

**MINUTES OF THE REGULAR MEETING OF
THE BOARD OF DIRECTORS OF
UNITED POWER, INC.
WEDNESDAY, MARCH 27, 2019**

GENERAL

Chairman James Vigesaa called the regular meeting of the United Power Board of Directors to order at 9:00 a.m. on March 27, 2019. The meeting was held at United Power Headquarters in Brighton, Colorado. Present were Directors Keith Alquist, Ginny Buczek, Tim Erickson, Elizabeth Martin, Brian McCormick, Ursula Morgan, Rick Newman, Susan Petrocco, Dave Rose, James Vigesaa and Tamra Waltemath. Chief Executive Officer John D. Parker, Chief Operating Officer Bryant Robbins, Chief Financial Officer Laurie Rydwell, Governmental & Regulatory Relations Officer Troy Whitmore (arrived at 1:30 pm) and Executive Administrator Michele Sack were also present.

Others present for the meeting were staff members Erin Hane, Sarah Herman, Dean Hubbuck (arrived at 1:00 pm), Robert Maxwell, Ken McFadden and Director Candidate Bradley Case (South District).

INVOCATION/PLEDGE

Director Petrocco gave the invocation and led in the Pledge of Allegiance.

INTRODUCTION OF DIRECTOR CANDIDATE

Director Candidate Bradley Case (South District) introduced himself.

NEW EMPLOYEES

The following new employees were introduced:

- Victoria Tooz – Member Service Representative

SAFETY MINUTE

Risk and Compliance Director, Ken McFadden, provided an update on safety activities throughout United Power. He also shared that United Power, as of today, has 704 days without a lost time injury.

CONSENT AGENDA

The following items were listed on the consent agenda:

- Approval of Agenda
- Approve February 27, 2019 Regular Meeting Minutes
- Resolution Approving Tri-State Board Member

Director McCormick requested the Resolution Approving the Tri-State Board Member be pulled from the consent agenda. **Director Alquist made a motion**, which was seconded and carried, to approve the consent agenda as amended.

AUDIT PRESENTATION

Board Chairman James Vigesaa introduced Mike DeCoria, representing the auditing firm of DeCoria, Maichel and Teague, P.S. Mr. DeCoria indicated that he met with the Audit Committee on Thursday February 21, 2019 to review the audit that was performed on the Consolidated Financial Statements of United Power, Inc. for the period of January 1, 2018 through December 31, 2018. Following discussion of the audit report, **Audit Committee Chairman Buczek made a motion** that the Board go into Executive Session for further discussion of the audit report. The motion was seconded and carried. The Board went into Executive session at 9:59 a.m. with the entire Board and Mike DeCoria present. The Executive Session ended at 10:11 a.m. and the Board recessed for a break and reconvened into regular session at 10:20 am with CEO Parker and staff returning to the meeting. **Audit Committee Chairman Buczek made a motion**, which was seconded and carried, to adopt the Resolution to accept the Annual Consolidated Financial Statements Audit Report for 2018 as presented.

RESOLUTION ACCEPTING THE 2018 ANNUAL AUDIT

WHEREAS, an examination of the books of United Power Inc. and its wholly owned subsidiary, Consumer Services Association, was completed by DeCoria, Maichel and Teague, P.S., as of December 31, 2018; and

WHEREAS, DeCoria, Maichel and Teague, P.S. has issued an unqualified opinion dated March 15, 2019 on the Consolidated Financial Statements of United Power, Inc., for the year ending December 31, 2018; and

WHEREAS, the duly appointed Audit Committee of United Power's Board of Directors has reviewed the Audit Report and recommends acceptance.

NOW THEREFORE, BE IT RESOLVED that said examination report for the period January 1, 2018 through December 31, 2018, prepared by DeCoria, Maichel and Teague, P.S., is hereby accepted.

Legal Counsel Mark Williams, with Sherman and Howard, joined the meeting at 10:20 a.m.

