

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

Regular Meeting

September 20, 2017

The Board of Directors of Grand Valley Rural Power Lines, Inc., met in regular session on Wednesday, September 20, 2017 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
S. James O'Connor	present
Robert Saunders	present
Sylvia Spangler	present
Janie VanWinkle	absent
Dennis Haberkorn	absent
Rod Martinez	present
Bill Rooks	present
Carolyn Sandeen-Hall	present

Others present: Tom Walch, CEO; Sherry Fix, IT Manager; Pat Kanda, Staff Accountant; Sarah Wheeler, Accounting Assistant; Steve Don, Manager of Engineering; Matt Williams, Staff Engineer; Mike Birch, Operations Manager; Derek Elder; Member Services Manager; Christmas Wharton, Communications Specialist; SueEllen Manley, Purchasing, Materials and Compliance Manager; Gregg Kampf, Attorney; Seth Hart and Doran Dennis of CoBank; Eric Anderson of NRUCFC.

Minutes:

**MOTION:** Motion by Spangler second by Saunders to approve the minutes of the August 16, 2017 regular meeting; carried.

Walch requested an amendment to the agenda to include the consideration of Resolution No. 17-04, requesting changes in authorized signatures for depository accounts at Alpine Bank.

**MOTION:** Motion by O'Connor second by Sandeen-Hall to approve the agenda as amended; carried.

I. CEO's Report

1. Staff members updated the board on activities in their respective departments. Elder reported on the Community Solar Capstone celebration. Elder reviewed the CREA training course, Supervisory Solutions, that was held at GVP on September 6 & 7. Elder also informed Directors that GVP was invited to participate in the Glade Park Community Days celebration and that GVP would have a lineman and truck participating in the parade on September 23. Elder noted that GVP has the CMU ballroom reserved for Thursday, August 2, 2018 for the Annual Meeting.

**MOTION:** Motion by Sandeen-Hall second by O'Connor to set the 2018 GVP annual meeting for 6:30 p.m. Thursday, August 2<sup>nd</sup> at the CMU ballroom; carried.

Wharton informed directors that GVP would be promoting the *Who Powers You?* campaign from October 2 through November 4. The campaign is sponsored by Touchstone Energy Cooperatives and the grand prize is \$5,000. Wharton encouraged the Directors and staff to nominate someone in our community who makes a difference. Wharton noted that she will be using GVP's Twitter and Facebook platforms to promote the campaign to our members. Wharton also informed the Board that GVP will be combining forces with Ute Water this year to host Family Safety Day on October 26, 2017 from 9:00 a.m. through 1:00 p.m. at GVP headquarters. Along with presentations by GVP crews, Ute Water, the Grand Junction Fire Department and the Grand Junction Police Department will be on site to provide demonstrations and help educate GVP and Ute Water families.

Birch updated Directors on the transmission line outage that occurred on Labor Day along 25 Road in the desert. Birch read a thank you letter that was received from a member complimenting the line crews for limiting the outage to just one hour and 20 minutes. Birch also updated the Directors on the replacement of the underground line project on the Grand Mesa. Martinez reported that he attended a GVP safety meeting and addressed linemen, discussing a safety presentation provided to CREA directors. Manley noted that the warehouse would start performing the annual inventory on Monday, September 25. Manley anticipated that it would take a week to complete the process. Williams noted that the preliminary bids for the upgrade at the Orchard Mesa substation have come in lower than expected. Fix reminded Directors that she would be traveling to Washington, D.C. on October 8 to participate in the RC3 cyber security awareness and training program hosted by NRECA. Fix also reported that GVP was receiving bids to improve the video surveillance around the headquarters. Kanda presented the July 2017 financial reports, and summarized delinquent account and write-off activity. Kanda also informed Directors that preliminary budgets for 2018 will go out to department managers on October 1.

2. Walch reviewed Xcel Energy's Colorado Energy Plan filed with the Colorado Public Utilities Commission (CPUC) on August 29, 2017. Walch noted that Xcel is proposing to retire 660 MW of coal-generated power from Comanche Unit 1 and Comanche Unit 2 and replace this load primarily with new wind generation and some battery storage, natural gas generation and solar. Based upon current projections, Xcel CEO David Eves has indicated that he expects power costs will increase by about 1%. Walch noted that for Xcel retail customers, this increase would be offset by a 1% decrease in the Renewable Energy Standard Adjustment (RESA). Since wholesale customers do not have a charge that corresponds with the RESA charge, they will not see a similar offset. As a result, the spread between rates for GVP and Xcel retail customers would expand. Walch stated that GVP's opportunities to oppose Xcel's proposal begin at the Colorado Public Utilities Commission (CPUC) and could carry over to Federal Energy Regulatory Commission (FERC) if the CPUC approves the plan. By consensus, the board authorized Gregg Kampf and his firm to develop an analysis regarding legal opposition to Xcel's initiative at the CPUC. The Board also agreed to authorize Walch to confer with Bob O'Neill about GVP's options regarding opposition at FERC.

3. Walch and Kanda introduced CoBank representative Seth Hart and Doran Dennis, who provided a proposal to finance prepayment of GVP's RUS debt. Following this presentation, Hart and Dennis were excused, and NRUCFC representative Eric Anderson entered the meeting. Anderson presented his company's proposal to refinance RUS prepayment, along with proposed financing of future construction work plan projects. Anderson was excused, and the board engaged in discussion regarding the proposals.

