

VALLEY ELECTRIC ASSOCIATION, INC.

REGULAR MEETING
OF THE
BOARD OF DIRECTORS

A regular meeting of the Board of Directors of Valley Electric Association, Inc. ("VEA") was held on Tuesday, February 26, 2019, beginning at approximately 8:30 a.m., at VEA's headquarters in Pahrump, Nevada.

Mr. Derschan called the roll of Directors present: Ken Derschan, President; Rick Johnson, Vice President; David Dawson, Treasurer; Dave Hall, Secretary; Pete Gazsy, Assistant Secretary; and John Maurer.

Also present were: Angela Evans, Chief Executive Officer ("CEO"); Steve Morrison, Chief Financial Officer ("CFO"); Bart Thurgood, Chief People Strategist; Nate Johnson, Executive Vice President ("EVP") of Broadband; Mike Hengel, EVP of Communications & Regulatory Affairs; Doug Maughan, Manager of Power Supply; Ms. Carlson, Executive Assistant; Cassy Potter, IT Support; Josh Weber and Robert Sweetin, Davison Van Cleve, PC, General Counsel. Also present were members: Frank Bonesteel, John Whitney, Karl and Marsha Goldstein, Laura Knight, Gene and Patty Hobson, Heather Johnson, John and Kathryn Erbe, Thomas Maher, Daniel W., and Lisa Nielsen; also present was Jeff Meehan, Pahrump Valley Times.

Mr. Derschan called the meeting to order at 8:30 a.m.

1. Approval of the Agenda. Ms. Evans proposed removal of 6A, WDAT revisions Mr. Gazsy **moved** to approve the Agenda as amended. The motion was **seconded** by Mr. Johnson, and it was approved unanimously.
2. Member Comment. Mr. John Whitney commented regarding the recent media issues and noted that he understood rate adjustments, but is concerned about the employee reductions and meeting the needs of the cooperative. Ms. Heather Johnson asked whether Mr. Husted is on payroll. Mr. Derschan noted that he was not an employee. Ms. Johnson state that she did not ask whether he was an employee. Mr. Derschan stated that he does not receive a salary. Mr. Weber noted that any details regarding former employee Mr. Husted, including any benefits or severance he may or may not recieve cannot be discussed publicly. Mr. Erb made a comment, noting that the most important issue facing the members is efficiency and lowest kilowatt hour cost. Mr. Maher commented, requesting that the Board issue a statement periodically noting the amount of capital credits and when payment would be made.
3. Director Comment. Mr. Dawson commented about NRECA meetings and the recent directors' conference. He noted that there was training about managing trouble signs for Directors and Management. There was no further director comment.

4. Approval of the Minutes. Mr. Gazsy **moved** to approve the minutes of the Friday, January 30, 2019, Board Meeting. The motion was **seconded** by Mr. Dawson, and it was approved unanimously.
5. Financials. Mr. Morrison presented the financial and statistical reports. Mr. Morrison began with an analysis of including year-over-year trends for 2017 through January 2019. He presented several trend analyses and then reported on year-over-year monthly results and variance to budget. Mr. Morrison identified the primary variance drivers, both positive and negative. Mr. Morrison presented the income statement and the consolidated balance sheet. Mr. Morrison presented the VETA financials related to transmission. Finally, Mr. Morrison presented sales data and other details including sources and uses of cash.

The Directors heard questions from the members. There was a member question regarding accessing information regarding VEA. Mr. Hengel responded. A second member asked a question regarding transmission rates, which Mr. Morrison responded to.

