

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, March 28, 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: Richard Peck, 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; and Josh Weber and Robert Sweetin, Davison Van Cleve, PC, General Counsel. Also present were members: Mr. Leland, Deb Perna, Frank Bonesteel, Bruce Holden, Ruysel Dapsauski, Heather Johnson; John Whitney, Karl and Marsha Goldstein, Laura Knight, Gene and Patty Hobson, Heather Johnson, John and Kathryn Erbe, Thomas Maher, Daniel W.; Lisa Nielsen; and Jeff Meehan, Pahrump Valley Times. Also present was Kathy Keyes, Director-elect from Fish Lake Valley.

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

1. Approval of the Agenda. Mr. Gazsy **moved** to approve the Agenda. The motion was **seconded** by Mr. Johnson, and it was **approved** unanimously.
2. Member Comment. Ms. Johnson read a prepared statement explaining the motives that have caused Ms. Johnson and her husband to lead the Members for Change group. Ms. Johnson asked when there would be a discussion of the bylaws and the signature gathering rules. Douglas Perkins asked whether the growing switch to solar is having an effect on energy prices.

Ms. Williams asked how the Board intended to verify signatures, and whether the Board could explain and update members regarding bylaws questions and recent public allegations. She also asked for information regarding the length of Mr. Peck's contract.

Mr. Loyd Night asked about the upcoming vehicle auction. Mr. Bruce Holden explained that he is gathering signatures. He provided information to the Board regarding his efforts and asked the Board to resign. He made additional comments regarding his opinion of the Board.

3. Director Comment. Mr. Hall thanked Staff for the hard work done during the district meetings.
4. Approval of the Minutes. Mr. Gazsy **moved** to approve the minutes of the February 26, 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 a report on January 2019. He presented his analyses and then reported on year-over-year monthly results against 2017 and 2018. Mr. Morrison presented the income statement and he reported on the cost of power and transmission expenses. Mr. Morrison presented the consolidated balance sheet. Mr. Morrison presented the VETA financials and presented the balance sheet. Finally, Mr. Morrison presented sales data and other details including sources and uses of cash.

Ms. Johnson asked to be recognized. The Board determined to allow questions. Ms. Johnson and the Board discussed whether or not her questions were properly entertained. Mr. Morrison answered her questions. Ms. Johnson asked the Board to respond as well.

Mr. Derschan noted that Ms. Johnson's three minutes were finished, and she disputed whether the Board should allow her to continue.

The Board determined to allow Ms. Johnson to make her statement.

Mr. Derschan recognized Mr. Peck. Mr. Peck emphasized that the information she wanted is all online. Ms. Johnson disputed these questions with the Board and left the meeting at approximately 9:20 a.m.

6. Unfinished Business.
 - a. WDAT Revisions. This item was tabled for later discussion.
7. New Business.
 - a. Early Capital Credits Retirement. There were fourteen requests for early capital credit retirements for a total amount of \$61,977.44, with a net present value of \$31,755.45. 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.
 - b. Mr. Hengel presented the monthly report on donation requests. Mr. Hengel noted that a single donation request had not been made, and the amounts could be handled by the CEO.

- c. Mr. Peck noted that a long-range engineering plan should be updated. He noted that HDR has put together a proposal to do the plan at a cost of \$57,000 as a basic planning tool for the future. Mr. Maurer **moved** to approve the HDR proposal. Mr. Johnson **seconded** the motion and it was **approved** unanimously.

The Board took a break at 9:30 a.m. and rejoined session at 9:39 a.m. A large number of members left the meeting.

- d. NWPPA. Mr. Derschan introduced Mr. Peck, who provided context regarding the Northwest Public Power Association, and introduced Mr. Caple to discuss the organization and membership with the Board. Mr. Peck noted that NWPPA offered a discounted rate for rejoining the organization of approximately \$13,000.

Mr. Dawson **moved** to approve the proposal to rejoin. There was discussion among the Board and additional questions to Mr. Caple. Mr. Thurgood provided additional context regarding the specialized training offered by NWPPA. Mr. Gazsy **seconded** the motion, and it was **approved** unanimously.

- e. Security Staff Proposal. Mr. Caple informed the Board regarding the ongoing work to secure a new security service.

- f. CRC Voting Delegate. Mr. Peck explained the need for a new delegate to the CRC response team. Mr. Gazsy **moved** to appoint Mr. Dawson as the voting delegate. Mr. Maurer **seconded** the motion. The motion was **approved** unanimously.

