

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

Zoom Meeting

November 18, 2022 8:30 a.m.

Present: Committee members: Ed French (Chair), Sharon Davis, Brenda Boisvert, Leo Dwyer
Other Board members: Tom Mongeon, Jeff Morrill, Carolyn Kedersha, Harry Viens, Bill Darcy, Madeline McElaney, Alana Albee,
NHEC employees: Alyssa Clemens Roberts, Drew Dunagin, Jim Bakas, Geoff Ziminsky, Mike Jennings, Brian Callnan, Steve Kaminski, Jeremy Clark, Kristen Taylor, Autumn Doan, and Edee Murphy (Recording)
Others Present: Paul Phillips-NHEC Counsel

Meeting Called to Order

Chair French called the meeting to order at 8:31 a.m.

Agenda Review/Minutes Approval

There were no changes to the agenda.

Prior to the meeting Mr. Darcy requested one change to the October 21, 2022, minutes as follows: Change page 3, line 13 from “A board member inquired...” to “Mr. Darcy inquired...”

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

VOTED: That the committee approves the October 21, 2022, meeting minutes as modified above.

The vote was unanimous.

Schedule of Fees Update

Mr. Clark provided an overview mentioning the following points:

Schedule of Fees:

- Fee structure is based upon aligning cost causation with each service to minimize the impact to Distribution rates.
- Labor-related and construction-related fees were last reviewed in fall of 2021 for implementation on January 1, 2022.
- Due to escalating material costs, construction-related fees were reviewed again in summer of 2022 for implementation on August 1, 2022.

Construction Allowances:

- At the July NHEC board meeting, staff was asked to review construction allowances.
- Staff reviewed the current single-phase allowances but was unable to find an effective way of reducing cost within the current footage structure. Staff is exploring different construction allowance structures.
- Staff recommends increasing the Multi-Phase Greater than 50 kW contribution from 20% to 50% to reduce NHEC capital costs.

Mr. Clark reviewed proposed Service Dispatch/Connection Fee Changes and Construction Related Fee Changes. He also reviewed proposed changes to Terms & Conditions, Section O – Outdoor Lighting.

Mr. Mongeon raised a question about reconnection fees and agreed to discuss it offline.

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

VOTED: That the committee recommends the Board of Directors authorize staff to update the Schedule of Fees and Terms & Conditions effective January 1, 2023 as recommended in the January 2023 Schedule of Fees and Terms & Conditions Proposal as presented.

The vote was unanimous.

2023 BUDGET PRESENTATION

Mr. Dunagin thanked the finance staff and the budget team. He also thanked board members for high attendance at this committee meeting, as it is important discussion to move toward budget approval next month.

Mr. Darcy requested that staff point out any changes that were made to the budget since last committee meeting.

Mr. Dunagin provided a **Budget Overview** highlighting the following:

- As previously presented, the distribution Margin is still proposed as \$2.1M, with the same proposed rate increase of \$2.4M, or an average of 3.5% increase, consistent with previous discussions at committee and full board level surrounding reasonable rate trajectory.
- The Capital Budget number of \$28.9M has changed and will be explained later in today's presentation.
- The Projected Equity number of 41.2% is a slight increase from the last meeting because we have September results and an updated projection.
- A request from last meeting was a list of assumptions; Mr. Dunagin provided key assumptions. Ms. Albee suggested a footnote be added regarding budgeted tree trimming related to the telecom contribution.
- Overview of Changes – Adjusted to \$7.3M, from \$7.4M presented last month (increased expenses and offsets were presented today).
- In answer to a question, Mr. Clark pointed out that the \$2.4M budgeted margin is for distribution only; the budgeted margin for distribution last year was \$5.9M.
- In answer to a question, Mr. Dunagin clarified that PR&A headcount is included in the distribution budget, however, not the dollar amounts. PR&A budget will be presented at the December Corporate Services meeting.

Mr. Clark reviewed the topic of **Social & Environmental Responsibility**.