6. Unfinished Business. There was no unfinished business.
7. New Business.
 - a. Bad Debt Write-Offs. Ms. Evans presented the bad debt write offs. Mr. Gazsy **moved** to approve the bad-debt write-offs. Mr. Maurer requested removal of line 55, related to an account that should be further investigated. Mr. Gazsy **restated** the motion, omitting line number 55. Mr. Maurer **seconded** the motion. The motion was **approved** unanimously.
 - b. Early Capital Credits Retirement. There were fourteen requests for early capital credit retirements for a total amount of \$58,210.97, with a net present value of \$27,550.62. Mr. Dawson **moved** to approve the early capital credit retirement requests as presented. The motion was **seconded** by Mr. Gazsy, and it was **approved** unanimously.
 - c. Ms. Evans presented the monthly report on donantion requests. Ms. Evans presented the Staff recommendation for approval of two of four of the requests. Ms Evans presented a request for Pahrump High School Prom for a donation of \$1,000 and a Dorcas Womens club. Mr. Hall **moved** to approve. Mr. Johnson **seconded**. The motion was **approved** unanimously.
 - d. Discontinuance of Service Policy. Ms Evans presented the policy #125. Ms. Evans presented recommended edits to formalize the Moratorium on Discotinuance of Service. Ms. Evans explained that the language was adopted from a national standard to protect members during extreme weather events. She recommended the Board adopt the policy change. Mr. Gazsy **moved** to approve the changes. Mr. Maurer **seconded** the motion. It was **approved** unanimously.

8. CEO and Staff Reports.

- a. CEO Report. Ms. Evans began her CEO report with a report on the Smart Grid Roadmap which is underway. Studies are being done to harden the system and improve reliability. Ms. Evans also discussed the offer by CFC to work with the board to facilitate and update the strategic plan. Mr. Dawson expressed enthusiasm regarding this offer. Mr. Maurer noted that originally when the strategic planning began, CFC was a facilitator.

Ms. Evans had no further additions to her report.

- b. Safety, Health, Human Resources and Compliance. Mr. Thurgood updated that January was a successful safety month. He discussed training and noted that January successfully reached the zero incidents standard. Mr. Thurgood also commented on the WECC compliance audit, which has wrapped up. He also noted the progress on the HR tracking initiative as well as the in-house leadership training that is ongoing. He provided an update regarding service awards and benefits compliance.

The Board entertained a member question from Mr. Maher. Mr. Maher asked about an effective method for safety training using employees. Mr. Thurgood noted how these methods are related to VEA's procedures. Mr. Maher offered some details regarding the programs he has participated in. Mr. Thurgood thanked Mr. Maher for his suggestions.

Approximately four of the members present left the meeting during and after Mr. Thurgood's report.

Mr. Caple and Mr. Simpson joined the meeting at 10:44.

- c. Administration and Finance Reports. Mr. Morrison presented the CFO report. Mr. Morrison reported on the completion of the annual third party outside audit. He noted that four auditors were onsite, and have completed their audit, with no findings. The audit results will be forthcoming. Mr. Morrison updated the Board regarding broadband churn and customer service.

Ms. Evans introduced Mr. Simpson and Mr. Caple to present a report on fleet, equipment and process improvement. Mr. Simpson discussed fleet telematics, and explained to the Board how it is being used for improvement of efficiency and safety.

Mr. Dawson briefly left the meeting at 10:03 a.m., returning at 10:05 a.m.

Mr. Simpson provided extensive information on the collection and use of data for improving fleet management and discussed the cost of managing big data. Mr.

Simpson answered a question regarding how the information helped to track information.

Ms. Johnson was recognized by the Board. She asked questions about the cost of the new program vs. doing the work manually. Mr. Morrison helped to answer the financial aspect of the question and identified the savings that will be associated with the new system.

Mr. Maurer asked whether tracking was taking place in Fish Lake Valley, and whether this system will improve safety for personnel working in distant and remote locations. Mr. Simpson explained the safety aspects and the "breadcrumb" system. Mr. Nate Johnson noted that safety issues are augmented by the two-way radio coverage. Mr. Dawson asked whether there will be additional savings as the project matures. Mr. Simpson noted a number of savings that can be captured. Mr. Caple discussed this further.

Mr. Dawson noted that the information at the Directors' meeting he attended supported the importance of moving forward with technology that will reduce costs and improve safety.

Two additional members left the meeting at approximately 10:12 a.m.

Mr. Hobson asked for clarification regarding savings from the program. Ms. Evans noted the savings are prospective. Mr. Hobson asked whether there are any identifiable savings. Mr. Morrison explained that approximately \$11,000 in savings over and above costs have been identified. Mr. Caple clarified that the savings flows through reduced man-hours.

