

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., November 1, 2016.

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

Agenda Approval

Upon motion by Mr. Shea, seconded by Mr. Dozier, the Directors present 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. Graf, seconded by Mr. Shea, the Board of Directors unanimously approved the minutes of the October 11, 2016, regular meeting.

Audit Committee Report

Mr. Robert Graf presented the audit committee report.

Mr. Graf reported that the audit committee convened its regular quarterly scheduled meeting immediately preceding the Board meeting.

CFO Dede Jones reported to the committee 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 the revenue and expenses of the Association. Our internal control procedures are considered adequate for any potential irregularities.

Other issues were discussed at the audit committee meeting and will be addressed in Ms. Jones' financial report.

CREA Report

Mr. Tim White presented the CREA report.

The CREA meeting was held on October 27 and 28. The meeting primarily consisted of reviewing department budgets that were presented to the Board. Mr. White reviewed a few highlights from the meeting. The Association has done very well, with expenses being under anticipated amounts. There will not be a dues increase. The loss control group has had some changes this last year, but Randy Westberg seems to have things under control. A block of rooms has been reserved for the spring legislative conference through 2020. The CoBank line of credit was renewed. The CREA annual meeting is February 11 -14, 2017. Mr. White discussed an RFP for a lobbyist.

Finance Report

Ms. Dede Jones presented the finance report.

The September margin was \$3.3 million, which is \$3.2 million over budget. Contributing factors were higher sales net of unbilled revenue, the cost of power generation was lower than budgeted, and we received a FERC settlement refund and additional 2015 true-up refunds. In addition, tree trimming costs were under budget for the month of September, and interest on long-term debt was under budget because we refinanced at lower rates and we have not borrowed as much as expected.

Mr. Mooney noted that tree trimming costs were less than was budgeted for two reasons. One, when the tree trimming budget was put together last year, it was based on bidding on a per-job basis. However, late in the year and before RFPs were issued it was concluded it would be more cost-effective to bid much of the work on a time and material basis. Second, removal costs have been significantly lower than was projected.

Ms. Jones reported that the year-to-date margin was \$25.3 million, nearly \$15 million over what was budgeted. On a year-to-date basis we have higher than budgeted sales of about \$4.4 million. We had lower than budgeted cost of generation and purchased power, which includes the reduction of purchased power for the settlements and true-ups that we received from PSCo. Tree trimming cost has been lower than budgeted on a year-to-date basis. We were also lower than budgeted on interest costs on both long-term debt and line of credit borrowings. Administration and general expenses have been lower than budgeted and we received recordable reimbursement for relocation and disposal of microwave equipment.

Operations and Engineering Report

Ms. Pam Feuerstein presented the Operations and Engineering report.

In September, Comanche Unit 3 had an availability factor of 86.11% and a capacity factor of 79.81%.

Demand for September 2016 was 444 MW, down from September 2015. kWh sales were down slightly from last year.

For the month of September, there were 173 new applications, 547 new services completed, and 153,430 services in place. There were 2,055 services in construction, and 1,929 services in design or under contract.

There was one OSHA recordable medical claim in September.

Ms. Feuerstein noted that our 2017 experience modification rate from our workers compensation insurer has gone down from 2016.

There was one significant outage for the month of September, which occurred on the 24th out of the Floyd Hill substation. High winds caused a wire to fall down in an inaccessible ravine; we had to walk in to repair it. There were 537 consumers affected by the outage for approximately 14 hours.

In September, IREA received 14 new applications for small generation interconnection. To date, IREA has 1,349 solar interconnections, 1,339 of which are net metering customers.

Ms. Feuerstein reviewed the 2016 construction budget.

Ms. Feuerstein noted that some of our linemen competed in the Lineman's Rodeo October 14 and 15 in Kansas. They did a great job finishing eleventh over all.

Mr. Graf extended his gratitude and thanks to Ms. Feuerstein for the linemen who participated in the Touch A Truck event in Mr. Graf's district.

Consumer Services Report

Ms. Mandi Leshar presented the Consumer Services report.

