

Approved 2/25/20

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC.

Minutes of the Meeting of the Board of Directors

January 28, 2020

Pursuant to proper notice duly provided to all Directors, the regular meeting of the Directors of the New Hampshire Electric Cooperative, Inc. (NHEC) was held January 28, 2020, at the Cooperative's 287 Highland Street Office in Plymouth, NH.

Directors present were Thomas Mongeon, Alana Albee, Joan Aubrey, Brenda Boisvert, Sharon Davis, Leo Dwyer, Edward French, Carolyn Kedersha, Jeffrey Morrill, and Harry Viens. Director Daniel Senie participated via video. Others present were Steve Camerino, President/CEO; Jim Bakas, VP of Operations and Engineering; Brian Callnan, VP of Power Resources and Access; Mark Dean, Attorney; Drew Dunagin, VP of Financial Services/CFO; Brenda Inman, Senior Vice President; Steve Kaminski, Power Planning and Policy Advisory; Mike Licata, VP of Member Services/Public Affairs; Pam Ouellette, Human Resources Director; Craig Snow, VP of Energy Solutions/Facilities; Geoff Ziminsky, Director of Information Technology; Jeremy Clark, Rates and Revenue Administrator; Kristen Taylor, Rates and Statistical Analyst; Courtney Metzger, Josh Compton and Jason Strong of CFC; Lisa Sheehy, Consumer Accounts/Member Solutions Manager; Robyn Sarette, Consumer Accounts Specialist; Scott Davis, Power Resources Administrator; and Sharon Yeaton, Executive Services Administrator (recording). Bill Miller, Consultant; and Ken Colburn, NRECA Director for NH also participated via video.

Chair Mongeon called the meeting to order at 9:00 a.m. with Directors, Mr. Camerino and Attorney Dean in attendance.

Upon motion of Mrs. Aubrey, seconded by Mr. Dwyer, it was

VOTED: That the Board of Directors move into Executive Session for the purpose of receiving advice of legal counsel and discussion of confidential personnel issues.

Vote for the motion was unanimous and the board moved into Executive Session at 9:00 a.m.

The board moved out of Executive Session at 10:12 a.m. and took a brief break. The meeting reconvened at 10:20 a.m. In addition to those present prior to the recess, Messrs. Bakas, Callnan, Dunagin, Kaminski, Licata, Snow, Ziminsky, Clark, Compton, and Strong and Ms. Inman, Ouellette, Taylor, Metzger, and Yeaton joined the meeting at this time.

Agenda Review and Approval of Minutes

There were no changes to the agenda.

The minutes of the December 30, 2019, Board Meeting were reviewed. Upon motion of Mr. French, seconded by Mrs. Kedersha, it was

VOTED: To adopt the minutes of the December 30, 2019, meeting of the Board of Directors, as presented.

Vote for the motion was unanimous.

Rate Design Discussion

Ms. Metzger and Messrs. Compton and Strong provided brief introductions.

Mr. Camerino mentioned that Ms. Metzger has accepted a CEO position at a co-op in Indiana and will be leaving CFC soon.

Ms. Metzger reviewed the agenda for the presentation, noting that the primary focus for today will be to review the results of the rate design survey and to start thinking about guiding principles for rate design or a rate policy.

Ms. Metzger reviewed the method and participants of the survey and noted the overall agreement of both the board and staff on the importance of NHEC's rate design in comparison to the overall business strategy. She went on to review the results of the survey, including the conclusive results, survey participants' familiarity with various rate designs, areas of ratemaking directors and staff believe are most relevant to NHEC, and the inconclusive results.

Ms. Metzger next reviewed the open-ended survey results, reviewing the top five rate design objectives, what both the board and staff hope to achieve in 2020 and in 2022 with regard to rates, and what concerns and/or challenges the board and staff foresee over the next five years as it relates to ratemaking for both residential and other classes.

Ms. Metzger next reviewed recommendations: 1) set long-term, high-level, rate objectives to provide staff with direction, 2) seek education for Board, Senior Management and key staff in rate design, 3) design pilots for new rate design concepts, and 4) define communication plan.

Ms. Metzger reviewed the next steps, recommending that the board take the information presented today and consider developing a formal rate policy or guiding principles to provide staff with direction they can use to present recommendations; noting the possibility of making minor rate adjustments in the spring of 2020; and in summer/fall of 2020 developing next steps for rate design based upon CFC recommendations and board guidance.

