

SOUTHEAST COLORADO POWER ASSOCIATION

Minutes of Regular Board Meeting

The regular meeting of the Board of Directors of Southeast Colorado Power Association (SECPA) was held **May 18, 2022**, at the SECPA headquarters, 27850 Harris Road, La Junta, CO.

1. Call to Order/ Roll Call

Vice President Truman Wright called the meeting to order at 12:30 p.m. Directors present were Clint Anderson, Lawrence Brase, Kevin Karney, and Merlin Rushton. Director Randy Phillips participated via video conference. Director Brad Buck was absent.

CEO Kevin Brandon, CFO Craig McBrain, COO Mark Hall, CHRO Angela Bamber, and Executive Assistant Debbie Howard were also present. Casey Martin, outside legal counsel, participated via video conference. Kent Singer, CREA Executive Director, attended as an invited guest.

2. Agenda Modifications - Wright announced election of Officers would be conducted later in the meeting. Singer gave a legislative update. He explained CREA supports co-ops in several areas: education, political, Safety (supplements SECPA's safety program,) publishes *Colorado Country Life* (CCL) magazine, and provides a platform for employees to reach out to peer groups. Anderson asked if CREA offers ala carte services. Singer responded CCL is the only ala carte offering. Karney thanked Singer for coming today and for attending SECPA Annual meeting last week. He commented how beneficial the Director Courses are that CREA offers.

Motion was made and seconded to go into Executive Session @ 1:00 p.m. for personnel issue. **MOTION** carried. Staff left the meeting.

Meeting reconvened @ 1:25 p.m. Staff rejoined the meeting.

Karney commented he has a much better understanding of the topic discussed in Executive Session. Singer mentioned that CORE (formerly IREA), Sedalia, CO is leaving CREA and NRECA as of August 30th. He concluded stating CREA is a service organization and he is available and willing to listen.

3. Member and/or Public Participation – None.

4. Board Meeting Minutes

Motion was made and seconded to approve April 20, 2022 minutes with one addition. **MOTION** carried.

5. Chief Executive Officer – Brandon

- Asked for suggestions for future Annual meetings. Feedback was additional advertising and recognize employees at meeting.
- Rushton congratulated Howard, Brandon and all of those involved, on the success of the Annual meeting.
- Announced Dale Kishbaugh is leaving CREA and going to work for Altitude Energy.
- Brandon questioned if SECPA can require contractors to sign that they have training program in place? Martin replied yes, that Sangre de Cristo has an independent contractor agreement. Martin will review with Brandon.
- Brandon toured Mesa Hotline School while attending Manager's meeting in Grand Junction.
- Attempting to figure out ways to increase capacity at Ordway. Hall commented it is not feasible for SECPA at this time.
- Brandon has requested a proposal for the cost for a Power Purchase Agreement for a 1 mW solar field.

6. Finance & Membership – McBrain

- March Income Statement, Balance Sheet, various graphs & check Register were reviewed. (Included in Board packet.)
- March Net Margins, \$181,652; YTD, \$554,058.
- Wright asked the status of the Rate Study; response was it is progressing on schedule. Purpose of the rate study is to evaluate performance of individual rate classes and to complete a financial forecast.

- Brandon has observed that since Tri-State funded a rate reduction, they are looking for cost savings to be able to maintain the 2% rate reduction.
- Karney asked about the potential to pass a rate reduction to SECPA members given the Tri-State reduction and because SECPA has outperformed the budget from January to March. McBrain noted that it was early in the year and that many expenses are budgeted evenly throughout the year and that timing of actual expenses can be different depending upon weather or operational decisions. McBrain also noted that it would be prudent to understand the performance of each rate before acting and recommended not taking action until the Cost-of-Service Study is complete.
- Anderson mentioned using additional funds for improvements while SECPA can afford it.
- Rushton added that the uncertainty of the state of the economy should be considered and it might be a good idea to wait until later in the year to make a decision.
- Brandon related that another co-op had given a rebate to members in lieu of reducing rates.

Motion was made and seconded to accept Resolution 22-05 approving special allocation with \$1,077,826.50 allocated to 2003 and \$1,077,825.50 allocated to 2011 to correct the overstatement of historical depreciation of Patronage Capital Assignable to SECPA members. **MOTION** carried with Karney and Brase voting nay. (Copy of Resolution made a part of these minutes.)

- New memberships for April totaled 29; 33 withdrawals; 10,929 bills. (Details in Board packet.)

7. Operations – Hall

- Various kWh graphs, Outages, Work Order, and Line Loss reports reviewed (included in Board packet.)
- Monthly line loss was equivalent to \$49,994 (same as last month.)
- Reported that SECPA has lost as many poles to fires as to winds recently; lost 10 poles due to lightning.
- Lost 10 poles due to lightning.
- Hall attended an Operations Manager meeting in Bismarck, ND; discussed SRS dispatching. SRS is addressing some of the similar issues co-ops are experiencing.
- Several employees attended Mesa Hotline School; Mike Trumble and Phil Hinds were both instructors.

8. Legal – Casey Martin

- Attorney invoice totaled \$6,101.39 (including \$2689.85 to attend SECPA Annual Meeting.)
- Martin's law firm has recently merged with water law firm.
- Will defer discussion regarding Lamar Utility Board (LUB) to Exec Session.
- In response to member request for information, all information can be shared.
- Tri-State, CREA, and Western United decide what information they choose to share.
- Attended CREA attorney meeting in Denver; Cyber Security was a primary topic; info will be forwarded to Brandon.
- Net metering and associated costs (which are absorbed by members) were discussed. Martin related an experience at Sangre de Cristo. Colorado Statute leaves some "wiggle room" for co-op members. Brandon noted SECPA net metering members are growing; SECPA has a moratorium on new installations larger than the mandated 10kW residential and 25kW commercial.
- Karney advised that SECPA be proactive with their policy.
- NRECA attorney seminar will be held in Monterey, California August 8-11th. Martin asked if SECPA would share the cost with Sangre de Cristo. Anderson requested to know how much it will cost.

