

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., October 11, 2016.

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

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. Anest, the Board of Directors unanimously approved the minutes of the September 6, 2016, regular meeting.

CREA Report

There was no CREA report as CREA did not meet last month.

Finance Report

Ms. Dede Jones presented the finance report.

The August margin was almost \$4.2 million, which is nearly \$3.4 million over budget. Power costs were \$2,573,527 under budget due to PSCo true-ups and FERC settlement credits. Operating costs were under budget as budgeted tree trimming and training costs have not been spent at the rate budgeted. Interest on long-term debt was about \$137,000 under budget.

The year to date margin was nearly \$22 million, which is \$11.8 million over budget. Sales revenue was \$4.3 million over budget. Power costs are \$2,838,878 under budget due to true-ups and settlement credits. Operating costs are under budget, as we have not yet incurred expected costs for tree trimming, training, legal, and consulting.

Operations and Engineering Report

Ms. Pam Feuerstein presented the Operations and Engineering report.

In August Comanche Unit 3 had an availability factor of 100% and a capacity factor of 89.53%.

Demand for August 2016 was 536 MW, up from August 2015. kWh sales were down slightly from last year.

For the month of August, there were 281 new applications, 142 new services completed, and 152,885 services in place. There were 2,105 services in construction, and 2,473 services in design or under contract.

There was one auto claim and one general liability notice claim in August.

There were a few outages in August due to lightning, with the largest being on August 19 that tripped Xcel's 115kV line to Conifer resulting in an outage affecting 13,762 consumers for 1.22 hours.

In August, IREA received 18 new applications for small generation interconnection. To date, IREA has 1,333 solar interconnections, 1,323 of which are net metering customers.

Consumer Services Report

Ms. Mandi Leshar presented the Consumer Services report.

The number of disconnect notices in August decreased from last year. The number of calls for the month of August increased 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 2,943 consumer electronic contacts in August, which is up from July, with the majority being eBilling requests. The number of customers enrolled in eBilling continues to increase, to 50,524 as of August, and eDisconnect notices increased from July.

As of September 30, we are no longer using Integral as our collection agency. We have had initial meetings with our new group, Virtuoso Sourcing Group out of the Cherry Creek area. They will be collecting for us as our primary agency.

The eBill survey results show that some customers like receiving their bill electronically attached via an email while others would like to view their bill on a website, however, there was not a majority either way. Currently we send eBills through an attachment to an email, but customers have the ability to log in to Customer Self Service (CSS) on the IREA website at any time to view their most recent bill. Notifications alerting customers that their bills are ready are not available at this time.

We are working on having notifications added to CSS with the Cayenta upgrade so we can offer two ways to access bills with notifications. Paying the bill via the website will incur a fee due to Visa regulations. That is one reason why we have stayed with eBilling, customers can easily access it, they do not have to remember a username and password or go to a different website and if they choose to pay from within the eBill, it is free. There are, however, some technical issues with eBill. The biggest one is compatibility with third parties, such as Adobe or the customer's email provider. We have no control over any third party updates that may occur. We are looking at solutions to help minimize this issue. We are also looking into the ability to send customer bills to their bank's website where they can view it and pay it via eBank billing.

Corporate Affairs Report

Mr. Josh Liss presented the Corporate Affairs report.

The Murkowski energy bill is in Conference Committee. Since this report was written, a group of eight Republican senators wrote to the Conference Committee stating that continuation of the Land and Water Conservancy Fund is a top priority for them to sign on to the energy bill and to the Conference Committee report.

FERC released its Energy Infrastructure update. New natural gas generation is up 140% from the same time period last year, solar generation has increased 142%, and new wind production is down 21%. Overall natural gas is 43% of total capacity, coal 25%, nuclear just over 9%, hydro 8.5%, wind 6.5%, and solar 1.5%.

Tri-State announced their plan to retire two plants and one mine as part of their negotiated agreement between several groups, one being the Colorado Department of Public Health and Environment; Nucla Generation Station by 2022, Craig Station Unit 1 by 2025, and New Horizon Mine, which supplies the Nucla Plant, will go when Nucla goes out of service. Tri-State is taking a large hit closing these plants, but with the increased NOx emission restrictions, Tri-State felt this was their best course of action rather than investing in expensive retrofits for those plants.

The Colorado Department of Revenue gathered together a group of utility stakeholders to discuss the impact of House Bill 1457, the bill exempting residential electricity usage from state sales tax, and whether any changes needed to be made in the DOR rules.

Legal Report

Ms. Amy Watson presented the legal report.

The U.S. Court of Appeals held oral argument in the Clean Power Plan (CPP) litigation on September 27. The argument focused on the economic and political significance of the rule. The parties argued about the applicability of the Paris Climate Agreement, whether the electric grid was a “source” under the Clean Air Act, the feasibility of generation shifting from fossil fuel plants to renewable sources, and other legal issues concerning the EPA’s authority. The Court of Appeals decision will be appealed to the Supreme Court regardless of the outcome.

