

Cooperative Light & Power
Two Harbors, Minnesota

Regular Meeting of the Board of Directors

1.

A regular meeting of the Cooperative Light & Power (CLP) Association of Lake County Board of Directors was held at the Office of the Association at Fifteen Fifty-Four, Highway Two, on February 23, 2023, with the participation of Scott Veitenheimer, Kyle Weideman, Roger Peterson, Steve Josephson in person and Pat Schmieder by means of zoom.

Five directors were present at the time the meeting was called to order at 9:00 am. Also present for the meeting were CEO Joel Janorschke, Business Manager Kevin Olson, Marketing Manager Carey Hogenson, Operations Manager Brian Bentler, HR/Finance Manager Shannon Haveri, and Sherry Fabini to take the minutes. Attending by means of video conference were CLP Attorney Chad Felstul, member-owners Peg Zahorik, Geoff Tolley, and Rodney and Julie Johnson.

Present

2.

Scott Veitenheimer asked if there were any additions to the agenda. CEO Joel Janorschke stated that Deb Englund's proposal for the Board's evaluation will be discussed under new business as well as discussion on the patronage return to member co-ops for the sale of GRE's Midwest Energy Group (MAG).

Additions to
the Agenda

3.

A motion was made by Roger Peterson and seconded by Steve Josephson to approve the agenda as modified. Motion passed.

Agenda

4.

A motion was made by Kyle Weideman and seconded by Roger Peterson to approve the January 25, 2023, minutes. Discussion. After much discussion a motion was made by Pat Schmieder and seconded by Roger Peterson to table the approval of January minutes to modify paragraph 21 and to approve them at the March Board meeting. Discussion. Kyle Weideman would like to move

Minutes

Secretary

forward, summarize, and complete the minutes today. Scott Veitenheimer asked all in favor of Pat's motion. Roll call vote: Pat, yes. Steve, no. Kyle, no. Roger, no. Scott, no. Motion failed. Roger Peterson suggested to table to later in the discussion. A motion is made by Kyle Weideman and seconded by Steve Josephson to table the approval of the January minutes and to move this under New Business at the end of the agenda. Motion passed.

5.

The consent agenda consisting of the following was reviewed. A motion was made by Roger Peterson and seconded by Steve Josephson to accept the consent agenda. Motion passed.

- Applications and Terminations
- Monthly Payments
- Correspondence

Application for Membership and Termination of Electric Service were presented for consideration.

NEW SERVICE-5

TRANSFER OF OWNERSHIP-10

TERMINATION OF MEMBERSHIP (Name Change Only)-2

TERMINATION OF MEMBERSHIP-10

6.

CEO Joel Janorschke welcomed Davey Resource Group (DRG) to the meeting. Jim Neeser attended in person and Geoff Watson attended by means of video conference due to the weather. Jim gave a brief background on himself and DRG. He introduced Geoff. Geoff apologized for not being at the presentation. He gave a brief background on himself.

Geoff went over a system assessment summary that Jim and his team completed. The goal of this project was to determine the current conditions of the Right of Way (ROW), assess the workload on the system, and provide recommendations to improve the vegetation management program. Once the data was gathered, the DRG team analyzed the data to extrapolate the sampled portions to the entire system. There were several key findings from this process. Based on the current condition and estimated workload

Consent
Agenda

Applications
and
Terminations

Davey's
Resource
Group

Secretary

across the CLP system, DRG provided the following recommendations to improve the overall vegetation management program:

- a.) Implement a six-year cycle to complete vegetation work throughout the system.
- b.) Inspect the mixed forest areas for balsam fir frequency due to spruce budworm infestation.
- c.) Implement and continue herbicide program for floor and removal work.
- d.) Implement hazard tree and midcycle inspection programs.
- e.) Implement technology to understand workloads and manage budgets.

DRG is confident that implementing these initiatives will improve the overall reliability metrics for CLP. These recommendations will require a large investment at the beginning to get the system on a cycle and introduce tools to create an Integrated Vegetation Management (IVM) program. Once an IVM program is established the cost will decrease and the reliability and value to members will increase.

All questions and concerns from the Board were answered. Davey confirmed to the Board that they will be willing to consult on the ROW contract language. They thanked CLP and told them to let them know if there are any other questions or concerns that may come up. The Board thanked Jim and Geoff and told them that they will be in touch.

7.

