

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 December 21, 2022, 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 9:05 am. Also present for the meeting were CEO Joel Janorschke, Business Manager Kevin Olson, Marketing Manager Carey Hogenson, Operations Manager Brian Bentler, Finance Manager Shannon Haveri, Sherry Fabini to take the minutes. Attending by means of video conference were CLP Attorney Chad Felstul, member-owners Mike Overend, Laura Stone, Janet Keough. One member-owner Geoff Tolley was present in person.

Present

2.

Scott Veitenheimer asked if there were any additions to the agenda. Pat Schmieder would like to discuss how outages are prioritized, bylaw review and redistricting. She suggested the board should consider the ability for member to comment at any time during the meeting, in addition to the comment periods.

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 November 22, 2022, minutes. Motion passed.

Minutes

Secretary

<p style="text-align: center;">5.</p> <p>The consent agenda consisting of the following was reviewed. A motion was made by Kyle Weideman and seconded by Roger Peterson to accept the consent agenda. Motion passed.</p> <ul style="list-style-type: none"> • Applications and Terminations • Monthly Payments • Correspondence <p>Application for Membership and Termination of Electric Service were presented for consideration.</p> <p>NEW SERVICE-7</p> <p>TRANSFER OF OWNERSHIP-11</p> <p>TERMINATION OF MEMBERSHIP (Name Change Only)-2</p> <p>TRANSFER OF RENTER-2</p> <p>CHANGE OF CLASSIFICATION-2</p> <p>TERMINATION OF MEMBERSHIP-20</p>	<p>Consent Agenda</p> <p>Applications and Terminations</p>
<p style="text-align: center;">7.</p> <p>Member Geoff Tolley addressed the Board expressing his appreciation to the linemen for both their recent and long-term performance. He is seeking an update on the progress towards the publication of the Board policies. CEO Janorschke stated that he and the staff are updating two to three Board policies a month to present to the Board until they are all updated. Mr. Tolley's last item for discussion is redistricting and state government regulation. This topic will be discussed later on the agenda.</p>	<p>Member remarks</p>
<p style="text-align: center;">8.</p> <p>The Operating Margin for the month of October was a positive \$40,292 as compared to a budgeted figure of a positive \$36,066 for a positive variance of \$4,227. Non-Operating Margins Interest for the month of October was a positive \$8,292 as compared to a budgeted figure of positive \$9,500 for a negative variance of \$1,208. Non-Operating Margins-Other for the month of October was a positive \$628 as compared to a budgeted figure of a negative</p>	<p>Financials</p> <hr/> <p>Secretary</p>

\$12,917 for a positive variance of \$13,545. Other Capital Credits & Patronage for the month of October was zero as compared to a budgeted figure of zero, for a neutral variance. This resulted in a total margin for the month of October of a positive \$49,213 as compared to a budgeted figure of a positive \$32,649 for a positive variance of \$16,564.

Co-op Light & Power has \$511,602.24 invested in Daily Fund at Great River Energy as of November 30, 2022.

The Money Market Account at the Two Harbors Federal Credit Union as of November 30, 2022, is \$1,051.12.

The Cash Management Account balance at State Park Bank as of November 30, 2022, is \$5,439.17

Kevin Olson clarified how the outage map on the website works and how it is synced with the outage management systems. The member count on the website is a static count and not a fluid count on the system we have. The map on the website gives a prediction of the outages to the best of its knowledge. This map could overstate the outages, depending on the calls received, meter data, blinks, and other information. The location of the exact outage is adjusted once the crews are onsite and verify the outage. Joel told the Board we are tracking these storms through a work order to keep track of the expenses caused by them.

A concern was brought up about a discrepancy between the total member count displayed on the website and the financial report. The financial report is what is accurate and is used for the annual meetings. These are the true numbers of members. The website map is adjusted annually, or on an as needed basis. Members have different services and sometime multiple accounts.

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

9.

Business Manager Kevin Olson addressed the Board. He informed the Board that CLP has taken advantage of the Inflation Reduction Act and the Infrastructure Investment and Jobs Act (IIJA) and successfully submitted three grants under IIJA. CLP partnered with NRECA's consortium to qualify for the Grid Resilience and Innovation Program (GRIP). This program comes in three parts. These parts are called topics. We qualified for topic one and topic two but not topic three. Topic three is for state

Managers
Reports

Secretary

government, county, and tribal entities. Topic one is the resiliency to qualify fire mitigation, converting overhead to underground and using smart equipment. You must be in a fire zone, so we partnered with NRECA, and it is a consortium that NRECA created with 125 coops in 37 states that was accepted in this consortium. 60 additional coops were trying to be part of this but were rejected for not meeting the qualifications. NRECA found with all submitted data for topic one and topic two that under topic one it became evident that nationwide there is going to be one hundred million dollars roughly in grant request for fire mitigation and one hundred million dollars in topic one for hurricanes and ice. We are part of this consortium, and the rules have very different qualification. NRECA cannot be the prime but a coop in Colorado that is in a fire zone, is prime and NRECA is second and we fall under NRECA, and all the other coops roll up under that also. There is a chain of command.

