

INTERMOUNTAIN RURAL ELECTRIC ASSOCIATION
Colorado 16 Jefferson
Sedalia, Colorado

A regular meeting of the Board of Directors of the Intermountain Rural Electric Association was called to order at the office of the Association at 5496 North U.S. Highway 85, Sedalia, Colorado, at 9:30 a.m., August 2, 2016.

The following Directors were present, constituting a quorum: Tim White, Mike Kempe, Jim Anest, Robert Graf, Gene Sperry, Duke Dozier, and Bruff Shea. Patrick Mooney, CEO, also was present.

Agenda Approval

Upon motion by Mr. Graf, seconded by Mr. Shea, the Board of Directors unanimously approved the agenda.

Public Comment

There was no public comment, as there were no individuals present who wished to address the Board of Directors.

Minutes Approval

Upon motion by Mr. Anest, seconded by Mr. Sperry, the Board of Directors unanimously approved the minutes of the July 5, 2016, regular meeting.

Audit Committee Report

Mr. Mooney introduced the new Chief Financial Officer Dierdre "Dede" Jones to the Board of Directors, who welcomed her to the Association.

Mr. Graf presented the audit committee report.

Mr. Graf reported that the audit committee held its regular quarterly scheduled meeting immediately preceding the Board meeting. Present and constituting a quorum were directors and committee members Jim Anest, Bob Graf, and Duke Dozier. Also present were Patrick Mooney, Chief Executive Officer, Anne Thomas, Finance Manager, Amy Watson, Association legal counsel, and Dede Jones, Chief Financial Officer.

Ms. Thomas reported that the financial records are prepared in accordance with GAAP and where applicable RAP, Regulatory Accounting Principles; and as such properly reflect in all material aspects of the revenue and expenses of the Association. Ms. Thomas further reported that to the best of her knowledge and belief, the Association was in substantial compliance with all material covenants of the various loan agreements with the Association's lenders and with all applicable tax reporting

requirements. The property tax assessment increased 4%. Ms. Thomas reported that \$10 million of CFC debt was repriced. There was discussion about the Comanche 3 business interruption insurance, which in the past has been a seven-figure premium, but through the efforts of the officers and staff has been reduced periodically. The current premium is \$781,770.00. Staff will continue trying to reduce or even eliminate the requirement at some future point but we are making progress in that area.

The committee suggests that the original signed copy of Ms. Thomas' summary report, Financial Records of the Association, be recognized by the Board and the same be appended to the minutes of the regular meeting.

CREA Report

There was not a CREA report as CREA did not meet last month.

Finance Report

Ms. Anne Thomas presented the finance report.

The June margin was \$1,541,680, which is \$1.9 million over budget. Electric revenue net of unbilled revenue was over budget by \$1,684,000. Power costs were over budget by \$209,000, due to higher than projected demand. Operating costs are under budget as budgeted tree trimming, consulting, legal, hardware/software, and lobbying costs have not yet been spent.

Year to date margin is \$15,269,319, which is \$6,744,427 over budget. Sales revenue is \$3,005,000 over budget. Operating costs are under budget, as we have not yet incurred expected costs for tree trimming, billing, postage, legal, and lobbying.

Operations and Engineering Report

Ms. Pam Feuerstein presented the Operations and Engineering report.

For the month June, Comanche Unit 3 had an availability factor of 99.44% and a capacity factor of 97.87%.

Demand for June 2016 was 542 MW, up from June 2015. kWh sales are up from last year.

For the month of June, there were 256 new applications, 127 new services completed, and 152,512 services in place. There were 2,024 services in construction, and 2,029 services in design.

There were no claims in the month of June.

June 8 was the planned outage by Xcel to perform maintenance work on the 115kV line, affecting 4,485 consumers. There also were many severe lightning storms that occurred in the month of June causing several outages.

In June, IREA received 13 new applications for small generation interconnection. To date, IREA has 1,303 solar interconnections, 1,294 of which are net meters.

Ms. Feuerstein reviewed the second quarter construction budget status.

Consumer Services Report

Ms. Mandi Leshar presented the Consumer Services report.

