

REGULAR MEETING OF THE BOARD OF DIRECTORS OF GUNNISON COUNTY ELECTRIC ASSOCIATION, INC.:

The regular meeting of the Gunnison County Electric Association (GCEA) Board of Directors was held on Tuesday, May 30, 2017 at the GCEA headquarters located at 37250 W U.S. Highway 50, in Gunnison, Colorado.

A quorum of a majority of directors was met with six of seven directors initially in attendance. Directors attending were Greg Wiggins, Chris Morgan, Michelle Lehmann, Paul Hudgeons, John Vader, and Mark Daily (Districts 1-2 and 4-7 respectively). Bart Laemmel was expected to arrive shortly after the meeting began as he advised he would be delayed due to a business matter.

Notice of this meeting was posted Thursday, May 18, 2017.

Attorney David Doder, Chief Executive Officer Mike McBride, Chief Financial Officer Marcia Wireman, Chief Operations Officer Roger Grogg, and Executive Assistant Sherry Booth also attended.

District 5 member guest Tom Carl was also in attendance for observation of regular Board business.

President Greg Wiggins called the meeting to order at 9:03 a.m. Two minor changes to the agenda were proposed.

Motion by Director John Vader to accept the May 30, 2017 regular meeting agenda as amended carried unanimously.

Director per diems were submitted for Secretary/Treasurer John Vader's review.

Consent Agenda

Motion by Director Paul Hudgeons to approve the May 30, 2017 consent agenda carried unanimously.

Items approved via the consent agenda include: April 25, 2017 regular meeting minutes; Resolution No. 1 – May 2017 GCEA membership for April 2017; April Work Order inventory #603 and related special equipment for April 2017; and the CEO expense report for April 2017.

The April 2017 net-to-plant total is \$19,657 and the year-to-date net-to-plant total is \$135,222 through April 2017. Special equipment and labor cost for the month of April 2017 is \$18,793. The year-to-date special equipment and labor cost through April 2017 is \$74,639.

Director Elections

Secretary/Treasurer John Vader certified the 2017 director candidates' petitions. Director petitions received include: Greg Wiggins (District 1), Michelle Lehmann (District 4), and Thomas (Tom) Carl (District 5). Incumbent District 5 Director Paul Hudgeons, whose service began in June 2002, chose not to seek another term.

Discussion regarding reasons for lack of challengers followed. One speculation is the time commitment. Also, directors relayed member interactions and the impression, from discussions with members, that in the event sitting directors were not addressing specific concerns, challenges would be more likely. Discussion segued into common member feedback topics. Additional information staff could relay to directors includes details on capital credits and service interruptions.

Motion by Director John Vader to approve Resolution No. 2 – May 2017 accepting the cancellation of an uncontested election and electing unchallenged incumbents Greg Wiggins (District 1) and Michelle Lehmann (District 4), and new candidate Tom Carl (District 5), effective June 27, 2017, carried unanimously.

Discussion followed.

Bart Laemmel arrived at 9:23 a.m.

Financial Goals Committee Recommendations

CFO Marcia Wireman explained the need to address unfinished April business regarding Financial Goals committee recommendations.

The committee recommends the full allocation of other patronage capital allocations received by GCEA to members in the year allocated to GCEA. Committee chair Paul Hudgeons clarified his and the committee's position to not allocate Tri-State patronage capital until receipt of cash. Discussion followed.

Motion by Director Paul Hudgeons to allocate patronage capital as recommended by the committee carried unanimously.

As for capital credit retirements to estates of deceased members, the committee recommends new simplified procedures for retirements of \$1,000 or less with authority given to staff to apply simplified procedures for slightly larger retirements. Discussion followed.

Motion by Director John Vader to implement simplified estate retirement procedures as recommended by the committee carried unanimously.

Allocation of 2016 Margins

CFO Marcia Wireman presented the 2016 allocation of operating margins consistent with action just taken by the Board. Thorough discussion followed.

Motion by Director Paul Hudgeons to approve Resolution No. 3 – May 30, 2017 Allocation of 2016 Margins in the amount of \$1,381,846 and transfer non-operating margins in the amount of \$178,970 to permanent equity carried unanimously.

Further discussion of financial goals followed and as did the recommendation of continuing the review of the association's philosophy and methodology for capital credits.

Board Policy, Rules and Regulations, and Bylaws Committee Report

Board Policy, Rules and Regulations, and Bylaws Committee Chair Chris Morgan took the floor to conduct committee business and report on the committee's progress. Chair Morgan and Attorney Dodero spoke to three items for which the committee is seeking Board feedback for use in updating bylaws. Extensive discussion followed with feedback given to the committee as outlined below.

The Board's consensus is to allow any appointed director to fill the remaining term and forego election at annual meetings prior to the normal expiration of the term for the district in question.