Discussion:

- Mr. Darcy commented that a major reason allowing NHEC to reduce the S&ER budget is recently approved federal programs; therefore, from a member perspective, there is no loss of benefits (i.e., heat pumps and EVs). He suggested this element be relayed to members and the NHEC board. Ms. Albee added that S&ER programs will be part of Member Services strategic planning.

Ms. Doan reviewed the **Capital Budget** including:

- Capital Construction Budget – \$21.8M Total Capital Construction Budget. Mr. Jennings relayed that in the E&O meeting, the budget was presented as a total of \$23.1M due to an error in the formula that added one line item twice.
- General Plant Capital Budget – In answer to a question, Mr. Ziminsky clarified that end of life for the server is not until 2024.
- Capital Improvement Budget. Responding to a question, Mr. Ziminsky explained that fiber “backhaul” terminology in this instance means how you get the data from the SCADA devices back to NHEC headquarters.

Operating Budget

Mr. Clark and Ms. Doan reviewed the following:

- Sales Forecast
 - Delivery Sales Revenue Growth: \$0.4M
 - Other Electric Revenue Growth: \$0.2M
- Distribution Operating Budget – +\$6.8M Expenses. There was mention that there are differences in tree trimming for NHEC vs. broadband; there is a more aggressive standard for the electric side. Currently, the tree trimming budgets are kept separate.
- Distribution Payroll and Benefits
- Distribution O&M Expenses
- Margin – Staff recommends budgeting a smaller margin (\$2.1M in 2023) on a short-term basis.
- Mr. Dunagin emphasized the importance of recognizing that NHEC is not a “Not For Profit” organization.
- Mr. Darcy commented he sent around an email where he stated his stance on margin, etc., but did not want to go over the points at this meeting. Mr. Dunagin mentioned he received an email from Mr. Morrill; he asked Mr. Morrill if the comments and questions in his email had been answered adequately. Mr. Morrill replied his questions were answered, and though he may not fully agree with the answers, he is comfortable in moving forward.
- Budget Risks

Mr. Clark reviewed **Rate Change** including the following:

- Cost of Service and Rate Design
- Rate Change Proposal
 - \$2.4M (3.5%) Proposed Rate Increase, consistent with Acceptable Total Distribution Annual Rate Increase in Equity Management Plan (September 2022 Reasonable Rate Trajectory).
 - Class Allocation
 - Component Allocation
 - Basic Single Phase: Member Service Charge +\$2.01 (+1.3% 500 kWh Bill Impact)

There were no comments or questions on the proposed Rate Change.

Next Steps

Mr. Clark commented that pending resolution from this committee, next steps are as follows:

- ❖ November 29, 2022: Board of Directors Meeting – Board budget approval
- ❖ January 1, 2023: Proposed Rate Change Implemented, Proposed Fees Change Implemented

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

VOTED: That the committee recommends the Board of Directors approve the 2023 Capital Construction Budget, the 2023 General Plant Capital Budget, and the 2023 Capital Improvement Budget as recommended by staff in the proposal as presented.

Vote was unanimous.

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

VOTED: That the committee recommends the Board of Directors approve the 2023 Distribution Operating Budget as recommended by staff in the proposal as presented.

Vote was unanimous.

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

VOTED: That the committee recommends the Board of Directors approve the recovery of \$2.4 million in Distribution Revenues as recommended by staff in the proposal on a bills-rendered basis effective January 1, 2023 as presented.

Vote was unanimous.

Chair French thanked staff for a comprehensive budget package, and thanked board members for joining this critical meeting and for their comments.

Ms. Clemens Roberts thanked board members for allowing staff the time to answer their questions and present what staff believes is a good budget. She requested that between now and the board meeting, if anyone has continued concerns or questions, please reach out to Mr. French, Mr. Dunagin and her, and they will work on providing speedy responses so all are on the same page and have the answers needed for the board meeting.

Mr. Dunagin thanked everyone for their comments and participation and asked everyone to let staff know of any concerns.

Adjournment

Upon motion by Ms. Davis, seconded by Mr. Dwyer, Chair French adjourned the meeting at 10:02 a.m.