

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 January 25, 2023, with the participation of Scott Veitenheimer, Pat Schmieder, Kyle Weideman, Roger Peterson, and Steve Josephson.

Five directors were present at the time the meeting was called to order at 9:03 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, Laura Stone, Geoff Tolley and Greg Lien.

Present

2.

Scott Veitenheimer asked if there were any additions to the agenda. Pat Schmieder would like to discuss the update on the transformer explosion, District One nominations, and the results of the special meetings and changes.

Additions to
the Agenda

3.

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

Agenda

4.

A motion was made by Kyle Weideman and seconded by Steve Josephson to approve the December 21, 2022, minutes as modified. Motion passed.

Minutes

5.

Secretary

8.

Business Manager Kevin Olson presented a slide overview on the Davey Resource Group (DRG) Integrated Vegetation Management (IVM) project. Back in July/August CLP contracted with DRG to do an independent assessment of CLP Right of Way (ROW) suggestions implementing an IVM program and costs associated with such a program.

DRG will be at the February Board meeting with the results. Kevin reviewed a few slides with the Board to give them some of the highlights from the DRG report. As part of the project, DRG used satellite imagery, outage data, and physical review to identify the state of the ROW.

Davey Resource Group walked and inspected over 100 miles of ROW. They compiled a detailed analysis of their findings and recommendations. They came up with three options and the costs that are associated for each one. The overall highlights were that the overhead ROW is in good shape. The underground ROW is 92% densely covered. The suggestion is to start with overhead and then follow up in later years to clearing out the underground ROW. DRG recommends implementing an IVM program over a 6-year cycle.

DRG sampled the CLP system, categorized by three overhead Regions (Duluth, North, & South). Totaled miles physically inspected was 122.4 randomly.

Option one is a 4-year cycle. It would cover a 115 miles per year and cost \$866,000 per year for 4 years and then reduced to \$470,000 a year. Very expensive due to covering more miles per year.

Option two is what DRG is recommending. It is a 6-year cycle. It would be \$572,000 a year for 6 years and then reduced to \$310,000 a year moving forward provided using the herbicide as expected.

Option three is only dealing with hot spots and is not recommended.

Following are key findings and recommendations from DRG. They did not find a lot of branches overhanging in the conductor wires. 62% of the system is accessible by standard aerial lifts and equipment. A ROW edge has been established and only maintenance trimming is required. 13% of the system has branches with-in 10 feet of the conductors. 57% of the floor work can be completed with spot treatments of herbicides. 10% of the floor work is encroaching within 10 feet of the conductors. The underground portion of the system has vegetation along 70% of the miles. Of the underground miles that have vegetation, 92% is densely covered.

Davey's
Resource
Group

Secretary

The Board will need to consider along with our members if we move forward with IVM. Herbicide practices must be followed for it to be successful.

Kevin discussed with the Board requests from a few members regarding Energy Audits. He has reached out to many sources and has found two companies that are willing to do this. One that has been suggested by a member and that he feels most comfortable with is the same one that Minnesota Power uses, the City of Duluth uses, and the City of Two Harbors is looking at. They are willing to work with us and are putting different packages together describing what will be included and the costs associated for both CLP and the member. This is in the works and more information will be coming.

9.

Marketing Manager Carey Hogenson addressed the Board with several topics, the first one being the Annual Meeting. It is scheduled for April 19, 2023, at the Two Harbors High School. All the final plans and preparations are in the making. Discussion is needed on a guest speaker. Joel Janorschke will reach out to the CEO from GRE to have someone come and talk about renewables, IRA. The Board was in all agreement with this.

With the Annual Meeting being back in-person, CLP would like to concentrate on the younger membership and have activities for children. We will have an open gym during the meeting so parents can attend the meeting while the children can utilize the gym. CLP would like to purchase four bikes with helmets for the children's raffle at the Annual Meeting. Two big bikes and two small bikes. The Lions Club will be serving the meal again this year.

