

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 Wednesday, June 26, 2019, beginning at approximately 8:30 a.m., at VEA’s headquarters in Pahrump, Nevada.

Mr. Hall appointed Mr. Weber as Parliamentarian. He then called the roll of Directors present: Dave Hall, President; David Dawson, Vice President; Kathy Keyes, Secretary and Treasurer; and Rick Johnson, Assistant Secretary. Also present were Michelle Caird and Terrie D’Antonio, appointees.

Also present were: Richard Peck, Chief Executive Officer (“CEO”) Steve Morrison, Chief Financial Officer; Bart Thurgood, Chief People Officer; Doug Maughan, Manager, Power Supply; Nate Johnson Executive Vice President (“EVP”), Broadband Operations; Mike Hengel, EVP, Communications; James Andresen, Director of Engineering and Operations; Joe Fieldsted, Manage of Safety; Amy Carlson, Executive Assistant; Cassie Potter; and Bob Sweetin and Josh Weber, Davison Van Cleve, General Counsel.

A large number of members were also present.

Mr. Hall called the meeting to order at approximately 8:40 a.m.

1. Approval of the Agenda. Mr. Hall asked if there were any amendments to the Agenda. Mr. Weber noted that there was a proposal to add an additional agenda item, an additional comment period related to net metering. Mr. Hall noted that if this agenda item were approved, all comments related to net metering should be saved until the second member comment period.
2. Appointment of New Board Members. Mr. Hall called for a motion approving resolutions 2019-12 and 2019-13, confirming the the appointment of Ms. Caird and Ms. D’Antonio to the Board seats in their respective districts. Mr. Dawson **moved** that the resolutions be adopted. Mr. Johnson **seconded** the motion. The motion adopting the resolutions was **approved** 4-0.
3. Mr. Johnson **moved** to approve the agenda as amended to include a second comment period. Mr. Dawson **seconded** by Mr. Johnson, and it was **approved** 6-0.
4. Member Comment. Ms. Karen Williams commented regarding the VEA automated phone responses. A second member noted that that the coop should go back to the old system of phones, and should make a simpler sign-in available, or provide chairs outside. Mr. Hall discussed the attendance levels at the Board’s meetings with that member. Mr. Eshelby

commented on the difficulty with the website and Mr. Peck and Mr. Hengel discussed website improvements. Mr. Wade Hindon asked whether there was any ongoing news regarding the investigation into Mr. Husted. Another member commented that he also did not like having to sign in at the second headquarters building. Ms. Brooks asked when Members for Change would receive information regarding the numbers of votes in various districts. Mr. Jack Dallon also commented that the website was not sufficient, and there should be better access for members. Mr. Blatchford said that he was curious about payments to the directors and whether there were two payments on the same day. Mr. Weber noted that this had recently been brought to his attention and that counsel was investigating the question and would be addressing the Board. Ms. Humbert discussed the difficulty she is having getting in touch with the proper person at VEA for her needs, and that she was having difficulty communicating. Mr. Peck thanked her for the question and Mr. Andresen addressed the efforts underway to address the very large backlog of net metering applications and explained the process involved. Mr. Doug Dubin asked about the pre-installation process as well as the inspection. Mr. Andreason responded to the comments, and Mr. Durbin noted that this pre-inspection was unique to VEA. Mr. Durbin and Mr. Andreason agreed to discuss the process offline. Mr. Lily explained the issues that have come up with his application for net metering and expressed hope that the process could go more quickly and effectively, and that he wants his bidirectional meter installed now.

5. Director Comment. Ms. Caird thanked the members present for coming to the meeting. Mr. Johnson seconded the comment. Ms. D'Antonio stated her appreciation and expressed her enthusiasm for working on behalf of the members. Ms. Keyes commented on her attendance at the NRECA meeting and discussed the resources that it had provided. Mr. Hall commented on a discussion he had with a member, and noted that if there were very technical comments, an email or message from the member would be appreciated to expedite resolution.
6. Approval of the Minutes. Ms. Keyes noted a correction to the minutes, and Mr. Dawson **moved** to approve the minutes of the Monday, June 3, 2019, Board Meeting as corrected. The motion was **seconded** by Mr. Johnson, and it was **approved** 6-0.
7. Financials. Mr. Morrison presented the financial and statistical reports. Mr. Morrison presented his year-over-year trend analysis, and explained the inputs that drove the model, and the effects of the cost cuts. He discussed the forecast for the next month. Mr. Morrison presented consolidated results and explained the reasons for the changes. He also discussed overall expenses and explained the trends driving the results.

