

Approved

**New Hampshire Electric Cooperative, Inc.
Minutes of the Meeting of the
PR&A Committee
Zoom Meeting
September 18, 2023 8:30 a.m.**

Present: PR&A Committee members: Bill Darcy (Chair), Alana Albee, Madeline McElaney
Other Board members: Tom Mongeon, Harry Viens, Jeff Morrill, Sharon Davis
NHEC employees: Alyssa Clemens Roberts, Rob Howland, Mike Jennings, Colleen Dunion, Sonja Gonzalez, Kristen Taylor, Peter Glenshaw, and Jeanette Fecteau (Recording)
Others Present: Paul Phillips – NHEC Counsel

Meeting Called to Order

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

Agenda Review

There were no suggested changes to the agenda.

Items Requiring Action – Board Policy Review

B-27

Chair Darcy asked if there were any suggested changes related to Board Policy B-27. Ms. McElaney asked if the last section should state President / CEO to be consistent with other Board policies.

Upon motion by Chair Darcy, seconded by Ms. McElaney it was

VOTED: That Board Policy B-27, Section III will state “President/CEO” to be consistent with other Board policies.

Vote was unanimous.

Discussion: Chair Darcy mentioned that Policy B-27 states in Section I GOAL, 1 – “reliable competitive retail electricity supply options”. There are options for commercial and industrial because of the competitive suppliers but on the retail side there are no viable options. Chair Darcy would like there to be options that contain renewables. Chair Darcy suggested that this may be something that should be considered in the future. Ms. Albee asked if Chair Darcy was making an amendment at this time. Chair Darcy stated that he was not making a motion at this time. Chair Darcy was aware that this is something that would be considered as part of the Strategic Plan process.

Ms. Albee asked if the January, 2023 PR&A Committee Meeting Minutes needed to be approved at this meeting. Chair Darcy mentioned that these had been approved by the full Board as part of the new process. Ms. Albee stated that in relation to the January, 2023 meeting, Mr. Mongeon had suggested the policy that

concerns the “Bounds of Authority” should be reviewed at the next PR&A meeting. Ms. Albee also reminded that Ms. Kedersha had asked that the long-term generation contracts should be reviewed by the Board. Ms. Albee asked if that was to be discussed. Chair Darcy stated that he believed that there should be a recommendation from the administration regarding that. Chair Darcy asked CEO Clemens Roberts if it would be possible to have that for the next PR&A meeting taking place in February, 2024. CEO Clemens Roberts responded Yes.

Ms. Albee recommended an addition to Policy B-27 Section II OBJECTIVES, A, 2, b) places high value on informing and educating the Board of Directors and the members about wholesale electricity markets, electricity from distributed resources, renewables, environmental attributes, and retail access matters, and NHEC’s related role, actions, products, and services, so as to help the Board of Directors and members understand implications and options available to them, and approve and/or confirm the overall strategy of power purchasing proposed by NHEC staff each year.

Ms. McElaney asked if this would be considered a part of the Bounds of Authority. Ms. Albee replied that she believed that while it is important to be clear about the Bounds of Authority, Ms. Albee believed that this is more about the role of the PR&A committee in making sure they are comfortable with the strategy for power purchasing. Ms. Albee went on to mention that the role of the PR&A committee approving the strategy is not mentioned here or elsewhere.

Ms. McElaney mentioned that her only concern was that Board members to not get too deep into the specifics of the strategy.

Upon motion by Ms. Albee and seconded by Chair Darcy it was

VOTED: that the PR&A Committee would recommend the addition of the statement.

The vote was unanimous.

B-2 E

Chair Darcy recommended that the addition of the standard Responsibility section “The Power Resources and Access Committee is responsible for ensuring the provisions of this policy are carried out and for the annual review of this policy with the Board of Directors” be added to the policy.

Upon motion by Chair Darcy and seconded by Ms. Albee it was

VOTED: that the standard Responsibility section be added to the policy.

The vote was unanimous.

Ms. Albee mentioned a possible additional change for discussion in Section I STATEMENT OF FUNCTIONS AND AUTHORITIES, 1 Recommend a Statement of Functions and Authorities of the Committee to the Board of Directors for approval and review the Statement annually, recommending to the Board any changes deemed appropriate”. Chair Darcy stated that he believed that statement was suggesting the reaffirmation of the policy annually. CEO Clemens Roberts agreed with Chair Darcy regarding the purpose of this section. Ms. Albee suggested the replacement of statement with policy to avoid future confusion. CEO Clemens Roberts

suggested eliminating this section and renumbering the policy based on the addition of the Responsibility section.

