

LA PLATA ELECTRIC ASSOCIATION, INC.
Finance and Audit Committee Meeting Minutes
Thursday, November 14, 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, November 14, 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 David Luschen
Director Kohler McInnis
Chris Hansen, CEO
Patrick Berry, VP of Finance

LPEA STAFF

Dan Harms, Executive VP, Grid Solutions & Special Projects
Graham Smith, General Counsel
Janelle Thunstrom, Executive Assistant

EXCUSED ABSENCE:

None

GUESTS:

Directors Joe Lewandowski and Kirsten Skeehan

Lindsay Snyder

APPROVAL OF AGENDA

Committee Chair Wheeler addressed the November 14, 2024, Finance and Audit Committee (FAC) agenda.

Motion: Committee Member Luschen made a motion to approve the amended FAC meeting agenda for November 14, 2024, with the addition of a standing item for a risk policy review. Motion was seconded and carried without dissent.

APPROVAL OF MEETING MINUTES

Committee Chair Wheeler addressed the October 10, 2024, FAC meeting minutes.

Motion: Committee Member Luschen moved to approve the October 10, 2024, FAC meeting minutes as amended. Motion seconded and carried without dissent.

SEPTEMBER FINANCIALS REVIEW – ACTUALS

No further updates were provided since the October board meeting.

OCTOBER FINANCIALS REVIEW - PRELIMINARY

VP Berry provided an overview of October’s preliminary financials. LPEA continues to maintain a healthy balance sheet and cash position, with all but one of the board's financial goals being met in October. Cash reserves were approximately \$2mm under the targeted level, primarily attributed to our quarterly debt payment and spending on capital projects.

LPEA reported a negative operating margin of \$200,907 in October 2024, compared to a budgeted negative operating margin of \$218,416. This resulted in a net positive budget variance of \$17,509. In October, the gross margins were 3% or \$104,672 above budget, controllable expenses were 8% or \$165,064 over budget, and other expenses were 6% or \$77,901 under budget.

Revenue was \$37,254 under budget, and the cost of power was 3% or \$141,926 under budget, resulting in gross margins of \$3,299,386, which was 3%, or \$104,672 over budget. Residential sales were 3% below budget, commercial sales were 5% above budget, and industrial sales were 7% below budget. Both kWh sales and kWh purchased for October were 3% under budget.

Controllable costs were 8%, or \$165k higher than budgeted levels for the month, but remained 3%, or \$574,288 under budget for the year. Administrative and general costs remain under budget due to payroll expense savings from being down a key staff position. Total payroll expenses are slightly over budget, attributed to higher health insurance costs. Overhead maintenance costs exceeded the budget in October due to increased tree trimming costs and pole inspections. Final annual meeting costs were paid in October, resulting in the correction of timing variance.

VP Berry took all questions and suggestions from committee members.

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

Committee Chair Wheeler, Attorney Smith, and VP Harms gave an overview of the On-Bill Financing program, noting an issue that surfaced with the net meter tariff policy following the agreement with First Southwest Bank. Staff agreed to present the FAC with recommended changes to the On-Bill Financing policy to align it with net metering tariff limits on solar array size, and these recommendations have now been brought forward for review.

Attorney Smith presented a redlined version of the proposed changes to [Policy 304](#), Section II.A., to align with interconnect standards for on-bill financing.

Motion: Committee Member Luschen moved to approve the proposed changes to Policy 304 and to recommend it to the full board at the next meeting. Motion was seconded and carried without dissent.

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 9:56 a.m. to 11:28 a.m.

There was action from the executive session.

Motion: Director Luschen moved that the FAC recommend to the full board the adoption of Resolution 2024 – 14; 2025 Financial Forecast in the estimated amount of \$120.5 million in Total Electric Revenue, \$113.8 million in Total Cost of Electric Service, \$6.67 million Operating Margins, and \$10.71 million in Total Margins, and the 2025 Capital Projects Budget of \$27.5 million and the 2024 Capital Items Budget of \$2.9 million. Motion seconded and carried without dissent.

The committee expressed gratitude to Graham Smith for his contributions and leadership as the interim CEO in support of the FAC committee.

RISK MANAGEMENT UPDATE

VP Berry provided an update on the risk management process, which will be added as a standing agenda item. This process will include a phased risk assessment approach.

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 11:40 a.m. Recorded by J. P. Thunstrom and approved by:



Tim Wheeler, Committee Chair