Last week the Court of Appeals overturned a case from 2015 between PSCo and the City of Boulder where PSCo sued the City. PSCo argued that the City of Boulder did not have authority under the City Charter to create an electric utility because they had not met the requirements that were established in the Charter by vote. The lawsuit was dismissed as untimely, based on Boulder’s contention that PSCo should have appealed an ordinance finding that the Charter conditions had been met, rather than a subsequent ordinance establishing the utility. PSCo appealed and the Court of Appeals held that the appeal was timely and, in a twist, that the second ordinance did not in fact create a utility because the ordinance directed that new findings be made. The Court remanded the case back to District Court.

In the meantime, the City of Boulder has filed its amended PUC application for approval of the condemnation. Boulder now is asking to condemn PSCo assets located only within the city and is not seeking to condemn any transmission. Boulder has stated that it is pursuing talks with PSCo to try to settle this matter.

It has been reported that the PUC has approved PSCo’s 600 MW Rush Creek Wind project.

PSCo filed an application for approval of its Electric Integrated Resource Plan (ERP) with the PUC. IREA has intervened and is in the discovery process, gathering information from PSCo regarding the ERP. A hearing is scheduled in February 2017. IREA will follow this and be engaged in anticipation if any of PSCo’s plans or expectations will affect our rates.

United Power, Inc. responded to Anadarko Petroleum Corp.’s complaint filed with the PUC. Anadarko alleges that they were entitled to a rate that had a lower use charge and higher demand charge that would have saved them about \$5.8 million at their six facilities. United Power denied the allegations and stated that Anadarko was never guaranteed to have that rate.

The 9th Circuit Court of Appeals granted the Salt River Project's motion to stay in the district court pending the decision on the appeal.

Mr. White declared a ten-minute break.

Chief Executive Officer's Report

Mr. Patrick Mooney presented the CEO's Report.

Mr. Mooney briefly reviewed items in the industry report.

The Nevada PUC approved 32,000 rooftop solar customers to be grandfathered in under the original rates.

Mr. Mooney discussed storage projects that have been approved in California.

Mr. Mooney proposed to the Board to change the 2017 regular Board meeting dates from the first Tuesday of each month to the third Thursday of each month, with the exception of the month of June, which would be the fourth Thursday. This schedule will allow the finance department to provide the Board with the prior month's financials for review at each meeting. There are no conflicts with other events that would affect Board meetings on the third Thursday. He noted that no Board action was required at this time however; a decision would need to be made at the December Board meeting.

We are negotiating a contract with the architects regarding renovation of the west wing building of the IREA headquarters.

We are working on a budget for acquiring approximately five acres for a substation site just east of the hospital in Castle Rock.

Mr. Mooney discussed credits received for 2015 true-ups and for 2014 and 2015 FERC settlement amounts.

Mr. Mooney discussed a low-income solar project proposal to assess Board interest in proceeding. He did not recommend participation and the Board did not express interest in doing so.

Mr. Mooney advised that he and Ms. Jones were considering changing the fiscal year to a calendar year. Discussion ensued, with the consensus being that a change should be made.

Action Items

The next item was approval of the consent agenda. Upon motion by Mr. Shea, seconded by Mr. Dozier, the Board of Directors unanimously approved the consent agenda, including refund of deceased consumer patronage capital in the amount of \$38,303.33 and write-offs in the amount of \$54,118.

Proposed Resolution BR16-28

Mr. Mooney proposed a resolution approving the annual renewal of the Association's line of credit with CoBank. Mr. Kempe requested and received information regarding rates. Following discussion, and upon motion by Mr. Shea and seconded by Mr. Dozier, the Board of directors unanimously adopted the following resolution:

BOARD RESOLUTION BR16-28

Whereas, Intermountain Rural Electric Association ("the Association") previously established a line of credit and borrowed funds from CoBank, ACB; and

Whereas, the Chief Executive Officer and Chief Financial Officer of the Association recommend that the Association renew its line of credit with CoBank, ACB in the amount of thirty million dollars (\$30,000,000); 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 hereby authorizes the Association to renew its revolving credit facility establishing a line of credit with CoBank, ACB in an amount that shall not at any one time exceed thirty million dollars (\$30,000,000). The Board President is hereby authorized to execute The Second Amended and Restated Promissory Note and Supplement with CoBank, Board Document BD16-9, ACB to renew the Association's revolving credit facility as set forth herein.

