

LA PLATA ELECTRIC ASSOCIATION, INC.
Finance and Audit Committee Minutes of Meeting
Thursday, March 5, 2020
Durango, Colorado

CALL TO ORDER

The Finance and Audit Committee Committee of the La Plata Electric Association Board of Directors was held Thursday, March 5, 2020 at the headquarters building in Durango, Colorado. Committee Chairman Wheeler called the meeting to order at 2:02 p.m. The following committee members were in attendance:

COMMITTEE MEMBERS:

Tim Wheeler, Committee Chairman
Britt Bassett
Guinn Unger
Dan Huntington
Jessica Matlock, CEO
Karl Ramsey, VP Finance

LPEA STAFF

Monica Rodriguez, Controller

EXCUSED ABSENCE: None

GUESTS: Kirsten Skeeahan

APPROVAL OF AGENDA

Committee Chairman Wheeler addressed the March 5, 2020 Finance and Audit Committee (FAC) meeting agenda.

Motion: Committee Member Bassett moved to approve the March 5, 2020 Finance and Audit Committee meeting agenda as presented. Motion seconded and carried without dissent.

APPROVAL OF MEETING MINUTES

Committee Chairman Wheeler addressed the February 13, 2020 Finance and Audit Committee meeting minutes. Corrections to the minutes were noted.

Motion: Committee Member Unger moved to approve the February 13, 2020 Finance and Audit Committee meeting minutes with approved modifications. Motion seconded and carried without dissent.

COMMITTEE DISCUSSION AND POSSIBLE ACTION

BUDGET PROCESS AND REPORTING REVIEW – VP Finance Ramsey addressed upcoming budget presentations and advised that reporting will be formatted from the perspectives of general ledger accounts, activity codes, and departments for clarity and simplicity. The zero-based budgeting approach is manager centric, activity based, and can be translated into a general ledger budget. In anticipation of the November budget approval process, the FAC will work with Staff to draft a timeline for milestones in reporting and preparing presentations to the Board. The data gathered will contribute to a budget with greater detail and more meaningful information, and open up greater visibility into opportunities to control costs.

CEO Matlock advised that budget line items will have a strategic goal and plan in place, and departments are utilizing cross-functional teams to analyze projects and develop an overall strategy document that will tie into the strategic goals set by the Board, and used to identify future departmental budgets.

Ramsey addressed the reformatted Director Expense Report that is designed to achieve greater visibility into line items and expenditure status. Monica Rodriguez discussed distinctions between mandatory and discretionary expenses, and took questions and recommendations on expenditure reporting. Discussion ensued on the usefulness of having this committee review reports in order to make staff presentations to the board and discussion time more meaningful and productive. The revised report will be presented for consideration at the March 25 Board meeting.

Motion: Committee Member Bassett moved to recommend to the Board, the shortened Director Expense Report as discussed. Motion seconded and carried 5 to 1 with Committee Member Huntington abstaining.

COST OF SERVICE STUDY – Ramsey advised that consideration is being given to performing a cost of service study by utilizing an industry standard adjustable application that he previously acquired from a Seattle based consultant. The in-house study will require several people, full transparency on all assumptions, and a final review by the consultants to establish validity and accountability. Unless there is a major change in LPEA’s power supply, there is no plan to conduct a study in 2020

RESERVE FUNDS AND POWER SUPPLY – Ramsey addressed the October 16, 2019 Board approval of Resolution 2019-11 Capital Credit Retirements, to retain and earmark Tri-State G&T Patronage Capital totaling \$2.4 million for an LPEA member rate stabilization fund. The fund, which also includes patronage capital from Western United and National Information Solutions Cooperative, as well as \$200,000 from LPEA Unclaimed Capital Credits, currently totals \$2.7 million. The fund is intended to serve as a “responsibility mechanism” for the members in light of uncertainty around the impact of the Tri-State Responsible Energy Plan and unexpected financial emergencies, according to Matlock.

Discussion ensued on equity targets and borrowing, meeting margins and key ratios; and the need for further discussion on defining the range and limitations for the reserve fund, how and where to report the (restricted use) cash, and thinking through average year high, low, and base case load scenarios to help forecast funding levels and provide the capacity and flexibility to make the most beneficial decisions for the cooperative in uncertain times.

AGENDA DISCUSSION – The committee plans further discussion on the budget process and reporting reviews, setting financial goals and targets, and reserve funds.

ADJOURN

There being no further business, the Finance and Audit Committee of the La Plata Electric Association, Board of Directors meeting adjourned at 4:33 p.m.

The Finance and Audit Committee meeting are scheduled to take place from 2:00 p.m. to 5:00 p.m., on the 2nd Thursday of every month.

Recorded by C.E. Charistopoulos, and approved by:



Tim Wheeler, Committee Chairman