Member-Owner Geoff Tolley addressed the Board. He had two topics to discuss. The first is carbon-free by 2040. He would like GRE to be grilled sooner rather than later about storage and load control strategies that can be implemented at the member-owner level (V2G, thermal storage systems) since the setups that CLP member-owners will have 17 years from now will include the purchases that we make in the next few years.

His next topic was the time-of-use rate option. He would like to see this made available to CLP member-owners.

Discussion. Scott Veitenheimer stated that on the GRE 2040 carbon bill that there is a lot of discussion on this and that the State of MN is being sued by North Dakota.

CEO Joel Janorschke stated that carbon free for GRE co-ops is 60% by 2030 and the Investor-Owned Utilities (IOU) is 80% by 2030 and 90 % by 2035. GRE has the ability to use its Renewable Energy credits (RECS) and GRE has plenty of RECS. The Form Energy Storage Project is putting a battery storage of 1.5-megawatt

Member-
Owners

Secretary

grid storage system in Cambridge, MN which will be in service by 2024.

Member-Owner Peg Zahorik asked if it is possible to have the Annual Meeting by means of zoom. Kevin stated there may be some implications in the bylaws but would like Attorney Chad Felstul comment. This is something the Board will discuss in the future. Attorney Chad Felstul addressed the question, and nothing prohibits it, but our current bylaws only allow voting to be in person. The goal is to have as many members as possible at our Annual Meeting. If bylaws are amended to allow mail and electronic voting, then it will not matter how many people attend in person. Also, if streaming, the employees need ample opportunity to set this all up to make sure it is clear, and everything is working correctly.

8.

Financial Manager Shannon Haveri reminded the Board that this report is pre-audit and has not seen the final numbers. Ratios are much better; line loss is down, and margins are up.

A motion is made by Kyle Weideman and seconded by Steve Josephson to approve the December financials. Motion passed.

The Operating Margin for the month of December was a positive \$144,942 as compared to a budgeted figure of a negative \$34,304 for a positive variance of \$179,246. Non-Operating Margins-Interest for the month of December was positive \$11,713 as compared to a budgeted figure of positive \$3,550 for a positive variance of \$8,163. Non-Operating Margins-Other for the month of December was a negative \$1,144 as compared to a budgeted figure of a negative \$12,917 for a positive variance of \$11,773. Other Cap Credits & Patronage for the month of December was a positive \$171,092 as compared to a budgeted figure of a positive \$200,000, for a negative variance of \$28,908. This resulted in a total margin for the month of December of a positive \$326,604 as compared to a budgeted figure of a positive \$156,329 for a positive variance of \$170,275.

9.

Marketing Manager Carey Hogenson addressed the Board. Carey presented paperwork that she received on two applications for the youth tour to Washington D. C. The Board voted previously on sending two applicants so both these applicants will be awarded.

Carey updated the Board on the Energy Design Concept (EDC) conference that she attended and worked at in Duluth. It is a great

Financials

Manager Reports

Secretary

way to network with Minnesota Power people and establish connections. This will be the last year that they will be hold a big conference due to cost and the availability of online education credits.

The nominating meeting for district one will be held Monday, February 27, 2023, at 6:00 pm. at the Duluth Township Hall. CEO Joel Janorschke and Business Manager Kevin Olson will be attending.

The Annual Meeting for planning is going well. Joel secured David Ranallo from GRE as our guest speaker. He is going to discuss the portfolio, the IRA and grant options, the 2040 carbon free bill, the wind project in North Dakota along with the costs and will touch on the 8.2% increase from GRE.

Roger Peterson addressed the Board about renting a bus for the Annual meeting for CLP members in his and Steve Josephson's district. Roger will check on the costs and the options and report to the Board.

Joel announced to the Board that a lineman was leaving. He took a position at East Central that is closer to his hometown. There will be an ad for the open position

Operating Manager Brian Bentler addressed the Board. He discussed the meetings he attended in St. Cloud and Cohasset. At the Line Superintendents meeting in Cohasset there was a fair amount of discussion on employees. Brian spoke about the ROW meeting he attended and shared what other cooperatives are doing with different cycles and IVM. Other discussions involved how other co-ops are billing for their time, material, and units.

Kyle Weidman asked Brian and Joel if there was a benefit in having Davey. Brian feels that it would benefit CLP to have Davey get our ROW on a cycle and point us in the right direction. Joel informed the Board we need to be on a cycle and not just getting the hot spots. The tools that Davey uses for tracking of the chemicals is very important and valuable. Communication to the membership regarding tree trimming is also very important and Joel will make sure this is improved. Pictures will be taken and documented. Davey also will advise us with good language for a contract.

