

MINUTE RECORD – BOARD OF DIRECTORS – GRAND VALLEY RURAL POWER LINES, INC.

Regular Meeting

February 20, 2019

The Board of Directors of Grand Valley Rural Power Lines, Inc., met in regular session on Wednesday, February 20, 2019 at 845 22 Road, Grand Junction, Colorado. President Martinez called the meeting to order at 9:00 a.m. Attendees recited The Pledge of Allegiance.

ROLL CALL:

Don McClaskey	present
Robert Saunders	present
Sylvia Spangler	present
Janie VanWinkle	present
Dennis Haberkorn	present
Rod Martinez	present
Bill Rooks	present
Carolyn Sandeen-Hall	present
Jesse Mease	present

Others present: Tom Walch, CEO; Pat Kanda, Staff Accountant; Cathy Gledhill, Manager of Finance and Administration; Sarah Wheeler, Accounting Assistant; Bill Barlow, Operations Supervisor; Steve Don, Manager of Engineering; Matt Williams, Staff Engineer; Sherry Fix, Information Technology Manager; Karen Allen, Network Administrator; SueEllen Manley, Purchasing, Materials and Compliance Manager; Derek Elder, Member Services Manager; Christmas Wharton, Communications Specialist; Gregg Kampf, Attorney; Eric Anderson, CFC Regional Vice-President, guest

Minutes:

MOTION: Motion by Mease second by Haberkorn to approve the minutes of the January 16, 2019 regular meeting; carried.

Walch requested the agenda be amended to include an executive session to discuss succession planning and CEO evaluation process.

MOTION: Motion by Haberkorn second by Sandeen-Hall to approve the agenda as amended; carried.

Martinez presented Walch with a Certificate of Appreciation for 100% staff participation in CARE/ACRE for 2018.

I. CEO's Report

1. Staff members updated the board on activities in their respective departments. Elder reported the year-end member satisfaction survey results. The average service rating was 4.90 out of a 5.0 scale with 24% return rate as 444 out of 1,883 members surveyed responded. Elder informed the directors these are follow-up surveys mailed to consumers or developers who have had contact with a service planner regarding new service, a member services representative regarding new connects or transfers, or a construction crew or

serviceman. Elder stated that he continues to respond to subpoenas and search warrants from investigative agencies regarding member information and consumption history at various service locations. Elder reported the Scholarship committee will meet on Tuesday March 12 to review completed scholarship applications. Elder also relayed to the board GVP continues to sell excess Renewable Energy Credits (RECs) through a broker. In 2018, GVP received \$44,000 for the sale of RECs. He reported that there are indications that in the future, organizations will not be allowed to use purchased RECs in their portfolio to satisfy renewable energy mandates, so the value of RECs may decline. Walch informed directors wholesale power consultant Bill Leung agrees with that assessment. Wharton reported that scholarship applications are due March 1, and eight completed applications have been received with 45 in progress online. Wharton informed the board that GVP personnel will participate in the Mesa County Safety Days at Mesa Mall on February 20 and 21. She also reviewed the media and social media coverage of the GVP press release announcing the adoption of our 60% Clean Energy Target, noting that the announcement reached 44,000,000 readers and the comments posted were either positive or neutral. Walch commented that release of the article prior to the meeting with the state legislators during the CREA annual meeting was an effective, proactive method to convey to legislators actions that GVP and other cooperatives are taking to address environmental concerns.

Barlow stated that the operations department has been installing gateways and relays for the AMI project. Barlow also reported that journeyman lineman Seth Casorla has moved from the serviceman/line patrol position in the operations department and accepted the open service planner position in engineering. Serviceman Don Burbridge has accepted the serviceman/line patrolman position and there is now an opening for a serviceman. Barlow reported that 620 consumers were out of power on Super Bowl Sunday when winds downed a tree in Collbran and tripped the OCR at the Molina Substation. Walch updated directors on the lost time incident which occurred in January 2019, reporting the employee may require surgery in the future. Walch noted, in addition, another lineman will be undergoing surgery in the future, so GVP's staffing level will not allow us to participate in the CREA Guatemala project. Fix informed the directors IT personnel is working on Payment Card Industry (PCI) compliance review and will be installing new desktop computers in the engineering department. Martinez expressed appreciation for the cybersecurity training provided by the IT department. Fix noted that she and Barlow attended an RC3 Summit in January, and the prevailing message is to maintain constant vigilance. Williams stated that Utility Sales and Services personnel started deployment of enhanced meters last week. To date 1,100 enhanced meters have been installed and GVP anticipates deployment of 12,000 enhanced meters in 2019. Williams also informed directors NISC has completed the programming for integration with the Meter Data Management software.

