

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

Regular Meeting

March 21, 2018

The Board of Directors of Grand Valley Rural Power Lines, Inc., met in regular session on Wednesday, March 21, 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	present
Dennis Haberkorn	present
Rod Martinez	present
Bill Rooks	present
Carolyn Sandeen-Hall	present

Others present: Tom Walch, CEO; Sherry Fix, IT Manager; Karen Allen, Network Administrator; Cathy Gledhill, Manager of Finance and Administration; Pat Kanda, Staff Accountant; Bill Barlow, Operations Supervisor; 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; Bill Leung, wholesale power consultant.

Minutes:

MOTION: Motion by Haberkorn second by O'Connor to approve the minutes of the February 21, 2018 regular meeting; carried.

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

I. CEO's Report

1. Staff members updated the board on activities in their respective departments. Williams presented the proposed 2018-2021 Construction Work Plan to the board. He outlined the purpose, scope and assumptions used to forecast growth and reviewed system improvement projects. Walch noted that the four-year work plan averages \$4.5 million in system improvements per year, which is consistent with work plan expenditures in recent years. Walch further commented that, even though GVP will request a loan package from CFC for the Construction Work Plan total of \$19,910,285, historically GVP has not drawn all loan funds as a significant portion of costs have been funded from operating revenue. Williams also reported Great Southwestern Construction has begun site work for the Orchard Mesa Substation upgrade. Martinez read Resolution No. 18-01 approving the 2018-2021 four year work plan.

MOTION: Motion by O'Connor second by Sandeen-Hall to adopt Resolution No. 18-01 Approval of the 2018-2021 Four Year Work Plan; carried.

Walch updated the board on the schedule for the Automated Metering Infrastructure (AMI) project. The contract should be signed this week, with a purchase order to lock in meter costs until 2021. Data processing vendor NISC has committed to integration of the software by September, and GVP is targeting completion of the initial phase of the project by December 2018. Manley informed the board relocation and improvement of disabled parking spots and ramps and overlay of front and back parking area will be in progress by the next board meeting. Barlow informed directors GVP crews are completing construction of service to the 22 lot Smith subdivision and continuing work on transmission pole replacements. Walch reported NRECA amended the wording in the GVP RESAP inspection report concerning fixed ladders in GVP headquarters facility, with the amendment clarifying that the only deficiency was a failure to display weight rating on ladders. Allen thanked the directors for the opportunity to attend the Tech Advantage conference and complimented Fix on her presentation in connection with the Rural Cooperative Cybersecurity Capabilities program (RC3) panel discussion. Fix reported Jimmy Weber, new IT Technician/Dispatcher, begins work at GVP on April 2.

Elder distributed information regarding the GVP scholarship recipients. He reported the scholarship committee met on March 7 and reviewed 17 scholarship applications and identified the seven students to be awarded scholarships this year. Elder reported that applications for Western Colorado Community College (WCCC) lineman school applications are due June 1. Elder also reviewed 2017 follow-up customer service survey results. He noted that in 2017 billing department customer service contacts were included in the survey process with survey postcards sent out to consumers connecting or transferring service. Elder has also contacted accounting firm Chadwick Steinkirchner Davis & Co. (CSD) to confirm that it will continue to perform function of election oversight and ballot custodian for GVP director elections. He noted that Wayne Keeler will be the CSD representative in charge of the matter in 2018. The board agreed that Gregg Kampf, Richard Pryor and Wayne Keeler should be asked to serve on the Election Supervisory Committee. Wharton reported that she has been finalizing redesign of the GVP website, which will go live next week. Wharton informed directors she will begin drafting AMI communication messages in the coming months. Kanda presented the January 2018 financial reports. Walch and Kanda explained the use of the deferred revenue surplus with Public Service Company of Colorado (PSCo) formula-based rate power billing. Walch noted GVP rates rank among the lowest of all Colorado electric cooperatives on the January Colorado Association of Municipal Utilities (CAMU) rate survey. Walch credits PSCo's lower wholesale power costs (compared to Tri-State), GVP's containment of labor and benefit costs, and efficient operations for the ranking. Kanda summarized delinquent account and write-off activity. Walch informed directors of cybersecurity alert from NRECA that Russia is targeting America's utilities to infiltrate the grid. He reported GVP continues to improve its security awareness with effective social engineering training.

