

LA PLATA ELECTRIC ASSOCIATION, INC.  
Finance and Audit Committee Meeting Minutes  
Thursday, March 13, 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, March 13, 2025, via Zoom webinar. Committee Chair Wheeler called the meeting to order at 9:04 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**

Janelle Thunstrom, Executive Assistant

**EXCUSED ABSENCE:**

None

**GUESTS:**

Director Nicole Pitcher  
  
Greg Barber

**APPROVAL OF AGENDA**

Committee Chair Wheeler addressed the agenda for the March 13, 2025, Finance and Audit Committee (FAC) meeting.

**Motion:** Committee Member Luschen moved to approve the March 13, 2025, FAC meeting agenda as amended to include a discussion of the Tri-State rate in the executive session. Motion was seconded and carried without dissent. Committee Member Hansen was not present for the vote.

**APPROVAL OF MEETING MINUTES**

Committee Chair Wheeler addressed the February 13, 2025, FAC meeting minutes.

**Motion:** Committee Member Luschen moved to approve the February 13, 2025, FAC meeting minutes as presented. Motion seconded and carried without dissent. Committee Member Hansen was not present for the vote.

### **JANUARY FINANCIALS REVIEW – ACTUALS**

No further updates were provided since the December board meeting.

### **FEBRUARY FINANCIALS REVIEW - PRELIMINARY**

VP Berry presented an overview of February 2025 financials. Revenue for February was 7% or \$690,511 under budget, and cost of power was 8% or \$522,015 under budget resulting in gross margins being 5% or \$168,496 under budget. Residential sales were 8% below budget, commercial sales were 6% below budget, and industrial sales were 5% below budget. Warmer temperatures had a negative effect on revenue for the month.

LPEA reported a positive operating margin of \$210,099 in February 2025, compared to a budgeted margin of \$253,289, resulting in a negative budget variance of \$43,191 or 17%. In February, our gross margins were 5% or \$168,496 below budget, controllable expenses were 6% or \$131,236 under budget, and other expenses were at budget.

The decrease in cash reserves is attributed to our larger accounts payable disbursements to contractors working on capital projects, material costs, and a late receivable that came in at the beginning of March.

Controllable costs were 6%, or \$131k, lower than budgeted levels for February. Outside legal costs were under budget this month; this was the largest contributor to the better-than-budget variance. Payroll expenses were also under budget due to a decline in outages and lower overtime hours than expected due to mild weather conditions. Operations continue fire mitigation efforts with tree trimming and a new contractor doing drone power line inspections.

VP Berry addressed all questions and provided further insights into financial strategies moving forward.

### **RECOMMENDATION ON RESOLUTION 2025 – 04; FINAL PATRONAGE CAPITAL CREDIT UNDER TRI-STATE RATE SCHEDULE NO. 281(II)(B)(1)(b)**

Committee Chair Wheeler introduced the recommendation for Resolution 2025 – 04, Final Patronage Capital Credit under Tri-State Rate Schedule No. 281(II)(B)(1)(b).

VP Berry provided an overview of the patronage capital from Tri-State, outlining how it can be applied. He presented two options and recommended applying Patronage Capital Credit to the final CTP (Contract Termination Payment) payment amount. VP Berry took all questions from committee members.

**Motion:** Committee Member McInnis moved to adopt Resolution 2025 – 04, Final Patronage Capital Credit under Tri-State Rate Schedule No. 281(II)(B)(1)(b) to the full board at the March board meeting. Motion seconded and carried without dissent.

## **RECOMMENDATION ON RESOLUTION 2025 – 05; CFC DISASTER RESPONSE LINE OF CREDIT APPLICATION**

Committee Chair Wheeler introduced the recommendation for Resolution 2025 – 05 regarding the application for a Disaster Response Line of Credit through the National Rural Utilities Cooperative Finance Corporation (CFC).