It was agreed that directors would email Messrs. Camerino and Mongeon with their questions around rate design so that Mr. Camerino can create some structure around the follow-up discussion. Mr. Camerino may also talk to a few directors to get their input. Ms. Metzger will provide additional information, taking each of the objectives and identifying what rate design would meet those objectives. Messrs. Mongeon and Camerino will discuss when to schedule time for additional board discussion.

Chair Mongeon thanked Ms. Metzger for the presentation and wished her well.

The meeting recessed for lunch at 12:04 p.m. and reconvened at 12:20 p.m. All those in attendance prior to the recess rejoined the meeting except Mses. Metzger and Taylor and Messrs. Clark, Compton and Strong.

Chairman's Report

Chair Mongeon presented the Chairman's Report, discussing board meetings and noting that he and Mr. Camerino will continue to work on pulling together the matrix of upcoming approvals and presentations on pending matters, Attachment #15a in the board packet. He also mentioned his visit with the Raymond District and encouraged directors to visit a district if they have an opportunity. It was suggested that rather than encouraging directors to go out to districts as individuals, perhaps holding some board meetings in districts could be considered. Chair Mongeon indicated he would discuss that potential with Mr. Camerino and talk with directors regarding whether individual visits are appropriate.

President's Report

Mr. Camerino presented the President's Report and addressed questions. He reviewed a dashboard of key operating metrics for safety, various financial measures, service reliability and the Balanced Scorecard (BSC), noting that 2019 was a very good year. He also presented slides reviewing safety statistics over the past ten years for occupational injuries, lost work days, and motor vehicle accidents, noting that all three of these metrics are tracked in the Board Report and we met each target in 2019. Next, he reviewed slides showing reliability statistics over the past ten years for System Average Interruption Duration Index (SAIDI), Customer Average Interruption Duration Index (CAIDI), and System Average Interruption Frequency Index (SAIFI), noting the positive trend.

Ms. Sheehy and Ms. Sarette joined the meeting at 12:30 p.m.

Mrs. Kedersha asked if SAIDI and CAIDI metrics would look similar if major storms were included in the calculation. Mr. Camerino indicated he would need to check on that.

Continuing his report, Mr. Camerino mentioned affordability, which is an ongoing challenge for a co-op in our part of the country, noting that for the second year in a row we have kept delivery rates steady. He also shared that NHEC received its updated rating from S&P and maintained an A+ stable rating.

Mr. Camerino noted that this year he focused his year-end report for 2019 on safety, affordability, and reliability because those three things are our core business.

Chair Mongeon asked Mr. Camerino to share with staff the Board's appreciation for these 2019 achievements.

Mr. Camerino drew attention to the BSC, Attachment #3 in the board packet, reviewing the proposed goal for the lean business process item. Upon motion of Mrs. Davis, seconded by Mrs. Kedersha, it was

VOTED: That the Board of Directors approves the update to the 2020 Balanced Scorecard as presented.

Vote for the motion was unanimous.

Mr. Camerino also reported on his and Mr. Dunagin's visit to CFC, his upcoming participation on a panel at a Smart Electric Power Alliance (SEPA) conference, and NHEC's contribution to the NRECA International Foundation.

Strategic Topic Discussion - Broadband

Chair Mongeon discussed the objective for this discussion, noting that in November several directors raised questions related to NHEC's level of involvement related to broadband and he agreed we would take time to revisit the subject. He noted that it has been over a year since the board formally weighed in and decided not to get into the business, but to facilitate broadband development within our territory. He stated that today's discussion is to determine if the board wants to increase NHEC's involvement in broadband efforts, and if so, what that would look like.

Mr. Clark and Ms. Taylor rejoined the meeting at 12:48 p.m.

Chair Mongeon drew attention to the broadband summary, Attachment #4 in the board packet.

Mr. Camerino provided background on what NHEC's role has been related to broadband expansion, noting that management continues to have contact with a number of players. He discussed what it means to support and facilitate, noting that it means responding to specific business plans and requests that are well conceived, looking at possible changes to our own processes and assumptions, and if it was sufficient enough in breadth and consistent with our obligation to our members we could consider seeking regulatory or legal changes. It does not mean partnering in a business with someone else or developing their idea for them. If we get to a place where we decide we want to do something materially more, then we would need to seriously look at bringing in some outside expert resources. He noted that the question for the board is whether they want NHEC to do more than we are today, and if so, we should talk about what that looks like.

