

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, March 20, 2018 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 five of seven directors in attendance. Directors attending were Greg Wiggins, Bart Laemmel, Michelle Lehmann, Tom Carl, and Mark Daily (Districts 1, 3-5, and 7 respectively). District 2 director Chris Morgan and District 6 director and Secretary/Treasurer John Vader were excused for personal business.

Notice of this meeting was posted Friday, March 9, 2018.

Attorney David Dodero, Chief Executive Officer Mike McBride, Chief Financial Officer Marcia Wireman, and Chief Operations Officer Roger Grogg also attended. Operations and Engineering Assistant Josie Casebolt attended and served as recorder of minutes in the absence of Executive Assistant Sherry Booth who was excused for a family matter.

President Greg Wiggins called the meeting to order at 9:04 a.m.

Motion by Director Bart Laemmel to accept the March 20, 2018 regular meeting agenda as amended carried unanimously.

President Wiggins noted that February work order and special equipment summaries will be provided at the April regular meeting.

Director per diems were submitted for Assistant Secretary/Treasurer Mark Daily's review.

Consent Agenda

Motion by Director Mark Daily to approve the March 20, 2018 consent agenda carried unanimously.

Items approved via the consent agenda include: February 21, 2018 regular meeting minutes; Resolution No. 1 – March 2018 GCEA membership for February 2018; and the CEO expense report for February 2018.

Financial Goals Committee Report

Mark Daily asked CFO Marcia Wireman to summarize the Financial Goals Committee recommendations pursuant to the discussion held at the committee meeting on February 28, 2018.

Marcia presented a summary of capital credits received by GCEA from affiliated organizations other than Tri-State (Other Capital Credits) for the years 2004-2014, in the net amount of \$545,273, that remain unallocated to GCEA members. Marcia reported it was the Financial Goals Committee recommendation to allocate any unallocated Other Capital Credits for the years 2004 - 2014. Marcia explained that by allocating these unallocated capital credits, Other Capital Credits will be consistently allocated for all years when earned. Marcia addressed questions posed by Directors.

Motion by Director Mark Daily to approve the allocation of all unallocated Other Capital Credits for the years 2004 – 2014, in the amount of \$545,273 carried unanimously.

Marcia presented supporting information for the committee's recommendation to approve a net present value (NPV) equal to 35% of a member's total unretired capital credits for the 1993-2015 discounted capital credit retirement program. Marcia pointed out that a NPV of 35% equates to an average discount rate of 11.40%. Special mention was given to the issue that the difference between the total allocated amount of capital credits and the discounted value is considered non-member income for IRS purposes. Marcia reminded the Board that at least 85% of revenue must

come from members in order to maintain GCEA's tax exempt status. As a result, the 1993-2015 discounted capital credit retirement pay-out may need to be spread over multiple years depending on the amount of member participation. Marcia reported that based on current projections, it appears that GCEA can accomplish the payout of the 1993-2015 discounted capital credit retirement in the fall of 2018 and winter of 2019 and still preserve GCEA's tax exempt status. Considerable discussion followed with the importance of maintaining GCEA's tax exempt status emphasized by both Board and staff.

Motion by Director Mark Daily to approve a net present value (NPV) equal to 35% of a member's total unretired capital credits for the 1993 - 2015 discounted capital credit retirement program carried unanimously.

Staff requested approval to allocate Tri-State's capital credits to GCEA members in the year earned rather than when received in cash as per current policy. Marcia explained staff's reasons for advocating for allocating in the year earned instead of on a cash basis including potential future tax implications as well as the onerous accounting and record keeping that would be required to maintain the current method. Considerable discussion followed.

Motion by Director Michelle Lehmann to approve the allocation of the Tri-State capital credits to GCEA members in the year earned, and to revise Policy A-12 accordingly carried unanimously.

Staff requested approval to allocate all unallocated G&T Capital Credits for the years 2004 – 2016 in the amount of \$7,620,043. Tom Carl inquired as to why decisions were made during the years 2004 – 2016 to handle Tri-State allocations differently. Marcia explained that in the year 2004 GCEA had consulted with an industry expert who had recommended either allocating only the cash portion or not allocating power supplier capital credits at all due to the concerns of an ever-expanding rotation cycle. However, the practicality of maintaining such a system had proven to be burdensome and carried with it potential for future tax consequences. Marcia further pointed out that several improvements had been made to GCEA's capital credit program in the last couple of years, including a separate plan for handling Tri-State capital credits.

Motion by Director Tom Carl to approve the allocation of all unallocated G&T Capital Credits for the years of 2004-2016 in the amount of \$7,620,043 carried unanimously.

Motion by Director Michelle Lehmann to approve the February 28, 2018 Financial Goals Committee minutes carried unanimously by committee members in attendance.

Board Policy, Rules and Regulations, and Bylaws Committee Report

Policies presented to the Board-at-large with committee recommendations were revisions to: **A-12** Patronage Capital and Capital Credits and **A-26** Energy Conservation. New policy **A-25** Renewable Energy as prepared by the technology committee and reviewed by the policy committee was also presented. Discussion followed.

Motion by Director Bart Laemmel to approve the revised Patronage Capital & Capital Credits Policy A-12, as presented with amendments to reflect changes to Tri-State allocation method as approved by the Board carried unanimously.