The best area we looked over to qualify for this grant was near McDougal Lake where there were recent forest fires. We propose to convert overhead line to underground line on the Mitawan Lake tap.

It was approximately a \$200,000 dollar project of which CLP would be responsible for a third of the cost based on a three-year average. The Mitawan Lake tap saw 23 wildfires in the past seven years within a ten-mile radius.

NRECA developed and submitted 6 concept papers for the consortium to meet the qualifications of the grants. Topic one has two concept papers for fire/hurricanes/ice. Four concept papers regarded topic two which is smart grid. This is called Supervisory Control and Data Acquisition (SCADA). This also comes with limitations. What we are applying for its a 50% share and what we put in for \$280,000 to put more of these trip savers in on our systems.

A separate grant for CLP was submitted by Star Energy. Star Energy and Power Systems Engineering is working with the State of Minnesota to apply for funding for a new sub-station transformer in Finland. This needs to be larger and have smart equipment. If we are awarded, we will have five years to complete this work. By April the long forms should go in, and we should know by summer if we are awarded. The next update on this will be in February to March timeframe.

Kevin also had a revised quote for bylaw changes from Survey Ballot Systems and it was accurate at \$30,000. This would include cost expenses, mailing, and labor.

Marketing Manager Carey Hogenson addressed the Board.

Secretary

Contributions are currently at \$207.86 left to donate. The Board decided to donate this to the Two Harbors Food Shelf. A motion is made by Kyle Weideman and seconded by Roger Peterson to donate the remaining balance of \$207.86 to the Two Harbors Food Shelf. Motion passed.

Operating Manager Brian Bentler addressed the Board. He talked about transformer overloads, outages, and Central Applicators. Transformer overload is likely from installing a new water heater, a new heating system added or even a new car charger.

Central Applicators has been working the past few weeks along the shore brushing, trimming, and clearing trees.

Brian Bentler gave a summary on the outages from the past few days. There was a transmission outage feeding the Finland substation at 3:30 a.m. Power was restored at 6:30 a.m. By that time a lot of mainlines (feeders) started going out. Questions were asked how we prioritize outages. The goal is to get the mainlines (feeders) back on first, then taps and individuals.

Additional help was unavailable due to the how widespread the snowstorm was. However, two additional linemen from the City of Two Harbors did come in to help. The crews were out for more than 12-18 hours at a time and needed mandated sleep time for eight hours.

Brian Bentler discussed with the Board the recent wire theft. Wire was missing from reels and was being cut off at ground level. Authorities have been called. The cost to fix the vandalism is over \$10,000.00 dollars to fix and splices are over twenty weeks out.

CEO Joel Janorschke addressed the Board. Debra Englund from HRExpertiseBP will be attending the January 25, 2023, Board meeting to review the Employee survey results from the survey that was given months ago. She will meet with the employees on the 24th and the Board on the 25th.

Two bids came in for the Cost-of-Service Study. CLP selected Star Energy Services. The Cost-of-Service Study will take approximately three months. This study should be accurate for three years. A motion was made by Kyle Weideman and seconded by Steve Josephson to approve Star Energy Services for our Cost-of-Service Study. Motion passed.

Secretary

<p style="text-align: center;">10.</p> <p>CEO Janorschke and Scott Veitenheimer attended the Great River Energy (GRE) Board and Members Manager Meeting December 2022. This was a joint meeting. A speaker from Form Energy shared information on the battery project. Most of this information was classified material, but this project is moving ahead. Early 2024 is projected for installation in Cambridge, MN. GRE was Form Energy’s first commercial client.</p> <p>October was a good month financially for GRE members. The Power Cost Adjustment (PCA) credit is \$7.7M to members and a \$20.4M charge year-to-date.</p> <p>Motions that were passed were Viking Gas transmission construction agreement, 2022 Margin Planning, and Disposition of Midwest Agriculture Group (MAG) transaction margins.</p>	<p>GRE Board and MMG Meeting</p>
<p style="text-align: center;">11.</p> <p>A motion was made by Kyle Weideman and seconded by Steve Josephson to approve Esterbrooks Audit Services. Motion passed.</p>	<p>Esterbrooks</p>
<p style="text-align: center;">12.</p> <p>A motion was made by Roger Peterson and seconded by Pat Schmieder to approve Capital Credit Refund. Motion passed.</p>	<p>Capital Credits</p>
<p style="text-align: center;">13.</p> <p>CEO Janorschke and Finance Manager Shannon Haveri reviewed the 2023 Budget with the Board. Joel went over the Revenue and Expense page. He stated that there has not been a rate increase since 2012. CLP’s facility charges and rates are low compared to other coops around the surrounding areas. The PCA recently went from 3 cents to 4 cents. This helped revenue by \$48,000. The Board and CEO Janorschke discussed several options regarding increasing the PCA charge. The PCA charge will be increased from 4 to 5 cents starting on January’s bill for December usage. CLP’s website and Powerlines Newsletter will inform the members of such changes. The 2023 Budget will be reviewed at January’s Board meeting with this new information.</p>	<p>2023 Budget Review</p>
<p style="text-align: center;">14.</p>	<hr/> <p>Secretary</p>