9. Human Resources – Bamber

- April payroll = \$365,456 (overtime = \$35,258); and other payroll \$10k (includes employee bonuses and unpaid time to track hours only.) 48 employees
- Angel Pecina, Apprentice Springfield, started 5/2.
- Roman Horn, Serviceman, Springfield, as of 5/9.
- Posted Journeyman/apprentice for Springfield.
- Michelle Jones, MSR, resigned; position has been posted.

10. Affiliate Organization Board Reports

A. Western United Electric (WUE) - Anderson

- Written summary included in Board packet.
- WUE Board meeting was held same day as SECPA Annual meeting.
- Brandon announced Jim Herron, Mountainview Electric CEO, is retiring June 30; will announce his replacement at MVEA Annual meeting June 2 (Brandon plans to attend.) Currently deciding who to interview. The new CEO will be based in Falcon; an executive suite is being built on the top floor of office building.

B. Colorado Rural Electric Association (CREA) - Karney

- Board of Directors April 29 meeting notes included in Board packet.
- Next meeting is May 26-27; Karney is unable to attend. He asked if another Director wanted to attend. Karney plans to begin participating at CREA after today's meeting with Singer.

C. Tri-State G&T- (Brase)

- Written report for May included in Board packet.
- Several Tri-State V.P.'s testified at Contract Termination Payment hearing with FERC in Washington D.C.
- Brase noted Tri-State is counting on the dollars from partial buydowns from Poudre Valley, Empire, and La Plata to help cover expenses (Tri-State will probably have a rate increase in 2023.) He related the 2% rate reduction is costing Tri-State \$20M/year.
- Strategic Planning Session scheduled in July.
- Brandon reported Eastern Colorado Managers met and came up with an alternate buy-out methodology and filed testimony in the current CTP docket being heard at FERC.
- SECPA's bill from PVEA for 1st part of FERC attorney cost will be \$2400; Brandon will bring to next month's meeting.

Election of Officers - Motion was made and seconded to elect new officers as follows:

President – Truman Wright

Vice President – Clint Anderson

Secretary-Treasurer – Merlin Rushton

Each will serve until after the annual meeting to be held in 2023. **MOTION** carried.

11. Executive Session

Motion was made and seconded to go into Executive Session at 3:55 p.m. for personnel and legal issues.

MOTION carried.

Phillips left video conference @ 3:30 p.m.


McBrain and Howard left meeting at 4:40 p.m.

Hall and Bamber left meeting at 4:55 p.m.


Meeting reconvened at 5:02 p.m. with Directors, CEO, and attorney only.

Per Wright - Motion was made and seconded to approve payment of \$16,824.15 to Lamar Utilities Board (LUB) as final settlement agreement and to direct Attorney Martin to send letter to LUB attorney to validate. **MOTION** carried.

12. Adjourn - There being no further business, the meeting adjourned at 5:10 p.m.



President



Secretary



RESOLUTION

22-05

WHEREAS The Southeast Colorado Power Association's staff and audit firm identified a necessary restatement to previously issued consolidated financial statements during the 2020 annual audit; to account for changes to accumulated depreciation for utility plant and patronage capital equity required as a result of historic overstatements of depreciation expense.

WHEREAS the cumulative adjustment necessary to correct the overstatement of historical depreciation resulted in \$2,155,653 of patronage capital assignable to the association's members according to the association's bylaws.

WHEREAS research of historical records confirms that the over-depreciation primarily occurred from 2002 to 2017. If appropriately recorded, the resulting equity would have been assignable to members active during the same period.

WHEREAS staff encountered difficulty determining the equity properly attributable to each year during the time frame and opines that a complete reconciliation of associated transactions is improbable, and efforts to do so would come at a substantial cost in the current year.

WHEREAS it is understood that all methods for the special allocation will have some degree of flaw, and the Board of Directors desires to process the special allocation on a cost-effective and equitable basis. The Board of Directors has considered the following options for the special allocation:

Option One: Allocate the entirety of the \$2,155,653 to members active during 2020 because the adjustment was made during the 2020 audit.

Option Two: Allocate the \$2,155,653 evenly across 2002-2017.

Option Three: Allocate half of the \$2,155,653 early in the affected time period and the remainder late in the time period.

WHEREAS the Board of Directors believes that Option One is the least desirable because the allocation would be significantly skewed towards newer unimpacted members. The annual turnover in the association's membership is generally low. The cumulative allocations for the majority of members active during the years 2002 to 2017 will be similar for Options Two and Three. The estimated processing cost for the special allocation is \$8,000-10,000 for each reprocessed year.

BE IT RESOLVED, The Board of Directors of Southeast Colorado Power Association (SECPA) elects Option Three, with \$1,077,826.50 allocated to 2003 and \$1,077,825.50 allocated to 2011. The allocation will use the factors originally established for those years.

CERTIFICATION

I, **Clint Anderson**, Secretary of SECPA, do hereby certify that I am the duly elected, qualified, and acting Secretary of SECPA and the keeper of the records and that the above and foregoing is a true and correct copy of a resolution duly adopted at a regular meeting of the Board of Directors of said Corporation duly convened and held in accordance with its by laws, on **May 18, 2022**, and said Resolution is still in force and effect and has not been repealed.

Secretary