Brian explained that the transformer that which blew a lid is still in the process of being sent in. It could not be sent in without a lid; we have since received a new lid.

Business Manager Kevin Olson addressed the Board with the updates of the three grants (Infrastructure Investment & Job Act)

Secretary

IJA, that he has been working on. CLP applied for all three grants. These are called Topics. Topic 1 is the grant filed jointly with Holy Cross in Colorado. This grant is for the fire mitigation plan. This is for undergrounding our overhead wire at Mitawan Lake. This has been accepted on moving forward. Topic 2 is the grant partnered with NRECA. This grant is for Smart Grid upgrades. This is for visibility and resiliency on the grid to hang smart devices. This has been accepted to move forward to the next stage. Topic 3 is just starting, and this is partnered with the State of Minnesota, Star Energy and Power Systems Engineering. This grant would be used for a new Finland substation transformer with automated smart technology. This will also be used as a back feed the Two Harbors area. Kevin will have meetings four times a week for the next fourteen weeks until we know anything on this topic.

There are ten awards nationwide. Three of these awards are for small co-ops. We will know in mid to late summer if we have been awarded. If awarded with any of these topics there are schedules to follow regarding purchasing purchases.

Kevin went over on margin notes on the bylaw redline document in dropbox. He created a folder in dropbox labeled 2023 Bylaw comments. Per Attorney Chad Felstul, the redline bylaw document will be locked and no edits on the document are allowed, but only comments in the margins are to be done. This is a confidential document and should not be shared with anyone. He gave detailed instructions to all Board members.

Kevin reported on Zito, and the boot sliced boxes hanging on their fiber lines. This has been an ongoing problem. Zito was sent a letter of default in January to have them fixed in 30 days. CLP Attorney Chad Felstul received an email from Zito's attorney stating they have been fixed. A small amount has been fixed but many are still hanging. This is in violation of our pole attachment agreement along with safety concerns. Some suggestions are: CLP could have an audit conducted, take pictures, inspect, and give them a time period to correct this problem, and then send a bill to them for this or we could have our crews fix all of them and bill Zito, or CLP could have our crew patrol it, document it, provide Chad a detailed list, a time period to correct it and then cancel the pole attachment agreement we have with them if this is not corrected. Brian has reached out to Zito by telephone and emails with no luck.

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| <p>CEO Joel Janorschke addressed the Board. He touched base on a few items for the Class Cost-of-Service Study (CCOSS) that will be presented at the March Board meeting. He asked the Board their opinion on the facility charge. The higher the facility charge the lower the kwh. He gave examples of the surrounding co-ops and their facility charges. CLP has not had an increase in over 10 years. The Board agreed to three different charges for the CCOSS: \$48.00, \$50.00, and \$52.00. The goal is to do away with the Power Cost Adjust (PCA) and just increase the facility charge. Joel will present these amounts to Star Energy. Currently CLP has 77 different rates including load management. The goal is to drop to 14 rates including load management.</p> <p>Joel informed the Board that for the past two years CLP has been going back and forth with the Department of Labor and IBEW for work being done on our load control receivers on our system. It did not require a licensed electrician to do the work on it, just a qualified person. Ken Jones was that person. New legislation that will be in effect shortly will require an electrician to work on our load control receivers on our system. Ken Jones is not an electrician and will no longer be able to do the work on load control receivers. State law will require that any work that is done on a load control receiver will need to be done by a Journeyman electrician that will work under a class A contractor. Joel suggested a couple options for the Board to think about: Have a local electrician do the work or possibly hire a master electrician.</p> | <p>CEO Report</p> |
| <p style="text-align: center;">11.</p> <p>Scott Veitenheimer went over his report on the GRE February meeting he attended. Two resolutions and an exhibit were reviewed and passed. The first resolution was to approve the patronage capitol retirement guidelines. The second resolution was to approve the Brookings investment and Cedar Lake tap line relocation. The exhibit that was approved and passed was the 2024 GRE Board meeting dates. The financials for December were good with a favorable variance of \$30.9M. January numbers were not completed at the time of the meeting. Energy sales for December year-to date are a positive budget variance of 1.7%. The December PCA is a \$0.6M credit to the members. The year-to-date PCA is an \$18.7M charge to members. Detailed information is discussed for the PCA summary by resource for December 2022, including impacts from MISO market activity, capacity revenue, and the Rainbow Energy contract. In reviewing the finances, our rates are 13% lower than the average Minnesota rates. Majority of</p> | <p>GRE MMG Meeting</p> <hr/> <p>Secretary</p> |