A motion was made by Kyle Weideman and seconded by Steve Josephson to purchase four bikes and four helmets for the Annual Meeting. Motion passed.

Pat Schmieder has reserved the Duluth Township Townhall for the nominating meeting that will be held on February 27, 2023, at 6:00p.m. This will be advertised in our February newsletter as well as on the website. She would also like to set up a Director District 1 directors update, and new CEO meet and greet. After much discussion the Board agreed that a new CEO meet and greet should be set up for all districts. This will be scheduled after the Annual Meeting sometime in May. One suggestion for the nominating meeting was, "Get to know your new CEO".

Marketing
Manager
Report

Secretary

CLP attorney Chad Felstul reviewed the nominating process with the Board since the bylaws are not entirely clear on how the nomination process works. Chad came up with a framework that is workable in keeping in the spirit on what the bylaws state in the nomination process. It is the Board's responsibility to appoint a chairperson to serve on the nominating committee. A nominating committee will be established for each district that will have director position up for election. A chairperson must be a member of the district. No officer or member of the Board shall be appointed a chairperson of the committee. The nominating committee must nominate not more than two candidates. Each nominating meeting shall first decide by majority votes of those present the process of which nominee shall be determined. The Board will appoint the chair not less than 30 days but no more than 90 days before the dates of the district meeting.

Chad recommends within that timeframe that the Board appoints the chair of the nominating committee and CLP will send out communications to all in district one that a meeting of the nominating committee will be held on the date, time, and place for the purpose of nominating not more than two candidates per director. The communication will also ask for volunteers to serve on the nominating committee. Chad recommends three people being on the nominating committee. Once the nominating committee is selected the chair should ask for nominations of candidates for director position. If there are two or less nominations, they will automatically be placed on the ballot. If there are more than two candidates, the nominating committee would vote on the candidates and the two nominees that receive the most votes would be placed on the ballot for the Annual Meeting.

There was much discussion from the Board with all the confusion of previous elections and the bylaws. The Board agreed that once the nominating committee is selected, they can meet with CEO Joel Janorschke and Attorney Chad Felstul on how to handle the voting process so there is no confusion.

A motion was made by Pat Schmieder and seconded by Roger Peterson to appoint Janet Keough of District One as chairman of the nominating committee. Motion passed.

Marketing Manager Carey Hogenson went over the Emergency Response Plan (ERP). This is a RUS requirement for Board and Employees. It is a confidential document that should not be shared.

Secretary

10.

CEO Joel Janorschke addressed the Board with his report. Debra Englund from HRExpertiseBP went through the Employee Survey study results with the staff and the employees separately on Tuesday, January 24, 2023.

The Class Cost of Service Study (CCOSS) is underway. The next meetings are scheduled for February 13, 2023, and March 8, 2023. The results will be presented to the Board. Currently CLP has 70 different rates and would like to reduce this to 13 and add a time of use rate. We need to make the RUS minimum tiers. Operating margins were discussed.

Additional costs will be added to the CCOSS such as the recommendations from Davey Resource Group. The operations building needs a roof replaced. With-in five years, the main office building will also need a new roof and heat pumps will need replacing.

MREA updates include a lot of turnovers. Mike Bull has left as Director of Government Affairs and has accepted a position at Minnesota Power. Jenny Glumac has taken over this position. Whitney Ditlevson from Stearns Electric accepted the position of Director of Communications; she worked for 1 ½ months and went back to Stearns Electric. Joe Miller was hired from Dakota Energy as Public Relations.

At the Government Affairs Committee Meeting, Legislation proposed a couple bills that the house filed seven and senate filed four it's 100% carbon free by 2040. Currently both bills have intern goals 80% by 2030 and 90% by 2035 and 100% by 2040. Wisconsin and Illinois intend to be carbon-free by 2050.

Another item on legislation is Diversity reporting. As the bill stands now This will only affect IOU's, municipalities, and cooperatives of 10,000 or more members or customers.

11.