- g. Mr. Peck introduced a proposed motion to Dissolve VETA, explaining that VETA may no longer serve a useful purpose because it is no longer saving significant funds. Mr. Hall asked to hear from Mr. Morrison and Mr. Weber. Mr. Morrison provided additional information about the financial effects of the proposal, and Mr. Weber outlined a number of legal considerations that would require resolution.

Mr. Maurer **moved** to table for 30 days, and Mr. Hall **seconded** the motion, and it was unanimously **approved**.

Mr. Peck commented that there were also discussions regarding rolling VCA back into the company, which is still being investigated. Mr. Maurer noted that legal would also need to review this question. Mr. Weber noted that legal would be able to provide additional information to help inform the decision.

- f. Resolution on Supporting Securitization. Mr. Peck introduced the proposed resolution to approve negotiations to secure VEA's unsecured credit facility. Mr. Morrison explained the purpose and effect. Mr. Maurer **moved** to approve the motion, Gazsy **second** the motion. The motion was **approved** unanimously.

- h. Consent Agenda. Mr. Peck discussed the proposed policies on the consent agenda. He noted that he has an additional proposal relating to Board Committees replacing

the Ambassador Program. Mr. Derschan sought comment from the Board. Mr. Dawson asked questions regarding the proposal for Committees. Mr. Gazsy commented on the value of the Ambassador program. Mr. Maurer recommended that the Board table Proposed Corporate Policy 133 and Proposed Board Policy 113 for further consideration.

Mr. Maure **moved** to adopt Employee Policy 115 and Employee Policy 127. Mr. Dawson **seconded** the motion, and it was **approved** unanimously.

The Board continued asking questions about Proposed Corporate Policy 133 and Proposed Board Policy 113, and determined to table this issue for further consideration at the next Meeting of the Board of Directors.

The Board took a break at approximately 10:30 a.m. Most remaining members left during this break. The Board resumed the meeting at approximately 10:32 a.m.

8. CEO and Staff Reports.

- a. CEO Report. Mr. Peck complimented the Staff and discussed his initial work and recommendations. Mr. Peck presented a report on net energy metering. He acknowledged that this is a hot-potato item in the State of Nevada, and did not make any immediate recommendations, but wanted the Board to consider it. He noted that he was asking Staff to run leaner and clean house, including the upcoming auction in order to reduce costs.
- b. Safety, Health, Human Resources and Compliance. Mr. Thurgood reported that compliance has been completed. Mr. Thurgood also commented extensively on training programs and job descriptions.
- c. Administration and Finance Reports, and Power Supply Report. Mr. Morrison had nothing to add to the CFO report. He introduced Mr. Maughan to present the Power Supply Report. Mr. Maughan presented usage and weather information, and discussed heating and cooling days, as well as current supply and usage. He reported on CAISO issues including congestion Revenue.
- 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. The Board discussed the water year.
- e. Customer Service and Key Accounts. Mr. Morrison acknowledged the hard work of the customer service department.

- f. Mr. Morrison also introduced the new Fleet Report. The Board commented favorably on the new information, and Mr. Peck noted additional items that would be included.
- g. Communications and Community Relations Reports. Mr. Hengel updated the Board regarding the community solar bills in the legislature. He noted that there were a number of other bills being tracked. The Board discussed these with Mr. Hengel.
- h. Engineering Report and Operations Report. There were no additions to the Engineering or Operations Report.
- i. Safety and Compliance Report. There were no additions to the Safety and Compliance Report.


The Board took a break at 11:11 a.m. and returned in executive session at 11:20 a.m.

- 9. Mr. Dawson **moved** to hold a special meeting following the annual meeting to present to the members information regarding the Board's fiduciary duties and interpretation of the bylaws concerning removal of directors and special meetings. Mr. Gazsy **seconded** the motion. The Motion **passed** unanimously. The Board members determined that they would each sign the notice requesting the special meeting.


It was determined that the next meeting of the Board of Directors would be held on Thursday, April 25, 2019.

There being no further business to come before the Board, Mr. Hall **moved** to adjourn the meeting. The motion was **seconded** by Mr. Gazsy, and it was unanimously **approved**. The meeting was adjourned at 5:28 p.m.

DATED this 25th day of April, 2019.



Ken Derschan, President



Dave Hall, Secretary