Hardwick Electric Commission

Regular Meeting

Minutes –July 21, 2026

Attendees: Commissioners: Michael Ambrosino (Chair), Renaud Demers, Myles Kamisher-Koch (Remote), Jake Lester; Staff: Scott Johnstone and Renae DiGregorio; Public: Paul Brierre, Caspian Lake Dam Association.

Chair Ambrosino called a Regular Meeting of the Hardwick Electric Commission to order at

6:00 pm at 20 Church Street, 3rd floor meeting room, in Hardwick having declared a quorum present.

Updates to agenda: Commissioner Kamisher-Koch requested that we discuss billing for three phase customers during the General Managers report, all concurred.

Public Comment: Paul Brierre from Caspian Lake Dam Association stated that there is nothing new to report on from the Caspian Lake Association.

The approval of minutes was next on the agenda. Commissioner Lester moved to approve the minutes of the regular meeting on June 16th. Commissioner Demers seconded the motion, and all voted favorably.

Next on the agenda was a request from Kristen Leahy, the Town of Hardwick's Zoning and Floodplain Administrator and Resilience and Adaptation Coordinator, to review a letter of support for continued planning and evaluation of Jackson Dam. The proposed letter expresses the Board's support for ongoing technical evaluation, funding development, regulatory coordination, and community engagement related to potential future pathways for the Jackson Dam site. It does not constitute approval of any specific project or represent a final decision regarding the future of the dam. Commissioner Lester stated that he supported signing the letter because it is broad enough to encompass any potential outcome for the Jackson Dam. Commissioner Kamisher-Koch agreed, noting that the letter is not a commitment to any particular course of action, but rather an expression of support for the continued evaluation. Commissioner Ambrosino made a motion to sign the letter in support; Commissioner Lester seconded the motion and all concurred.

Next on the agenda was a discussion regarding the implementation of the TextMyGov alert system for Hardwick Electric Department customers. Controller DiGregorio reported that staff has been actively working on the implementation and rollout of the new service, which is designed to enhance communication with customers by providing outage notifications, service updates, and other important utility information via text message. The department is scheduled to launch the service on August 1, with a customer outreach campaign aimed at encouraging enrollment and raising awareness. Planned outreach efforts include a postcard mailing to all customers, notices in the local newspaper, information posted on the department's website, and updates shared through social media. During public comment, Michael Sadler (HCTV) noted that while the alert system is a valuable communication tool, it may have limitations for customers in areas without cellular service during power outages. Controller DiGregorio responded that the new alert system is intended to complement, not replace, existing communication methods, and expressed hope that additional communication tools will become available in the future. Commissioner Lester suggested creating a dedicated outage information page on the department's website, including a link to the Vermont statewide outage map. Commissioner Kamisher-Koch emphasized the importance of utilizing all available communication platforms during outages and recommended developing a standard operating procedure (SOP) for outage communications. Controller DiGregorio agreed to work on these enhancements. All Commissioners expressed their support for the TextMyGov alert system and agreed that it will be a valuable addition to the department's customer communication efforts.