The number of disconnect notices in September increased from last month. The number of calls for the month of September decreased from the previous month. The abandon rate went up slightly, as did the average speed to answer; however, the service level goal was still reached.

There were 2,108 consumer electronic contacts in September, which is down from August, with the majority being email requests. The number of customers enrolled in eBilling continues to increase, to 51,474 as of September, and eDisconnect notices increased from August.

Ms. Leshner noted that there are no new updates regarding current projects.

Corporate Affairs Report

Mr. Josh Liss presented the Corporate Affairs report.

A startup called 1366 Technologies has developed a manufacturing process that they believe is going to enable them to produce the silicon wafers that go in solar panels for less than half the cost of normal production. They are building a large plant in rural upstate New York and plan to begin production by the end of 2017.

Senator Ellen Roberts has announced that she will resign effective at the end of the year. She is the Senate Pro Tem and she holds important committee seats she chairs a few committees. The Republicans will convene a vacancy committee toward the end of the year and appoint her replacement.

The Colorado Department of Public Health and Environment (CDPHE) is awaiting funds from the Volkswagen settlement. Volkswagen had automobiles that were marketed as clean diesel but the engines cheated the emissions testing process, and they are now in a large lawsuit. Part of the settlement of the lawsuit allocates money to states for environmental mitigation purposes. So far there is very little guidance on how the states are to spend that money. It is unclear at this time how much the State of Colorado will be allocated and what it can spend the money on. A stakeholder meeting is scheduled for November 7, which we plan to attend to see what CDPHE plans to use the money for.

Mr. Liss reviewed social media data for September.

Legal Report

Ms. Amy Watson presented the legal report.

The City of Boulder has an executive session planned for Boulder City Council on November 9. They appear to be moving forward with an annexation relevant to the proposed City utility. There is some opposition, primarily from marijuana distributors in the territory that Boulder would like to annex. The regulations for selling marijuana are very strict within the City of Boulder and if they are annexed in, they are saying they will be out of business. In the meantime, the PUC has not held a hearing yet for the City's amended application.

Anadarko Petroleum Corp. and United Power, Inc. have reached a settlement on the rate dispute. The settlement has not been publically disclosed yet; they are supposed to report it to the PUC sometime soon.

The *Bamforth v. Nevada Energy* case has been closed.

Oral argument regarding the *SolarCity Corp. v. Salt River Project* case is scheduled for November 18 in the 9th Circuit Court of Appeals.

The *DMEA v. City of Delta* case has been closed. DMEA decided not to appeal the decision.

Chief Executive Officer's Report

Mr. Patrick Mooney presented the CEO's Report.

Mr. Mooney briefly reviewed items in the industry report.

Mr. Mooney noted that Watt Bars Unit 2 nuclear reactor became the first nuclear power plant to enter commercial operation in this country in more than 20 years.

An RFP was sent out to several balloting companies for the 2017 Board of Directors election. Survey and Ballot Systems was the lowest cost respondent and is well-qualified. SBS handles elections for several other Colorado Corporations. Mr. Mooney advised the Board that he intends to contract with Survey and Ballot Systems to handle the 2017 election.

A proposed 2017 calendar that was presented to the board. The calendar will on the December 6, 2016 agenda for approval.

There will be an increase of about 5.8% to the Association's health and dental insurance costs for 2017. Mr. Hacker and our consultants have negotiated costs and revised the individual stop-loss coverage to hold the extent of the increase down.

Mr. Mooney discussed proposed PURPA projects from outside individuals or companies that have approached us.

We have been in touch with juwi and Duke Energy, which is acquiring the Victory Solar project, about whether they would like to participate in a christening event. They stated that they would like to do that in mid-December or next year.

Action Items

The next item was approval of the consent agenda. Upon motion by Mr. Graf, seconded by Mr. Dozier, the Board of Directors unanimously approved the consent agenda, including refund of deceased consumer patronage capital in the amount of \$74,243.51 and write-offs in the amount of \$40,978.