2. Walch reviewed with the board the status of the Colorado Energy Plan Portfolio PUC filing by PSCo. Walch reported the PUC approved Xcel's plan, but is requiring PSCo to present a plan to manage deferred tax assets. The PUC established another docket associated with treatment of depreciation, which affords another opportunity for GVP and other wholesale customers to negotiate with PSCo. Walch reported that his objective, as directed by the board, is to close the rate gap between GVP and Xcel Energy residential consumers but noted that short-term relief is highly unlikely.
3. Walch introduced Bill Leung, wholesale power consultant. Leung summarized the history of the Western Area Power Administration (WAPA) Colorado River Storage Project, and GVP's allocation of hydroelectric generation produced in connection with the project. Leung

reported GVP's contract with WAPA expires in 2024. An association of other customers with similar contracts known as the Colorado River Energy Distributors Association, or CREDA, has negotiated contract extension terms with WAPA. Even though GVP is not a member of CREDA, it is being offered the same contract extension terms. Leung noted that the contract extension provides the same resources, marketing area, and rate methodology, and preserves GVP's allocation at the same level as the existing contract. The extension includes new terms regarding creditworthiness and Regional Transmission Organization (RTO) energy market integration. It also clarifies that customers have rights to environmental attributes of the energy produced. Leung recommended the board approve the contract extension for a term extending through 2057 and authorize CEO Walch to execute the contract.

MOTION: Motion by Saunders second by Sandeen-Hall to approve WAPA contract extension and authorize CEO Walch to execute contract; carried.

Leung and Walch also updated directors on the status of the Mountain West Transmission Group (including Xcel Energy, WAPA and Tri-State) efforts to join the Southwest Power Pool (SPP) Regional Transmission Organization (RTO). This integration is projected to allow the group to optimize resources and balance renewables. The impact to GVP is not clear, but it is anticipated that transmission costs would be slightly higher, and this increase would be offset in whole or in part by a decrease in production costs.

4. Walch informed directors CREA is accepting the amended 811 bill. He reported the CREA board has invited all managers to participate in a workshop to address legislative strategies.
5. Walch reported auditor Kevin Kelso is on site completing audit field work and will meet with accounting staff, executive and audit committees at 1 p.m. on Friday. All directors are invited to attend the meeting.
6. Walch informed directors that GVP's five-year pledge commitment to the Grand Junction Economic Partnership (GJEP) in the amount of \$10,000 per year was fulfilled with a final payment in January 2018. GJEP is seeking new five-year commitment and is asking GVP to consider an increased annual contribution. It was the consensus of the board to continue with the current annual contribution of \$10,000 and sponsorship of GJEP's annual Western Colorado Economic Summit at the \$2,500 level.
7. Walch reported Sheldon Peterson's address at the NRECA Annual Meeting concerned the phases of organization development, concluding that the cooperative industry is entering the stage of decline. The industry's challenge – and opportunity – is to renew or reinvent itself. Walch suggested to the board this is a worthwhile topic for the next strategic planning meeting.

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

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

II. Legal

Kampf reported the sale of the Whitewater parcel of land should be finalized in the next week or two.

III. CREA/Western United

Martinez followed up on Walch's report that the CREA board has scheduled a joint work session with CREA distribution managers on April 27 to discuss legislative issues. He also informed directors IREA is estimating revenue losses between \$100,000 and \$400,000 due to power theft. Saunders reported the Western United meeting is next week.

IV. Executive Session

MOTION: Motion by Haberkorn second by Saunders to convene executive session to discuss CEO salary range and performance review; carried.

Executive session convened at 12:00 pm
Regular session reconvened at 2:40 p.m.

Saunders and O'Connor no longer present when regular session reconvened.

The board reviewed proposed amendments to Policy Bulletin No. 53 addressing General Manager Compensation as discussed in executive session. The revised policy will be presented at the April board meeting for board consideration.

MOTION: Motion by Sandeen-Hall second by Spangler to establish the CEO salary range as recommended by Executive Committee in executive session, based upon comparative data reviewed, with an emphasis on Colorado CEO Compensation surveys; carried unanimously.

MOTION: Motion by Sandeen-Hall second by Spangler to increase the salary of CEO Walch by 8.89% effective January 1, 2018; carried unanimously.

MOTION: Motion by Sandeen-Hall second by Spangler to authorize President Martinez to execute a contract with CEO Walch establishing the minimum salary for Walch effective January 1, 2019, as proposed in executive session, provided he is an active employee and meets expectations on his review, and further providing that Walch remains an "at will" employee; carried 4-2; Haberkorn and Van Winkle dissenting

MOTION: Motion by Sandeen-Hall second by Spangler to increase the CEO's vehicle allowance to \$800 per month effective March 1, 2018; carried unanimously.

President Martinez noted that the executive committee would schedule a meeting with CEO Walch to complete the review of the 2017 CEO performance evaluation.

IV. Continuing Business

None.

V. New Business

None

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

Meeting adjourned at 2:50 p.m.

Cathy Gledhill, Assistant Secretary

Rod Martinez, President