

LA PLATA ELECTRIC ASSOCIATION, INC.
Finance and Audit Committee Meeting Minutes
Thursday, December 5, 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, December 5, 2024, via Zoom webinar. Committee Chair Wheeler called the meeting to order at 9:02 a.m. The following committee members were in attendance:

COMMITTEE MEMBERS

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

LPEA STAFF

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

EXCUSED ABSENCE:

Chris Hansen, CEO

GUESTS:

Director Holly Metzler

APPROVAL OF AGENDA

Committee Chair Wheeler addressed the December 5, 2024, Finance and Audit Committee (FAC) agenda.

Motion: Committee Member McInnis moved to approve the presented FAC meeting agenda as amended to move the cost-of-service study (COSS) to the public session. Motion was seconded and carried without dissent.

APPROVAL OF MEETING MINUTES

Committee Chair Wheeler addressed the November 14, 2024, FAC meeting minutes.

Motion: Committee Member McInnis moved to approve the November 14, 2024, FAC meeting minutes as presented. Motion seconded and carried without dissent.

OCTOBER FINANCIALS REVIEW – ACTUALS

No further updates were provided since the October board meeting.

NOVEMBER FINANCIALS REVIEW - PRELIMINARY

VP Berry presented an overview of November's preliminary billing financials, including an accounts receivable (AR) aging analysis. He noted that other November financial data is still pending due to the early scheduling of the FAC meeting.

VP Berry also addressed questions regarding the slide depicting past-due accounts as a percentage of total billing as of November 2024, along with the AR aging analysis.

2024 EXCESS RATE – DEFERRED REVENUE DECISION

VP Berry provided a comprehensive overview of the 2024 deferred revenue and presented a detailed slide illustrating key comparisons.

The Deferred Revenue Flow Chart outlines the current balance of \$2,648,680 as of October and presents two primary scenarios for its management. In the first scenario, returning the deferred revenue to customers would eliminate the liability, increase operating margins by \$2.648 million, and reduce LPEA's cash balance. Members would benefit directly from cash distributions, providing immediate financial relief and enhancing customer satisfaction.

Alternatively, retaining the deferred revenue for rate stabilization would have no immediate impact on operating margins. This approach supports long-term financial stability by allowing any additional margins exceeding the 2.5% target to be allocated toward mitigating rate fluctuations.

Returning the balance offers immediate financial statement benefits and member-focused gains, while retaining it provides strategic value by promoting rate stability. A hybrid approach that balances immediate member benefits with future financial stability could also be explored.

VP Berry took all questions from committee members.

Motion: Committee Chair Wheeler moved that the committee recommends that the excess revenue collected from the Tri-State pass-through rate from 2024 be booked as revenue in 2024 and that the \$2.5M of the operating margins be allocated to the rate stabilization fund. Motion seconded.

Motion

Withdrawn: Committee Chair Wheeler withdrew his motion.

Motion: Committee Chair Wheeler moved to recommend that the full board approve allocating \$2.648M operating margins to the rate stabilization fund before the end of 2024. Motion was seconded and carried without dissent.

RISK POLICY PROCESS UPDATE

VP Berry provided an update on the ongoing risk policy process, emphasizing that it will be implemented in phases to ensure a thorough and strategic approach. The phased process will allow for the gradual identification and mitigation of risks while aligning with organizational goals and compliance requirements. VP Berry highlighted that this methodical approach would provide the opportunity for periodic review and adjustment, ensuring this process remains robust and adaptable to evolving risks and exposure. Further updates will be provided as the process advances through its key stages, beginning with an update after staff meets with The Energy Authority (TEA) on 12/06/24.

KEY FINANCIAL METRICS REVISION – [POLICY 201](#)

VP Berry gave an overview of the key financial metrics.

The financial metrics for cash reserves, days of cash on hand, and days of liquidity on hand provide a clear picture of the organization's financial health and ability to handle expenses and unexpected situations. Cash reserves as a percentage of operating costs show how much cash and temporary investments the organization has compared to its yearly expenses.

Days of cash on hand measures how long the organization can cover its expenses with just cash and investments. This ranged from 34 days in October 2024 to nearly 69 days in April 2023. Days of liquidity on hand include cash, investments, and a \$25 million line of credit, giving a more complete picture of financial resources. This number stayed strong throughout the period, ranging from 125 days to over 160 days.

Maintaining healthy reserves and liquidity is crucial for securing favorable credit ratings and loan terms. Strong financial metrics show lenders and rating agencies that the organization is financially stable and capable of meeting its obligations. This stability not only helps reduce borrowing costs but also provides flexibility for future investments and growth. These metrics highlight the organization's sound financial management and ability to plan for current operations and long-term needs and will be evaluated along the way.

VP Berry took all questions and suggestions from committee members. The FAC asked if all three metrics for the previous month could be provided to the FAC for several months to allow familiarity before making a recommendation.

COST – OF – SERVICE STUDY (COSS)

VP Berry presented the COSS/rate study project timeline, which aligns with the 2025 rate increase and the deferred revenue management.

Attorney Smith clarified [Policy 364](#) and the [Bylaws](#) requiring a 30-day comment period/notification.

EXECUTIVE SESSION

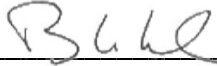
Committee Chair Wheeler requested a motion to move into an executive session to discuss the FastTrack Communications post-sale update.

Motion: Committee Chair Wheeler moved to enter an executive session to discuss the FastTrack Communications post-sale update. Motion seconded and carried without dissent.

The committee remained in executive session from 11:11 a.m. to 11:33 a.m.

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 11:33 a.m. Recorded by J. P. Thunstrom and approved by:



Tim Wheeler, Committee Chair