Mr. Miller joined the meeting by video at 12:57 p.m.

There was discussion on NHEC's level of involvement related to broadband. The majority of the board felt management should continue in the current direction as outlined by Mr. Camerino.

Mr. Davis joined the meeting at 1:00 p.m.

Chair Mongeon stated that the board affirms the direction staff has taken. If directors have any thoughts or concerns they can voice them to Mr. Camerino as they arise. If Mr. Camerino determines that things have changed and there is a need to bring in outside expertise he will bring that to the board. Chair Mongeon suggested that if the board hasn't heard anything further on the topic that the board chair bring the issue up again in a year.

Capital Credits Policy

Mr. Camerino mentioned the capital credits team that has been working on preparations for retiring capital credits along with assistance from an outside consultant, Bill Miller. He provided some background on Mr. Miller and discussed his work on capital credits. Mr. Camerino

reminded directors of previous capital credit discussions with the board, including an overview of legal issues and considerations; an update on the planning for a retirement of capital credits, noting that we are on target for a November 2020 retirement; an overview of the implementation process, including communications; and today we will be discussing updates to the Capital Credit Policy. He noted that the goal for today is to get agreement on key issues so that a revised policy can be presented for the board's consideration next month. He also mentioned that in March the board would be provided with the Communications Plan, noting that decisions today will enable staff to formulate the communications.

Mrs. Inman recognized Ms. Taylor's work in preparing the executive summary and playing the key role in getting ready for today's presentation. Mrs. Inman provided an overview, noting the items to be discussed: allocation process, retirement amount, date of capital credit retirement, payment and notice of retirement, minimum check amount, general retirement methodology and special retirements.

Mrs. Inman and Ms. Taylor reviewed each of the items, addressed questions, and received feedback from directors on proposals. After discussion, the board indicated its support for revising the Capital Credits Policy to reflect the following:

Allocation Process – Effective 2020 fiscal year, margins will be allocated by revenue class based only on distribution revenues.

Retirement Amount – Utilize a 35-year retirement cycle or up to 2.85% of equity for determining the annual retirement amount.

Date of Capital Credit Retirement – There will be a retirement in November 2020 and beginning in 2021 the retirement period will change from November to July.

General Retirement Methodology – For November 2020 the board is considering retiring capital credits utilizing a FIFO (first in first out) methodology. Management will provide the board with information on how many current members would receive a capital credit payout under this methodology and what it would look like if we borrowed to clean up the pre-bankruptcy capital credits. For the July 2021 period and forward, utilize a Hybrid-FIFO/LIFO (last in first out) methodology, with a FIFO component of at least 70%.

Payment and Notice of Retirement – Former/inactive members will receive a check and current/active members will either receive a check, bill credit or a combination of both.

Minimum Check Amount – Minimum check amount increased from \$5 to \$10.

Special Retirement – Mrs. Inman indicated that the policy currently allows management to consider special retirements of capital credits held by estates. Management is proposing that the Capital Credit Policy authorize special retirements for capital credits held by estates, accounts with bad debt and former members. Special retirements would be calculated based on a discount rate equal to NHEC's weighted average cost of capital. There was general support for this approach.

During the discussion, some general comments were shared regarding the capital credit policy including: it should provide flexibility and guardrails, and it will be reviewed by the board each year and each year they will make a decision on that year's retirement.

Mrs. Inman reviewed the next steps, stating that management will develop an updated Capital Credit Policy based on today's discussion for presentation to the board for approval at the February board meeting. She also reviewed the timeline for capital credit implementation steps, noting that we remain on target for a November 2020 retirement.

The board thanked the Capital Credit Team for all of their work.

Messrs. Mill and Clark and Mses. Sheehy, Sarette and Taylor left the meeting at 2:45 p.m.

Board Committees

Chair Mongeon drew attention to the consent agenda item to approve minutes from the December 17, 2019, meetings of the Power Resources and Access and Executive Committees. Upon motion of Mrs. Kedersha, seconded by Mr. Viens, it was

VOTED: To approve the minutes of the December 17, 2019, Power Resources and Access Committee meeting, as amended, and the December 17, 2019, Executive Committee meeting, as presented.