Mr. Morrison then presented the consolidated financials. He discussed the factors related to transmission, distribution, and the cost of power. He also discussed controllable costs. Mr. Morrison discussed total uses of cash and presented charts that presented VEA's cash use. He presented the income statement for Valley Communications Association and discussed the income statement and balance sheet for the Broadband business. He discussed churn and disconnects as well as new sign-ups and revenue per subscriber.

The Board took a break at 9:53 a.m. and returned at 10:11 a.m.

Mr. Dawson **moved** that the unaudited financials be accepted for review by the Auditor. Ms. Caird **seconded** the motion. The motion was **approved** 6-0.

8. Unfinished Business. Items A and B were tabled for future discussion

C. Valley Conference Center Proposal. Mr. Peck introduced Ms. Jenny Sartin to discuss the proposed memorandum of understanding that VEA and the Chamber have under consideration. Ms. Sartin discussed the purpose and strategy behind the proposal and the potential future benefits. Mr. Peck noted that he had identified this potential opportunity as one of a number of opportunities to increase revenue and offset expenses. Mr. Hall thanked the Chamber for the discussion. Ms. Caird noted that it would be important to come to some kind of resolution, and get the Board members and the decision-makers on both sides together to make a decision. Mr. Hall noted that the Board has not had time to review all of the details, having recently received a memorandum on the topic. He explained that once the Board has had time to further vet the issue, it will be brought forward for the members' review.

D. Proposed Corporate Policy #136 – Net Metering. Mr. Hall introduced Mr. Hengel, who introduced Rose Mckinney James, of Energy Works, and the Honorable Senator Chris Brooks, experts on renewables and net metering. Ms. James gave background regarding AB 405 and state policies.

Ms. Mckinney-James introduced Senator Brooks. He greeted the Board, Mr. Peck, and the members present. After remarks about the building's historic characteristics, Senator Brooks provided a detailed history of net metering in the state. He discussed the tumultuous background of net metering, which prompted him to join the state legislature. He noted that AB 405 was an attempt to make everyone as whole as possible, including customers that had installed rooftop solar in reliance on the previous contracts. He discussed this compromise and the policy position put in place by the state. He noted that AB 405 does not address the value of the kWh that is returned to the utility. He also noted that the legislature intentionally left that decision to the elected boards of each cooperative or the council of each municipality.

Mr. Brooks noted that another key provision of the law was the 20-year price certainty. Mr. Brooks noted that the issue before the Board is the value of the returned kWh, for which AB 405 could be a model. He noted that NV Energy is now entering the 75% tranche. He noted that the offset kWh continues to be a 1:1 offset. The question of the value of the additional kWh which the members are forced to purchase is a different question that is difficult. He explained how the system works in NV Energy's service territory. He discussed factors that may be weighed in order to reach an appropriate level of compensation.

Mr. Brooks then offered some detailed suggestions regarding the policy, including accounting for PECs that could be marketed to others; he also recommended a very

detailed wiring plan be required; and he also recommended looking very carefully at the tiers and how were they set up. He noted that the key consideration should be identifying the overall value of the solar resource in making its decisions.

Mr. Peck thanked Mr. Brooks for his excellent presentation. Ms. Mckinney-James also thanked Senator Brooks and provided additional background and history. She noted that the policy needs to reflect the circumstances of each district, and she also focused on the value of the renewable energy credits.

The additional member comment period was opened at 11:02 a.m.

A member made a comment about politicians generally, and then noted the lack of natural gas in Pahrump. He objected to changing the rules midstream for member/owners and reminded the Board members that they can be replaced.

Mr. Eshelby asked a question about how the tiers apply. He stated that he has heard that NVE customers dropped from 95 to 75%. Mr. Brooks explained how the tiers work in NVE service territory. Mr. Eshelby noted that the primary issue for customers in VEA service territory is the lack of grandfathering that he believes is planned. He recommended a workshop session. He also encouraged all present to send an email to the directors.

Mr. Jay Lasky noted that he has donated thousands of dollars from his credits to VEA charities and he pays for his internet with the credit. He asked whether he would get a payout for the credits. Mr. Brooks and Ms. Mckinney-James noted that there is no monetary payment. A number of members stated that this was free energy to the company. Mr. Brooks noted that PECs are very small, and more feasible for VEA as a whole to monetize. Mr. Lasky noted that there are many positives to the grid created by net metering.

Mr. Kevin Hogan commented in support of VEA, noting that it was a reasonable policy, and that he appreciated the financial responsibility.

Mr. Steve Byington noted that he respectfully disagrees with Mr. Brooks' assessment. He formerly worked for solar companies. He stated that he believes that he has made investments and it would be unfair for VEA not to pay the full retail rate.