the meeting was discussion on the recent passage on the 100% carbon free bill by 2040. Governor Waltz signed the bill into law during the meeting. Regarding the bill, there was much talk on what GRE as well as MREA did to add amendments to it successfully. Complaints were made stating that the CEO from GRE was given only 90 seconds to express how this is going to impact GRE. It is believed that there will be many lawsuits addressing this bill. MISO is very concerned since the transmission will be out of sync with the surrounding states. The RECS did get put through which GRE wanted. This will include large hydro and we can use the RECS to offset carbon of Peaker plants.

Federal Energy Regulatory Commission (FERC) announced approval of equity request for transmission investments at an assumed rate of return of 50%, including construction work in progress. This will be a financial benefit to GRE.

Another bill of interest was the charging of property taxes on meters, poles, and attachments to some of the coops. This affected five out of the 44 coops with no explanations. The language has not changed in eighty years and suddenly this is happening. This was tabled and the Department of Revenue will need to come in to explain.

Discussion and information on MAG patronage and capital retirement were next. There were two proposed scenarios for GRE and MAG patronage capital retirement. In March, will review further changes based on discussion and recommendations. This will be brought for approval in March. Scott asked the CLP Board what they would want, and all Board members were all in agreement for a greater amount sooner.

12.

A motion was made by Roger Peterson and seconded by Steve Josephson to nominate Scott Veitenheimer as CLP's representative for the GRE Board for a one-year term. Motion passed.

Representative
for GRE

13.

A motion was made by Roger Peterson and seconded by Steve Josephson to appointment Kyle Weideman as an alternate representative for GRE for a one-year term. Motion passed.

Alternate
Delegate

14.

Secretary

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| <p>A motion was made by Kyle Weideman and seconded by Roger Peterson to appoint Joel Janorschke as our CRC Voting Delegate. Motion passed.</p> | <p>CRC Delegate</p> |
| <p style="text-align: center;">15.</p> <p>Scott and Joel shared their experience at the legislative meeting at the MREA Annual Meeting. The legislative dinner was on Monday night. Representatives Spencer Igo, Grant Hauschild, Roger Skaba and Senator Hauschild were in attendance. Co-ops that attended were Arrowhead, Lake Country, North Itasca, North Star and CLP. The legislative meeting was held on the next day at the Capitol. A room was reserved, and the same co-ops were involved. Representative Zelenznikar, Igo, Skaba, Senator Hauschild and Senator Rarick were present. We went through the lists of what we talked about throughout the year, the 2040 bill, and metering with good feedback. Invitations were given to Representatives and Senators to stop in and visit with our staff, see what we do and how we operate.</p> | <p>MREA Annual Meeting</p> |
| <p style="text-align: center;">16.</p> <p>Approval on the January minutes was discussed. After much discussion a roll call vote was requested by Pat Schmieder to approve the January minutes as amended. Pat, no. Kyle, yes. Steve, yes. Roger, yes. Scott, yes. Minutes were approved as amended.</p> | <p>Minutes</p> |
| <p style="text-align: center;">17.</p> <p>Scott requested to table the policies and discussion on Deb Eglund's proposal to the Board evaluation until the March Board meeting. The Board agreed.</p> | <p>Tabled until March</p> |
| <p style="text-align: center;">18.</p> <p>The Bylaw changes, the Class Cost-of-Service Study and the Auditors report will be on the Agenda for the March Board meeting.</p> | <p>Agenda items for March</p> |
| <p style="text-align: center;">19.</p> <p>Scott Veitenheimer discussed with the Board the attacks on the substations. GRE security, Jim Jones reported on the increasing frequency and attacks on substations. He pointed out the safety of the crews going out to work on the substations. His concerns are</p> | <p>Substation Attacks</p> <hr/> <p>Secretary</p> |

that the crews could be attacked as well. Scott wanted the directors to be aware of this.

20.

The Board discussed the date for the next Board meeting. The date is set for March 22, 2023, at 9:00 a.m.

21.

There being no further business to come before said meeting, adjournment was called for at 3:05 p.m. with a motion from Kyle Weideman and a second by Pat Schmieder. Motion carried.

Roger Peterson, Secretary

CORPORATE SEAL

Upcoming Meeting

Adjournment

Secretary