

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, July 25, 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 all seven directors in attendance. Directors attending were Greg Wiggins, Chris Morgan, Michelle Lehmann, Tom Carl, John Vader, and Mark Daily (Districts 1-2 and 4-7 respectively). District 3 Director Bart Laemmel was also later in attendance after previously advising of his slight delay due to a personal matter.

Notice of this meeting was posted Thursday, July 13, 2017; a revised agenda was posted Wednesday, July 19.

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

President Greg Wiggins called the meeting to order at 9:03 a.m.

Motion by Director John Vader to accept the July 25, 2017 regular meeting agenda carried unanimously.

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

Consent Agenda

Mark Daily requested that construction costs trends be reviewed.

Motion by Director John Vader to approve the July 25, 2017 consent agenda carried unanimously.

Items approved via the consent agenda include: June 27, 2017 regular meeting minutes; Resolution No. 1 – July 2017 GCEA membership for June 2017; June Work Order inventory #605 and related special equipment for June 2017; and the CEO expense report for June 2017.

The June 2017 net-to-plant total is \$17,704 and the year-to-date net-to-plant total is \$192,511 through June 2017. Special equipment and labor cost for the month of June 2017 is \$36,950. The year-to-date special equipment and labor cost through June 2017 is \$127,462.

Technology Committee Report

Technology committee chair Mark Daily spoke to recommendations developed by the committee at its July 18 meeting. Summarized, these recommendations include: a new renewable energy policy A-25 under development; a Blue Mesa delivery point; strategies for Taylor Hydro and Crooke Falls, and postponement for a small scale battery storage demonstration project.

Motion by technology committee member Chris Morgan to approve the technology committee minutes for the July 18, 2017 meeting as amended carried by a unanimous vote of the committee.

Bart Laemmel arrived at 9:16 a.m.

Reorganizational Meeting

Attorney David Dodero initiated the review of policies related to the election of officers. Mr. Dodero led the reorganization process and noted as all directors are nominees, he would accept any director's request to defer from consideration.

As per policy A-5, the following officers were elected:

President- Greg Wiggins by acclamation; Vice President- Bart Laemmel by acclamation; Secretary/Treasurer- John Vader by acclamation and Assistant Secretary/Treasurer- Mark Daily by acclamation.

Again, per policy A-5, the representatives to affiliated organizations were elected as follows:

CREA Director: John Vader by acclamation and CREA Alternate: Bart Laemmel by acclamation; WUE Director: John Vader by acclamation; and WUE Alternate: Tom Carl by acclamation; NRECA Director: Bart Laemmel by acclamation and NRECA Alternate: Mark Daily by majority vote; Paradigm Chair (and CEO for its Board): Mike McBride; Paradigm Directors: Bart Laemmel, Chris Morgan and Paradigm Alternate: Greg Wiggins, each by acclamation; and Basin Electric Power Cooperative Director: Greg Wiggins, and Basin Alternate: John Vader, each by acclamation.

As per policy A-7 appointments to committees as determined by President Greg Wiggins are as follows:

Ex-Officio Member to all committees: Board President Greg Wiggins; Budget, Finance and Audit Committee: Chair Chris Morgan with the remaining Board as a whole to serve as committee members; Financial Goals Committee: Chair Mark Daily with members Chris Morgan and Michelle Lehmann; Technology Committee: Chair Mark Daily with members Bart Laemmel, and Chris Morgan; Scholarship Committee: Chair Bart Laemmel with members Greg Wiggins and Tom Carl; Board Policy, Rules and Regulations, and Bylaws Committee: Chair Chris Morgan with members Mark Daily, John Vader, and Michelle Lehmann; CEO Evaluation and Goals Committee: Chair John Vader, with members Bart Laemmel and Mark Daily, and as facilitator, attorney David Dodero.

Fiduciary Duties

GCEA's legal counsel, David Dodero, provided thorough instruction on fiduciary duty. Mr. Dodero provided reference materials, case studies and a detailed analysis of the duties of care and loyalty. The Board engaged in an in-depth discussion of the principles.

