

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., September 6, 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.

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 August 2, 2016, regular meeting.

CREA Report

Mr. Tim White presented the CREA report.

CREA met on August 25. Mr. Kent Singer reported on NRECA and CREA resolutions and processes. NRECA has a new political funding account called PACE (Political Advocacy Communication & Education). Through this program, NRECA offered to support Congressmen Tipton and Coffman with materials that PACE paid for. Other topics of discussion were the Delta-Montrose territorial dispute and the Rush Creek project. The Legislative and Tax Committee reported that eleven cooperatives contributed approximately \$80,000 to the 527 PAC in 2016. Under ballot initiatives, action was taken and a motion passed to endorse the Raise the Bar initiative. This initiative requires that 2% of signatures for a constitutional initiative to be gathered from the registered electorate in all 35 state senate districts.

Finance Report

Ms. Dede Jones presented the finance report.

The July margin was \$2,539,566, which is \$1,676,146 over budget. Electric revenue net of unbilled revenue was over budget by \$1,442,000. Power costs were over budget by \$562,000, due to higher than expected demand. Operating costs are under budget as budgeted tree trimming and training costs have not been spent at the rate budgeted.

Year to date margin is \$17,808,885, which is \$8,420,573 over budget. Sales revenue is \$4,447,000 over budget. Operating costs are under budget, as we have not yet incurred expected costs for tree trimming, training, legal, consulting, and computer equipment.

Operations and Engineering Report

Ms. Pam Feuerstein presented the Operations and Engineering report.

In July Comanche Unit 3 had an availability factor of 100% and a capacity factor of 95.29%.

Demand for July 2016 was 570 MW, up from July 2015. kWh sales are up from last year.

For the month of July, there were 197 new applications, 233 new services completed, and 152,743 services in place. There were 1,949 services in construction, and 2,236 services in design.

There were two medical claims in July with one being OSHA recordable.

In early July a cable failed in the Parker area affecting 1,455 customers for 1.58 hours. A lightning strike blew a fuse at the mobile substation currently set at the Strasburg Transmission substation affecting about 1,800 customers for an hour.

In July, IREA received eight new applications for small generation interconnection. To date, IREA has 1,329 solar interconnections, 1,320 of which are net meters.

Consumer Services Report

Ms. Mandi Leshar presented the Consumer Services report.

The number of disconnect notices in July decreased from last year. The number of calls for the month of July decreased from the previous month. The abandon rate went down, as did the average speed to answer, which resulted in reaching the service level goal.

There were 2,285 consumer electronic contacts in July, which is up from June, with the majority being CSR emails. The number of customers enrolled in eBilling continues to increase, 49,661 as of July, and eDisconnect notices decreased from June.

We did not receive output on the bill redesign from Billtrust as was anticipated and we are still waiting to review that information. Pending no major issues, we may still be able to go-live as scheduled for October 27.

We met on site with the contractor working on the IVR enhancement project regarding requirements gathering, and we hope to sign off on it this week to obtain a more solidified timeline, which depends upon the scope of work.

The testing for the Western Union Phase II upgrade will begin on September 15 and should take us approximately six weeks.

Corporate Affairs Report

Mr. Josh Liss presented the Corporate Affairs report.

Congress is back in session as of today and they will continue action on the Murkowski energy bill.

Wyoming is considering increasing its wind tax.

Governor Hickenlooper is considering an executive order that would mandate state government agencies to work towards a 25% reduction in carbon dioxide emissions by 2025 and 35% by 2030.

Mr. Liss reviewed the ballot initiatives for the November election.

Legal Report

Ms. Amy Watson presented the legal report.

The Town of Parker has finished quite a bit of the construction on the Chambers Road pedestrian bridge and sidewalk. We do have facilities in the area and it does encumber some of our area where we maintain those facilities. We are working on an agreement with the Town and we are fairly certain that we will be able to move forward. The Town understands where our facilities are and they are going to make sure we will be able to maintain our facilities.

The City of Boulder is looking at a new initiative to be 100% renewable electricity by 2030. This is a new benchmark and they will be the 17th city in the nation to have this goal. It has not passed yet but it seems to be the direction they are headed. The City of Boulder is looking at annexing an area into the city and they added \$3 million to their budget for the task force to create an electric utility. The rumored Boulder/Xcel settlement agreement apparently has failed.

The PSCo Solar*Connect Rate Design and Renewable Energy Compliance Plan were combined into one docket. Xcel reached a non-unanimous agreement with renewable energy companies and other intervening businesses on how this was going to be handled. The primary result that came out from this is that there will not be a grid

charge as was proposed by Xcel.

Ms. Watson reviewed the *Zero Zone, Inc. v. U.S. Department of Energy* case, where the 7th Circuit Court has approved the use of a social cost of carbon when the Department of Energy considers the economic costs and benefits of a regulation.

Chief Executive Officer's Report

Mr. Patrick Mooney presented the CEO's Report.

