

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

Regular Meeting

November 20, 2019

The Board of Directors of Grand Valley Rural Power Lines, Inc., met in regular session on Wednesday, November 20, 2019 at 845 22 Road, Grand Junction, Colorado. President Sandeen-Hall 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; Cathy Gledhill, Manager of Finance and Administration; Pat Kanda, Staff Accountant; Sarah Wheeler, Accountant/Benefits Administrator; Mike Birch, Manager of Operations; Bill Barlow, Operations Supervisor; Matt Williams, Manager of Engineering; Sherry Fix, Information Technology Manager; Derek Elder, Member Services Manager; Christmas Wharton, Communication Specialist; Gary Billiet, Purchasing and Warehouse Manager; Gregg Kampf, Attorney; member guests Michael and Dolores Notch.

Minutes:

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

Walch requested the agenda be amended to include approval of a letter of support from the board of directors for use of the online self-assessment platform as part of the NRECA's Rural Cybersecurity Capabilities (RC3) Program .

MOTION: Motion by Martinez second by VanWinkle to approve the agenda as amended; carried.

I. Guests

Michael Notch addressed the board and made a request that Grand Valley Power produce as much renewable energy as it is allowed under its wholesale power contract. Walch informed Michael that, as directed by the board in its strategic planning session, Grand Valley Power is looking at all options for procurement of economic and reliable electric power.

II. CEO's Report

Walch recognized Spangler for achieving the Director Gold Certification with NRECA director training. Sandeen-Hall recognized Van Winkle for completing the courses to complete the NRECA Credentialed Cooperative Director (CCD) program. Walch informed directors Barlow will be promoted to Operations Manager in January 2020 with Birch's retirement.

1. Staff members updated the board on activities in their respective departments. Wharton informed directors the applications for the Youth Tour and Youth Leadership Camp are available online on the GVP website, and she is also promoting the programs with ads through social media networks and the Mesa County Valley School District's parent email notification process. She also reported GVP scholarship applications will be distributed to local high schools and will be available online on December 1. Wharton informed the board the company and employee cash donations totaled \$5,600 for Operation Interdependence (OI) and employees and directors packed 1,000 military care boxes with donation items requested by OI. Wharton reported she is working on the 2020 Programs and Services plan, which will focus on promoting SmartHub and email notification to consumers. Elder informed directors he will send out an email requesting director participation in presentation of capital credit refund checks to selected organizations. Walch noted GVP will promote patronage capital or capital credit refunds as "cash back credits," as research conducted in connection with NRECA's Lexicon project suggests this is easier for consumers to understand.

Barlow informed directors Ward Construction crew has completed the 25 Road project and now working on the G ½ Road project. He also reported the GVP construction crews are replacing poles in the Collbran area after completing extension to three subdivisions. Billiet noted warehouse personnel will conduct physical inventory the first week of December. He also informed directors he is researching partitioning the pole racks to separate different classes of poles. This will make it easier and safer for line personnel to load poles. Williams reported that the final 500 enhanced meters will be installed the first week of December. Martinez and Walch complimented engineering, operations and IT personnel for completion of the enhanced metering project one year earlier than projected. Fix informed the board of the offer to GVP to have access to the online Rural Cybersecurity Capabilities (RC3) Self-Assessment Platform under license issued to the Colorado Rural Electric Cooperatives Association (CREA) for a three year period at no cost. Fix noted GVP staff will be participating in an RC3 Level 3 cybersecurity table top exercise on December 10. She also reported GVP has contracted with Professional Computer Solutions (PCS) to provide offsite back-up for disaster recovery. Wheeler presented the September 2019 financial reports. Kanda summarized delinquent account and write-off activity, noting that the handling of non-pay disconnects only required two truck rolls. VanWinkle inquired if installation of the enhanced metering system could reduce write-offs. Staff responded that is possible as the lag period between meter reading and billing has been shortened.

3. Staff members presented the preliminary 2020 Work Plan and Budget. The audit and finance committee and the executive committee will meet on Monday December 16 to review the final proposed 2020 Work Plan and Budget. All directors are welcome to attend and participate in this meeting. Directors were asked to provide comments or questions concerning the 2020 Work Plan and Budget to any member of the committee, or Walch, Kanda, or Gledhill prior to the meeting on December 16.
4. Kanda reviewed with the directors options for 2019 capital credit retirements. Kanda noted that with the significant increase in plant in 2019, he projects GVP would not meet the 35% distribution equity level necessary for CFC performance interest discount if 5% of outstanding patronage capital is retired. Kanda reported a refund of \$1 million comprises 3.6% of this equity, which meets the parameters established in Policy Bulletin No. 80 - Financial and Equity Management. Walch and Kanda requested approval from the board to utilize the Deferred Revenue Surplus account if needed to reduce power supply expense – and increase margins – in order to achieve the required 35% distribution equity level. Haberkorn and VanWinkle had questions about this approach, and Walch assured directors use of the Deferred Revenue Surplus account is a management tool that would be used with full transparency and in accordance with guidelines approved by GVP's auditor. He noted that he would only use this tool if a modest adjustment would accomplish the desired result.