Next on the agenda was further discussion of the FY2026 budget development. This revised draft incorporates the latest updates based on current operating assumptions, anticipated capital projects, and updated revenue and expense projections. This revised draft was required based on the original 2026 budget being prepared and approved with the caveat that a revised, more in-depth prepared budget would be completed once the controller position was filled. The proposed budget includes funding for environmental soil testing to meet regulatory requirements, arc flash testing to maintain compliance and ensure system safety, and the implementation and annual subscription costs for the TextMyGov communication platform. The budget also reflects the negotiated 3.5% union wage increase. Legal expenses are projected to increase by 61.8% over the prior year due to two pending rate cases, while audit costs are expected to increase by 67.2%, primarily because of the additional NRECA-required 401(k) audit and increased annual audit fees. Employee benefit costs are projected to decrease by 1.4% compared to previous year's actual expenses. VLCT and unemployment insurance costs are expected to increase by 17.3%, and property tax expense is projected to increase by 18.0% over the previous year actuals. Controller DiGregorio explained that the preliminary FY2026 budget assumed a 0.85% decline in total kilowatt-hour (KWH) sales compared to 2025 actual results. However, actual operating results for January through May 2026 have exceeded expectations, with KWH sales averaging approximately 9.17% above budget across the major customer classes. Based on these results, it was determined that the original assumption of declining KWH sales was no longer supported, particularly in light of stronger commercial activity and overall system performance. For the Residential customer class, the preliminary budget assumed KWH sales growth of 0.59% over 2025. Historical trends, however, reflected stronger and more consistent growth of 4.65% and 4.13% over the prior two years. The revised budget updates residential sales projections to better reflect actual January through May performance. For the Commercial customer class, the preliminary budget projected KWH sales of 5,110,755, representing a 1.00% decline from 2025. Historical growth, however, was more consistent, with increases of 9.87% and 1.77% during the previous two years. Based on January through May actual results, commercial sales increased by 450,831 KWH. A revised growth assumption of approximately 4.5% was applied for the remainder of the year, resulting in an additional projected increase of approximately 47,000 KWH. For the Industrial customer class, the preliminary budget projected KWH sales of 5,480,401, representing a 7.40% decline from 2025. Historical trends indicated relatively stable usage, with prior-year changes of 0.30% and a modest decline of 1.21%. The revised budget incorporates actual revenue and KWH data through the early months of the year, increasing actual KWH sales by 125,839. The remaining months of the year were adjusted to reflect a more realistic projected decline of less than 3.5% from 2025, rather than the originally budgeted 7.4% decline, resulting in an additional increase of 54,995 KWH. Based on these revised KWH sales projections, the amended FY2026 budget reflects an increase in total operating revenue of $585,641.89. Of this amount, $556,698.03 is attributable to actual operating results through May, while the remaining $28,943.86 represents projected additional revenue for the remainder of the year from the prior approved budget for 2026. Controller DiGregorio expressed that overall, the 2026 budget revisions result in an overall projected total cost of service (including power supply) increase of 1.6% from the 2025 approved budget. The Board continued its discussion regarding the department's projected cash flow for the remainder of 2026. Controller DiGregorio reviewed the updated cash flow projections and highlighted several factors that could significantly affect the department's financial position over the coming months. One of the primary uncertainties is the pending resolution of the 2025 rate case, which could result in substantial customer credits and a corresponding reduction in revenue when implemented. Additionally, the timing and receipt of anticipated FEMA reimbursements remain uncertain and may impact cash flow depending on whether the funds are received during 2026. Commissioner Kamisher-Koch requested that controller DiGregorio prepare an updated pro forma cash flow projection for the next Board meeting that model several potential scenarios and illustrate the financial impacts under varying assumptions for the remainder of the year. General Manager Johnstone added that the capital 2026 plan seems heavy but appropriate for identified system needs. Including Hardwick Substation repairs and pole replacements. Mr. Johnstone said that this is the direction the department needs to pursue and we will be looking at all financing methods to support the capital work.

The Commission next took up a review of the financial report. Controller DiGregorio reported that May net income at month end was $(126,438.79). The major outlier here was increased power supply costs for May, which exceeded budget projections by

$116,8436.13. Mr. Johnstone explained that this was due to the unexpected hot weather days in May. There was nothing significant or unusual to report on in Miscellaneous Income for the month of May. Commissioner DiGregorio provided more detail into the Velco stock Hardwick Electric owns based on the request from the June board meeting. At this time, approximately 20% of the original principal balance remains outstanding. For the first quarter of 2026, Hardwick Electric received total distributions of $138,911.50, $92,077.25 was distributed to principal repayments+ fees and $46,834.25 was credited to the power supply invoice. Controller DiGregorio reported that an additional NRECA 401(k) audit is required this year. NRECA administers HED's 401(k) program, and a participant review is required every five years. 2026 is our scheduled review year, which will include an audit of 2025 employee data. BerryDunn has agreed to perform this audit for an additional fee of $7,500. Cash on hand was $197,613 at month-end. Higher payables impacting cash flow include power cost invoices, vehicle maintenance and vegetation maintenance catch up for fiber work. Lastly, Ms. DiGregorio reminded commissioners that VPPSA has scheduled the inaugural Public Power Leadership Summit for September 23, 2026. The event will be held at the Capitol Plaza in Montpelier from 5:00 p.m. to 9:00 p.m.