Mr. Eugene Morgies, a solar developer, stated that a retroactive freeze would be the first and most important step. He also noted that all the people moving in more than offset the tranches. He noted that the proposal was not clear to him whether there were two types of credit - a 1:1 for usage and a second excess energy charge that would be separately charged at a tranche rate. He also commented on the renewable energy credits, and the fact that both NVE and OPD pay for the PECs that they buy. He also noted that OPD has a headache with unclear calculation of the credit in their policy.

Ms. Stella Stewart commented that she did not want to hear comparisons to other places. She asked whether there was an option to cash in credits at the end of the year at the wholesale rate. Mr. Peck acknowledged this was the current policy. She objected to the idea

that she should only get 75% back, because she views these kWh as deposits that she should be able to recollect.

Ms. Williams respectfully disagreed with Mr. Brooks' positions, and noted that the local representatives would be removed from office if they went along with Mr. Brooks' policies. She complained that China and Russia are the real causes of environmental harm. She also stated that Mr. Peck has claimed there will be additional rate increases and stated that she wanted to know what was going on. Mr. Peck replied that VEA had not had a rate increase in a decade prior, which was harmful because costs had gone up.

Another member commented that the Board should be proactively cleaning up what he considers messes made by the previous Board. He also stated his belief that the AB 405 law does not fit VEA. He also stated that Mr. Peck's statement about subsidies was incorrect and he would like to see the answer in black and white. Mr. Peck responded that VEA's cost of power is online. He noted VEA's cost of power and explained that paying more creates a cost shift. He discussed the concept with the member, who does not believe that a net-meterer is in competition with wholesalers. Mr. Brooks addressed the question of policy-making and selecting the levels. He noted that if actual numbers were used, the payment would be 70%, not 75% or higher. Ms. McKinney-James noted that it is a very complex calculation of value, though it is not 1:1. The member asked that the Policy be made on the basis of real costs.

Tinya Dixon thanked the speakers and the visitors for providing the forum. She noted that she has not yet decided whether it was reasonable to apply fees when she was required to draw on the system. She also noted that although the person who made the no-increase promises is not in charge anymore, she believed the Board should live up to the promise.

Ms. Collins commented that she did not understand how she could fail to get the same in return for power she creates. Mr. Peck explained how the proposed credit system would work. She then asked about how the credits could be used to offset needs of low-income ratepayers. Mr. Peck noted that this was a very good suggestion.

Another member commented on the importance of not making a retroactive adjustment. She referenced the cooperative principles and VEA's historic policy statement in favor of renewable energy.

Mr. John Hackett noted that he was promised a check every month for excess energy. He asked if there would be grandfathering clause. Mr. Peck acknowledged that this was under consideration, and the Board would look at recommendations and make policy decisions. He also noted that the Board had already removed the cap.

Mr. Wade Hindon stated his belief that VEA, a non-profit cooperative, benefits by selling excess solar to other customers. He noted there are significant investments made by members, and VEA benefits from these investments by the members. He stated that the members that have solar installed are benefitting everyone and reducing carbon.

The Board took a break at 12:55 p.m., and returned to session at 1:24 p.m. Senator Brooks, Ms. Mckinney-James, and most members left the meeting at that time.

Mr. Peck discussed the net metering proposals that had been discussed with the members. The Board discussed the option of holding a workshop with the Board. The Board discussed this at length, including the difficulty of quantifying benefits of net metering systems, examples of other coops, and major issues that need to be considered. Mr. Peck committed to track down cooperative trends regarding net metering and to hold a workshop with the members. Ms. D'Antonio asked for clarification between the perspective of Mr. Weber and Mr. Peck. They explained that they did not disagree on the concept of cost shifts, but Mr. Peck's recommendations more heavily weighted the financial realities of net metering, while Mr. Weber's more heavily weighted the political realities of net metering.

