

LA PLATA ELECTRIC ASSOCIATION, INC.
Finance and Audit Committee Meeting Minutes
Thursday, October 10, 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, October 10, 2024, via Zoom webinar. Committee Chair Wheeler called the meeting to order at 9:04 a.m. The following committee members were in attendance:

COMMITTEE MEMBERS

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

LPEA STAFF

Janelle Thunstrom, Executive Assistant

EXCUSED ABSENCE:

Director Nicole Pitcher

GUESTS:

Directors Ted Compton, Kirsten Skeehan, and Kohler McInnis.

Lindsay Snyder, Business Operations & Special Projects, Shaw Solar

APPROVAL OF AGENDA

Committee Chair Wheeler addressed the October 10, 2024, Finance and Audit Committee (FAC) agenda.

Motion: Committee Member Luschen moved to approve the presented October 10, 2024, FAC meeting agenda. Motion was seconded and carried without dissent.

APPROVAL OF MEETING MINUTES

Committee Chair Wheeler addressed the September 13, 2024, FAC meeting minutes.

Motion: Committee Member Luschen moved to approve the September 13, 2024, FAC meeting minutes as presented. Motion seconded and carried without dissent.

AUGUST FINANCIALS REVIEW – ACTUALS

No further updates were provided since the August board meeting.

SEPTEMBER FINANCIALS REVIEW - PRELIMINARY

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

LPEA reported a negative operating margin of \$197,407 in September 2024, compared to a budgeted negative margin of \$173,497, resulting in a net negative budget variance of \$23,910. In September, the gross margins were below budget, and controllable expenses were also higher than budget, resulting in a negative budget-to-actual variance in operating margins.

Revenue was \$460,640 or 5% under budget, and cost of power was 7% or \$414,164 under budget, resulting in gross margins of \$3,154,626, which was 1% or \$46,476 under budget. Temperatures in September significantly affected revenues for the month; it wasn't cold enough for heat but not hot enough for A/C. Residential sales were 4% below budget, commercial sales were 5% below budget, and industrial sales were 10% below budget. Both kWh sales and kWh purchased for September were 7% under budget.

Controllable costs were 2% or \$40k higher than budgeted levels for the month but remained 4% or \$739,000 under budget for the year. Administrative and general costs continue to be under budget due to savings on payroll expenses from being down a key staff position. Legal and outside consulting costs were at budget for the month, and travel, training, and meeting expenses continue to be under budget by \$57,000 for the month.

Work on capital projects is continuing, and we continue to pace ahead of prior-year capital project work. Above-average winter temperatures and lower-than-expected summer temperatures have negatively impacted forecasted revenue streams, but these deficits have been more than offset by savings in expenses. Supply chain constraints and inflationary challenges continue to pose challenges, but the staff has been applying maximum effort to address these problems.

ON BILL FINANCING – CONSIDERATION OF REVISION OF ROOFTOP SOLAR PRODUCTION LIMIT

Interim CEO Smith provided an overview of the On-Bill Financing program, highlighting an issue that arose with the net meter tariff policy when we entered into the agreement with First Southwest Bank.

Lindsay Snyder from Shaw Solar provided feedback on the confusion experienced by members during the installation process, noting that the unclear process flow—particularly around knowing upfront whether financing is approved—has raised concerns about member satisfaction.

Staff agreed to provide the FAC with suggested On Bill Financing policy changes to allow it to match the net metering tariff limitations on solar array size.

Director Compton provided background on the Net Metering Rate Tariff and Policy, which was not passed by the board but remains under review. He emphasized concerns about equity, noting that many individuals have the capability to undertake solar installations, and stressed the importance of ensuring that our policies address these equity concerns and other issues. Following an internal review, necessary adjustments may be made to align the policy with the Board's objectives regarding rooftop solar. Additionally, the policy and tariff will be considered to include provisions for energy storage, which are currently not addressed.

CAPITAL CREDITS RETIREMENT

Interim CEO Smith discussed the Tri-State formulaic rate, which was accepted in August and is now in effect. The rate is determined by a formula, and Tri-State plans to keep rates stable through 2025. As a result, Capital Credit retirements will not be affected by a true-up in 2025, though there may be implications in 2026.

VP Berry addressed the proposal for the retirement of Capital Credits and presented a stat sheet. The total number of members impacted by a 2023 LIFO (Last-In, First-Out) retirement would be approximately 35,009 (75%), compared to the 2003 FIFO (First-In, First-Out) of approximately 10,264 (25%) 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 members.

EXECUTIVE SESSION

Committee Chair Wheeler requested a motion to move into an executive session to discuss the FastTrack Communications post-sale update, a 2025 budget review of specific line items, Capital items and Capital project budget review of specific line items, and an LPEA 2025 rates review.

Motion: Committee Chair Wheeler moved to enter an executive session to discuss the FastTrack Communications post-sale update, a 2025 budget review of specific line items, Capital items and Capital project budget review of specific line items, and an LPEA 2025 rates review. Motion carried without dissent.

The committee remained in executive session from 9:54 a.m. to 11:59 a.m.

Motion: Coming out of Executive Session Committee Chair Wheeler moved that the FAC recommend that the board approve the 2024 Capital Retirement, of which 25% would apply to the 2023 LIFO (Last-In, First-Out) impacting 35,009 members and 75% that would apply to the 2003 FIFO (First-In, First-Out) impacting 10,264 members, and payment of \$1.5M to \$3M in Capital Credits pending additional impact analysis provided at the next board meeting. Motion was seconded and carried without dissent.

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 12:18 p.m. Recorded by J. P. Thunstrom and approved by:



Tim Wheeler, Committee Chair