DEBT SERVICE RESERVE ACCOUNT RESOLUTION

CFO Rydwell updated the Board on the status of the Debt Service Reserve Account (DSRA). The resolution proposes an extension until December 31, 2022. **Director Morgan made a motion**, which was seconded and carried, to adopt the resolution authorizing United Power to finalize the DSRA Second Consolidated Amendment with Cooperative Finance Corporation (CFC) through December 31, 2022.

POLICY C-30 – IDENTITY THEFT/RED FLAG

CFO Rydwell updated the Board on the United Power Red Flag Identity Theft program and Policy C-30 – Identity Theft Red Flag Policy, which was included in the Board packet. This program has been in effect since 2008. United Power has a process in place to protect sensitive members' data, and the Director of Member Services compiles, updates and provides an annual report to the Board. **Director Martin made a motion**, which was seconded and carried, to approve Policy C-30 – Identity Theft Red Flag - as presented by staff.

BOARD EFFECTIVENESS SURVEY

Director Morgan will distribute this survey to the Board prior to the Strategic Planning Session, which is scheduled for May 2019.

RESOLUTION ELECTING MEMBER TO THE TRI-STATE BOARD

Chairman James Vigesaa handed the gavel to Vice Chairman Susan Petrocco for the Tri-State discussion.

Director McCormick made a motion, which was seconded, to re-open the nomination to the Tri-State Board of Directors. This motion was withdrawn.

Following discussion, **Director Morgan made a motion**, which was seconded and carried, to adopt the Resolution Electing the Member to the Tri-State Board. **Director McCormick and Director Newman** opposed this vote.

RESOLUTION ELECTING MEMBER TO THE TRI-STATE BOARD

WHEREAS, the bylaws of Tri-State Generation and Transmission Association, Inc., provide that, “Each Class A member shall elect one of its Directors or its Manager to serve on the Board of Directors of the (Tri-State) Association from that Class A member.”

NOW, THEREFORE, BE IT RESOLVED that United Power, Inc., hereby elects James Vigesaa for the Board of Directors of Tri-State Generation and Transmission Association, Inc., effective as of April 1, 2019, to serve until a successor shall have been elected and certified in writing to Tri-State, or until his/her term is otherwise concluded in accordance with Tri-State’s bylaws.

Following passing of the Resolution, **Director Martin made a motion**, which was seconded and carried, to rescind the January motion which read “**Director McCormick made a motion**, which was second and carried, that the vote to the 2019 Tri-State Board of Director seat be moved to April 2019.” **Directors Alquist, McCormick, and Newman** opposed this vote.

Vice Chairman Susan Petrocco returned the gavel to Chairman James Vigesaa following the Tri-State discussion.

ATTORNEY CONTRACT REVIEW EVALUATION

Director Petrocco made a motion that the Board go into Executive Session to discuss contract issues. The motion was seconded and carried.

The Board went into Executive session at 11:22 a.m. with the Board, CEO Parker, and legal counsel Mark Williams present.

The Executive Session ended at noon and the Board recessed for lunch.

EXECUTIVE SESSION

Director Buczek made a motion that the Board go into Executive Session to discuss power supply. The Board went into Executive session at 1:02 p.m. with the entire Board, staff and legal Counsel Mark Williams present.

Legal counsel, Mark Williams, left the meeting at 2:20 p.m.

The Executive Session ended at 3:06 and recessed for a break until 3:20 p.m. Following break the board reconvened into regular session.

Director of Purchasing, Curtis Subia, joined the Board meeting at 3:30 p.m. and left at 4:15 p.m. following his west building update.