E. New Business.

- a. Early Capital Credits Retirement. There were twenty requests for early capital credit retirements for a total amount of \$24,026.90, with a net present value of \$13,066.04. Mr. Johnson **moved** to approve the early capital credit retirement requests as presented. There was discussion regarding the Board's usual practice for capital credit retirements. The motion was **seconded** by Mr. Dawson, and it was **approved** 6-0.
- b. NRECA Region 9 Meeting Attendee Voting Delegates. Mr. Dawson noted that he intended to go to the meeting, and had made a reservation. Ms. Caird agreed to attend the meeting. Ms. Keyes also expressed interest. Mr. Dawson **moved** to nominate Ms. Caird for the position of voting delegate and Mr. Dawson to the position alternate. Mr. Johnson **seconded** the motion. The motion was **approved** 6-0.
- c. Policy 103. Mr. Peck requested this be tabled until executive session.
- d. Fee schedule. Mr. Peck presented a recommended update to the VEA Schedule of Fees. Mr. Peck discussed each fee adjustment with the Board. Mr. Peck noted that this was not a Board Policy, and recommended that the Board request it be returned as a Board Policy for adoption. Ms. Caird asked for clarification regarding whether these are fee changes or increases. Mr. Weber suggested that if this is to be adopted as a policy, a redlined version should be presented for their consideration. Mr. Sweetin was directed to prepare a fee schedule policy based on Staff's draft.
- e. Ms. Caird asked for further discussion regarding the Valley Conference Center. The Board discussed this for some time. Staff discussed the pros and cons of proceeding with the MOU with the Chamber. Ms. Caird noted that it was important to get clear direction. Mr. Hall noted his concerns. Ms. D'Antonio asked questions

regarding the existing terms VEA sets for use of the center. The Board asked a number of questions. Mr. Peck and Ms. Carlson answered these questions.

- f. Board Resolutions 2019-014 and 2019-15. Mr. Weber explained that the Board had already authorized execution of the power purchase agreements in question, but requested that the formal resolutions be ratified in order to improve corporate record-keeping. Ms. Caird **moved** to adopt Board Resolutions 2019-014 and 2019-15 as true and accurate records of the decisions validly made by the Board authorizing execution of power supply contracts at the June 3, 2019 meeting of the Board of Directors. Mr. Dawson **seconded** the motion. The motion was **approved** 6-0.

The Board took a break at approximately 2:34 p.m., and rejoined session at 2:46 p.m.

F. CEO and Staff Reports.

- a. CEO Report. Mr. Peck presented his CEO report, including updates regarding conversations with GridLiance regarding potential projects and partnerships related to several initiatives.

Mr. Peck also noted that there would be committee assignments tomorrow. He noted that a chair and a co-chair would be required for each committee. He and Mr. Hengel discussed the importance of making assignments and getting the committees up and running, with a goal of holding the first meetings on July 10.

Mr. Peck also noted that the power supply and long-range engineering plans would be presented at the meeting on the 27th. He also noted that there is another contract that he is investigating for underperformance.

In addition, Mr. Peck noted that Mr. Hall had met with the persons interested in promoting the Community Center. Mr. Hall noted the original committee still appears to be working on this matter.

Finally, Mr. Peck updated the Board regarding three potential projects upcoming. More details would be forthcoming.

- b. Human Resources. Mr. Thurgood updated the Board regarding upcoming compliance issues within Human Resources.
- c. Mr. Morrison updated the Board regarding the huge current volume of phone calls, and explained what was being done at this time to resolve the issue. He let the Board know that this would take time to resolve, but would be improving. Mr. Johnson made a comment regarding this issue.

- d. Power Resource Report. Mr. Maughan provided the monthly power resources report. He outlined heating and cooling degree days. Mr. Peck outlined the power supply portfolio. He also reported on congestion revenue rights and other CAISO issues. He reported on Lake Mead levels and provided some headlines in energy news.
- e. There were no additions to the customer service and key accounts reports.
- f. Communications and Community Relations Reports. Mr. Hengel presented the proposed schedule for the district and annual meetings for 2020. Mr. Hengel explained the work that has been done to update the VCA website. Cassie Potter introduced herself and walked the Board through the new website.
- g. Engineering Report and Operations Report. Mr. Andresen provided the Engineering and Operations Report outlining operational issues and work order information. He also reported on some member interactions and technology issues.

The Board asked a number of questions, and Mr. Andresen discussed the system and how the growth impacts it. They also discussed staffing and hiring with Mr. Andresen.

- h. Safety Report. Joe Fieldsted provided an update of key safety issues and metrics. He reported on near misses, workers comp, and OSHA records. He discussed VEA's safety record and practices generally.
- i. Broadband Report. Mr. Nate Johnson provided an update regarding Broadband and VOIP applications. He also commented on commercial activity, which is increasing. He also discussed conduit access, which is permitting a fiber path to new customers.

He finished the report with a discussion of outages.


The Board took a break at 4:33 p.m. and returned in executive session at 4:43 p.m.

It was determined that the next meeting of the Board of Directors would be held on Tuesday, August 6, 2019.


There being no further business before the Board, Mr. Johnson **moved** to adjourn at 5:34 p.m. Ms. Keyes **seconded** the motion. The motion **carried** 6-0.

The meeting adjourned at 5:34 p.m.

DATED this 6th day of August, 2019.



SVC Dave Hall , President



Kathleen Keyes, Secretary and Treasurer