MOTION: Motion by Haberkorn second by Saunders to authorize patronage capital retirement in 2019 of \$1,000,000, representing 3.7 % of the total outstanding patronage; carried.

MOTION: Motion by McClaskey second by Saunders to authorize management staff to offset power cost from Deferred Revenue Surplus account if deemed necessary to achieve 34.5% distribution equity at December 31, 2019. VanWinkle asked what the impact would be on the Deferred Revenue Surplus balancet. Walch responded that the surplus account will be maintained within parameters established by the board; no more than \$250,000 would be applied to power costs to reduce power supply expenses. Call for question. Motion carried.

5. Walch informed the board GVP has notified Xcel Energy it is evaluating its purchase power agreement options to terminate or convert to partial requirements. A meeting is scheduled with wholesale account representative Carrie Simpson on December 5 to discuss possible changes to the contract to induce GVP to remain an Xcel Energy customer. Walch also reported Guzman Energy has prepared a proposal and Walch has set up a meeting with them the first week of December to review the proposal.
6. Walch reported that tree trimming contractor, Asplundh Tree Expert Company, has indicated that it would be receptive to a two year extension of its contract with GVP with a one-time 2% increase.

MOTION: Motion by Martinez second by McClaskey to approve the two year extension of the Asplundh Tree Expert Company contract; carried.

7. Walch read the letter of support from the board for GVP participation in the RC3 online cyber security assessment. It was the consensus of the board to approve the letter of support.
8. Walch reviewed with the directors pole attachment issue at Adobe Substation where the cable attachment is within inches of the energized line. As Charter has not responded to communication regarding the violation, Walch will work with counsel to send a letter establishing a deadline for removal of the attachment.
9. Walch summarized presentations at the CFC Independent Borrowers Executive Summit. He noted several anecdotal reports providing persuasive evidence of climate warming. Walch noted that while the jury may still be out on whether this warming is caused by man-made carbon emissions, evidence of warming by itself will be enough to spur policy makers to take increasingly bold action to reduce these emissions.
10. Walch informed directors it will be necessary to appoint a new Assistant Secretary with Gledhill's retirement. Walch recommended the board appoint Derek Elder.

MOTION: Motion by VanWinkle second by Martinez to appoint Derek Elder as the GVP Assistant Secretary; carried.

MOTION: Motion by Haberkorn second by Mease to approve the CEO report; carried.

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

Walch presented the strategic goal action plans addressing (1) enhancing safety culture; (2) exploring wholesale power purchase opportunities; and (3) cultivating alliances and partnerships. Mease expressed appreciation for the level of thought and preparation that went into the strategic goal action plans.

MOTION: Motion by Martinez second by Rooks to approve the action plan for Enhancing our Safety Culture; carried.

MOTION: Motion by Mease second by McClaskey to approve the action plan for Exploring Wholesale Power Purchase Opportunities; carried.

MOTION: Motion by Mease second by Martinez to approve the action plan for Cultivating Partnerships and Alliances to Advance our Mission; carried.

Sandeen-Hall and Walch met with HopeWest CEO Christy Whitney to discuss concerns about changes in the HopeWest HopeBlooms project which GVP has pledged to support with financial contributions. Whitney provided assurances to Sandeen-Hall and Walch that while government cost reimbursement practices have changed, HopeWest remains on track to support the initial objectives of the project that GVP identified as being important to its members and the community at large. Walch and Sandeen-Hall reported that they did not feel that any changes to GVP's pledge were necessary.

II. Legal

Kampf reported his firm worked with Walch to review a lease for cell service tower with Horizon Towers, and the lease has been executed by the tenant. Kampf reported the San Luis Valley REC Public Utilities Commission case has been resolved with mediation. The agreement included a decrease in the demand charge for residential and increase in the energy charge.

III. CREA/Western United

Martinez reported the Colorado Electric Education Institute (CEEI) currently has a funds surplus and is considering reducing the cost to cooperatives for sponsorship of Youth Tour and Youth Leadership Camp participants. Martinez reported the CREA directors discussed upcoming legislative issues. He informed GVP board he will approve the 2020 CREA budget.

The board discussed its concern regarding the contents of the article written by the Energy Policy Institute concerning expenditures from the Colorado Advocates for Rural Electrification (CARE) political action funds. Directors expressed disappointment in CREA's response to the allegations outlined in the article.

VanWinkle positively appraised the CREA Innovations Summit presentations for the variety of speakers and mentally challenging content. She noted one topic of discussion was the inconsistency of how cooperative directors report number of hours spent on board activities. VanWinkle recommended the GVP board members maintain consistency in its reporting of hours for IRS Form 990 input.

Haberkorn reported the compaction problem for construction of the Western United warehouse has been resolved and construction is in progress. He also noted that the WUE board conducted a mid-year review for new CEO Greg Mordini and approved a merit increase.

IV. Continuing Business

None

V. New Business

Walch informed the board GVP office will be closed December 24 for the company floating holiday. He also reminded directors the January 2020 board meeting has been rescheduled for January 22.

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

Meeting adjourned at 2:20 p.m.

Cathy Gledhill, Assistant Secretary

Carolyn Sandeen-Hall, President