Mr. Derschan commented that he believes that reductions in aggressive driving will ultimately be the greatest saving. Mr. Maurer asked a question regarding timing. Mr. Gazsy discussed the scope of the program with Mr. Simpson.

Mr. Maurer **moved** to approve moving forward with the Project. Mr. Gazsy **seconded** the motion. It was **approved** unanimously.

The Board took a break at approximately 10:25 a.m.

- d. Power Resource Report. Mr. Morrison presented the total annual contract amount that VEA is being paid for management and operation of the GridLiance transmission assets. Mr. Maughan discussed the power profile and the resource mix, discussing the relative cost drivers. Mr. Maughan reported on the CAISO congestion revenue rights auction. He also presented information on the Mead water levels.
- e. Customer Service and Key Accounts. Mr. Morrison had no additions to his written report.

- f. Communications and Community Relations Reports. Mr. Hengel noted that there are two elections for Board seats ongoing. Ms. Keyes is running unopposed in Fish Lake Valley, and is the presumed next Board member from Fish Lake Valley. He reported on the contested race in Amargosa.

Mr. Hengel also commented on the district meetings, as well as updates regarding the legislative matters.

- g. Engineering Report and Operations Report. Ms. Evans introduced Ms. Ortega VEA's vice president of Engineering and Operations. Mr. Ortega reported on engineering projects as well as the upcoming charging station project. She reported on the Winery area members' meeting.

Mr. Andreason joined the meeting at 10:47 a.m.

Ms. Ortega reported on outages and system issues, as well as an event at Tolicha Peak. She also discussed certain upgrades, repairs, and safety issues that have been addressed during the past month. Mr. Gazsy asked questions about the equipment involved. She reported on installations and projects underway by the operations department. She then introduced Mr. Andreason for a presentation regarding certain changes that have been requested by the Nevada National Security Site ("NNSS").

Mr. Andreason discussed the effort by the NNSS to reconfigure the Site as a radial system. Mr. Andreason described the negotiations and discussions that have taken place over the past several months, and which also include NV Energy and MSTs, the contractor who operates the NNSS system. He outlined the proposed solutions that have been suggested by the various parties, many of which could have assigned costs to VEA without justification. VEA found this unacceptable. He discussed the physical topography of the system at length. He noted that VEA's engineering is evaluating the issue right now, and will only agree to a solution that does not erode VEA's system reliability or complicate its maintenance responsibilities. The Board asked questions about the extent of VEA's duties to these parties as well as reliability. As of today, NNSS has re-opened its talks with WECC, so it is not clear what solution will ultimately be adopted.

9. Mr. Derschan presented a certificate of NRECA a Director Gold certificate earned by Mr. John Maurer. Mr. Derschan noted that he also received a renewal of his certification.

The Board took a break at 11:17 a.m. and returned at 11:21 a.m.

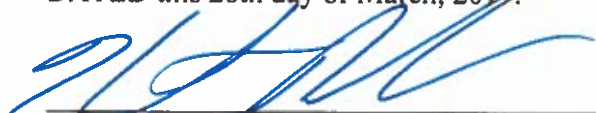
10. Mr. Weber requested to make a clarification in response to a previous member question regarding payroll and Mr. Husted. He clarified that any benefits, severance or other package received by any former employee is processed through payroll for tax purposes, but the Board's previous statement that Mr. Husted is not employed or "on payroll" was

correct. Ms. Johnson stated that her question was whether or not Mr. Husted receives anything from the company, and Mr. Weber repeated that the company could not comment publicly on an employment matter.

It was determined that the next meeting of the Board of Directors would be held on Thursday, March 28, 2019.

There being no further business to come before the Board, Mr. Hall **moved** to adjourn the meeting. The motion was **seconded** by Mr. Dawson, and it was **unanimously approved**. The meeting was adjourned at 11:26 a.m.

DATED this 28th day of March, 2019.



Ken Derschan, President



Dave Hall, Secretary