Upon motion by Chair Darcy and seconded by Ms. McElaney it was

VOTED: that section 1 of the STATEMENT OF FUNCTIONS AND AUTHORITIES would be recommended for elimination from the policy based on the previously recommended addition of the Responsibility section.

The vote was unanimous.

Current Events

Mr. Howland reviewed current events. Mr. Howland mentioned that energy markets have come back to normal levels as previous to the price spike which occurred in 2021 and 2022. These were the highest prices seen in the last six to eight years. They have dropped from the peak prices of nearly \$10.00 a unit for natural gas to less than \$3.00. This is a pre-2022 normal price. This spike was reflected in electricity prices in the early months of 2022.

Mr. Howland went on to review the Annual Average Market Price - LMP (Locational Marginal Price) chart which showed the spike in 2022 of the Actual Settled Average Annual Price. From 2016 – 2020 prices stayed level with the exception of the extremely cold winter in 2018. In 2021 the price doubled from the 2020 average and then doubled again from 2021 to 2022. Although the full year of 2023 data is not yet available, the price would be considerably lower than the \$86.00/MWH in 2022. Chair Darcy asked if it would be in the \$55.00/MWH range. Mr. Howland responded that he did not have the exact figure but that it would be in that range. The pricing should be much closer to the 2021 pricing. The 2022 pricing was an outlier and not typical.

Mr. Howland showed the expected Seasonal Temperature Outlook charts and explained that one of the biggest drivers of future prices is temperature. The National Weather Service is suggesting a warm winter for New England and warm for the first half of 2024 throughout the country. Warm temperatures in the winter tend to dampen electricity prices but warm or hot temperatures in the summer tend to increase electricity prices. Staff is currently looking at purchasing for the February through July rate period as hedge goals for the Fall 2023 period have been fulfilled.

Mr. Howland reviewed the hedging goals which are annually reported related to the requirements of Board Policy B-2 attachment E. There have been no changes to the mid-term and long-term coverage goals for 2023. Not all necessary electricity is purchased in advance to ensure if some members were to convert to a competitive supplier or if favorable pricing is available for short-term purchases there is space in the procurement plan.

Chair Darcy mentioned that this is the subject that Ms. Albee had raised, and CEO Clemens Roberts agreed would be discussed in February.

CEO Clemens Roberts mentioned that not purchasing fully also allowed for adjust if milder weather than predicted occurred and try to avoid over purchasing of power.

Mr. Howland reviewed how short-term purchases are targeted on a monthly based on three timeframes of Weekday, Weekend and Holiday, and Evening Hours. The volatility in 2022 has led to some months becoming covered at a higher rate in 2023 versus other years.

Mr. Howland reviewed the status of the Beaver Ridge Wind contract. It was originally a high-priced contract but has been renegotiated to a lower price, only purchasing renewable energy credits. It was due to expire at the end of September, 2023 but has been extended for two years. NHEC will be purchasing quarterly at market price. NHEC will buy the full output of about 11,700 RECs per year. This is approximately 16% of NHEC's 2023 Class I REC obligation of 73,000 RECs.

Chair Darcy asked how the market price was determined. Mr. Howland explained that the market price was determined by using a three-month average of the price on the first day of the month for the prior three months from a pre-determined list of brokers specified in the contract.

Mr. Howland provided an overview of the ISO-NE/NEPOOL Market Update. ISO-NE made a special arrangement to keep the Mystic plant generating power for two winters (Winters 2022 and 2023). This year will be the last year of the arrangement. This deal is believed to be a somewhat controversial arrangement made by ISO-NE. At this time there are no reliable cost estimates as to what the cost to NHEC will be for the coming winter. Indications from ISO-NE show that it is not likely that this arrangement will continue past this winter.

Mr. Howland continued the ISO-NE/NEPOOL Market Update by providing information related to the Inventoried Energy Program (IEP). ISO-NE implemented the Inventoried Energy Program to help assure that sufficient fuel supplies will be maintained in the region to serve load during cold weather conditions. Generating facilities are paid to keep 72 hours of fuel on hand in case of extreme conditions. It is believed it will have a potential impact on NHEC of a cost of up to approximately \$850,000 spread over four months of November to February. ISO-NE believes this will solve the problems that arise during the weeklong cold snaps.

