

TANNER ELECTRIC COOPERATIVE, INC
BOARD OF DIRECTORS
Regular Meeting
November 17, 2020

MINUTES

The Board of Directors of Tanner Electric Cooperative (TEC) met in Regular Session at 1:00 p.m. online with video conferencing on Tuesday November 17, 2020.

I. CALL TO ORDER

Board President Ed Stephenson called the meeting to order at 1:00 p.m.

II. ROLL CALL & ESTABLISH QUORUM

Roll call was taken, and the following Directors were present:

President Ed Stephenson
Vice President Paul Bay
Secretary Susan Serrette-Egan
Treasurer Mike Hodge
Roger Guay
Dutch Siedentopf
Steve Nicholes
John Saatela
David McGoldrick

Absent: None

Quorum: Yes, a quorum was established.

Guest Presenters: CFC Regional Vice-President, Mr. Robert Carr

Staff Present:

Steven Walter, Chief Executive Officer
Nick Himebauch, Operations Manager
Steve Chamberlin, Controller
Lisa Peabody, Executive Administrative Assistant
Joel Merkel, General Counsel

III. APPROVAL OF THE BOARD MEETING AGENDA (Action Item)

Motion: To accept the meeting agenda as written. The motion was seconded and passed by a unanimous voice vote of all Directors present and participating by video conference as follows:

RESOLVED, that the November 2020 TEC Board meeting agenda be, and is hereby approved.

Moved: Dutch Siedentopf **Second:** Paul Bay **Status:** Passed

IV. GUEST SPEAKER

Mr. Robert Carr, CFC Regional Vice-President prepared a presentation for the Board around the CFC Key Ratio Trend Analysis (KRTA). This analysis is based on the data submitted from the 2019 Form 7 and included 816 distribution co-ops. This report is published annually and includes 145 ratios to measure financial results, revenues, expenses, growth, and plant. The CEO will utilize this analysis to identify trends and variances, benchmark results of operations and pinpoint areas for potential improvement.

V. APPROVAL OF THE CONSENT AGENDA (Action Items)

Monthly Check List

Motion: To accept and approve the consent agenda items as presented on the TEC Board meeting agenda for November 17, 2020.

The motion was seconded and passed by a unanimous voice vote of all Directors present and participating by video conference as follows:

RESOLVED, that the November consent agenda as set forth in an attachment to the meeting agenda that was distributed to all the Board members be, and is hereby approved.

Moved: Roger Guay **Second:** Dutch Siedentopf **Status:** Passed

New Membership Applications

The new membership list was distributed and reviewed by the Board.

Motion: To accept the new membership applications for the month of October

The motion was seconded and passed by a unanimous voice vote of all Directors present and participating by video conference as follows:

RESOLVED, that the October 2020 new membership applications as presented in an attachment to the Board meeting agenda be, and are hereby approved.

Moved: Dutch Siedentopf **Second:** Steve Nicholes **Status:** Passed

**VI. APPROVAL OF TEC BOARD OF DIRECTORS MEETING MINUTES
(Action Item)**

Board of Directors Meeting Minutes for October 2020

Motion: To accept and approve the October 2020 TEC Board meeting minutes as written. The motion was seconded and passed by a unanimous voice vote of all Directors present and participating by video conference as follows:

RESOLVED, that the minutes of the October 2020 TEC Board of Director’s meeting be, and are hereby approved as presented.

Moved: Roger Guay **Second:** Dave McGoldrick **Status:** Passed

VII. APPROVAL OF THE SUMMARY MINUTES FOR *RURALITE* (Action Item)

Motion: To accept and approve the October TEC Board meeting minutes as written for the *Ruralite* publication.

The motion was seconded and passed by a unanimous voice vote of all Directors present and participating by video conference as follows:

RESOLVED, that the October 2020 minutes for the *Ruralite* magazine be, and are hereby approved.