The Board wishes to leave the GCEA bylaws as written in regard to Board candidate endorsements. Individual directors are allowed to express opinions, while exercising care to avoid misperceptions of Board endorsement.

The Board expressed its desire to ensure that all members have an opportunity to vote. Noting that ballots are mailed to members of record 45 days prior to the annual meeting, the Board indicated that in person

voting at the annual meeting would provide an adequate opportunity for new members to vote without undo cost and administration.

Motion by committee member Michelle Lehmann to approve the May 9, 2017 Board Policy, Rules and Regulations, and Bylaws Committee minutes carried unanimously by committee members in attendance.

Rural Utilities Service

CEO Mike McBride and CFO Marcia Wireman initiated discussion regarding alternatives to borrowing from the USDA's **Rural Utilities Service (RUS)**.

In Marcia's PowerPoint presentation, she noted multiple inefficiencies such as burdensome compliance, inadequate RUS workforce, inadequate service, antiquated documentation and procedures, lengthy reimbursement process for loan funds and excessive paperwork. She noted delays resulting in unnecessary costs. Marcia spoke to costs including external consultants and internal labor costs.

Other considerations include currently low but potentially rising interest rates and concern for the potential elimination of rural programs.

Marcia presented a cost breakdown should GCEA choose to buyout of RUS. The staff presented a conservative approach to cost impact inclusive of Cushion of Credit (COC) and loss of interest income related to COC.

Marcia provided details for two lender proposals inclusive of re-finance terms. The staff's recommended buyout lender is the National Rural Utilities **Cooperative Finance Corporation (CFC)**.

Additional reasons cited for CFC as the preferred GCEA lender include: similar philosophy as an electric based cooperative funding institution that focuses on service to members; many other co-ops are 100% CFC borrowers (222); CFC provides additional training to financial staff; 100% borrowers receive discounts of 0.50%; positive ratings from rating agencies based on CFC credit quality and members' equity; CFC maintains a diverse source of capital including capital markets, the USDA, Federal Agricultural Mortgage Corporation (Farmer Mac), and member investment; and finally, CFC provides a simplified loan process.

Marcia shared figures from another cooperative as an example of a most recent RUS buyout in order for that co-op to become a 100% CFC borrower. She also detailed the timeline comparisons for loan processing between RUS and CFC. Financing total net cash flow and a graph tracking the buyout net cash flow were explained.

Next steps, if the buyout is approved, were explained. Multiple questions were addressed throughout the presentation and extensive discussion followed.

Motion by Director Paul Hudgeons to buyout of the GCEA loan from the USDA's Rural Utilities Service and instead use the National Rural Utilities Cooperative Finance Corporation for future lending carried unanimously.

Therefore, Resolution No. 4 for the RUS RD Apply Intake System is unnecessary and voided.

Executive Session: Employee Matter

Motion by Director John Vader, second by Michelle Lehmann to enter executive session at 12:37 p.m. to discuss an employee matter carried unanimously.

Per CEO McBride and President Wiggins, excusal of staff and guest was unnecessary.

Motion by Director Michelle Lehmann, second by John Vader to exit executive session at 12:45 p.m. carried unanimously.

Monthly Reports: Safety/Loss Control Activity Report

COO Roger Grogg reviewed the Safety/Loss Control Activity report and detailed a program developed by GIS Technician Erica Soerensen that assists in field equipment inventory. Discussion followed. Additional reported items included installation of a credit card chip reader at headquarters; a safety video reviewed of a real life incident involving a school bus and downed power lines, a revision to meter change-out procedures due to a recent accident, and additional close calls/accidents.

Another reported close call was a Hotline School incident involving a large truck accidentally pulling the wire off multiple poles while power worker students were on the poles. The noise of a large truck and volume of other equipment make attempts to gain a driver's and other worker's attention challenging. The use of an air horn is a new safety rule as a result of the incident; when any crew member uses an air horn, all activity must cease immediately for threat assessment. Discussion followed.

Motion by Director Paul Hudgeons to approve the Safety/Loss Control Activity report for May 30, 2017 carried unanimously.

Monthly Reports: Association Update

CEO Mike McBride provided an association update. He shared the initial results of a recently completed feasibility study for the Crooke Falls facility in Lake City. Discussion and further details followed.

COO Roger Grogg explained the latest delay in the East Rebuild as a USDA RUS confirmation letter provided to Roger and forwarded to the U.S. Fish and Wildlife Service (USFWS) is not considered legitimate as the letter has to be sent directly to the USFWS from the RUS.

A community effort to develop a countywide greenhouse reduction goal was discussed. The Colorado Affordable Residential Energy (CARE) program is a key coordinator in the effort. A director with prior experience with this program and its procedures shared cautionary concerns. Discussion followed.

The bankruptcy of solar panel manufacturer was noted. Mike reported on GCEA attempts to assist the Curecanti Marina's expedited installation of its recent equipment relocation.