Ms. Albee asked what the difference was between last year and this year or this was something we did not have previously. Mr. Howland explained that this is a new initiative beginning this year.

Chair Darcy asked if this was being done related to reliability in lieu of the Mystic plant. Mr. Howland responded that this program was to provide reliability in addition. He continued to explain that some generating plants have been reluctant to purchase fuel prior to knowing if they will be called on to generate. ISO-NE has solved that by committing to pay the generating plants to have the 72 hours of fuel on hand. The plants that sign up for this voluntary program will be committing to having the fuel on hand and will be paid for that.

Chair Darcy asked if this program would continue in future years. Mr. Howland responded that he believes ISO-NE will continue it if it proves to be successful.

Ms. Albee asked if it was similar to a savings account that the money would be used if necessary and roll into the next year if not used. Mr. Howland stated that it was more like an insurance policy. You pay the premium for the year whether you need to utilize or not, and then pay another premium next year.

Chair Darcy suggested that perhaps it would be utilized to lower expenses later in the year if it had not been used by having the fuel available for later use. Ms. Albee stated that she understands Mr. Howland's insurance premium analogy but believes as we are purchasing something we should be able to use later in the year.

Mr. Howland moved on to review the ISO-NE/NEPOOL Forward Capacity Market and explained some potential changes to the market that could affect how capacity purchases will be performed near the end of

this decade. The system may move away from the annual market taking place to purchase three years in advance and move to a system that allows for purchasing much closer to the time of need.

Chair Darcy asked if this change was due to the high prices in 2022. Based on if you entered into a market during 2022 you would have high prices for the remaining years of that deal and this a method to reduce the risk involved in that type of a three-year purchase. Mr. Howland explained that the forward capacity market is less concerned with the cost of the energy and more concerned with sufficient generating capacity available to serve the load. It is driven by the concern that the generation fleet is changing from dispatchable fossil fuel to renewables. Wind and solar options are intermittent and not always available and can't be relied upon to provide generating capacity at all times.

PR&A Five Focus Areas and Dashboards

Mr. Howland reviewed the five focus areas of the PR&A Department.

- Access
- Distributed Energy Resources
- Energy
- Renewables
- Risk Management

Mr. Howland reviewed the following dashboards:

- Load and Resources Forecast
- Annual PR&A Costs
- Annual RPS Obligation Costs
- NHEC Energy Portfolio by Supplier
- Annual MWH Deliveries
- Member Site Generator Installed Capacity
- Summary Dashboard
 - Load Forecasting Variance
 - Power Resource Costs
 - Renewable Portfolio Standard
 - Portfolio Risk Management
 - Competitive Supplier Access
 - Distributed Energy Resources

Discussion: It was asked if there was a plan for filling in the long term needs on the Forecast Dashboard for 2024 and 2025. Mr. Howland explained that since the publishing of the committee information another slice had been purchased for 2024. This brings down the uncovered load from 82% to 73%. Additional long-term purchases were not made in the past 18 months due to the extremely high prices. Mr. Howland went on to explain that Staff would be reviewing the strategies for the hedging and long-term purchases. CEO Clemens Roberts agreed with Mr. Howland and mentioned that the strategy utilized by NHEC in the past to have less coverage had worked well because the market was not erratic as the last couple of years. Historically what has worked did not work well in the end of 2021 and moving into 2022. Concern had been raised by the Board regarding the level of under collection at that time. A consultant will be coming in to discuss a modern-day strategy and current market structure. This consultant would provide educational information but would not

be setting the strategy moving forward. This would allow for preliminary discussions at the PR&A committee meeting in February, 2024. Ms. Albee mentioned that it would be useful for the PR&A committee to understand some of the details related to the long-term contracts regarding how far out these contracts run in order to understand the long-term resource strategy. CEO Clemens Roberts said that it should be possible to provide a list of the long-term contracts for the February, 2024 meeting.

Mr. Howland reviewed the Annual Power Resources and Access Costs chart and highlighted how, as previously discussed, the energy costs for 2022 were significantly higher.

The Annual RPS Obligation Costs were reviewed. Mr. Howland mentioned based on Renewable Portfolio Standard approximately 23% of electricity must be from renewable sources for 2023. This is approximately \$3,000,000 cost which is expected to increase as the obligations to purchase renewables are increasing each year.