Moved: Dutch Siedentopf **Second:** Mike Hodge **Status:** Passed

VIII. OTHER UNFINISHED BUSINESS

King County Update – General Counsel, Joel Merkel

Tanner's General Counsel, Joel Merkel, reported on the status of the King County ROW litigation, as follows:

There have been no major developments in the King County ROW Litigation. The latest news about the Washington Sewer/Water District Association about pursuing legislation to address King County's

franchise fee was not encouraging. The Association appears to have determined, at least preliminarily, that it will introduce legislation, however, the focus will be more on educating members and focusing on a legislative solution in the 2022 Session. Members determined that it will be difficult or impossible to obtain a legislative solution to the King County Franchise Rental Fee Ordinance in the upcoming Session. Various factors played into this determination. First, many of the Senate and House members who will have leadership positions on the relevant committees have backgrounds in municipal government and are sympathetic to the financial problems of local governments. The Session will focus on funding core government operations in response to the pandemic; the house will not be meeting in person and the normal give and take process in pushing bills through committees will be inhibited making it doubly difficult to get legislation through. The 2021 Session is going to be very unpredictable and includes redistricting, making it impossible to predict whether a bill can be pushed in the 2022 session. The Session is expected to focus on funding core government operations in response to the pandemic. The house will not be meeting in person. The normal give and take process in pushing bills through committees will be inhibited making it doubly difficult to get legislation through.

The attorneys who represent the non-profit and cooperative utility group in the King County lawsuit have initiated a conversation with the King County attorneys about how to proceed with discovery and other pretrial scheduling. Our side has requested that a conference to discuss how to proceed be scheduled, however, the County has been unresponsive. It may be possible to obtain some of the information we are seeking online from the King County Archives and this is being studied. It might be possible for each of the utilities in our group to take a stab at trying to list any plats for areas served and any county roads used in serving those areas, and at trying to determine the lineal feet of county roadway used in serving those areas and how much is actually in easements owned by the utilities. Tanner has already done this to some extent, however, even Tanner does not have a complete list of what plats and roads are relevant so as to be able to search the county records for the pertinent plat easement and plat dedication language.

TWE Margins Losses and Allocations (Action Item)

In the later part of 2019, the Finance committee became aware that the losses sustained by Tanner Wind Energy (TWE) that were absorbed by TEC, had not been correctly accounted for in the allocations of capital credits to the members for a considerable amount of time.

Over the course of this year, under the direction of the Board, the Finance Committee, CEO and TEC's General Counsel have been consulting with the auditors and with a specialized Tax Attorney/ CPA, Mr. Bill Miller regarding an equitable solution to the issue while remaining within the IRS requirements, Cooperative laws and the TEC bylaws.

Following the final discussions during the November Board meeting, the Finance Committee and the Board support the four-step method as recommended by Mr. Miller that will gradually cancel past TWE patronage allocations over time and provide a corrective measure over multiple years without causing significant problems to the membership.

Adopt Board Resolution 20-264 Amending TEC’s Capital Credit Policy (Action Item)

The TEC Board of Directors, according to the bylaws Article VI, Section 3, has the authority to amend the manner, method and timing for allocating capital credits. Such authority includes the ability to determine how losses related to patronage activities are recovered through Board approved processes for allocating capital credits.

1. Motion: To accept and adopt resolution 20-264 amending TEC Capital Credit Policy as recommended by the Finance committee, General Counsel and Mr. Miller’s The motion was seconded and passed by a unanimous voice vote of all Directors present and participating by video conference as follows:

RESOLVED, that the TEC Board Resolution 20-264 be, and is hereby approved.

Moved: Paul Bay **Second:** Mike Hodge **Status:** Passed

2. Motion: To authorize the TWE misallocations be resolved over multiple years as outlined in the in the proposed four-step methodology recommended by Mr. Miller. The motion was seconded and passed by a unanimous voice vote of all Directors present and participating by video conference as follows:

RESOLVED, that the past TWE misallocations shall be resolved over time as proposed, and is hereby approved.

Moved: Paul Bay **Second:** Steve Nicholes **Status:** Passed

IX. REPORTS

CEO Report – Steven Walter

Mr. Walter provided a verbal report that discussed the Governor’s newest mandates and recent extensions to his emergency proclamations. Mr. Walter updated the Board on the current A/R balances and how the pandemic overall has affected the Cooperative’s financials, the staff and day to day business for the last nine months.

