

## November 29, 2023 SDCEA Board Meeting Summary

*Note: This Board meeting was held at Tony's Pizza in Silver Cliff and virtual attendance was difficult due to bandwidth problems (limited video), microphone placement and background noise. These notes are an attempt by AVEF to summarize the meeting based on virtual attendance.*

- A. Call to Order
- B. Roll Call – Directors present in person included Attebery, Abel, Boyle and Fiedler. Director Bennetts initially joined virtually, but then phoned in. Director Hellbusch was absent for all but the last 30 minutes of the meeting. During the periods of voting there was a quorum of 5 Directors, those in attendance in person plus Director Bennetts.
- C. Pledge of Allegiance
- D. Act on Agenda
  - NEW AGENDA ITEM: Director Abel spoke about Director Dan Daly's passing last week. He read an obituary, and provided his personal condolences and condolences on behalf of SDCEA.
- E. Introduce Guests / Members and Member Comments
  - Online Attendees: Robert Robb, Blake Bennetts (initially, then by phone), J Nall, Greg Kann, Rich Shoemaker, Sandy Long, Karen Pate, Kaylan Pomfret, Beni, and Mallie Miles.
  - In person: Unknown, at least two who spoke during the meeting.
  - Sandy Long comments: Sandy echoed Director Abel's comments on Dan Daly's passing and expressed her condolences. On the rate proposal, having a lower base rate enables lower income folks to save energy and affect their bill.
- F. Employee anniversaries (deferred to lunch)
- G. Consent Agenda - approved with no discussion.
- H. Follow-up Actions from Prior Meetings – None.
- I. Information Items for Discussion – None.
- J. Action Items
  1. 2024 Operating & Capital Budget - CFO Sarah Crites presented the proposed 2024 budget.
    - Revenue in 2023 is 4.3% higher than 2022, with the trend projection continuing in 2024. Projected revenue total \$23,945,960, which takes into account about 8.4% transmission loss on electricity sold. Operating expenses: budgeting for a 5.5% increase. 2024 expenses include adding 2 full time employees plus their IT person has announced that he is retiring soon.
    - 2023 total operating budget is projected to be slightly negative and the projection for 2024 with no action on rate changes is negative \$1.7M.
    - 2024 expenses include SPCC plan update required by EPA. 2024 Capital expenditures significantly above our normal budget due to repairs & updates needed at the 20-year old headquarters building and the 25-year old Westcliffe warehouse. Purchase 2 pickup trucks (one replacement, one addition), 4 trailer replacements, computer & server replacements, digger derrick boom truck replacement. 2023: \$2.8M (included \$1.5M HVAC) and 2022 \$2M (included HVAC \$1M) vs. 2021 \$900K.

Board approved setting the 2024 operating capital budget as presented by CFO Crites; all attending directors approved.

2. Longevity Pay for Employees - This is used to recognize employees as a thank you, which is common in co-op world since there are no bonuses or other incentives. Since 2021 the Board has approved pay of \$1.75 per calendar month of employment. For 2022, this longevity payout totaled \$9,252. Staff presented impacts of raising this from \$1.75 to \$2.00 per calendar month of employment. The increase is projected to result in a total payout of \$10,600 and a maximum 401k impact of \$424. The Board unanimously approved increasing the longevity pay to \$2.00 per calendar month with a minimum of \$50.
3. Rate Schedule Scenarios for 2024
  - Earlier this year, SDCEA hired consultant PSE to perform a revenue requirement analysis which concluded that there would be a budget shortfall. The analysis did not include cost allocations to rate classes or designs. SDCEA needs to maintain financial margins for lending purposes. There is a rate increase by Tri-State in 2024 - the energy charge is actually going down but the generation and transmission demand costs are increasing. The net result is a 7.2% increase in the cost of energy paid by SDCEA.
  - Since 2017 there have been significant cost increases on materials, labor, property taxes, insurance, software, etc. Even though the cost of energy is going down, the same wires, poles, etc. need to continue to be maintained.
  - Comment Director Boyle - Duanne Highley visited the board on November 8<sup>th</sup>. FERC has now allowed Tri-State to do a formulary rate, which is new, and will be able to change their rate (up or down) yearly going forward. Tri-State will also be able to do more on tariffing for transmission and generation. So, there are changes coming in how Tri-State will be able to do business.
  - CEO Kelly - Regulatory issues that Tri-State deals with now vs. 30 years ago are more complex, which also drives up costs from the past. Tri-State's energy cost is going down because of lower-cost renewables, primarily wind and solar. But firm power has to be made up via other sources when renewables are not generating. As Tri-State moves away from coal, they will need to add other sources of energy, typically natural gas plants or large-scale batteries, but this will take time.
  - Three scenarios for rate increases were presented. Scenario 1 – straight pass through of Tri-State's cost increase, with the remaining revenue shortage being addressed by increasing the fixed monthly service availability charge. Scenario 2 - All cost components of all rate schedules increase 8% across the board. Scenario 3 - pass through Tri-State's cost increase, with the remaining additional revenue required addressed by increasing the monthly service availability charge but using deferred revenue to offset the fixed charge increase.
  - Staff recommended Scenario 3, which will increase the service availability charge 10% per year for the next 4 years with an energy charge of 13.5 cents/kWh.
  - A communication timeline to notify membership of the rate changes was presented, with new rates scheduled to begin 2/1/2024.
  - Director Boyle: The Finance Committee voted to support Scenario 2, a flat 8% across the board increase. The Finance Committee voted for Scenario 2 because it addresses the fact that there is a financial need to increase revenue going forward and treats all rate classes equally. The intent is for SDCEA to do another rate study in the coming year, so this rate change is just a stop gap measure.
  - CEO Kelly: Staff recommends Scenario 3 so if sales/revenue drops we're still right there; it offers stability, particularly if winters are warmer.

