relevance of the language in the motion, i.e., the language limits the increase to 3.5%, and inflation will be 7%-9% this year.
- ❖ Chair French stated it is essentially no different than voting to approve the Equity Management Plan; it presents a recommendation and a target.
- ❖ Mr. Phillips commented he feels it is appropriate for the committee to recommend to the board, as stated in the motion.

Vote: Three for the motion; one against (Mr. Dwyer).

Rate Design Review

Mr. Clark commented there is no resolution at this time. Today's presentation is to review things that have been done in prior years to provide information necessary to develop a recommendation alongside the budget.

The topics reviewed in Mr. Clark's presentation were as follows:

- Rate Design Timeline
- Cost of Service Review
- Rate Design Guiding Principles
- Member Service Charge

<u>Discussion</u>:

- ❖ Mr. Darcy commented he thinks it is one of NHEC's duties to suppress the COSS on the member service charge in consideration of low income and lower middle class members.
- ❖ A board member commented that a frequent member question is, "Why is NHEC's member service charge so much higher than the other utilities?". She asked if NHEC is that much less efficient than

investor-owned companies, or are there other answers? Ms. Clemsen Roberts responded that this was a good point to bring up, because staff needs to provide board members with some talking points. She added vehemently that it is not that NHEC is less efficient, it is that our territory is that much more rural and lacks any dense areas. She added that staff will be happy to work on developing some talking points for the board to educate members on that.

Chair French stated that the meeting has run over and asked that further discussion be continued at next week's board meeting. He stressed the importance of the discussion and thanked everyone who played a role in developing the information presented today.

Adjournment

Upon motion by Ms. Davis, seconded by Mr. Dwyer, Chair French adjourned the meeting at 11:53 a.m.