

LA PLATA ELECTRIC ASSOCIATION, INC.
Finance and Audit Committee Meeting Minutes
Thursday, August 13, 2026
9:00 a.m. - 1:00 p.m.
[Finance and Audit Committee](#)

CALL TO ORDER (9:02 a.m.)

The Finance and Audit Committee of the La Plata Electric Association Board of Directors was held on Thursday, August 13, 2026, 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 Greg Barber
Director Kohler McInnis
Director Kirsten Skeehan
Chris Hansen, Chief Executive Officer
Roy Schwalm, Chief Financial Officer

LPEA STAFF

Dan Harms, Chief Operating Officer
Jessica Dunbar, Administrative Assistant
Monica Rodriguez, Controller
Graham Smith, General Counsel- absent
Janelle Thunstrom, Executive Office & Board Governance Manager

EXCUSED ABSENCE:

NONE

GUESTS:

Director Dusty Mars, Director John Purser, Director Brad Blake, and Director Nicole Pitcher

APPROVAL OF AGENDA (9:02 a.m.)

Committee Chair Wheeler addressed the agenda for the August 13, 2026, Finance and Audit Committee (FAC) meeting.

Motion: Committee member McInnis moved to approve the August 13, 2026, Finance and Audit Committee meeting agenda. Motion seconded and carried without dissent.

APPROVAL OF MEETING MINUTES (9:03 a.m.)

Committee Chair Wheeler addressed the July 9, 2026, FAC meeting minutes.

Motion: Committee Member McInnis moved to approve the July 9, 2026, FAC meeting minutes as presented. Motion seconded and carried without dissent.

PRELIMINARY FINANCIALS TO REVIEW FROM PREVIOUS PERIODS (9:03 a.m.)

Controller Rodriguez presented preliminary financial results for April and May. She reported that, despite ongoing resettlements and pressure on gross margins, operating performance remained better than budget, with favorable controllable expenses.

For April, S120 restatements resulted in approximately \$35,000 of additional costs for the first five days of the month. An \$18,000 misstatement of large industrial revenue was also identified and corrected. Following the adjustments, operating margin remained \$267,000 better than budget, and cost of power was \$310,000 under budget.

For May, S53 resettlements totaled approximately \$87,000. Monthly operating margin was \$550,000 better than budget, with year-to-date margins of \$664,000 better than budget. Cost of power was \$460,000 under budget for the month and approximately \$3 million under budget year-to-date.

Rodriguez also reviewed the revised internal presentation of transmission expenses, which separates transmission costs associated with the delivery of electricity from O&M-related transmission expenses. The change is intended to provide a clearer view of the Association's true cost to deliver electricity and gross margin. Audited financial statements will continue to follow traditional Form 7 reporting.

JUNE- 1ST DRAFT FINANCIALS AND ADJUSTMENTS REVIEW WITH PROPOSED FINANCIAL RESTATEMENT OF TRANSMISSION EXPENSES (9:39 a.m.)

Controller Rodriguez reviewed the June first-draft financials and related adjustments, including the proposed restatement of transmission expenses. The Committee discussed the impact of the adjustments and the revised presentation of transmission costs on gross margin and operating results.

Operating margin was \$73,000 better than budget, while gross margin was \$448,000 below budget due primarily to lower revenue, higher cost of power, and transmission expense. Due to management of controllable and other expenses, the cooperative was able to achieve an operating margin that was better than budget, despite a gross margin that was below budget. At midyear, year-to-date margins, excluding rate stabilization, were \$737,000 better than budget. Gross margins were approximately \$1.2 million below budget, while controllable expenses were approximately \$2 million under budget. Liquidity remained strong, with cash on hand approximately \$4.4 million higher than the same period last year. Based on current results, approximately \$2.2 million in rate stabilization funds would be needed to achieve the 3% target margin. The Committee reviewed the proposed adjustments and their impact on the June financial results.

2027 BUDGET UPDATE (9:54 a.m.)

CFO Roy Schwalm provided an update on the 2027 budget process. Budget submissions have been received from business and department leads. Following a leadership review, operating expense growth was reduced from just over 10% above the 2026 budget to approximately 5% growth. Payroll assumptions are still being finalized.

Management reviewed the remaining budget milestones, including a preliminary load forecast and associated costs in August, updated budget information in September, and capital and project budget submissions by the end of September. First-draft budget discussions, including potential rate recommendations, are planned for October, with final budget approval anticipated in December.

The Committee was also provided the Board budget for review. The proposed Board budget is generally flat compared with the 2026 budget and is approximately \$30,000 higher than the 2026 forecast. Committee members were encouraged to review the budget and provide questions or proposed changes prior to the September meeting.

Motion: Committee member McInnis moved to recommend that the Board budget remain unchanged. Motion seconded and carried 5-1 with Committee Chair Wheeler, Director McInnis, Director Barber, CEO Hansen and CFO Schwalm in favor, and Director Skeeahan opposed.

BROADBAND REPORTING DISCUSSION (10:14 a.m.)

Management provided an update on broadband-related pole replacements and attachments. Since 2021, approximately 4,000 poles, or about 10% of LPEA's total poles, have been replaced as part of fiber provider projects. Federal BEAD funding is expected to contribute to the activity. Management anticipates that the pace of pole replacements will moderate as funding is deployed and projects reach completion.

The Committee also discussed challenges associated with subsequent fiber installations, including instances of poles being pulled out of alignment and guy wires being displaced due to over-tensioning. Management reported that approximately 49 issues remain to be addressed and is working with the broadband providers to resolve them.

Motion: Committee member Barber moved that the FAC committee receive updated numbers of Broadband poles installed and the costs associated with the installations. Motion seconded and carried without dissent.

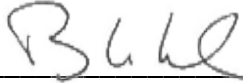
EXECUTIVE SESSION (10:39 a.m.)

Committee Chair Wheeler requested a motion to enter an executive session for a Transmission Asset discussion and an update on Power Supply.

Motion: Committee member McInnis moved to enter an executive session to discuss Transmission Asset update and Power Supply update. Motion seconded and carried without dissent.

The committee remained in executive session from 10:39 a.m. to 12:56 p.m.

There being no further business, this meeting of the Finance and Audit Committee of the La Plata Electric Association Board of Directors adjourned at 12:57 p.m. Recorded by J. Dunbar and approved by:

A handwritten signature in dark ink, appearing to read 'BW', is written above a horizontal line.

Tim Wheeler, Committee Chair