Proposed Resolution BR16-32

Mr. Mooney proposed a resolution approving converting a portion of the Association's current CFC line of credit to an "as-offered" line of credit that carries a reduced interest rate. Upon motion by Mr. Graf and seconded by Mr. Shea, the Board of directors unanimously adopted the following resolution:

BOARD RESOLUTION BR16-32

WHEREAS, the Intermountain Rural Electric Association ("Cooperative") has previously established a line of credit with National Rural Utilities Cooperative Finance Corporation ("CFC") under the terms of a Perpetual Line of Credit Agreement (the "5102 Agreement") in an aggregate amount which shall not at any one time exceed Thirty Million and 00/100 Dollars (\$30,000,000.00) (the "5102 Facility"); and

WHEREAS, the Cooperative wishes to replace a portion of the 5102 Facility with a new \$20,000,000.00 line of credit from CFC; and

WHEREAS, as a condition of extending the new line of credit, CFC has required that the Cooperative decrease the amount of the 5102 Facility by an equivalent amount;

NOW THEREFORE BE IT RESOLVED, that the Cooperative establish a line of credit and authorize borrowing from CFC in an amount which shall not at any one time exceed \$20,000,000.00 (the "5104 Line of Credit Amount"), subject to the provisions of the Line of Credit Agreement substantially in the form submitted to this meeting (the "5104 Line of Credit Agreement"); and

BE IT RESOLVED, that the Cooperative execute an amendment to the 5102 Agreement to reduce the amount thereof to an amount which shall not at any one time exceed \$10,000,000.00 (the "5102 Line of Credit Amount"), subject to the provisions of the Amendment substantially in the form submitted to this meeting (the "Amendment"); and

RESOLVED, that the individuals listed below are hereby authorized to execute and to deliver to CFC the following documents:

- a) the 5104 Line of Credit Agreement; and
- b) the Amendment.

RESOLVED, that each of the following individuals is hereby authorized in the name and on behalf of the Cooperative to execute and to deliver all such other documents and instruments as may be necessary or appropriate, to make all payments, to execute any future amendments to said 5102 Line of Credit Agreement or said 5104 Line of Credit Agreement as such individual may deem appropriate within the respective 5102 Line of Credit Amount and the 5104 Line of Credit Amount so authorized and to do all such other acts as in the opinion of such authorized individual acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions:

<u>Office or Title</u>	<u>Name (typed or printed)</u>
<u>Chief Executive Officer</u>	<u>Patrick B. Mooney</u>
<u>Chief Financial Officer</u>	<u>Dierdre P. Jones</u>

Proposed 2017 IBEW Local No. 111 Contract

Mr. Mooney noted that the union ratified the 2017 Collective Bargaining Agreement. He proposed that the agreement reached between the Association and IBEW Local 111 be approved as presented in the CEO Report and that the CEO be authorized to execute the 2017 Collective Bargaining Agreement between the Association and IBEW Local 111. Upon motion by Mr. Sperry, and seconded by Mr. Dozier, the Board of Directors unanimously approved the proposed 2017 IBEW Local No. 111 Contract; Board Document BD16-13, as presented.

Mr. Mooney noted that he would like to thank Pam Feuerstein, Gerry Hacker, Alex Mendez and Martin Semple for their involvement in the negotiation process.

Mr. White declared a ten-minute break.

2017 Budget Review

Ms. Dede Jones reviewed her memo and presentation to the Board regarding the 2017 proposed operating and departmental capital budgets, and Ms. Pam Feuerstein reviewed her memo and presentation to the Board regarding the 2017 proposed Construction budget. Mr. Graf, Mr. Shea, Mr. White and Mr. Dozier requested and received information regarding various proposed budget items.

Mr. Mooney noted that the 2017 Budget will be on the agenda for approval at the December 6 Board meeting.

Executive Session

Mr. White called for an executive session for the purpose of discussing Comanche Unit 3, confidential business matters, and personnel. 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 December 6, 2016.

President

Secretary-Treasurer