The number of disconnect notices in June increased from last year. The number of calls for the month of June increased from the previous month. The abandon rate went down, as did the average speed to answer, which resulted in reaching the service level goal. Consumer service representatives were added as needed for the June 8 planned outage to accommodate high call volume. Ms. Leshar noted that she has seen an improvement in department performance since moving into the redesigned open-concept call center.

There were 2,135 consumer electronic contacts in June, which is up from May, with the majority being CSR emails. The number of customers enrolled in eBilling continues to increase, 49,175 as of June, and eDisconnect notices increased from May.

We were assigned a project manager for the bill redesign on July 21 with the kick-off call being on July 26. It is anticipated that the redesign will go live the last week of October.

A kick-off call took place on July 12 for the IVR system enhancement project, and we are hoping to go live mid-October in connection with the OMS project.

Testing for the Western Union Phase II upgrade should be ready to start by September 15 and should take us approximately six weeks.

Corporate Affairs Report

Mr. Josh Liss presented the Corporate Affairs report.

Before the Senate went on recess, they voted to enter Conference Committee with the House to try to resolve the two major energy bills, Senate Bill 2012 and House Resolution 8. The Senate's hesitation was that there were several veto threats from the White House on several parts of H.R. 8, and the House agreed not to include those

pieces. The Senate will be back after Labor Day and will resume resolving the issues.

Mr. Liss reviewed CREA candidate endorsements.

Legal Report

Ms. Amy Watson presented the legal report.

The Town of Parker condemnation case was initially thought to have no impact on the Association's easement and facilities; however, it now appears that it will. The Association's engineering team is meeting with the Town's tomorrow to discuss a plan agreeable to both parties.

There has not been much change with the City of Boulder case; however, there was a discussion at the last city council meeting regarding Boulder annexing territory so that it can start an electric utility with the territory it originally wanted.

The PUC combined the Solar Connect program and the Renewable Energy Compliance plan proceedings so that interested parties will be able to discuss issues with PSCo and to allow settlement discussions to take place.

Ms. Watson updated the Board regarding the FERC settlement.

In the *Bamforth v. Nevada Energy* case, the court granted Nevada Energy's motion to dismiss without prejudice. The plaintiffs in the case claimed that they relied upon Nevada Energy's assertions in the community programs, however, these customers had solar before any of the programs started or were advertised by Nevada Energy. The court is allowing an amended complaint to add plaintiffs who actually have standing.

Anadarko Petroleum filed a PUC complaint against United Power for \$5.8 million in overcharges. Anadarko claims it requested a rate change in 2014 because it qualified for a lower rate based on load and usage and that United Power did not disagree with that, however, failed to change the rate for Anadarko. After numerous inquiries, Anadarko received correspondence from United Power stating it never received a rate change request, Anadarko is not entitled to a refund, and that they would not be switched to a lower rate. In March 2016, United Power changed its rate structure, which fixed the problem prospectively. Anadarko is no longer being charged differently as similar gas processing plants, but there is still two years of significant rate differences that they feel they are owed a refund.

Chief Executive Officer's Report

Mr. Patrick Mooney presented the CEO's Report.

The California Independent System Operator is proposing to revise its governance structure to facilitate expansion. Mountain West Transmission Group that has been meeting covering Colorado, Wyoming, part of New Mexico and Arizona, is looking at Cal ISO as well as SBP and has asked for information and proposals from Cal ISO, SBP and PJM on a range of possible structures for a wholesale marketplace.

Mr. Mooney briefly discussed that another Nevada casino is leaving NV Energy.

The Minnesota PUC adopted a value of solar approach to determining how community solar customers are paid. They are going to be looking at factors other than cost in determining compensation from utilities.

German battery maker Sonnen has a compact battery design that apparently works pretty well and are introducing into markets at a lower cost than what Solar City seems to be doing. They have experience in Europe with that package where rates are high, and they understand that if you do not have net metering and you have high retail rates you have the ideal marketplace for a battery system. Sonnen is looking at opportunities in Hawaii and California.

We will be able to do the distribution part of the Bailey GOAB project, but the transmission part of the project will have to wait until next year when the mobile substation will be available. We have been talking internally about acquiring a second 115/44 mobile substation for future projects.

Mr. Mooney discussed PURPA projects.