CEO REPORT

CEO John Parker reviewed his March 2019 CEO report, Tri-State Reports and discussed the Resolution to Improve Wholesale Electric Power Costs to the Member-Owners of Tri-State G&T. Following Board discussion, **Director Martin made a motion**, which was seconded and carried, to adopt the following resolution:

RESOLUTION TO IMPROVE WHOLESALE ELECTRIC POWER COSTS TO THE MEMBER-OWNERS OF TRI-STATE GENERATION AND TRANSMISSION ASSOCIATION

WHEREAS, Tri-State Generation and Transmission was formed to provide affordable and reliable power to its member-owners across a four-state service territory; and

WHEREAS, operating under the cooperative business model of local ownership and control, this joint effort has been the most effective way to serve the end-use owners of our cooperative network; and

WHEREAS, market economics and political environments are impacting the electric utility industry; and

WHEREAS, increasing renewable energy portfolio standards, lower natural gas prices, and improving technology for distributed energy resources have changed the competitive pressures at the distribution cooperative level as the distribution cooperative strives to meet our members expectations; and

WHEREAS, electric cooperatives are not immune to competitive pressures or political agendas; and

WHEREAS, the cooperative service-based model is sustainable in the current marketplace but must be competitive; and

WHEREAS, over the last ten years, wholesale electric power costs from Tri-State have increased by fifteen percent, and over the last twelve years, power costs have increased in excess of thirty percent; and

WHEREAS, with the changing market conditions, it's imperative for Tri-State to take steps that lead to power costs that decrease to match market conditions; and

WHEREAS, attracting and retaining both retail electric members and potential new wholesale members requires competitive power costs; and

WHEREAS, a larger, and stronger Tri-State will bring value to all members, which validates the cooperative model's success; and

WHEREAS, Tri-State added \$41.5 million to its deferred revenue account, an amount that was equivalent to 3% of their 2018 revenues.

NOW THEREFORE, BE IT RESOLVED, that the under-signed member of Tri-State, acting as fiduciaries for their members' long-term success, hereby urge Tri-State to implement a 2% rate reduction, effective July 1, 2019, and to implement a long-term financial forecast and budget starting in 2020 that achieves no less than a 1% per year decline in member rates over a ten year period through specifically identified measures that will move Tri-State to the competitive marketplace; and

BE IT FURTHER RESOLVED, that, recognizing such a move will take time and require difficult decisions, Tri-State is urged to take specific, aggressive and quantifiable steps to become more effective as a full-service generation and transmission cooperative.

The following reports were discussed and updated by CEO Staff:

- Chief Financial Officer
 - West Building Update
 - 2018 Working Capital
- Chief Operating Officer
- Government and Regulatory Relations Officer
- Power Supply & Rates
- New Business
- Risk and Safety
- Human Resources

BOARD DISCUSSIONS

- 2019 Strategic Plan Agenda
- Demand Rate

Director Waltemath shared her concerns regarding the new demand rate and the effect it is having to our mountain members. Following discussion, **Director Waltemath made a motion**, which was seconded, that a moratorium be placed on the demand rate for all members while refunding any additional charges members may have incurred.

Director Waltemath amended her motion, which was seconded, that the moratorium apply only to the time of use residential members and the energy rate will revert to what it was before the demand rate was implemented. CEO Parker suggested we hold off on this motion and provide how this financially impacts the co-op, and a regulatory board meeting will be held in the coming months. Following a vote, the motions failed. **Director McCormick voted against the motions.**

Staff will analyze the demand rate and come back to the Board with their recommendations.

CREA REPORT

Director Buczek reviewed the February 2019 CREA Board of Directors minutes and addressed Board questions.

WUE REPORT

Director McCormick reviewed the February 2019 Western United financial reports and addressed Board questions.

MEETING SCHEDULE

The next Regular Board Meeting is scheduled for Wednesday, April 24, 2019 at 9:00 a.m. at Brighton Headquarters, 500 Cooperative Way, Brighton, CO 80601.

ADJOURNMENT

Chairman James Vigesaa declared the meeting adjourned at 5:40 p.m.



Michele Sack, Recording Secretary