CLP Attorney Chad Felstul reviewed the bylaws. Pat Schmieder asked that to simplify the process we prioritize discussing just the two major areas that the Board had discussed regarding needing bylaw changes: Redistricting and member voting. She would like to defer discussion of other additional bylaw changes only sent to the Board earlier this month until next year. Chad informed the Board that this is very costly and Bylaw changes are usually done all at once. The Board had Chad proceed with his presentation of all the Bylaw revisions he and the staff proposed. He mentioned some items were moved from the bylaws to the Articles of Incorporation where he felt they belonged by statute. Examples of other changes included removing the “of Lake County” part of the legal name since there are also members in St. Louis County. A question arose as to whether a proposed bylaw to allow the Board to reject an otherwise qualified member for their defined cause was in fact in violation of MN Statute 216B.37 which requires co-ops to serve all members in their assigned geographic area. Pat requested a written legal opinion on this to ensure we do not violate statute. Changes to how Directors are nominated removing floor nominations were proposed, as were required campaign finance declarations, and many other changes. After considerable discussion and review The Board decided they bylaw changes will be reconsidered for approval at the January Board meeting. Members stated their comments and questions on this subject to the Board.

Bylaw review

15.

Pat Schmieder presented Bylaw language that would require CLP to check districts at least every decade and redistrict if number of members vary more than 10%, consistent MN Statute 308A.313 for large co-ops. Pat believes that redistricting or remapping needs to be done due to districts being so out of balance; and would like even number of members per director. The majority of the Board feels this is not a problem currently. A motion was made by director Kyle Weideman and seconded by Steve Josephson to not move forward with redistricting at this time. Discussion. Pat Schmieder believes this needs to be done for equal representation. Director Roger Peterson believes no changes are needed at this time. He would like to reach out and talk to members before making any changes regarding redistricting. Steve Josephson does not believe this needs to be changed and that directors are elected to help all members and not only the ones in his district. Kyle Weideman does not believe this is currently necessary. CEO Janorschke was asked his input on this. If the Board were to

Redistricting

redistrict, CLP would hire a third party to investigate and propose a solution. Due to a potential conflict of interest a member-owner would not be hired to consult on redistricting. Mr. Tolley addressed the Board about redistricting and government regulations. His desired outcome is that the Board include language akin to that of MN Statute 308A.313 in its proposal to amend the bylaws. It was clarified by CLP attorney that this statute only applies to electric cooperatives over 35,000 members, and due to CLP's size, it is not violating MN State Statute 308A.313. Mr. Tolley provided the Board with an example map he created and how he divided up the districts to be more equal. He told the Board it took minutes to create this.

The majority of the Board told Mr. Tolley they do not think unequal districts is a problem. The motion that is on the table to not redistrict is re-read. Pat Schmieder requested a roll call vote. Pat, no. Kyle, yes. Steve, yes. Roger, yes. Scott, yes. Motion passed. Pat Schmieder made a motion to include language in the bylaws to require equal population districting to be done. Motion fails.

Member Laura Stone addressed the Board, and she would like the Board to discuss more about green energy. Roger Peterson addressed her comment saying the staff and Board are not against green energy. Any project is evaluated on a case-by-case basis and needs to be financially viable and not subsidized by the rest of the membership. If something comes up and is affordable for all members, the Board will be there. Member Laura Stone also suggested that the proposed campaign finance disclosure language added to the Bylaws not be removed, in order to ensure full transparency.

16.

The Board discussed the date for the next Board meeting. The date is set for January 25, 2023, at 9:00 a.m.

17.

Marketing Manager Carey Hogenson added that districts meetings will be planned in the spring. They were postponed in the fall due to the change in CEO. They will be held before the Annual meeting on April 19, 2023, to cover bylaw changes.

18.

Upcoming Meeting

District meetings

Secretary

Kyle Weideman suggested to offer a year end appreciation bonus to the CLP Employees. A motion is made by Roger Peterson and seconded by Steve Josephson to give the employees of CLP a year end gift of appreciation of \$250.00 each. Motion passed.

Employee
Appreciation

19.

There being no further business to come before said meeting, adjournment was called for at 3:18 p.m. with a motion from Steve Josephson and a second by Kyle Weideman. Motion carried.

Adjournment

CORPORATE SEAL

Roger Peterson, Secretary

Secretary