Mr. Mooney updated the Board on discussions regarding a potential ownership interest in a 600 MW wind farm with PSCo.

A crew from IREA participated in the Lineman Rodeo held last Saturday and placed second in the rodeo. Our crew did very well and is eligible to compete in the nationals in Kansas City, to which we will send them if they want to compete.

Action Items

The next item was approval of the consent agenda. Upon motion by Mr. Anest, seconded by Mr. Dozier, the Board of Directors unanimously approved the consent agenda, including refund of deceased consumer patronage capital in the amount of \$21,788.02 and write-offs in the amount of \$37,047.

Proposed Resolution BR16-22

Mr. Mooney proposed a resolution approving the Compark Substation Construction Contract Award. Mr. Shea requested and received information regarding the load profile of the area. Upon motion by Mr. Shea, seconded by Mr. Sperry, the Board of directors unanimously adopted the following resolution:

BOARD RESOLUTION BR16-22

Whereas, in 2016, the Intermountain Rural Electric Association ("the Association") plans to begin the construction of the Compark Substation; and

Whereas, the Association will furnish certain equipment for the Compark Substation project and desires to contract with a third party to provide construction services to build the Compark Substation; and

Whereas, the Association issued a request for proposals for the construction of the Compark Substation on June 1, 2016, to Colorado Powerline, Inc., Great Southwestern Construction, Inc., Hooper Corporation, Interstate Electrical Contractors, Inc., PAR Electrical Contractors, Inc., and Sturgeon Electric Company, Inc.; and

Whereas, the Association received proposals from Colorado Powerline, Inc., Great Southwestern Construction, Inc., Hooper Corporation, Interstate Electrical Contractors, Inc., and PAR Electrical Contractors, Inc. on July 5, 2016; and

Whereas, the lowest responsive proposal was submitted by Hooper Corporation in the amount of two million, five hundred ninety-seven thousand, twenty-one dollars, and thirty-nine cents (\$2,597,021.39); and

Whereas, the Association's engineering staff, in coordination with the Association's consulting engineer, evaluated the proposals and recommend that the Association award a Substation Erection Contract (IREA Form 764) to Hooper Corporation for the construction of the Compark Substation; and

Whereas, the Board of Directors has determined that such recommendation is in the best interest of the Association and its members;

Now, therefore, be it resolved that the Board of Directors authorizes the Association to award and the President to execute a Substation Erection Contract (IREA Form 764) for the construction of the Compark Substation to

Hooper Corporation in the amount of two million, five hundred ninety-seven thousand, twenty-one dollars, and thirty-nine cents (\$2,597,021.39) and such other currently unanticipated amounts as may be reasonably necessary to complete the construction of the Compark Substation consistent with such contract.

Proposed Resolution BR16-23

Mr. Mooney proposed a resolution approving a Compark sanitary sewer easement. Mr. Kempe requested and received information regarding the easement boundaries. Upon motion by Mr. Shea, seconded by Mr. Graf, the Board of directors unanimously adopted the following resolution:

BOARD RESOLUTION BR16-23

Whereas, Intermountain Rural Electric Association (“the Association”) owns property located north of E-470 and west of Chambers Road in the Town of Parker on which the Association is constructing the Compark Substation and associated transmission facilities (“the Property”); and

Whereas, the Stonegate Village Metropolitan District (“the District”) has requested a non-exclusive easement in, over, and under the Property to construct, operate, and maintain a sanitary sewer line as shown on Board Document BD16-8; and

Whereas, the Association’s engineering staff has determined that the proposed sanitary sewer line easement does not interfere with the Association’s current or foreseeable future operations and maintenance of the Compark Substation or associated transmission facilities, and recommends conveying such easement to the District; and

Whereas, representatives of the District and the Association have agreed upon the material terms of an easement deed which has been presented to the Board as part of Board Document BD16-8; and

Whereas, Association staff recommends that the Board approve conveyance of an easement substantially upon the terms set forth in said easement deed; and

Whereas, the Board of Directors has determined that such recommendation is in the best interests of the Association, its members, and the Parker community;

Now, therefore, be it resolved that the Board of Directors hereby approves conveyance of a sanitary sewer line easement to the District substantially as presented in Board Document BD16-8 and authorizes the Chief Executive Officer to negotiate such different or additional terms consistent with said Board Document as may be appropriate and to execute the easement agreement on behalf of the Association.