Rooks reviewed borrowing, operating and reporting requirements that GVP must comply with as long as it is an RUS borrower. Rooks noted that RUS requirements help ensure that GVP maintains a robust distribution system; if RUS does not provide this oversight, this responsibility falls to the GVP Board of Directors. Walch noted that RUS was instrumental in helping cooperatives establish sound operating and financial practices, but as distribution utilities have grown and become more sophisticated, RUS oversight is not as critical. Walch stated that the RUS does not have the staff to provide meaningful and effective oversight and guidance. Walch further noted that some RUS requirements, such as the need to complete an environmental assessment in conjunction with any new loan application, can be unnecessary, inefficient, and/or wasteful. Walch noted that whether the board votes to refinance its RUS debt or not, GVP will not change processes. Walch agreed with Rooks that the Board would be responsible to ensure that the cooperative maintained sound operating and financial practices, noting that the locally elected board of directors was more in tune to the needs of the cooperative than bureaucrats in Washington, D.C.

Walch indicated that the most significant differences between the CoBank and CFC proposals were (1) accommodations from CFC in the form of reduced interest rates on existing loans; (2) performance-based discounts of up to 25 basis points on all CFC loans if GVP is a 100% CFC borrower and maintains a distribution equity level of 35% or greater; and (3) a 120-day rate lock agreement provided by CFC at no added cost (a 90-day rate lock from CoBank would require payment of a premium).

The board reviewed the proposed refinance structure. Rooks stated that he is in favor of fixed rates that provide stability and limit risk. Rooks also noted that he is in favor of refinancing a portion of GVP's debt into short term notes (five-years or less) that allow flexibility of early pay-off without penalty. Saunders noted that he is in favor of refinancing GVP's debt with CFC. Spangler also stated that she favors refinancing with CFC. Sandeen-Hall noted that GVP's current borrowing needs could be better served by CFC. McClaskey stated that he favors CFC, but has concerns that refinancing 100% of the debt with CFC could limit the cooperative's ability to secure competitive proposals for future financing needs. Walch noted that the discount rates from CFC would benefit GVP up until the point that GVP finances a portion of its debt with a different lender in the future. He also reminded the board that CFC is owned by its member cooperatives and governed by a board comprised of cooperative managers and directors; this governance structure should help to ensure that rates are competitive and performance continues to serve the best interests of CFC's member-owners.

O'Connor noted that GVP would benefit immediately by refinancing 100% of its debt with CFC. O'Connor also stated that at any point GVP could shop rates with other lenders to make sure GVP is getting the best value possible. Martinez noted that CFC already

understands GVP's current debt structure and has taken the time to work with GVP staff.

Rooks noted that if GVP buys out of RUS 100% that GVP would need to wait 10 years before seeking another loan from RUS. Walch noted that the timing is advantageous to look at buying out of GVP's RUS debt due to the current low interest rate environment. Walch stated that the board had given direction in recent years to not borrow new money from RUS. Walch also stated that the last refinance with CFC saved GVP members \$4M on \$20M of debt.

**MOTION:** Motion by O'Connor second by Sandeen-Hall to buy out of RUS debt; carried.

**MOTION:** Motion by O'Connor second by Sandeen-Hall to refinance 100% of GVP debt with CFC; carried 4-2, with Rooks and McClaskey voting against the motion.

**MOTION:** Motion by O'Connor second by Sandeen-Hall to approve Board Resolution R17-05 requesting RUS discounted prepayment; carried.

**MOTION:** Motion by Rooks second by McClaskey to authorize Walch to sign a rate lock agreement with CFC with loan structure consistent with CFC Option 4 as outlined in Eric Anderson's presentation; carried.

4. Walch reported that NRECA's defined benefit pension plan premium will increase from 12.73% of base pay to 12.83% of base pay. He also reported that NRECA group health insurance premium will increase 6.3% in 2018. This increase will impact management staff members, who have shouldered the burden for all group health insurance increases since 2014. Walch reminded directors that the bargaining unit employees have health insurance through the Union. GVP's bargaining agreement provides that any increase in company contribution for bargaining unit employee premiums would be limited to annual Department of Labor COLA adjustments. Union employees are facing a 9% increase, which will cause a substantial increase in out-of-pocket expenses for group health insurance in 2018. Martinez asked the Directors to keep in mind that insurance benefits are a part of the portfolio of recruiting tools as they consider if any changes should be made.
5. Walch asked the Directors to review the list of 2018 director travel opportunities provided in the board packet so that budget projections can be made.

**MOTION:** Motion by Sandeen-Hall second by Spangler to approve Board Resolution R17-04 requesting changes in authorized signatures for depository accounts at Alpine Bank; carried.

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

**MOTION:** Motion by Spangler second by O'Connor to approve the consent agenda items, which includes approval of uncollectible account write-offs; carried.

## II. Legal

Kampf relayed his firm worked with engineering staff to draft an easement letter. Kampf also noted that his firm worked with the member services staff to draft a disclosure letter.

### III. CREA/Western United

Martinez reported that he attended the CREA Board Meeting in Denver on August 24-25. Martinez stated that the board was briefed on legislative issues and safety topics. Martinez then stated that the board visited a waste-to-energy landfill site where methane was being used to generate electricity. Martinez also noted that the board visited a dairy site where the owners had invested in new L.E.D. lighting with the help of their rural electric cooperative.

Saunders attended the Western United Electric (WUE) board meeting in August. The WUE board approved the distribution of capital credit checks totaling over \$5.4M. Saunders also noted that WUE continues to purchase meters for several cooperatives that are implementing enhanced metering systems.

### IV. Continuing Business

None.

### V. New Business

None.

**MOTION:** Motion by Sandeen-Hall second by McClaskey to adjourn; carried.  
Meeting adjourned at 1:37 p.m.

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Derek Elder, Acting Asst. Secretary

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Rod Martinez, President