Mr. Dodero is available to all directors should any member of the Board ever have any questions regarding fiduciary duty.

Blue Mesa Subdivision Delivery Point

CEO Mike McBride reported on the in-depth technology committee discussion regarding a potential delivery point at the Western Area Power Administration's (WAPA) substation at the Blue Mesa Dam and associated construction of a three-phase line to the Blue Mesa subdivision north of Lake City. Staff is awaiting cost estimates for the permitting work. COO Roger Grogg requests the Board act on this item at its regular August meeting. With the potential for financial participation from Tri-State G&T (TS) and WAPA, staff was instructed to move forward with TS to ensure inclusion of the project in the TS budget. Financial, technical, and engineering aspects of the project were discussed.

Monthly Reports: Safety/Loss Control Activity Report

COO Roger Grogg reviewed the Safety/Loss Control Activity report. Roger reported employees having been informed of Paul Hudgeons parting comments acknowledging the GCEA safety culture. Roger also reported the IT department's awareness and action regarding prevention of recent phone scams. Roger advised of recently completed CPR/AED training for office personnel. Roger also explained an afterhours close call and a follow-up discussion with operations personnel after a previously reported in-house near accident involving a transformer change-out that resulted in a shock to one Journeyman. Discussion followed.

Motion by Director Michelle Lehmann to approve the Safety/Loss Control Activity report for July 25, 2017 carried unanimously.

Methane Capture

CEO Mike McBride introduced WSCU Master in Environmental Management (MEM) graduate Chris Nutgrass and his advisor Luke Danielson. The Gunnison County Board of County Commissioners (BOCC) commissioned Mr. Nutgrass to produce a study regarding methane capture. Mr. Nutgrass explained the natural release of methane from coal mines. He also identified mine locations in Colorado and the decline in coal mining employment. Mr. Nutgrass detailed the social cost of carbon and noted that even after a coal mine is closed methane emissions continue. Electricity, compressed natural gas (CNG), pipeline injection, industrial feedstock, research applications, and flaring are suggestions for utilization of captured methane. Western power supply saturation and resulting low prices for electricity were cited as challenges. Mr. Nutgrass promotes making a choice for methane capture for utilization of a wasted product, reduction of greenhouse gas emissions, and sustainable economic activity in the area. Questions and discussion followed. Costs of purchasing and wheeling remain concerns.

Bart Laemmel spoke to the need for consistency and dedication with respect to environmental initiatives among all the valley's partners. President Wiggins suggested Mr. Nutgrass present his information to multiple area entities such as CMBR, WSCU, the Towns of Crested Butte and Lake City, and the State. As noted by Mark Daily, Mr. Nutgrass presents good information and is encouraged to continue to promote awareness and education. Mr. Danielson spoke to the continuing, thoughtful promotion of programs that take time for citizens to begin adopting.

Director Bart Laemmel was excused from the meeting at approximately 12:50 p.m. Guests Chris Nutgrass and Luke Danielson had also departed by this time.

Weatherization Proposal

CEO Mike McBride introduced Emily Artale of Lotus Engineering and Sustainability, Gunnison County Commissioner John Messner, and John Cattles, Sustainable Operations Director for Gunnison County. As Ms. Artale explained, Energy Smart Colorado has awarded a conditional grant, requiring additional local funding, to the Gunnison Valley Regional Housing Authority (GVRHA) to address energy efficiency improvements in area housing. GVRHA has contracted with Ms. Artale's business for consultation in assessment and implementation of improvements. Ms. Artale's presentation noted goals for completing energy efficiency retrofits in low-income homes. She cited affordable housing statistics and spoke to income qualifications while explaining the program's intentions and proposed rebate structure. Participants in the Colorado Department of Human Services Low Income Home Energy Assistance Program (LEAP) will be advised of the local program once it is initiated. Discussion followed.

The three guests departed at this time.