Proposed Resolution BR16-24

Mr. Mooney proposed a resolution approving the purchase of a new transformer for the Strasburg substation. Upon motion by Mr. Graf, seconded by Mr. Anest, the Board of directors unanimously adopted the following resolution:

BOARD RESOLUTION BR16-24

Whereas, due to a transformer failure at the Strasburg Transmission Substation, the Intermountain Rural Electric Association (Association) has the need for a 12/16/20 MVA, three-phase, 115/44 kV transformer; and

Whereas, the Association has contacted North American manufacturers of such transformers, as well as brokers and other parties, regarding the availability of a replacement transformer and has determined that the best available option is to acquire a transformer from Waukesha SPX Transformer Solutions, Inc. for delivery in December 2016, for four hundred thirty-six thousand, sixty dollars, and eighty cents (\$436,060.80); and

Whereas, the Association's engineering staff has estimated that the Association's costs will be approximately one hundred sixty-five thousand dollars and no cents (\$165,000.00) to remove the failed transformer and perform the engineering and construction activities necessary to install the new transformer; and

Whereas, the Association's engineering staff recommends that the Association approve the unbudgeted expenditures to replace the failed transformer at the Strasburg Transmission Substation and to contract with Waukesha SPX Transformer Solutions, Inc., for the purchase and installation of a new transformer; and

Whereas, the Board of Directors has determined that such recommendation is in the best interests of the Association and its members;

Now, therefore, be it resolved that the Board of Directors (1) authorizes the Association to contract with Waukesha SPX Transformer Solutions, Inc. for the purchase, installation, and testing of a transformer, and (2) approves the

unbudgeted expenditure to replace the failed transformer at Strasburg Transmission Substation in the amount of six hundred one thousand, sixty dollars, and eighty cents (\$601,060.80) (of which four hundred thirty-six thousand, sixty dollars, and eighty cents (\$436,060.80) is for the Equipment Contract and the balance being the Association's estimated costs) and such additional amounts, if any, as may be reasonably necessary to facilitate such purchase, installation, and testing of the transformer.

Badger Mountain Budget Adjustment

Mr. Mooney recommended a motion for approval authorizing increasing the Badger Mountain project budget by an additional \$559,000. The project was budgeted for \$300,000, but the scope of the project has grown, requiring larger towers, additional permitting, and more supporting infrastructure. Upon motion by Mr. Graf, seconded by Mr. Dozier and carried unanimously, the Board of Directors approved increasing the Badger Mountain project budget an additional \$559,000.

Executive Session

Mr. White called for an executive session for the purpose of discussing Comanche Unit 3 and a possible property purchase. Upon motion by Mr. Anest, seconded by Mr. Sperry and carried unanimously, the Board of Directors approved an executive session. The Board convened in executive session with Mr. Mooney.

There being no further business to discuss, the meeting was adjourned by President Tim White.

The next regular meeting will be held on September 6, 2016.

President

Secretary-Treasurer

Memorandum

Intermountain Rural Electric Association

TO: Board of Directors

FROM: Anne Thomas

DATE: August 2, 2016

SUBJECT: Financial Records of the Association
April 1, 2016 through June 30, 2016

Intermountain Rural Electric Association is in substantial compliance with the reporting requirements of all federal, state, and local authorities in regard to taxes, payroll and insurance.

The Association maintains its books and records in accordance with generally accepted accounting principles as called for in the Rural Utilities Service Uniform System of Accounts, 7 CFR Part 1767, and in substantial compliance with the requirements of our credit agreements and joint mortgage with CFC and CoBank.

Internal control procedures are in place that would require coercion or cooperation of more than one individual, or more than one area of the Association, for irregularities to occur. Additionally, subsidiaries are maintained and balanced with the general ledger to assure proper accounting procedures. Financial books and records properly reflect the revenue and operational expenses of Intermountain Rural Electric Association and the true resulting margins.

After an analysis of this quarter's operations, we have found no suspicions or evidence of financial irregularities.



Anne Thomas, Finance Manager