CEO Joel Janorschke reported on the GRE Member Management Group (MMG) meeting. Expectations, roles of the MMG group, and policies were reviewed. Carbon reduction legislation was discussed. A guest speaker from National Renewable Cooperative Organization (NRCO), which is owned by 21 cooperatives, was there and discussed the Bipartisan Infrastructure Law and the IRA and the opportunity's we can receive from that. GRE allocations were discussed. CLP budgeted for 2022 an allocation of \$200,000 and

CEO Report

GRE MMG Meeting

Secretary

received \$171,092.44. We will have a bill credit. As a group of GRE, it was 24.7 million and CLP's portion was \$186,727.61 This will be reflected on January's statement for a bill credit. Information was provided and discussed on three different proposed scenarios on the retirement of GRE and Midwest Agriculture Group (MAG) capital credits. This will be brought to the February Board meeting for discussion and approval.

Joel went over dates of upcoming meetings with the Board. The NRECA Power Exchange Annual Meeting is March 5-8, 2023, in Nashville, TN. GRE Regional Meeting is scheduled February 8-9, 2023, and the MREA Annual Meeting is scheduled February 21-22, 2023. Reservations will be needed if planning on attending any of these.

12.

Operation Manager Brian Bentler discussed a meeting he and Rachel Hockert from Star Energy attended at Northstar Ford regarding EV chargers. Northstar Ford is looking for a certain number of chargers along with all the costs.

Brian next spoke about the outage and the transformer top that came off. This is very rare. Joel and Brian went out and took pictures. Oil was clear and clean, was labeled NO PCB, and no oil leaked out. B&B Transformer, Inc. will try to figure out why this happened. Recently this was upgraded, and the size was increased due to adding an EV car charger. CLP's PCB testing is in compliance with all regulations. The Board thanked Joel and Brian for their response. On behalf of the Board Scott thanked Brian and all the lineman for the great job that they always do and how proud he is of them.

13.

Scott Veitenheimer went over his report on the GRE January Board meeting he attended. The meeting started out with the education session. Eric Olsen, the GRE Attorney, went over the first item which was a refresher update on the Fiduciary responsibility of the directors. Three duties comprise this responsibility: the duty of obedience, the duty of diligence and the duty of loyalty.

John Brekke gave a session on natural gas prices and renewables as well as a recap of the storms in December. MISO North did very well with the situation. GRE staff and assets were well prepared. Peaker's were dispatched by MISO for both energy and reliability. High wind production during the cold days were

Operation
Manager
Report

GRE Board
Report

Secretary

surprising. The registered load management dispatched by MISO worked well. GRE portfolio affectedly hedged the MISO market prices during this time. The natural gas update in January and February are below forecast. Buffalo Ridge and Deuel Harvest wind projects are both in service and Dodge County Three Waters Wind project will be in service in 2024 and Discovery Wind in 2025.

November was a strong month financially. The November PCA is a \$1.1 million credit to members. The year-to-date PCA is a \$19.4 million charge.

Resolution R23-1-1 Amendment No. 2 to All Requirements Power Purchase Contract for renewable member resource option was passed. This is contingent on acceptance of all 19 all requirement members and approval by RUS.

14.

A motion was made by Steve Josephson and seconded by Pat Schmieder for Approval and Acceptance of Offer to Amend Power Purchase Contract. Roll call. Pat, yes. Kyle, yes. Steve, yes. Roger, yes. Scott, yes. Resolution passed.

Resolution

15.

A revised version of the 2023 Budget was discussed. With the one cent increase in the PCA, CLP made the necessary adjustments. Our tier rate went from .22 to 1.70. RUS minimum is 1.25. This is the impact with a five cent PCA over the entire year. When the Class Cost-of-Service Study (CCOSS) is completed, the plan is to adjust the remainder of the year, adjust the facility charge, reduce the number of rate classes, and reduce the PCA to zero. When the study is completed, the Board will be presented with three scenario's and the Board will determine on which rate will be set in place.