Proposed Resolution BR16-29

Mr. Mooney proposed a resolution approving amendment of the Bylaws to allow the Association to benefit from a change in state law regarding use of a third party to handle electric cooperative director elections and making several other changes for organizational and clarification purposes. Mr. Kempe, Mr. Graf, Mr. Shea, and Mr. Anest requested and received clarification regarding the proposed changes. Upon motion by Mr. Graf, seconded by Mr. Anest, the Board of directors unanimously adopted the following resolution:

BOARD RESOLUTION BR16-29

Whereas, the Board of Directors of the Intermountain Rural Electric Association (“the Association”) has been presented with proposed amendments to the Association’s Bylaws (Board Document BD16-10); and

Whereas, it is proposed that the Association’s Bylaws be amended to clarify the terms and conditions of membership in the Association; revise the provision for director elections to allow the Association to contract with an independent party for the storage and counting of ballots; provide for regular meetings of the Board at such time and place as may be designated by the Board; eliminate or revise confusing, obsolete, or redundant language; and improve the format of the Bylaws; and

Whereas, the amendments to the Bylaws are effective when adopted by the affirmative vote of a majority of the Board (four of the seven directors) according to Article XI of the Bylaws, and notice shall be given to the members within a reasonable time after such adoption; and

Whereas, the Board of Directors finds that the amendments set forth in Board Document BD16-10 are in the best interest of the Association and its members;

Now, therefore, be it resolved that the Board of Directors hereby adopts the amended Bylaws as presented in Board Document BD16-10, and directs that the amended Bylaws be posted on the Association’s website in redlined and final format and written notice of the amended Bylaws be sent to each member of the Association by mail or electronically, which notice shall summarize the substantive amendments and advise members that the Bylaws as amended are available on the Association’s website and at its principal and district offices.

Proposed Resolution BR16-30

Mr. Mooney proposed a resolution authorizing renewal of our wheeling agreement with the Denver Water Board from Denver Water hydroelectric facility at the Foothills Wastewater Treatment Plant. Upon motion by Mr. Graf, seconded by Mr. Kempe, the Board of directors unanimously adopted the following resolution:

BOARD RESOLUTION BR16-30

Whereas, the City and County of Denver acting by and through its Board of Water Commissioners (“the Denver Water Board”) sells electrical power to Public Service Company of Colorado (“PSCo”) which power is generated by

the Foothills Water Treatment Plant Hydroelectric Generator Unit Number 1("the Foothills Plant"); and

Whereas, the Foothills Plant is located within the Intermountain Rural Electric Association service territory and the Association wheels such power to PSCo on the Association's transmission systems; and

Whereas, the agreement between the Association and the Denver Water Board pursuant to which the Association has wheeled such power has expired; and

Whereas, the Association and the Denver Water Board have negotiated a successor agreement which has been presented to the Association's Board of Directors as Board Document BD16-11, which agreement the Board of Directors finds is in the best interest of the Association and its members;

Now, therefore, be it resolved that the transmission wheeling agreement between the Association and the Denver Water Board for the transmission of electrical power generated by the Foothills Plant, Board Document BD16-11, is hereby approved as presented, and the Association's Chief Executive Officer is authorized to execute such agreement on behalf of the Association.

Proposed Resolution BR16-31

Mr. Mooney proposed a resolution authorizing renewal of our wheeling agreement with the Denver Water Board from Denver Water hydroelectric facility at the Roberts Tunnel Plant. Upon motion by Mr. Shea, seconded by Mr. Anest, the Board of directors unanimously adopted the following resolution:

BOARD RESOLUTION BR16-31

Whereas, the City and County of Denver acting by and through its Board of Water Commissioners ("the Denver Water Board") sells electrical power to Public Service Company of Colorado ("PSCo"), which power is generated by the Roberts Tunnel Hydroelectric Generation Plant ("the Roberts Tunnel Plant"); and

Whereas, the Roberts Tunnel Plant is located within the Intermountain Rural Electric Association service territory and the Association wheels such power to PSCo on the Association's transmission system; and

Whereas, the agreement between the Association and the Denver Water Board pursuant to which the Association has wheeled such power has expired; and

Whereas, the Association and the Denver Water Board have negotiated a successor agreement which has been presented to the Association's Board of Directors as Board Document BD16-12, which agreement the Board of Directors finds is in the best interest of the Association and its members;

Now, therefore, be it resolved that the transmission wheeling agreement between the Association and the Denver Water Board for the transmission of electrical power generated by the Roberts Tunnel Plant, Board Document BD16-12, is hereby approved as presented, and the Association's Chief Executive Officer is authorized to execute such agreement on behalf of the Association.

OMS Presentation

Mr. Andy Minter, Transmission Operations Manager, gave a presentation to the Board that explained the function and capabilities of the new Outage Management System. Discussion ensued.

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. Graf, seconded by Mr. Kempe 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 November 1, 2016.

President

Secretary-Treasurer