Monthly Reports: Member Comments

Mike McBride reported on member feedback concerning the current status of GCEA installed EV charging stations being required to provide the electricity at no charge for three years due to grant provisions.

Roger Grogg relayed an afterhours' response above Taylor Park in which the two responding linemen assisted a member in multiple issues, not only locating and repairing three power issues but also helping with broken pipes to prevent damage to the property.

Mike also shared front office reports from employees.

Monthly Reports: Financial Review

CFO Marcia Wireman addressed GCEA financials and where GCEA stands compared to budget. She also noted a rate calculation that has been addressed. Marcia also spoke to long-term debt and a slight decrease in the number of services compared to this time last year. Capital labor is down from last year; however, despite a slow start a highly active construction season is anticipated.

Monthly Reports: Operations Update

COO Roger Grogg provided the reliability review for April and explained interruption causes for the month.

Roger reviewed April load profile graphs and explained the historical comparisons and graphs provided by engineering staff.

Miscellaneous

Roger Grogg advised of having received bids for the Lake City warehouse remodel and the likelihood of a required asbestos assessment due to the undocumented construction date of the original building. Roger asked for approval of a construction budget adjustment based on the bids received.

Motion by Bart Laemmel to approve an additional \$50,000 for the Lake City warehouse remodel carried unanimously.

Roger Grogg also reported on the recently hired Gunnison Apprentice Lineman Justin Hulick of the Grand Junction area. Mr. Hulick is formerly a military serviceman; he, his wife, and their family will relocate to the Gunnison area. Mr. Hulick's start date is June 19, 2017.

CEO Mike McBride engaged the Board in a discussion of notably consistent monthly peaks. Discussion followed.

Affiliated Organizations and Committee Reports

David Dodero provided an **Attorney** report. He reported advising on bylaws issues and his inability to attend a CREA attorney's meeting due to scheduling conflicts. Mr. Dodero also asked the Board to consider changing its regular meeting dates from Tuesdays to Wednesdays. Mr. Dodero explained the request is primarily from the standpoint of his firm's needs. Discussion followed.

Chris Morgan reported on **Tri-State** (TS) activities. Chris spoke to internal auditing procedures and TS accounting changes. March margins were noted. The TS confidential long-range financial forecast, typically distributed at the beginning of the year, had finally been completed in the last month due to various facility and staffing calculations. Discussion followed.

Mike McBride reported on the **CREA** May 25-26 meeting in Cortez for which John Vader and alternate Bart Laemmel were unable to attend due to business obligations. Mike reported on the tour of Kinder Morgan's carbon dioxide facility. Mike spoke to various legislative matters, including the Move Over legislation and the loss of funding for the Colorado Energy Office. Discussion followed.

Director Vader also reported on the **NRECA Legislative Conference** held in Washington DC April 23-26, 2017. John and additional CREA directors had been able to meet with Representative Scott Tipton of Colorado District 3 and Representative Mike Coffman of Colorado District 6. The CREA delegation requested continued support for rural programs, HR 1090, and right-of-way clearance issues on public lands. Additional bi-partisan development of a modified and reformed endangered species act is underway. Low-income energy and assistance programs were also promoted by the cooperative delegation. John also reported that multiple Colorado Representatives and Senators are promoting the relocation of the Bureau of Land Management's headquarters west of the Mississippi River as this is where most of the land is. Other western states have similar interests; the Colorado lawmakers are promoting Grand Junction, CO.

John Vader also offered a **WUE** update. Insect repellent and sunscreen products that do not compromise rubber gloves and other PPE were discussed. John reported the 2018 WUE budget has been approved. Current and additional installation of WUE outposts were discussed.

Paul Hudgeons and Mike McBride advised of no new **Paradigm** business.

Scheduling of Meetings and Events

1. Tuesday, **June 27, 2017** Regular Board and Annual Membership Meetings
2. Tuesday, **July 18, 2017** Technology Committee Meeting (Convenes at 8:30 a.m.)
3. Tuesday, **July 25, 2017** Regular Board Meeting (Convenes at 9:00 a.m.)
4. *To be determined* August 2017 Board Policy, Rules and Regulations, and Bylaws Committee
5. Tuesday, **August 29, 2017** Regular Board Meeting (Convenes at 9:00 a.m.)
6. Tuesday, **September 26, 2017** Regular Board Meeting (Convenes at 9:00 a.m.)

Adjournment

Motion by Director Paul Hudgeons to adjourn the Gunnison County Electric Association Regular Board Meeting held on May 30, 2017 carried unanimously. There being no further business before the Board, President Greg Wiggins adjourned the meeting at 3:45 p.m.

Respectfully submitted by Executive Assistant Sherry Booth.

/ Greg Wiggins /
President

/ John P. Vader /
Secretary/Treasurer

Date Approved: June 27, 2017

APPROVED