

LA PLATA ELECTRIC ASSOCIATION, INC. (LPEA)
Finance and Audit Committee Meeting Minutes
Thursday, August 15, 2024
9:00 a.m. - 12:00 p.m.
<https://lpea.coop/board-directors-committees>

CALL TO ORDER

The Finance and Audit Committee of the La Plata Electric Association Board of Directors was held on Thursday, August 15, 2024, via Zoom webinar. Committee Chair Wheeler called the meeting to order at 9:05 a.m. The following committee members were in attendance:

COMMITTEE MEMBERS

Director Tim Wheeler, Board Treasurer & Committee Chair
Director Nicole Pitcher
Director David Luschen
Patrick Berry, VP of Finance
Graham Smith, Interim CEO and General Counsel

LPEA STAFF

Dan Harms, EVP Grid Solutions & Special Projects
Janelle Thunstrom, Executive Assistant

EXCUSED ABSENCE:

None

GUESTS:

Directors Kohler McInnis and Kirsten Skeehan

APPROVAL OF AGENDA

Committee Chair Wheeler addressed the August 15, 2024, Finance and Audit Committee (FAC) agenda.

Motion: Committee Member Luschen moved to approve the amended August 15, 2024, FAC meeting agenda to add a recommendation to the board to amend the capital credits budget regarding a Property Assessed Clean Energy (PACE) loan. Motion was seconded and carried without dissent.

APPROVAL OF MEETING MINUTES

Committee Chair Wheeler addressed the July 11, 2024, FAC meeting minutes.

Motion: Committee Member Luschen moved to approve the July 11, 2024, FAC meeting minutes as presented. Motion seconded and carried without dissent.

JUNE FINANCIALS REVIEW – ACTUALS

No further updates were provided since the July board meeting.

JULY FINANCIALS REVIEW - PRELIMINARY

VP Berry provided an overview of July's preliminary financials. LPEA continues to maintain a healthy balance sheet and cash position, and all the board's key financial metrics were met in July.

LPEA reported a positive operating margin of \$155,381 in July 2024, compared to a budgeted positive margin of \$171,093, creating a negative budget variance of \$15,712. In July, our gross margins were slightly below budget, and controllable expenses were lower than budget, resulting in a small negative budget to actual variance in operating margins. Both electric sales and cost of power were under budget, resulting in gross margins of 5% or \$195,437 under budget. Residential sales were 9% below budget, commercial sales were 6% below budget, and industrial sales were 6% below budget. Controllable costs in July were 4% or \$96,000 lower than budgeted levels and remained 5% or \$759,000 under budget for the year. EVP Harms presented a slide on the July residential kWh/Consumer for comparison. VP Berry gave an update on expense budget line items currently pacing ahead of budget and took all questions regarding July's expenses.

BUDGET MODIFICATION FOR PACE LOAN 5MW SOLAR PLUS STORAGE PROJECT

EVP Harms provided an update on a budget adjustment related to the PACE loan for a 5MW solar plus storage project. At the time the budget was prepared, LPEA did not anticipate receiving the PACE loan offer from RUS (Rural Utilities Service). LPEA is now requesting Board approval to include this project in the 2024 Capital Projects Budget without increasing the total dollar amount of the budget. EVP Harms took all questions from the committee.

Motion: Committee Member Luschen moved to recommend the FAC support the capital budget allocation memo. Motion seconded and carried without dissent.

UNCLAIMED CAPITAL CREDITS AND CAPITAL CREDITS FOLLOW-UP

VP Berry addressed questions at the last meeting regarding mailing paper checks rather than providing bill credits for capital credit payments, which would cost about \$50,000. The proposal for the retirement of Capital Credits includes a stat sheet. The total number of members impacted by a 2023 LIFO (Last-In, First-Out) retirement would be 35,009, compared to the 2003 FIFO (First-In, First-Out) of 10,264 members. Discussion ensued on the timing of the retirement of the capital credits due to the implementations of the Tri-State departure, budgets, and cash flow impacts. Committee Chair Wheeler asked for feedback from the committee and non-committee members, and the committee will reconvene at the September FAC meeting to continue this discussion.

VP Berry addressed the allocation of the Unclaimed capital credits per [Policy 203](#) for scholarships and Round Up, which is \$147,000. This leaves an additional \$273,000 to be allocated, which can remain as equity if not allocated, and margins will remain the same.

INNOVATION PROJECT FUND

EVP Harms discussed an Innovation Project Fund request, which included a study from the National Renewable Energy Laboratory (NREL). This study included Distributed Energy Resource (DER) impacts on the

transmission and distribution protection when reverse power flow occurs at the substation. It is a real-time simulation of the system and provides an analysis of the data. The cost of the study is \$200,000, and it was unbudgeted for 2024.

Motion: Committee Member Pitcher moved that the committee recommends that the board approve the allocation of \$200,000 of capital credit funds for the Innovation Project fund for the NREL study. Motion seconded and carried without dissent.

2025 BUDGET UPDATE

VP Berry presented the LPEA 2025 budget process and timeline, which included steps and by-when dates. VP Berry took all questions related to the 2025 budget process.

EXECUTIVE SESSION


Committee Chair Wheeler requested a motion to move into an executive session to discuss the FastTrack Communication sale update and a Tri-State rate increase update.

Motion: Director Luschen moved to enter an executive session to discuss the FastTrack Communication sale update and a Tri-State rate increase update. Motion carried without dissent.

The committee remained in executive session from 11:42 a.m. to 12:08 p.m. No action was taken after the executive session ended.

ADJOURN

There being no further business, this meeting of the Finance and Audit Committee of the La Plata Electric Association Board of Directors adjourned at 12:08 p.m. Recorded by J. P. Thunstrom and approved by:



Tim Wheeler, Committee Chair