Motion by Director Mark Daily to approve the new Renewable Energy Policy A-25 and the revised Energy Conservation Policy A-26 as presented carried unanimously.

Motion by Director Mark Daily to approve the February 28, 2018 Board Policy, Rules and Regulations, and Bylaws Committee minutes carried unanimously by committee members in attendance.

Discussion Items

CEO McBride presented the Strategic Plan document including related 2018 Goals for review as developed by Board and staff at the Strategic Planning Meeting on February 14, 2018.

Monthly Reports: Safety/Loss Control Activity Report

COO Roger Grogg reviewed the Safety/Loss Control Activity report. Roger stated that System Administrator Christopher Schodorf reported a phone system breach and fiber optic discussions with different entities. Line Superintendent John Stoeber presented a refresher course on First Aid/AED/CPR to all employees. Luke Marshak and Ryan Reider with ALTEC along with David Caldwell with Western Star came to headquarters to show the line crews all the functions and how to properly operate the new two-man bucket truck. Staff Engineer Bruce Stephens covered radio communications and protocol; and John Stoeber provided Mayday training along with PPE use and care. One close call was reported. Roger explained the incident during a pole change and steps being put into place to keep it from occurring again.

Motion by Director Michelle Lehmann to approve the Safety/Loss Control Activity report for March 20, 2018 carried unanimously.

Monthly Reports: Association Update

CEO Mike McBride discussed the availability of GCEA's Board minutes and questioned if access should be limited to members only; Board consensus was to continue to make minutes available to everyone via the website. A group of WSCU students has created a survey asking people their thoughts on renewables. GCEA has included a link to the survey on its web page. A property owner may be willing to provide land in exchange for solar generation output to power their facilities; a possible issue with this plan being that their property is in Gunnison Sage-grouse habitat and the proposed area is especially rocky.

Mike also presented information to the Board regarding purchasing another pre-owned electric vehicle, potentially a Nissan Leaf, with faster charging capabilities for a better member experience under GCEA's electric vehicle loaner program. Mike discussed a locally-owned Nissan Leaf with low mileage that is coming to end of lease that may be available for purchase.

Motion by Chair Mark Daily to approve the purchase of a pre-owned Nissan Leaf for approximately \$11,000 carried unanimously.

Monthly Reports: Member Comments

CEO Mike McBride reported on member feedback.

Monthly Reports: Financial Review

CFO Marcia Wireman reviewed financial highlights and stated kWh sales were down 7.7% and kWh purchases were down 5.5% in January while in February kWh sales were down 1.1% and purchases were down 2.4%. She presented a heating degree days chart showing the comparison over the years. She noted that construction labor is up; In February 2017 YTD we had 228 labor hours and in February 2018 YTD we are at 1,144 hours. Marcia discussed the independent audit recently conducted for GCEA and stated the auditors were very complimentary of Accounting Supervisor Kelley Willis along with GCEA staff in general. Traditionally, the Financial Goals Committee chair contacts the auditors to discuss the audit; Vice President Bart Laemmel offered to make that call this year.

Monthly Reports: Operations Update

COO Roger Grogg provided the reliability review for February 2018 and explained interruption causes for the month.

Roger reviewed February load profile graphs provided by engineering staff along with GCEA's power bill and some load graph statistics.

Affiliated Organizations and Committee Reports

Attorney David Dodero noted his work on bylaw revisions and with Paradigm business.

NRECA delegate Bart Laemmel reported on his attendance at the NRECA annual meeting in Nashville.

CEO Mike McBride relayed a **Paradigm** update regarding a scheduled January 31 final payoff of a note receivable. He reported that the Paradigm Board approved a 6-month extension on the loan to facilitate the borrowers securing a new loan.

Directors Miscellaneous

CEO Mike McBride stated that director petitions became available as of March 14. Petitions are to be returned by the end of the business day May 11. Mark Daily and John Vader are the incumbent directors up for re-election.

Bart Laemmel thanked the Board for approving the 2018 scholarships.

Tri-State's Annual Meeting is the first week of April and all Board members are welcome to attend.

Scheduling of Meetings and Events

1. Wednesday, **April 25, 2018** Regular Meeting (Convenes at 9:00 a.m. *at WSCU UC Boardroom*)
2. Wednesday, **May 30, 2018** Regular Meeting (Convenes at 9:00 a.m.)
3. Tuesday, **June 26 2018** Regular and Annual Meetings
4. Wednesday, **August 1, 2018** Regular Meeting, serving as the **July** meeting (Convenes at 9:00 a.m.)
5. Wednesday, **August 29, 2018** Regular Meeting (Convenes at 9:00 a.m.)
6. *Tentative:* Wednesday, **September 19, 2018** Regular Meeting (Convenes at 9:00 a.m.)
7. *Tentative:* Wednesday, **October 31, 2018** Regular 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 March 20, 2018 carried unanimously. There being no further business before the Board, President Greg Wiggins adjourned the meeting at 2:28 p.m.

Minutes recorded by Operations and Engineering Assistant Josie Casebolt and Submitted by Executive Assistant Sherry Booth.

/ Greg Wiggins /
President

/ John P. Vader /
Secretary/Treasurer

Date Approved: April 25, 2018