The General Managers report was the next item of business. General Manager Johnstone started with an update regarding the Hydro Projects. The project to replace the penstock at Pottersville Dam in Wolcott is in the final stages of being obligated by FEMA. You may see public announcements coming out from FEMA and / or our federal delegation any time. It is valued at over $5 million. Attaining obligation is a big step with federal projects. It means we may now truly begin to move projects forward. Mr. Johnstone stated that we have both the Penstock project and the Waste Gate project (among others) still moving with FEMA. Initially, the expectation was that these two projects would move separately. However, now that we have obligation on the Penstock, it makes more sense to bid these out together. I expect there will be cost savings as each project requires mobilization and demobilization of cranes and other very large equipment. As such, I've asked our engineering firm to combine the plan for construction into a single bid. Of course, we'll need to bid "phases" so we can keep costs separated across the two distinct FEMA projects, but this is well worthwhile to keep the savings. Mr. Johnstone stated that he would expect bids to go out in the winter with a spring / summer 2027 start date for construction and that he is awaiting back a consolidated engineering proposal to accommodate this initiative. Commissioner Ambrosino expressed that he would like the bids to go out separately and offer a combined bid as well to review cost savings and project scope. General Manager Johnstone then jumped to the increase in vehicle maintenance costs this year. Mr. Johnstone stated that this year has already been horrible for vehicle maintenance at HED. We've spent close to 80% of our budget (or $39,000 year to date) keeping our vehicles running. Additionally, one of our bucket trucks remains in the shop undergoing quite significant structural repairs to keep it running long enough to replace it. Mr. Johnstone expects by the time we get that bill we will have expended our entire maintenance budget for the year. Mr. Johnstone suggested that he bring information about the need to replace a truck to the Commission and seek authorization to create a bid document and put the bid out for quotes; 2) bring the bids, once received back to the Commission and seek authority to sign a contract to purchase a truck; 3) As the budget year approaches when the truck will actually arrive, include the financing and check signing authority to actually purchase the truck, in the budget document for approval for that year. This creates a clear, transparent trail of moving from the beginning to the end. I expect this truck will likely come in around half a million dollars. The Commissioners discussed if there were opportunities to pair up with VPPSA or other utilities and package large purchases together for a discount. Mr. Johnstone expressed that he will speak with other areas and vendors. General Manager Johnstone then jumped into the ongoing capital system investment plan the department has been working on, stating that much of the 5-10 plan is a result of the deficiency study" that was completed. Mr. Johnstone stated that we have been working with our engineer since that time to provide him with additional information regarding the line sizing of our distribution system so he may include any projects and costs when system enhancement is necessary for this study to be completed. As previously noted, the Harwick substation regulator work will need to happen very soon. Mr. Johnstone stated that we need to keep this unit running for 5 – 7 years as we need to upgrade the conductor line between Hardwick and Wolcott substations before we can repair the Hardwick sub fully. We plan to budget to do one mile per year of this work (so five years to make ready.). With a small regulatory update to the Wolcott substation, it will then be able to carry the entire system when the time comes to take Hardwick offline to replace the system, in say around 2031 – 2033. Mr. Johnstone then concluded the general managers report with a question from Commissioner Kamisher-Koch regarding how Hardwick Electric generates our demand charge for larger customers. Mr. Johnstone said that demand charges are common amongst all utilities but will get the exact details for the next meeting.

At 7:45 pm a motion was made by Commissioner Ambrosino to go into executive session under VSA 313 (a)(1) (E) and (F) and to include the general manager and controller in the executive session. Commissioner Ambrosino moved that the conversation remain confidential because its public disclosure would place the organization at a clear and substantial disadvantage. Commissioner Demers seconded and all voted in the affirmative.

At 8:09 pm the Commission returned to open session.

At 8:09 pm a motion was made to adjourn the regular meeting by Commissioner Lester.

Seconded by Commissioner Demers and passed unanimously.

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Recorded by: Renae DiGregorio, Controller Date

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Commissioner: Date