Wheeler presented the December 2018 financial reports, noting that GVP met all loan covenant requirements and attained distribution equity of 35.28%, which qualifies the cooperative for performance discounts on CFC debt. Walch highlighted that operations and maintenance expenses ended the year \$500,000 under budget. This was due to (1) budget incorrectly included installation of enhanced meters as an operations expense when it should have been capitalized; (2) FASB 106 actuarial valuation in 2018 resulted in decrease in expenses; (3) utilizing part-time employee to replace full time employee; and 4) staff member on unpaid leave. Walch expressed appreciation to the board members and staff for applying the provisions of the Financial Equity Management policy to meet the challenge of achieving desired equity with a \$5,500,000 growth in plant in 2018. Kanda summarized delinquent account and write-off activity. Kanda reported to the board that \$804,000 of the \$884,678 in capital credit checks issued in December have cleared.

2. Walch gave a legislative update, reporting that current legislative activity does not materially impact Colorado cooperatives. However, legislators may be waiting until very late in the session to introduce environmental legislation, to limit the opportunities that to

mobilize public opposition. Walch informed directors the current leadership pushing the environmental agenda is not concerned about the cost to the consumer. Walch and the board discussed concern that CREA's legislative staff was not aware of the letter signed by legislators supporting DMEA's Public Utilities Commission (PUC) filing regarding its contract with Tri-State until it was published in news reports. Mesa county legislators Ray Scott and Matt Soper signed this letter. Walch reported most Tri-State cooperatives are not in favor of expanding PUC jurisdiction; but, if DMEA obtains a reduced exit cost, other cooperatives will seek the same relief. Walch discussed the risks of existing differences between cooperatives aligned with DMEA, and other CREA cooperatives. If dissenting cooperatives opt out of CREA membership, dues would increase for remaining cooperatives. This would prompt all cooperatives to carefully consider the value of membership to CREA, and could lead to other cooperatives withdrawing.

3. Walch noted developments that signal the creation of new power supply sources for GVP in the future, including Guzman Energy and Tri-State. Walch noted that GVP should be prepared to explore these opportunities and evaluate its contract options with Xcel Energy. Walch also reported he was contacted by Steve Buening of Holy Cross Energy to inquire if GVP has any interest in participating in a utility scale solar project near Rifle. Walch also informed directors that he, Derek Elder and Matt Williams are meeting with Pivot Energy representatives on Friday morning at an Xcel Energy community solar farm. Walch informed directors that later this year Bill Leung will lead a review of the Xcel purchased power contract with select GVP staff members.
4. Walch and the directors discussed preliminary preparation for the May 15-16 strategic planning meeting. Walch inquired if the board wants to review the GVP mission and guiding principles. Haberkorn requested a refresher of the mission and guiding principles prior to the planning meeting. Walch reported such review will take place at the March or April board meeting. Walch also informed directors Kanda is preparing a 10 year financial forecast for review at the April board meeting. Walch relayed that engineering personnel is preparing a distributed generation forecast to aid directors in discussion of other strategic planning issues. Walch asked directors to complete the survey that will be sent out by CFC and Steve Kettler in preparation for the strategic planning session. Walch reviewed the time schedule for the strategy session. There will be a brief board meeting on the morning of May 15, followed by strategic planning session for the balance of the day. Kettler and Anderson will host a dinner for directors and staff in the evening. The strategic planning session will reconvene for the morning of May 16. Van Winkle informed directors she will be absent for a portion of the session.

MOTION: Motion by McClaskey second by Saunders to convene an executive session for purpose of discussing succession planning and CEO assessment; carried.

Executive session convened at 11:15 a.m.

Regular session reconvened at 12:05 p.m.

5. Walch presented a request for GVP's participation in the Colorado Solar Energy Industries Association (COSEIA) utility engagement program. It was the consensus of the board to decline the invitation.
6. Walch presented an invitation to join the the Cooperative Leadership Network. The board declined the offer.
7. Martinez informed the board that director self evaluations will be completed in July.

MOTION: Motion by Haberkorn second by Sandeen-Hall to approve the CEO report; carried.

MOTION: Motion by Rooks second by Mease to approve the consent agenda items, which includes approval of uncollectible account write-offs; carried.

II. Legal

Kampf reported that the PUC is not allowing cooperative intervention in the PUC proceeding initiated by DMEA asking the commission to determine the appropriate contract termination fee to be paid to Tri-State.

III. CREA/Western United

Martinez informed board members that any input he receives from them on issues discussed at the CREA board meetings will be relayed at the meetings. Martinez reported he has been elected as Vice President of the Colorado Electric Education Institute (CEEI) board.

Haberkorn reported that the Western United meeting on January 24 included a strategic planning session. Haberkorn informed board Western United's sales growth is comparable to last year with annual growth of 10.3%. Haberkorn also informed board the executive committee negotiated the contract with Greg Mordini with a provision for six month evaluation for salary increase. Mordini will present his strategy and vision for Western United at the April board meeting.

IV. Continuing Business

Walch reported he has not received any communication from auditor Kevin Kelso on the dates for his site visit for field work in connection with audit preparation. When he is on site for this field work we will try to schedule meeting with the Audit and Finance committee, and all directors will be invited to participate.

V. New Business

None

MOTION: Motion by McClaskey second by Haberkorn to adjourn; carried.

Meeting adjourned at 12:50 p.m.

Cathy Gledhill, Assistant Secretary

Rod Martinez, President