

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

Regular Meeting

August 15, 2018

The Board of Directors of Grand Valley Rural Power Lines, Inc., met in regular session on Wednesday, August 15, 2018 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; Sarah Wheeler, Accounting Assistant; Mike Birch, Operations Manager; Steve Don, Manager of Engineering; Matt Williams, Staff Engineer; Sherry Fix, Information Technology Manager; Derek Elder, Member Services Manager; SueEllen Manley, Purchasing, Materials and Compliance Manager; Gregg Kampf, Attorney

Board members welcomed and introduced themselves to new director Jesse Mease.

Minutes:

MOTION: Motion by Haberkorn second by Saunders to approve the minutes of the July 18, 2018 regular meeting; carried.

Walch requested amendments to the agenda to include a discussion of concerns recently voiced by other cooperatives regarding NRECA’s Governance Task Force report.

MOTION: Motion by McClaskey second by VanWinkle to approve the agenda as amended to include a discussion of concerns regarding NRECA’s Governance Task Force report; carried.

Election of Officers:

Sandeen-Hall nominated and Saunders seconded the nomination of Rod Martinez as President.

MOTION: Motion by Sandeen-Hall second by Saunders to close the nominations and elect Rod Martinez as President by acclamation; carried.

Rooks nominated and McClaskey seconded the nomination of Carolyn Sandeen-Hall as Vice-President.

MOTION: Motion by Rooks and second by McClaskey to close the nominations and elect

Carolyn Sandeen-Hall as Vice-President by acclamation; carried.

McClaskey nominated and Saunders seconded the nomination of Dennis Haberkorn as Secretary-Treasurer.

MOTION: Motion by McClaskey and second by Saunders to close the nominations and elect Dennis Haberkorn as Secretary-Treasurer by acclamation; carried.

MOTION: Motion by McClaskey and second by Sandeen-Hall to appoint Bob Saunders as Western United Electric Supply Corporation delegate; carried 7-1.

MOTION: Motion by Spangler and second by Haberkorn to appoint Rod Martinez as CREA delegate; carried.

MOTION: Motion by McClaskey and second by Sandeen-Hall to appoint Dennis Haberkorn as alternate delegate for Western United and CREA; carried.

By consensus Rod Martinez was appointed as the NRECA Voting delegate and Carolyn Sandeen-Hall as the alternate NRECA Voting delegate.

I. CEO's Report

1. Staff members updated the board on activities in their respective departments. Walch noted that Network Administrator Karen Allen and Communications Specialist Christmas Wharton were absent as they were attending CREA Leadership Class. Elder reviewed annual meeting attendance and asked board members for feedback about the annual meeting. Board members reported that the program and visual presentation were good but the sound on the south side of the ballroom was noticeably softer. VanWinkle asked if the staff had considered the National Guard Armory as a possible location for the annual meeting. Elder stated that he would contact the Armory and provide a comparison (including a cost comparison) of that site and the CMU location used the past four years, for the board to consider in establishing the venue for next year's annual meeting. Elder also noted that GVP attended and participated in the 2018 Mesa County Livestock Sale. Birch reported that GVP line personnel continue to monitor wildfires within GVP's service territory and will continue to coordinate with fire personnel to respond quickly in the event that power lines become a hazard and require deenergization. Walch recognized Leroy Lowary, GVP's Meter Technician, who came upon a motorcycle accident in Unaweep Canyon. Walch noted that Lowary worked with the victim's companions to secure the scene and provide care to the victim and the AED device on Lowary's company truck was used to help stabilize the victim before he was airlifted to a hospital.

Williams noted that GVP set a new system peak of 56.5 MW in July which is 2.5 MW higher than GVP's previous record. Walch reported that over 2,000,000 more kWh were sold in July 2018 compared to July 2017. Williams also noted that communications equipment is being installed for the enhanced metering project. Williams also reported that Eaton will be on site next week to test the communications equipment; meters will be installed in September for the initial phase of the project. Fix reported that the cell phone boosters have been installed in the building as a response to the dropped calls that were a common occurrence, impeding communications for engineering and operations personnel who rely on cell phones for contacts with consumers and vendors. Fix also reported that the wi-fi

system within the building has been upgraded to help improve the speed and security of GVP's wireless system. Wheeler presented the June 2018 financial reports. Kanda summarized delinquent account and write-off activity. Kanda reported that GVP will receive a \$108,000 check from Xcel Energy this month in connection with the annual formula rate production true-up process.

2. Kanda presented a Financial Forecast with four alternate scenarios considered: (1) continue retiring five percent of the outstanding capital credit balance each year and keep rates at current levels with distribution equity falling to 33.64 percent at the end of 2019; (2) continue retiring five percent of the outstanding capital credit balance and increase rates by 1.57 percent in 2019 with equity falling below 35 percent at the end of 2019; (3) retire four percent of the outstanding capital credit balance and increase rates by 5.37 percent in 2019 to maintain 35 percent equity at the end of 2019; and (4) retire three percent of the outstanding capital credit balance and increase rates by 3.66 percent in 2019 to maintain 35 percent equity at the end of 2019.

