

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

Regular Meeting

April 18, 2018

The Board of Directors of Grand Valley Rural Power Lines, Inc., met in regular session on Wednesday, April 18, 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
S. James O'Connor	present
Robert Saunders	present
Sylvia Spangler	present
Janie VanWinkle	absent
Dennis Haberkorn	present
Rod Martinez	present
Bill Rooks	present
Carolyn Sandeen-Hall	absent

Others present: Tom Walch, CEO; Sherry Fix, IT Manager; Karen Allen, Network Administrator; Cathy Gledhill, Manager of Finance and Administration; Pat Kanda, Staff Accountant; Sarah Wheeler, Accounting Assistant; Mike Birch, Operations Manager; Steve Don, Manager of Engineering; Matt Williams, Staff Engineer; Derek Elder, Member Services Manager; Christmas Wharton, Communications Specialist; SueEllen Manley, Purchasing, Materials and Compliance Manager; Gregg Kampf, Attorney; consumer Joe Burtard.

Minutes:

MOTION: Motion by Saunders second by Spangler to approve the minutes of the March 21, 2018 regular meeting as amended to correct last name of Election Supervisory Committee member Wayne Keeler; carried.

MOTION: Motion by Haberkorn second by O'Connor to approve the agenda; carried.

I. CEO's Report

1. Staff members updated the board on activities in their respective departments. Fix reported Jimmy Weber, new IT Technician/Dispatcher, began work at GVP on April 2. She also informed the directors new security cameras are operational. One of the additional cameras was placed in the lobby conference room to enhance employee security. Wheeler presented the February 2018 financial reports. McClaskey questioned whether GVP must meet different financial ratios for CFC financing. Walch informed directors that the applicable CFC loan covenant requires that the Cooperative shall maintain a minimum Modified Debt Service Coverage (MDSC) ratio average of 1.35, considering the high two years of the most recent three-year period. Walch noted that it is also important for GVP to maintain a 35% distribution equity ratio, as this is the threshold for a 25-basis point discount on CFC loans. Kanda summarized delinquent account and write off activity. He also reported to the board, upon approval of 2017 capital credits allocation, notices will be mailed on May 11. Kanda

also noted that GVP's 2017 Form 990 was included in the materials for board review; filing is due May 1. Don reported nine distributed generation interconnections were completed in the first quarter of 2018 for a total of 301 interconnections with capacity of 1759 kW in place on GVP's distribution system. Williams reported that staff members met with project managers from Eaton for Automated Metering Infrastructure (AMI) project April 16 and 17, and network equipment and meters are on order. Lead time for meter delivery is 20 weeks. GVP is still targeting completion of the initial phase of the project by December 2018. Manley informed the board relocation and improvement of parking spots and ramps for disabled and overlay of front and back parking area was delayed and will take place next week. Birch informed directors the operations department is researching the use of drones for line inspection on BLM property. Elder reported Dick Pryor, Gregg Kampf and Wayne Keeler have agreed to serve on the Election Supervisory Committee. Elder requested board members consider a future committee member as Pryor informed Elder this will be his last year to participate.

MOTION: Motion by O'Connor second by Haberkorn to appoint Dick Pryor, Gregg Kampf and Wayne Keeler to the 2018 Election Supervision Committee; carried.

MOTION: Motion by Spangler second by Saunders to select Chadwick Steinkirchner Davis & Co. for election oversight and ballot custodian for GVP director elections; carried.

Elder informed directors nominating petitions can be picked up May 14 and must be returned June 18. Directors up for reelection are Haberkorn, O'Connor and Rooks. Elder reviewed GVP's history with meter reading contractor Utility Sales and Service Co. With the pending installation of AMI infrastructure, employment as a meter reader provides no long-term job security. This, combined with a tightening labor market, makes it difficult for the contractor to attract and retain meter readers at current wage scales. Consequently, the contractor is seeking an increase in its contract rate with GVP. Elder reviewed with directors the contractor's request to increase the contract rate from \$1.56 per meter to \$1.70 per meter effective with the meter readings for May billing period. Elder reported the estimated net increase for 2018 meter reading contract expenses is \$12,000. Walch informed directors GVP is planning to contract with Utility Sales and Service for the installation of the initial 700 AMI meters.

MOTION: Motion by Haberkorn second by Spangler to approve revision in Utility Sales and Service contract rates from \$1.56 per meter to \$1.70 per meter effective with May billing meter reads; carried.

Wharton reported that all GVP scholarship recipients have been notified. Wharton requested board participation in presenting scholarship certificates at local high schools, and individual board members volunteered to provide coverage for all high school award ceremonies. Wharton also relayed to directors GVP will again participate in the St. Baldrick's fundraiser with activities scheduled at GVP on June 21 and official sponsorship of the June 23 community event. Wharton reported GVP is a sponsor of the May 12 Kite Day at Sherwood Park, and staff will be distributing safety packets.