Vote for the motion was unanimous.

Co-op Power Rate Variance

Mr. Callnan drew attention to the Power Resources Variance Report, Attachment #8 in the board packet. He discussed the Co-op Power forecasted over-recovery balance for the November to April rate period due to significant declines in power costs from those originally forecast, and advised that staff is discussing alternatives for returning the over-recovery balance to members.

Mr. Camerino added that normally any over/under-recovery balance is refunded or collected over the next 12 month period and staff will be discussing whether an alternative process would be more appropriate given the amount of the over-recovery.

Mr. Callnan addressed multiple questions from the Board.

Member Solution Committee

Member Solutions Committee Chair Morrill reported on the Member Solutions Committee meeting held yesterday, focusing on follow-up items related to Voice of the Member (VoM) and the launch of the new website.

Chair Mongeon mentioned that Mr. Morrill provide a summary and action steps document from yesterday's meeting, noting that this may become a best practice for committees going forward.

Attorney's Report

Attorney Dean presented his report and addressed questions. He provided an update on regulatory matters, including a hearing at the New Hampshire Public Utilities Commission (NHPUC) related to Class III Renewable Energy Certificates and the Department of Revenue Administration rulemaking on utility property tax legislation, noting that draft rules have been produced and will be up for formal public hearing in February.

Mr. Colburn joined the meeting by video at 2:57 p.m.

Attorney Dean discussed a number of bills in the legislature that NHEC is following, including a bill that would have appeared to undo the property tax legislation from the last session, a bill to change the way utility disconnection notices are provided, a bill to allow consumers to opt out of using a smart meter and opt for an analog meter, and a bill that allows generators under 5 MW to sell to up to three retail customers with the utility required to provide wheeling to the customer as long as FERC transmission facilities are not involved.

Board General Session

Board Tracking Report

Chair Mongeon noted that there are currently no items on the tracking report.

Committee Meetings

Following is a list of upcoming meetings:

- Executive Committee – February 24th at 9:00 a.m.
- Joint Corporate Services and Power Resources & Access Committee – February 24th following the Executive Committee (added after the Board meeting)
- Engineering and Operations Committee – March 9th at 9:00 a.m. (added after the Board meeting)
- Audit Committee – March 30th at 10:00 a.m.
- Corporate Services Committee – March 30th, following Audit Committee
- Power Resources & Access Committee – March 30th, following Corporate Services Committee

There was discussion of last year's ad hoc committee that reviewed director compensation and the recommendation that it be reviewed on a more frequent basis. Chair Mongeon advised that the plan is to do a review again next year. Mrs. Aubrey also encouraged directors to review the training budget before next year's budget is set.

NRECA Report

Mr. Colburn presented the NRECA Report, drawing attention to his written report that was included in the board packet and sharing some highlights.

Appointment of Voting Delegates and Alternates

Upon motion of Mrs. Aubrey, it was

VOTED: That Ken Colburn be appointed as the voting delegate and Harry Viens as the alternate for the upcoming annual meetings of NRECA, CFC, NRTC, and NISC.

Vote for the motion was unanimous.

Mr. Colburn left the meeting at 3:11 p.m.

NHEC Foundation Report

NHEC Foundation Chair Davis reported on the NHEC Foundation's January 6, 2020 meeting, drawing attention to the Fourth Quarter 2019 NHEC Foundation Report, Attachment #9 in the board packet. She noted that eleven grants totaling \$42,558 were awarded.

Mrs. Aubrey encouraged any director who is interested in filling her seat on the NHEC Foundation Board when her term is up to attend the March meeting. Mrs. Davis added that the Foundation Board will also be reviewing their bylaws related to the make-up of the board to see if there is an opportunity to get more community involvement.

Director Expense Reports

Chair Mongeon noted that Director Expense Reports were circulated for review.

Executive Session

Upon motion of Mr. French, seconded by Mrs. Boisvert, it was

VOTED: That the Board of Directors move into Executive Session for the purpose of confidential discussion of legal claims/litigation, contract negotiations, and personnel matters.

Vote for the motion was unanimous and the board moved into Executive Session at 3:13 p.m.

Adjournment

The board moved out of Executive Session and Chair Mongeon adjourned the meeting at 3:50 p.m.

Joan Aubrey, Secretary

A TRUE COPY ATTEST:

Thomas Mongeon, Chair of the Board