

LA PLATA ELECTRIC ASSOCIATION, INC.
Finance and Audit Committee Minutes of Meeting
Thursday, July 9, 2020
Livestream at <https://www.lpea.coop/finance-and-audit-committee>

CALL TO ORDER

The Finance and Audit Committee of the La Plata Electric Association Board of Directors was held Thursday, July 9, 2020 via livestream webinar in compliance with the Governor's orders against in-person gatherings of more than 10 people. Committee Chairman Wheeler called the meeting to order at 2:06 p.m. The following committee members were in attendance:

COMMITTEE MEMBERS:

Tim Wheeler, Committee Chairman
Britt Bassett
Bob Lynch
Jessica Matlock, CEO
Karl Ramsey, VP of Finance

LPEA STAFF:

Monica Rodriguez, Controller
Dan Harms, VP of Grid Solutions

EXCUSED ABSENCE: Kirsten Skeeahan

GUESTS: Guinn Unger, Holly Metzler, Kohler McInnis, Samantha Brown, Jenny Taylor, Sue McWilliams, Diana Snodgrass

APPROVAL OF AGENDA

Committee Chairman Wheeler addressed the July 9, 2020 Finance and Audit Committee (FAC) meeting agenda.

Motion: Committee member Bassett moved to approve the July 9, 2020 FAC meeting agenda as presented. Motion seconded and carried without dissent.

APPROVAL OF MEETING MINUTES

Committee Chairman Wheeler addressed the June 11, 2020 FAC meeting minutes.

Motion: Committee member Lynch moved to approve the June 11, 2020 FAC meeting minutes as presented. Motion seconded and carried without dissent.

COMMITTEE DISCUSSION AND POSSIBLE ACTION

BUDGET AND FINANCIAL REVIEW – VP, Finance, Ramsey reported that the June financials are underway, load and revenue are close to budget, and bottom line margins are anticipated to be close to budget as well. The 2021 draft budget is on target to meet all deliverables, and meetings with department VPs to dial in the zero-based budgeting process have been going very well.

The committee discussed selecting an audit firm for 2021. VP, Finance, Ramsey took questions on LPEA's internal controls, the auditing process, and made a request to continue working closely with BKD Auditors and Advisors for an additional year to ensure continuity of process. The committee was in support of a recommendation to the full board to retain BKD for an additional year.

FINANCIAL GOALS RECOMMENDATIONS – The committee discussed the 2021 Financial Goal Recommendations that were presented during the June 17, 2020 board meeting and tasked to amend for consideration at the July 15 board meeting. The 2021 operating margin goal recommendation was revised to proceed from 1% of revenue, with a 0.5% annual increase, to reach the long-term goal of 3% of revenue. This revised goal will not interfere with the ability to achieve the other financial goals for equity, cash reserves, debt, OTIER and MDSC; and the financial goals will be subordinate to LPEA's strategic goal to *...reduce its carbon footprint by 50 percent, from 2018 levels, by year 2030, while keeping its cost of electricity lower than 70 percent of its Colorado rural electric cooperative peers*. The financial goals will be reviewed during the annual budget process and are subject to economic conditions.

Motion: Committee member Bassett moved to modify the financial goals so that the operating margin goal will be 3% of revenue and it will be reached by striving to reach 1% in 2021, and increasing by 0.5% each year thereafter until the 3% goal is met. Motion seconded and carried without dissent.

Discussion ensued on making a recommendation to the Policy Committee for incorporating the Financial Goals Recommendations white paper into LPEA Policy 201, Financial Goals; as well as, formally adopting KRTA metric 36, Electric Revenue per kWh Sold, to measure LPEA's progress towards the strategic goal of achieving rates that are lower than 70% of our Colorado cooperative peers. The committee plans to research and discuss methods for calculating LPEA's carbon footprint.

Motion: Director Bassett moved that the FAC recommend to the board, KRTA 36, Electric Revenue per kWh Sold, to determine if LPEA is meeting its rate goal. Motion seconded and carried without dissent.

FINANCIAL GOAL FOR LPEA CAPITAL CREDITS – The committee discussed capital credit retirements as a function of operating margins, cash reserves, equity, and debt. If adopted, the parameters set by the financial goals will determine the capital credit retirements; and establishing a financial goal, specifically for capital credits, will not be necessary.

ON-BILL FINANCING REVIEW – The committee discussed limitations of meeting LPEA’s strategic initiative of moving toward a Distribution Utility of the Future, as set forth in Policy 304, On Bill Financing for Energy Efficiency and Beneficial Electrification, and agreed to eliminate Section II.J. ...*Items not eligible for finance would include, but not be limited to, new home construction and distributed generation projects. The Cooperative shall review projects on a case by case basis to determine eligibility;* and including *distributed generation projects* in Section II.H. ... *facilitate loans that enable members/customers to install energy efficiency and beneficial electrification projects on their businesses or residences.*

Motion: Committee Chairman Wheeler moved that the FAC recommend to the board that Policy 304, On Bill Financing for Energy Efficiency and Beneficial Electrification, be modified to eliminate Section II.J., and include *distributed generation projects* in Section II.H. Motion seconded and carried without dissent.

FORM 7 AND FORM 990 REVIEW – Committee Chairman Wheeler and VP, Finance, Ramsey discussed the delay in filing of 2019 Form 990 due to extended tax filing dates, noting that the committee will review the 2019 Form 990 before it is filed in 2020. Form 7 was filed in April 2020. The 2020 forms will be reviewed in 2021 prior to filing.

AGENDA DISCUSSION – Committee members discussed potential agenda items for the upcoming meeting.

FUTURE AGENDA ITEMS – A future agenda items discussion did not take place.

EXECUTIVE SESSION AS NEEDED

An executive session did not take place.

ADJOURN

There being no further business, the Finance and Audit Committee of the La Plata Electric Association, Board of Directors meeting adjourned at 4:46 p.m.

The Finance and Audit Committee meetings 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