2023 Budget

16.

A motion was made by Roger Peterson and seconded by Kyle Weideman to approve the 2023 Budget. Motion passed.

Motion to Approve 2023 Budget

17.

The Board discussed bylaw changes. The decision by the Board was to wait until the 2024 Annual Meeting for bylaw changes. The bylaws need to be gone over thoroughly, discussing some of the issues, and making sure we have the best possible combination of

Bylaw Changes

Secretary

changes for our members to vote on. Several important items need addressing, some are minor verbiage changes to make it clearer. Roger Peterson recommended that the bylaw changes be put back on the agenda getting the easier changes done first and concentrating on the big items and handle those monthly. All agreed.

18.

The Board discussed all the upcoming meetings that are scheduled. The GRE 2023 Regional Meeting is February 9, 2023. The NRECA Power Exchange Annual Meeting is March 5-8, 2023, in Nashville, Tennessee and the MREA Annual Meeting is Feb 20-22 in St. Paul, Minnesota.

Upcoming Meetings

19.

A motion was made by Kyle Weideman and seconded by Steve Josephson to update Board Policy II-4 Meter Reading & Payment of Electric Energy Bills. Motion passed.

Board Policy II-4

20.

A motion was made by Kyle Weideman and seconded by Steve Josephson to update Board Policy II-12 Connection Service Charge. Motion passed.

Board Policy II-12

21.

A motion was made by Roger Peterson and seconded by Kyle Weideman to update Board Policy IV-12 Award of Contracts. Discussion. Pat Schmieder felt that the Board should approve contracts. The rest of the Board felt it would be an overreach of the Boards authority to approve contracts. The directors role does not include micromanaging daily operations. Directors would still approve contracts outside the ordinary scope of CLP business. The responsibility of executing contracts is in CLP's CEO's job description. Pat Schmieder called for a roll call. Pat, no. Kyle, yes. Steve, yes. Roger, yes. Scott, yes. Motion passed.

Board Policy IV-12

22.

Secretary

<p>A motion was made by Kyle Weideman and seconded by Steve Josephson to update Board Policy IV-14 Depository. Motion passed.</p>	<p>Board Policy IV-14</p>
<p style="text-align: center;">23.</p> <p>A motion was made by Roger Peterson and seconded by Kyle Weideman to update Board Policy IV-16 Insurance General. Motion passed.</p>	<p>Board Policy IV-16</p>
<p style="text-align: center;">24.</p> <p>The Board discussed the survey evaluation from Debra Englund. The Board feels that this is beneficial for improvement. Scott will find out the numbers the Board is asking for and the costs and will email the information to the Board.</p>	<p>Debra Englund HRExpertiseBP</p>
<p style="text-align: center;">25.</p> <p>A motion was made by Kyle Weideman and seconded by Steve Josephson to approve the special meeting minutes on January 5, 2023, to authorize CEO Joel Janorschke to be responsible for certifying to the Rural Utilities Service (RUS). Motion passed. Pat Schmieder abstained for not being at the meeting.</p>	<p>Special Meeting Minutes</p>
<p style="text-align: center;">26.</p> <p>A motion was made by Steve Josephson and seconded by Roger Peterson to approve the special meeting minutes on January 19, 2023, on delaying the bylaw changes until 2024. Motion passed.</p>	<p>Special Meeting Minutes</p>
<p style="text-align: center;">27.</p> <p>The Board discussed the date for the next Board meeting. The date is set for February 23, 2023, at 9:00 a.m.</p>	<p>Upcoming Meeting</p>
<p style="text-align: center;">28.</p> <p>There being no further business to come before said meeting, adjournment was called for at 3:10 p.m. with a motion from Kyle Weideman and a second by Steve Josephson. Motion carried.</p>	<p>Adjournment</p>
	<hr/> <p style="text-align: right;">Secretary</p>

Roger Peterson, Secretary

CORPORATE SEAL

Secretary