Back in March of 2019, due to the pandemic, the Board suspended the Power Cost Adjustment (PCA) and Operating Revenue Adjustment (ORA) paybacks on the member billing. Following a discussion, the Board felt it was in the best interest of the Cooperative to take the appropriate action to redistribute those funds.

Motion: To reallocate the funds from the PCA and ORA (\$100K) to correct and paydown a percentage of the TWE misallocations. The motion was seconded and passed by a unanimous voice vote of all Directors present and participating by video conference as follows:

RESOLVED, that approximately \$100K from the PCA/ORR be utilized to paydown a percentage of the TWE misallocations and is hereby approved.

Moved: Paul Bay **Second:** Mike Hodge **Status:** Passed

Operations Manager's Report – Nick Himebauch

Mr. Himebauch submitted a written report to the Board and during the meeting discussed the progress on the current capital projects and the new transmission line and residential growth in the North Bend service area.

Policy & Bylaws Committee - Chairman Dutch Siedentopf

The committee met online following the October Board meeting to review the modified draft of employee policy No. 307. The Chairman made a recommendation to the Board for approval of the proposed final draft.

Finance & Audit Committee – Chairman Paul Bay

The Finance Chairman presented his reported the Board during the Unfinished Business portion of the meeting. The committee will meet online in December prior to the regular monthly Board meeting.

There were no Personnel, Operations & Facility, Youth Development or Union Affair reports this month.

New Technology and Conservation – Chairman Roger Guay

The committee has not met in person but continues their research online on trending issues. The Chairman thanked all the Board members for their dedication and time they put into serving on the various TEC committees.

X. Financial Reports –Controller Steve Chamberlin

Mr. Chamberlin presented an overview of the October financials, expenses, and actual results vs. budget.

It was brought to the Boards attention that no motion was noted during the October Board meeting to receive the September financial reports. A recommendation was made to approve both September and October's reports at this time.

Motion: To receive the financial reports as presented for September and October.

The motion was seconded and passed by a unanimous voice vote of all Directors present and participating by video conference as follows:

RESOLVED, that the financial reports for September and October were received by the Board with no adjustments and are hereby approved.

Moved: Paul Bay **Second:** Dutch Siedentopf **Status:** Passed

XI. NEW BUSINESS

Approval of the 2021 TEC Budgets (Action Item)

Motion: To accept and approve the proposed TEC 2021 Capital and Operating Budgets as recommended by the Finance Chairman. The motion was seconded and passed by a unanimous voice vote of all Directors present and participating by video conference as follows:

RESOLVED, that the TEC 2021 Budgets were received by the Board as presented and are hereby approved.

Moved: Paul Bay **Second:** Mike Hodge **Status:** Passed

Approval of Employee Policy 307- Resignations, Layoffs and Discipline

Motion: To accept and approve the revised employee policy No. 307 as recommended by the Policy and Bylaws Chairman. The motion was seconded and passed by a unanimous voice vote of all Directors present and participating by video conference as follows:

RESOLVED, that TEC employee policy No. 307 be, and is hereby approved.

Moved: John Saatela **Second:** David McGoldrick **Status:** Passed

Approve and Authorize New Auditor Firm (Action Item)

Subsequent to the 2019 annual financial audit the CEO and Board felt it necessary to solicit a Request for Proposal (RFP) from several accredited auditor/accounting firms. The RFP's were evaluated by the Finance Committee and then presented to the Board for authorization to contract with a new firm.

Motion: To approve and authorize the CEO to negotiate a one-year contract with Bolinger, Segars Gilbert & Moss L.L.P. The motion was seconded and passed by a unanimous voice vote of all Directors present and participating by video conference as follows:

RESOLVED, that a one-year contract for audit/accounting with Bolinger, Segars Gilbert & Moss L.L.P. be, and is hereby approved.

Moved: Paul Bay **Seconded:** Mike Hodge **Status:** Passed

XII. ADJOURN MEETING

There being no further business, the November 2020 TEC Board meeting was adjourned by the Board President at 3:51 p.m. The next Board of Directors meeting is scheduled for 1:00 pm on December 15, 2020.

XIII. DIRECTOR DUTIES TRAINING

Following the regular meeting General Counsel, Joel Merkel, prepared a guidance presentation on Director Duties for newer Board members.