2. Walch read aloud to the board a letter he received from consumer and community leader Bob Wilson expressing appreciation for GVP company culture and the leadership the cooperative has provided in the community.
3. Walch noted that Alice Jackson, formerly in regulatory affairs at Xcel Energy, will replace David Eves as President of Public Service Company of Colorado.

4. Walch updated the directors on legislative activity. He reported that \$1.5 million in funding for the Western Colorado Community College (WCCC) Lineworker program was initially cut from the budget bill, and then reinstated. The board packet includes an email from Colorado Mesa University President Tim Foster acknowledging that a letter from Walch to Representative Bob Rankin highlighting the importance of the program to GVP and other Colorado electric cooperatives played a part in the reinstatement of this budget line item. Walch informed the board that the Colorado Advocates for Rural Electrification (CARE) political action committee is asking Colorado cooperatives to contribute to its 527 organization to help address challenges anticipated for rural Colorado in upcoming election cycles. Walch indicated that a joint session of the CREA board of directors and the CREA managers group will be held at the end of the month to discuss political issues and suggested that further consideration of the request for a 527 contribution be delayed until after this meeting.
5. Walch informed directors White River Electric Association director Gary Dunham passed away. GVP will make contribution to Meeker HopeWest in memory of Dunham.
6. Walch noted that with the approval of the 2018-2021 Construction Work Plan, GVP will apply for a Power Vision construction loan with CFC. A board resolution is not required by CFC, but if the board desires to formally adopt a board resolution for the CFC Power Vision Loan package, it will be included on the agenda for the May board meeting. The board concurred with this approach.

MOTION: Motion by O'Connor second by Haberkorn to approve the CEO report; carried.

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

II. Finance and Audit Committee

Finance and Audit Committee chairman McClaskey reported that the executive and audit committees met with auditors upon completion of audit field work. The meeting included a session without management personnel present. Kelso reported to committee that he has issued an unqualified opinion, and that his audit revealed no misstatement of financial reporting. McClaskey indicated that the committee recommends acceptance of the December 31, 2017 audit report. McClaskey commended staff for the quality of its work and its cooperation with the auditors. He also summarized comments from Kelso at the committee meeting about upcoming changes in accounting standards regarding unbilled revenue reporting and lease accounting. Haberkorn commented on the value of retaining Kelso and Company as it has extensive knowledge of cooperative accounting and a good understanding of GVP's financial history.

MOTION: Motion by Rooks second by Haberkorn to accept the December 31, 2017 audit report; carried.

MOTION: Motion by Saunders second by Spangler to approve the allocation of 2017 margins totaling \$ 2,122,827; carried.

MOTION: Motion by O'Connor second by Haberkorn to approve the 2017 IRS Form 990; carried.

MOTION: Motion by Rooks second by Saunders to convene executive session to discuss final CEO evaluation; carried.

Executive session convened at 11:05 a.m.
Regular session reconvened at 11:55 a.m.

MOTION: Motion by Rooks second by McClaskey to accept revisions to CEO evaluation as proposed by executive committee; carried.

MOTION: Motion by Haberkorn second by Spangler to accept 2018 Management Objectives; carried.

MOTION: Motion by Rooks second by O'Connor to amend Policy No. 53 as follows:

1. Adding a new section addressing executive committee dialogue with the CEO providing that "The executive committee of the board of directors should engage the Chief Executive Officer in a dialogue concerning any proposed action and make recommendations to the full board regarding the proposed action."
2. Amending the section on Base Pay to provide: "The board of directors will establish a salary range for the Chief Executive Officer position using comparable market data. This is determined by gathering actual rates of pay of CEOs and General Managers of other Colorado rural electric cooperatives. In order to have a competitive range, the board has currently established the salary range midpoint taking into account factors such as cooperative size, location, and job requirements. Market data will be reviewed on a periodic frequency, not to exceed every 3 years. The salary range may be updated based on the market analysis or as necessary with board approval. Base salary within the salary range will be set by considering market data and the individual's background, experiences, skills and meritorious contribution."
3. Changing references to "General Manager" to "Chief Executive Officer."
4. Renumbering sections as necessary.

Motion carried; McClaskey opposed.

III. Legal

Kampf reported the sale of Whitewater land parcel has been finalized.

IV. CREA/Western United

Martinez asked for input from directors on board views regarding legislative strategies to be discussed at the managers' and directors' joint meeting being held on April 27. Walch reported the cooperatives may need to survey their members. He suggested a uniform statewide survey be drafted to be administered by cooperative. The board supports a uniform statewide survey.

V. Continuing Business

Haberkorn reported he attended the Directors' Conference. He indicated that the presentation by NRECA's cybersecurity specialist Cynthia Sue Hsu emphasized the importance of continual enhanced protection on cybersecurity. Cynthia is the program manager of the Rural Cooperative Cyber Security Capabilities (RC3) program in which GVP is participating.

VI. New Business

Martinez requested directors provide courtesy notification to board president when directors will need to arrive at board meetings late or leave early.

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

Meeting adjourned at 12:20 p.m.

Cathy Gledhill, Assistant Secretary

Rod Martinez, President