The directors and staff continued discussion of the Colorado's Affordable Residential Energy (CARE) program proposal.

Monthly Reports: Association Update

CEO Mike McBride provided an association update. He explained Marcia Wireman's analysis of Croke Falls' data that was provided previously to and reviewed with the technology committee. The committee discussed cessation of work related to this project primarily due to the aging facility's necessary repairs. Additional information was shared with the Board. Extensive discussion followed and the Board ultimately concluded that there is more benefit investing in other projects as the Croke Falls project is not considered economically viable at this time.

Mike advised of technology committee discussion regarding Taylor hydro. Discussion followed. Mike will convey GCEA expectations to the UVWUA and seek input from a GCEA member that may be interested in paying a premium for hydro power. The Board requests to see side-by-side comparisons of the multiple projects GCEA has been researching. Chris Morgan reported on TS members' solar projects.

Mike reported his, Roger Grogg's, and Tom Carl's attendance at a Hinsdale County meeting regarding relocation of facilities in Lake City.

He also reported that GCEA will install a camera at its Crested Butte electric vehicle (EV) charging station to monitor its two dedicated parking slots.

Mike advised of Microsoft's recent announcement for deploying rural Broadband services.

Monthly Reports: Member Comments

Mike McBride reported on member feedback. He explained two different members having shared positive comments regarding the June 27 annual meeting including appreciation for guest speaker John Nelson and the member gifts provided to attendees. Mike also relayed the feedback requested GCEA distribute more gifts so that every attendee, including those with joint memberships, receive an item.

Roger Grogg reported additional feedback from a member relaying that outage reports online are appreciated. He also addressed a member concern regarding e-bill procedures, and Billing Supervisor Holly Palmer's assistance clarified the matter. Marcia Wireman reported on a member seeking declined credit card information and his inability to reach GCEA during its scheduled Friday closure. The member called her direct line, bypassing the main line notice of office hours. The same member could not recall his Smarthub password, and the support software for the program was having issues. Marcia was in the office over the weekend and called him on Saturday for which the member was grateful.

Monthly Reports: Financial Review

CFO Marcia Wireman confirmed that as of July 12 GCEA is officially a National Rural Utilities Cooperative Finance Corporation (CFC) 100 percent borrower and no longer borrowing from USDA's Rural Utilities Service (RUS). She provided a graph noting the 10-year treasury yield and buyout premium comparison. The timing of the interest rate lock and buyout resulted in both a lower interest rate on the new debt and a lower buyout premium than what had been originally presented to the Board when the decision was made to buy out of RUS. Marcia explained details regarding loan processes with the new lender and CoBank and committed versus non-committed line-of-credit considerations. Discussion followed.

Motion by Director John Vader for GCEA to continue with a committed line-of-credit with CFC carried unanimously.

Marcia reported on recent Georgia class action suits regarding capital credits and with rulings found in favor of the cooperatives. Attorney Dodero further elaborated on the rulings, explaining a cooperative's board of directors has discretion in its application of capital credits per its organization's bylaws.

Marcia addressed GCEA financials, noting capitalized labor is currently lower than in 2016 and cited reasons for such. She explained capitalized labor is applied to construction of infrastructure and amortized over approximately 30 years. Maintenance work is expensed labor. Marcia noted that even though margins are lower than previous projection, GCEA remains strong in its equity. Discussion followed.

Monthly Reports: Operations Update

COO Roger Grogg provided the reliability review for June and explained interruption causes for the month. Discussion followed.

Roger reviewed June load profile graphs and explained data comparisons provided by engineering staff. For the sixth year in a row, peak was June 30 and between 9:00-9:30 p.m.

Form 990 Review

The Form 990 and supporting calculations were previously provided for Board review in their meeting packets. Financial/HR Specialist MacLennan joined the meeting to review the completed form with the Board. She advised this form is required to maintain GCEA's federal income tax exemption. She noted that as opposed to completing the form in-house as in previous years, GCEA's hired auditors prepared the 2015 and 2016 Form 990. Upon the auditor's submission, Paula reviews the data and together they finalized the form. In response to a question posed by a Board member, Paula highlighted the 85/15 calculation on page 5 as a most significant aspect of the form. The law requires that GCEA receive 85% of its revenue from members.