VP Berry provided an overview of the line of credit, explaining its purpose in emergency situations and giving examples of disaster scenario analyses. He addressed all committee members' questions, ensuring a thorough discussion. Due to the need for further clarification, the committee agreed to revisit the resolution at a later date.

### **Motion**

**to Table:** Committee Member Hansen moved to table Resolution 2025 – 05 until the April 2025 FAC meeting for further review. Motion was seconded and carried without dissent.

## **RISK POLICY PROCESS UPDATE**

VP Berry provided an update on the Risk Policy Process, noting that the first educational training session with The Energy Authority (TEA) took place on Monday. This session, attended by the leadership team and the newly hired Power Supply Project Manager, covered foundational concepts at a beginner-to-intermediate level to build staff expertise. VP Berry emphasized that while LPEA staff have limited experience in this area, the Power Supply Project Manager's background will be an invaluable resource.

LPEA is transitioning TEA into a primary role in guiding the process. TEA will take the lead in orchestrating training and advising on board composition and key decisions, leveraging their extensive experience working with multiple clients. A more detailed update will be provided at the April FAC meeting.

## **KEY FINANCIAL METRICS REVISION – [POLICY 201](#) (Financial Management and Goals)**

VP Berry provided an update on the ongoing discussions around key financial metrics and their alignment with Policy 201. He emphasized that while there are no immediate changes to the Key Performance Indicators (KPIs), cash flow remains a primary focus. He reiterated the importance of maintaining strong liquidity, as cash is essential for meeting financial obligations, regardless of deferred revenue or rate stabilization strategies.

VP Berry explained that current KPI evaluations focus on operating cash on hand, typically measured in terms of one to two months of expenses. However, industry standards and rating agencies prioritize liquidity measured in days, which may be a more appropriate metric moving forward. While recent liquidity levels have been stable—exceeding 100 days on hand—certain one-time events, such as subsidiary liquidations, have previously influenced those figures.

Additionally, Berry highlighted the importance of restructuring the cooperative's line of credit. Currently, the line of credit is uncommitted, meaning it could be revoked under certain financial distress conditions. Steps are being taken to transition it into a committed line, which would enhance financial stability and improve credit rating evaluations.

Looking ahead, VP Berry plans to present a more detailed cash flow analysis at the next meeting, breaking down operational, financing, and investment cash flows to provide greater visibility into financial health. He suggested that the board consider transitioning from a cash-on-hand metric to a days-of-liquidity approach but advised against making any immediate changes.

Committee Members discussed the importance of maintaining adequate liquidity while minimizing unnecessary borrowing. There was consensus on monitoring both cash and liquidity metrics in parallel before making any formal adjustments to KPIs. Further discussions and a more detailed financial analysis will be presented at future meetings.

### **DISCUSSION ON COMMENTS RECEIVED REGARDING RATE CHANGE**

Committee Chair Wheeler introduced the discussion on member feedback regarding the proposed rate change. Committee Member Hansen provided an overview of the 70 comments received to date by LPEA, noting that the majority of members expressed opposition to a rate increase. Additionally, there was confusion among members regarding kilowatt-hour (kWh) rate tariffs, with some mistakenly associating them with recent U.S. import tariffs. LPEA is actively working to correct these misconceptions and provide accurate information to members. With no consistent rate-structure comments coming from members the FAC declined to make any recommendation on the posted rate increase.

### **EXECUTIVE SESSION**

Committee Chair Wheeler requested a motion to move into an executive session to discuss a post-sale update for FastTrack Communications and Tri-State rates.

**Motion:** Committee Member McInnis moved to enter an executive session to discuss a post-sale update for FastTrack Communications and Tri-State rates. Motion seconded and carried without dissent.

The committee remained in the executive session from 10:32 a.m. to 11:23 a.m.

No action was taken coming out of the executive session.

### **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 11:24 a.m. Recorded by J. P. Thunstrom and approved by:



Tim Wheeler, Committee Chair