

LA PLATA ELECTRIC ASSOCIATION, INC.
Finance and Audit Committee Meeting Minutes
Thursday, January 16, 2025
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, January 16, 2025, via Zoom webinar. Committee Chair Wheeler called the meeting to order at 9:03 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
Janelle Thunstrom, Executive Assistant
Graham Smith, General Counsel

EXCUSED ABSENCE:

None

GUESTS:

Directors Ted Compton, Holly Metzler, and Kirsten Skeeahan

Greg Barber

APPROVAL OF AGENDA

Committee Chair Wheeler addressed the January 16, 2025, Finance and Audit Committee (FAC) agenda.

Motion: Committee Member McInnis moved to approve the FAC meeting agenda as amended to move the risk policy update to the executive session and move the session up on the agenda. Motion was seconded and carried without dissent.

APPROVAL OF MEETING MINUTES

Committee Chair Wheeler addressed the December 5, 2024, FAC meeting minutes.

Motion: Committee Member McInnis moved to approve the December 5, 2024, FAC meeting minutes as presented. Motion seconded and carried without dissent.

EXECUTIVE SESSION

Committee Chair Wheeler requested a motion to move into an executive session to discuss a review of confidential Tri-State member presentation material, FastTrack Communications post-sale update, and a risk policy update.

Motion: Committee Member Berry moved to enter an executive session to discuss a review of confidential Tri-State member presentation material, FastTrack Communications post-sale update, and a risk policy update. Motion seconded and carried without dissent.

The committee remained in executive session from 9:06 a.m. to 10:35 a.m. No action was taken during this time.

NOVEMBER FINANCIALS REVIEW – ACTUALS

No further updates were provided since the October board meeting.

DECEMBER FINANCIALS REVIEW - PRELIMINARY

VP Berry presented an overview of December's preliminary billing financials.

LPEA reported a positive operating margin of \$222,619 for December 2024, which was below the budgeted margin of \$875,451, resulting in a negative variance of \$652,832. December revenue was 7% (\$806,000) under budget, primarily due to warmer-than-expected temperatures, with residential, commercial, and industrial revenues each declining by 6-9%. Gross margins were 6% (\$245,647) below budget. For the year, revenue and power costs were under budget by \$3M, with net gross margins aligning with the annual budget.

Controllable expenses for December were 22% (\$488,000) over budget, driven by higher-than-forecasted payroll costs and additional administrative expenses related to the execution of the 2025 board election. Distribution operations were 35% (\$218k) over budget. Despite this, annual controllable expenses finished 1% (\$162,674) above budget.

LPEA maintained a healthy balance sheet, meeting all financial goals except the cash reserves target, which was approximately \$1.5M below the desired level due to spending on capital projects. The Total Utility Plant increased by \$20M over the past 12 months, and the deferred credit balance rose as a result of a timing variance in the execution of the Tri-State pass-through rate adjustment.

Despite weather-related revenue challenges, LPEA's prudent cost management allowed the cooperative to achieve positive operating margins. In the coming year, LPEA will focus on operational efficiency and strategic initiatives to address challenges such as inflation, high interest rates, and new power supply options.

VP Berry took all questions from the committee members.

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

VP Berry provided an overview of key financial metrics, which will now be a standing agenda item. The discussion highlighted cash reserves, days of cash on hand, and days of liquidity on hand as critical indicators of the organization's financial health and preparedness for unexpected situations.

Cash reserves, as a percentage of operating costs, reflect the organization's available cash and temporary investments relative to annual expenses. The current metrics indicate a strong position, with 131 days of liquidity on hand and cash reserves at 10.14% of operating costs.

VP Berry presented a slide analyzing trends and historical data behind these metrics. The presentation also delved into Fitch's evaluation approach, which considers the organization's line of credit and reserves as part of its credit rating assessment.

Maintaining robust reserves and liquidity is an important metric for achieving favorable credit ratings, reducing borrowing costs, and ensuring flexibility for future growth and investments. These financial metrics underscore the organization's sound financial management, supporting both current operations and strategic long-term planning.

VP Berry took all questions and suggestions from committee members.

COST – OF – SERVICE STUDY (COSS)

VP Berry provided an update on the Cost-of-Service Study (COSS) and rate study project timeline, which aligns with the planned 2025 rate increase and deferred revenue management.

The study is expected to be completed by the end of January, with the rate design process taking approximately two weeks. Key milestones in the timeline include the anticipated completion of the rate study by February 12, 2025, and a Committee of the Whole meeting scheduled for February 14, 2025, with the potential for continuation on February 18, 2025. The process concludes with the publication of rate tariffs on February 28, 2025, in preparation for April execution. These steps ensure that the study remains on track and that all necessary actions are completed before implementing the rate changes.

UNCLAIMED CAPITAL CREDITS ALLOCATION

VP Berry provided an update on the unclaimed capital credit allocation, noting that these funds are currently held in a general fund and need to be allocated to a designated fund.

VP Berry and VP Harms addressed all questions from the committee regarding this matter.

Motion: Committee Member Luschen moved to recommend that the full board approve allocating \$61,200k of unclaimed capital credit allocation to the Beneficial Electrification Rebate fund. Motion 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 11:43 a.m. Recorded by J. P. Thunstrom and approved by:

BUU
Tim Wheeler, Committee Chair