Mr. Howland reviewed the NHEC Energy Portfolio by Supplier. This slide shows the percentages purchased from various suppliers.

The Annual Deliveries slide was reviewed by Mr. Howland. This slide shows the breakdown by percentage of Co-op Power, Ski Contracts and Competitive Suppliers. Chair Darcy asked if the Competitive Suppliers percentage was for mostly commercial members. Mr. Howland confirmed this.

Mr. Howland reviewed the Member Sited Generator Installed Capacity slide. This is almost entirely related to member-owned Photovoltaic systems. These percentages represent the percentage of installed capacity of peak load.

Community Power Coalition of New Hampshire Update

Chair Darcy reviewed the Discussion of Community Power Coalition of New Hampshire slide and explained that in most cases if a municipality/town signed up with CPCNH the customers/members had to opt out of the program if they did not which to participate. However, there is a different approach with NHEC territories, members must opt into the program if they wish to participate. This is outlined on CPCNH's FAQ page of their website. Chair Darcy mentioned that the CPCNH rate appeared to be slightly lower than the current NHEC rate. CEO Clemens Roberts pointed out that this difference is the under-collected amount from the previous rate period. Ms. Albee asked if there is a way to track the number of NHEC members that are opting in to participate. CEO Clemens Roberts said that she would look into this and report on it at the next Board meeting. Mr. Mongeon asked if NHEC is monitoring how CPCNH is staffing and growing. CEO Clemens Roberts mentioned that she had discussions with Mr. Callnan prior to his departure regarding staffing. NHEC is viewing news articles regarding the communities participating but is not monitoring their staffing strategies. Ms. Taylor stated that Mr. Clark in the Finance Department is monitoring any members moving to CPCNH just as is done with all other competitive suppliers.

ISO-NE Update

CEO Clemens Roberts spoke about the NEPOOL Publicly Owned Entities Comments that was provided to ISO-NE on June 29, 2023. CEO Clemens Roberts mentioned that NHEC worked with municipalities and Co-ops to provide some talking points regarding some concerns related to matters at ISO-NE and some of the candidates for the ISO-NE Board of Directors. This was used to oppose some of the candidates. The Mystic Plant and the costs related to it are of the concern. Other concerns relate to the alarmist comments made at times by ISO-NE

which are affecting the market and causing fluctuation. Massachusetts and Vermont had some concerns related to renewable energies. However, this was not a concern for NHEC. Chair Darcy commented that he was concerned that the Publicly Owned Entities were mostly in Massachusetts and by asking for ISO-NE to support state policies it was endorsing Massachusetts and other New England states policies that were inconsistent with New Hampshire policies that may affect our costs and reliability. CEO Clemens Roberts mentioned that she had discussed this subject with the full Board of Directors in May.

TER Update

CEO Clemens Roberts reviewed the status of the Transactive Energy Rate Pilot program. Seven members are signed up for the TER pilot. The pilot was started six months ago and was supposed to end in September, 2023. A six-month extension was added to the pilot because the program is not believed to be ready for wider distribution at this time. At the end of September, the six-month extension will begin. At the end of the extension, it will be decided if the TER will be recommended to the Board as a permanent rate or if the TER program will be discontinued. This is a complicated program and there have been some issues with billing. There have been two bills in a row that have been correctly produced and sent to Plymouth State University. However, Plymouth State is having some difficulties with the vendor they are working with not providing all items that they were promised by this vendor. Another vendor related to the program is having issues related to electronic communication that they have not fixed at this time. It has also been learned that GM does not have a vehicle with bi-directional charging capabilities (vehicle to grid and grid to vehicle) at this time. They are anticipating that this will become available in 2024. CEO Clemens Roberts feels that there was a lot of external promoting of the rate and press releases related to the program while the program was not ready to proceed. This is not how a program should be rolled out. In the future NHEC will make sure that the program is ready and operational before it is advertised. CEO Clemens Roberts feels that at the end of the six-month extension the program issues can be worked through and at the end of the extension, a recommendation will be put forward to the Board of Directors.

Committee Meeting Schedule

The next PR&A Committee meeting is scheduled for February 20, 2024. CEO Clemens Roberts mentioned that she would suggest the removal of the Department Project Updates from the upcoming agenda and the addition of PR&A Strategy Discussion as well as the high-level review of Long-Term Contracts.

Adjournment

Upon motion by Ms. McElaney, seconded by Ms. Albee, Chair Darcy adjourned the meeting at 10:02 a.m.