

LA PLATA ELECTRIC ASSOCIATION, INC.  
Finance and Audit Committee Minutes of Meeting  
Thursday, November 12, 2020

**CALL TO ORDER**

The Finance and Audit Committee of the La Plata Electric Association Board of Directors was held Thursday, November 12, 2020 via webinar. 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  
Bob Lynch  
Jessica Matlock, CEO  
Karl Ramsey, Vice President of Finance

**LPEA STAFF:**

Monica Rodriguez, Controller  
C.E. Charistopoulos, Executive Assistant

**EXCUSED ABSENCE:** Kirsten Skeeahan

**GUESTS:** Sue McWilliams, Kohler McInnis, Graham Smith, Jenny Taylor, Holly Metzler

**APPROVAL OF AGENDA**

Committee Chairman Wheeler addressed the November 12, 2020 Finance and Audit Committee (FAC) meeting agenda.

**Motion:** Committee member Bassett moved to approve the November 12, 2020 FAC meeting agenda as presented. Motion seconded and carried without dissent.

**APPROVAL OF MEETING MINUTES**

Committee Chairman Wheeler addressed the October 15, 2020 FAC meeting minutes.

**Motion:** Committee member Lynch moved to approve the October 15, 2020 FAC meeting minutes as presented. Motion seconded and carried without dissent.

**COMMITTEE DISCUSSION AND POSSIBLE ACTION**

**FINANCIAL REVIEW** – VP of Finance Ramsey gave an overview of the draft October 2020 financials, noting a 4% loss in revenue and a 1% decrease in cost of power, due to raised energy demand during a cold snap, and savings on expenses from continued cost control measures. October operating margins are slightly below forecast and YTD operating margins are at \$1.5 million.

Key performance indicators are on target with the exception of cash, which is momentarily below target due to loan repayment cycles, but expected to be back on target in December. Delinquencies are at the lowest point since the pandemic due to relief funds and the temporary implementation of six-month payment plans to help members avoid disconnects for nonpayment by keeping bills current.

Discussion ensued on the success of the payment plan program which ends in February, and interest in carrying this option forward as an additional member service in the future. The Finance and Accounting Department will conduct a cost-benefit analysis for providing an ongoing payment plan service and report findings at the December 10, 2020 committee meeting.

**2021 BUDGET REVIEW** – VP of Finance Ramsey reported that the proposed 2021 Budget and Forecast meets the board approved financial goals for operating margins, cash reserves, equity percentage, long-term debt, and MDSC-OTIER ratios. Though the 2021 cost of electric service is budgeted at \$2.37 million less than the previous year, without the July 2019 rate increase, operating margins would come in negative, at nearly \$2 million.

VP of Finance Ramsey demonstrated the rationale for the rate increase with a graphic of a watering can, depicting cash coming into the “cooperative watering can,” from electric sales with the rate increase, borrowing for capital projects, and anticipated non-operating cash from capital credit retirements (Tri-State, CFC, NISC, WUE); and \$3 million more cash going out of the “cooperative watering can” than what is forecast to come in, that is budgeted for capital items and projects, cost of electric service, operating expenses (less depreciation), loan payments, and capital credit retirements. The \$3 million variance between the flows of cash-in and cash-out is attributed to the Rate Stabilization Fund which remains constant within the watering can.

VP of Finance Ramsey will conclude the process of leading the board into an informed approval of the full 2021 Budget and Forecast with a presentation on the non-operating margins, balance sheet, and cash flow statement at the November 18, 2020 Board Meeting, and present Resolution 2020-16: 2021 Budget and Forecast for board approval.

**FORM 990 REVIEW** – VP of Finance Ramsey gave an informative review the 2019 IRS Form 990 and took questions. There was consensus among the committee that the 2019 Form 990 is an accurate reflection of the 2019 financial performance of the cooperative. Due to Covid-19, LPEA filed for a six-month extension from the May deadline, and will file the form before the November 15, 2020 deadline.

**AGENDA DISCUSSION** – A discussion of the upcoming meeting agenda did not take place.

### **FUTURE AGENDA ITEMS**

A discussion of future agenda item did not take place.

**EXECUTIVE SESSION: RESOLUTION 2019-10 LPEA POWER SUPPLY STRATEGY  
OPTIONS REVIEW**

Committee Chairman Wheeler requested a motion to enter into executive session to discuss the financing strategies for a partial requirements contract with Tri-State.

**Motion:** Director Bassett moved to enter into executive session to discuss financing strategies for a partial requirements contract with Tri-State. Motion seconded and carried without dissent.

The committee remained in executive session from 3:17 p.m. to 3:50 p.m.

**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 3:50 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 2<sup>nd</sup> Thursday of every month.

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



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Tim Wheeler, Committee Chairman