Affiliated Organizations and Committee Reports

David Dodero provided an **Attorney** report. He noted having worked on the RUS buyout, capital credit refund forms, CenturyLink license agreement, employee housing documents, questions regarding Board minutes, and preparation for this meeting's reorganization and fiduciary duty topics. Discussion followed. Lastly, Mr. Dodero relayed his partner Gregg Kampf's participation in Pedal the Plains to raise money for Energy Outreach Colorado.

Chris Morgan reported on **Tri-State** (TS) activities. He explained TS operating reports. Chris advised that TS has more solar generation in its portfolio than any other generation and transmission cooperative. Renewable generation in May was at 37% of total power supply. Margins were reviewed as was the TS budget discussion schedule and predictions. Excess power supply resulting in sales by producers at negative prices and RTO/power pool considerations were explained. Chris reported on TS's ongoing attempts to develop a mobile substation for Lake City. Discussion followed. Chris advised that the contract committee is dissolved for now and will reform again in two years for TS's next review. Goals identified by this last contract committee were reported. Chris also provided a finance committee update.

John Vader reported that **CREA** had a phone conference in late June. A recent hail storm in the area of the CREA headquarters damaged the building's roof, interior carpet and paint, and two employee vehicles. Legislative matters including vegetation management were noted. Scenarios arising from tree maintenance in public right-of-ways were further discussed.

Mike McBride, president of the **CREA** manager's group, reported on its highly attended recent meeting regarding legislative suggestions to be presented to the CREA board. Topics included Broadband and utility easements for such, marijuana enforcement, obligation to serve and privacy issues, and various aspects applicable to net-metering. Energy storage, eligible resources for the Renewable Energy Standards, rates and programs for low-income members, electronic voting, and energy efficiency credits were also discussed. It was noted that the true fix for net-metering lies in rate design rather than legislation.

John Vader provided a **WUE** update; the cooperative remains fiscally stable. As WUE has expanded into neighboring states, new and current members are proposing quarterly meetings. A previously planned warehouse expansion in Utah is currently postponed at this time.

Mike McBride advised of **Paradigm** business, noting a pending payoff of an outstanding loan. With a transition plan, Paradigm Services, LLC could dissolve soon.

Directors Miscellaneous

Mark Daily advised of member feedback regarding a need to further clarify that scholarships awarded to employee dependents are supported by director contributions. Additionally, when a director family member is considered for a scholarship, director recusal due to conflict of interest is the practice during any such voting.

New District 5 director Tom Carl was welcomed to the Board with Chris Morgan acknowledging appreciation for Tom's prior months' voluntary attendance to observe Board business.

Scheduling of Meetings and Events

1. Tuesday, **August 29, 2017** Regular Board Meeting (Convenes at 9:00 a.m.)
2. Tuesday, **September 26, 2017** Regular Board Meeting (Convenes at 9:00 a.m.)
3. October 16-18 for NRECA Region 7 meeting in Denver
4. Wednesday, **October 25, 2017** Regular Board Meeting (Convenes at 9:00 a.m.)
5. *To be determined* Board Policy, Rules and Regulations, and Bylaws Committee in September, October, or November
6. Wednesday, **November 29, 2017** Regular Board Meeting (Convenes at 9:00 a.m.)

Adjournment

Motion by Director Michelle Lehmann to adjourn the Gunnison County Electric Association Regular Board Meeting held on July 25, 2017 carried unanimously. There being no further business before the Board, President Greg Wiggins adjourned the meeting at 5:25 p.m.

Respectfully submitted by Executive Assistant Sherry Booth.

/ Greg Wiggins /
President

/John P. Vader /
Secretary/Treasurer

Date Approved: August 29, 2017

APPROVED