Walch noted that GVP's must close the year with distribution equity at 35% in order to maximize performance discounts on its CFC loan portfolio. Walch noted that GVP's financial position is still strong and we should close the year within the 32 to 40% distribution equity range targeted in GVP's Financial and Equity Management Policy. However, recent system upgrades are putting pressure on GVP's equity position. Walch reported that the recent upgrade at the Orchard Mesa substation had been in the plan for years and GVP staff did a great job of prioritizing the upgrade as the old transformer was running at near 100 percent capacity in the month's leading up to the upgrade. Walch also highlighted the enhanced meter upgrade project which will provide long-term cost savings and efficiencies. Walch reported that the financial forecast report was provided so that directors can begin to review the options. Walch asked directors to consider the three levers of control that can be adjusted and used to drive equity: cost control, capital credit retirements and rates. Walch asked directors to review the report and consider options to maintain 35 percent equity.

3. Walch reviewed Xcel's proposed Clean Energy Power Plan (CEPP) impact on GVP. He noted that Xcel's wholesale customers make up about 8% of Xcel's load, and that GVP's is about 10% of the total Wholesale customer load. Walch noted that Xcel's projections show that wholesale power costs will increase each year through 2027 before any savings are realized. Walch stated that GVP will continue to work with other wholesale customers to oppose the CEPP as (1) the plan provides a windfall for Xcel shareholders that ratepayers will fund; and (2) the deferred tax asset question previously raised has not been adequately addressed.
4. Walch reported that two members had come forward volunteering to accept an appointment to serve on GVP's election supervisory committee. Walch suggested that a board committee should be assigned the task of interviewing these appointment candidates, along with any other candidates identified by directors.

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

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

II. Legal

Martinez read a letter of concern sent from several Texas electric cooperatives to NRECA regarding the NRECA's Governance Task Force report. Walch noted that concerns stem from (1)

the way that the task force was selected and (2) the development of standards that will impact potential liability of cooperatives and directors. The letter points out that the task force is not representative of all electric cooperatives and the selection process was not open to all in a transparent and open manner. Kampf stated that while the report asserts that it is not intended to establish standards for cooperatives to follow, it does operate to establish standards that all electric cooperatives will be expected to meet. Walch noted that while there is good information in the report, the process by which it was developed is flawed. The board agreed that the process is flawed and GVP should not be held to standards without appropriate involvement or representation in developing those standards. The board did not agree with the manner in which the concerns were being addressed by the Texas cooperatives. Rather than join that effort, Walch and Martinez will compose a letter identifying GVP's concerns and send it to Colorado's NRECA board delegate, with a copy to NRECA's CEO, Jim Matheson.

Kampf reviewed the legal and fiduciary obligations of directors and GVP Policy Bulletin No. 107, Conflicts of Interest Policy.

Kampf reported his firm continues to assist with development of a cyber security policy as required by recent legislation.

The board reviewed materials provided by Walch regarding governance issues at South Carolina electric cooperative. The board engaged in discussion regarding GVP director compensation.

MOTION: Motion by VanWinkle to amend Policy Bulletin No. 33 to clarify that the travel supplement provided in that policy does not apply to travel within Mesa County; second by Sandeel-Hall; carried

Martinez noted that discussion regarding director compensation would be carried forward and included on the agenda for the September board meeting. Any changes should be finalized and incorporated in the 2019 budget. He instructed staff to provide information at the September meeting regarding director conferences and education opportunities, including cost estimates, so that directors will be able to identify and budget for associated travel.

III. CREA/Western United

Martinez reported that CREA did not have a meeting in July. He noted that a legislative reception is planned in conjunction with the August board meeting and will include cooperative presentations regarding renewable energy and energy efficiency programs. Elder will be on hand representing GVP and its low income community solar project. Martinez also noted that Kampf will be participating on CREA's Pedal the Plains team again this year. He also encouraged directors to support CREA efforts to raise funds for water filtration kits for communities in Guatemala where Colorado crews are participating in an electrification project.

Saunders reported that WUE is closing out a successful year. At the August board meeting the board will consider recommendations regarding promoting an in-house candidate to succeed CEO Mike Prom upon his retirement next spring.

IV. Continuing Business

None

V. New Business

Martinez reported that GVP will donate the best of show photograph from the Ouray County Council of Arts to the CARE Auction.

MOTION: Motion by McClaskey second by Sandeen-Hall to adjourn; carried.

Meeting adjourned at 1:34 p.m.

Derek Elder, Acting Assistant Secretary

Rod Martinez, President