- Director Fiedler: With Tri-State information from Duane Highley, more changes will be coming as they shift energy and demand costs, and also looking at possible changes to the State net metering policy, there will be some major changes year over year that we will be navigating. Leaning toward keeping current revenue to use in future years toward these changes; the rate changes should be considered a stop-gap until we get through our strategic planning in February. More significant changes will be coming next year and the following years. Don't see the difference between Scenarios 2 & 3 being that substantial, and don't want to majorly commit to future changes. Agrees with Director Boyle, that this is a placeholder year.
- Director Abel: Disagree with recommendation from Finance Committee on Scenario 2, because it's against the recommendation of staff. As energy costs get cheaper, we need to have another way to meet revenue requirements besides selling kWh. If electrons were free, the fixed charge to operate our system would be around \$75/month per member. As we move that way toward cheaper electricity and integrate renewables and cheaper base loads, need to get funded via a higher fixed charge. Does believe there are opportunities for rate restructure to reduce their bills, such as a minimum bill concept.
- Director Boyle - Our fixed fee is one of the highest in the State already. Would prefer not to be the highest in the future but in the bottom of the top 3rd. Feels Scenario 3 as going even higher with a 10% increase in the monthly service charge every year. Still favors Scenario 2.
- Mike Allen: Reminded the Board that SDCEA does not have any large industrial customers/loads like other coops. So those coops can sell a lot of energy and there is less need for a higher recovery charge, which is where their margins occur.
- Ellen Glover(?): Newspaper reporter from the Wet Mountain Tribune. The Custer County area is experiencing a large influx of second home owners. People moving here are comparing us to Salida, Xcel, etc. The Board will need to clarify what everyone is saying, that you're a residential based coop and like Xcel or other coops.

Director Boyle made the motion to approve Scenario 2; seconded by Fiedler. Abel and Bennetts voted against the motion. Attebery broke the tie and voted against the motion. Motion to approve Scenario 2 failed.

Director Abel moved to approve Scenario 3, seconded by Bennetts. Boyle and Fiedler voted against the motion. Attebery broke the tie and voted to approve the motion. Motion to approve Scenario 3 was approved. Scenario 3 will increase the monthly service availability charge 10% a year for the next 4 years, and the kWh charge will be at \$0.13485 in 2024.

A subsequent motion to approve changes to Rate Schedules 1-13 to reflect Scenario 3 was approved unanimously. Look for these to be posted to SDCEA's website soon.

- K. Items requiring board action since posting of notice of the meeting. None.
- L. Appoint delegates and alternates - Tabled until December. Also tabled replacing Treasurer position, held by Director Daly, until December meeting.
- M. Consumer loan applications for board consideration. None.
- N. Donations and memberships for board consideration. None.
- O. Claims and Complaints. None.
- P. Review board policies and act on changes. None.
- Q. Strategic Discussions – A strategic planning session by the board is planned for February.
- R. Director, Attorney and Staff Reports

1. Director roundtable. Nothing of substance reported.
2. Associated organization reports - Director Abel on Tri-State. Tri-State will file their Energy Resource Plan (ERP) this Friday. The ERP is tied to Tri-State's application for New ERA funding, which is a federal program that has \$9.7B for clean energy transitions. Tri-State's application was for just over \$1B. If awarded, Tri-State will use money to increase geographical distribution of renewables, retire Craig 3 coal plant, and retire Springerville coal plant 14 years ahead of schedule. This puts pressure on rates because costs will need to be recovered.

CREA conference in Denver was attended by some of the Board members.

Director Boyle: Wasn't able to attend, but did read about microgrid community resilience grants. There is a proposed microgrid project near Cleora, east of Salida. Want to be sure we don't miss an opportunity to support this. Want to have open discussions.

Western United: Sales are up.

3. Attorney Report (Casey Martin) - Finalizing Gary's new contract. Met with BV Tree Coalition. They had made comments that SDCEA was breaking the law by how it's handling vegetation management despite not having done anything yet. Sought to understand the reason for these comments. Martin confirmed SDCEA is in the process of developing a plan, which has to go to BCC for approval, and will follow all required processes. Work will not proceed until the plan is fully reviewed and approved.
  4. Chief Executive Officer Report - SDCEA will volunteer 1 week of labor to help with "Light up Navajo" in the summer, per request from CREA to coops to help.  
Grants update: Mostly in waiting mode for these.
  5. Chief Financial Officer Report - YTD revenues are 4.1% over budget. kWh sales are ahead of plan. Expenses are within 1% of plan. Have seen a slowdown in new connections compared with 2022.
  6. Chief Operations Office Report - Health & Safety - No lost time accidents. "Site Docs" software going live in January. Tree Trimming updates provided.
- S. Other information updates
1. Information, Correspondence and Other Items. None.
  2. What's Ahead - SDCEA Board meetings: Dec 27, Jan 24, Feb 28, March 27, April 24, May 22, June 26, July 24, Aug 28, Sept 25, Oct 23, Nov 27 (may change), Dec. 25 (likely will change). Staff will propose alternative dates for Nov & Dec.
    - Directors Boyle & Fiedler will attend the NRECA conference in December.
    - Mid-West Electric Consumers Association, December 23, Denver - Believe it's hydro related. Director Boyle will attend.
    - NRECA New Director orientation, Jan 31- Feb. 2, Arlington, VA - Directors Boyle and Fiedler will attend.
    - 2024 PowerXchange, March 1-6, San Antonio - Tabled for discussion in December, as well as the rest of the conferences that are later in the year.
- T. Executive Session (if needed) - Was held after lunch. Unknown topics, possibly how to address the vacancy on the Board with Dan Daly's passing.
- U. Adjourn - 12:04 pm.