Mr. Mooney discussed California's potential limiting of natural gas generation.

PSCo filed a request with the Colorado PUC to upgrade its metering, communications, and distribution automation system. We are interested in this as we are also looking at making changes ourselves.

Mr. Mooney updated the Board on the Victory Solar project. It is on schedule and we should be ready to power it and take power by the end of this month, although juwi's work has not yet progressed to that point.

We are still waiting on permitting for the Badger Mountain site. There is a small window for construction to start and if we do not have permitting by the middle of the month, the project will be postponed to next year.

Mr. Mooney discussed the settlement with the East Cherry Creek Valley Water and Sanitation District regarding damage done by an IREA contractor to a wastewater pipe.

We met with Verizon representatives regarding small cell facilities they would like to install on IREA poles and streetlights. We will review infrastructure data that Verizon has provided which will help develop a rate.

Mr. Mooney updated the Board on the status of the renewable energy developers interested in potential projects with IREA.

Mr. Mooney noted that consumer service representatives routinely refer customers who need help with paying their electric bill to various organizations. Mr. Mooney noted that he plans to increase his donations to support local organizations that financially assist customers with their IREA bill. Mr. Mooney discussed the possibility of earmarking a portion of the disconnect fees that are collected to be donated towards some of these organizations. Budget planning for 2017 will be reviewed soon, so now would be the time to decide. Discussion on this subject ensued.

Mr. White declared a ten-minute break.

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 \$45,188.28 and write-offs in the amount of \$35,170.

Approval of 2017 Annual Meeting Date and Location

The next item was approval of the 2017 Intermountain Rural Electric Association Annual Meeting date and location. Upon motion by Mr. Graf, seconded by Mr. Anest, the Board unanimously approved that the 2017 Intermountain Rural Electric Association Annual Meeting be held on Saturday, April 29, 2017, registration and voting to begin at 9:00 am and the meeting to begin at 10:00 am, at the Intermountain Rural Electric Association headquarters, 5496 N. U.S. Highway 85, Sedalia, Colorado.

Proposed Resolution BR16-25

Mr. Mooney proposed a resolution approving a contract for professional services related to the Kiowa Brick Center Transmission Project. Mr. Kempe and Mr. Shea requested and received information regarding the project. Following discussion, and upon motion by Mr. Graf and seconded by Mr. Sperry, six of seven Directors present voted to approve the following resolution:

BOARD RESOLUTION BR16-25

Whereas, the Intermountain Rural Electric Association (“the Association”) is planning to build a new 115 kV transmission line approximately 14 miles in length to connect the Brick Center Substation in Arapahoe County to the Kiowa Substation in Elbert County with a completion date in late 2019 (“the Project”); and

Whereas, the Association requires assistance with transmission line routing, substation siting, public outreach, obtaining easements, permitting, engineering, and other ancillary services required to develop the Project (“the Services”); and

Whereas, the Association issued a request for proposal for the Services on June 24, 2016, to Black & Veatch Corporation, HDR Engineering, Inc., Power Engineers, Inc., Stanley Consultants, Inc., and Ulteig Engineers, Inc.,

and the Association received proposals from all five firms on July 29, 2016;
and

Whereas, the Association's staff evaluated the proposals for technical merit, project approach, and cost and determined that Power Engineers, Inc. submitted the proposal demonstrating the most recent and relevant experience with other transmission line projects in Elbert and Arapahoe Counties with the best project approach at a competitive cost; and

Whereas, the Chief Executive Officer, Assistant General Manager of Operations and Engineering, and the Engineering Manager have evaluated the proposals and recommend awarding a professional services agreement to Power Engineers, Inc. for the Services on a time and material basis not to exceed one million, four hundred ninety-nine thousand, five hundred thirty-four dollars, and no cents (\$1,499,534.00); 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 Chief Executive Officer to execute a professional services agreement to Power Engineers, Inc. for the Services on a time and material basis not-to-exceed one million, four hundred ninety-nine thousand, five hundred thirty-four dollars, and no cents (\$1,499,534.00), which agreement shall be terminable by the Association upon notice and payment for services rendered to the time of termination.

Mr. Bruff Shea voted against the resolution.

Proposed Resolution BR16-26

Mr. Mooney proposed a resolution authorizing the Chief Executive Officer and the Chief Financial Officer to engage with banking transactions with CoBank. Mr. Kempe requested and received clarification regarding the proposed changes. Upon motion by Mr. Shea, seconded by Mr. Dozier, the Board of directors unanimously adopted the following resolution:

WHEREAS, the above named borrower (the "Company"), under its articles of incorporation, bylaws, or other organizational documents has full power and authority to borrow money and to secure the same with its own property and property delivered to it for marketing or otherwise; and

WHEREAS, all prerequisite acts and proceedings preliminary to the adoption of this Resolution have been taken and done in due and proper form, time and manner;

NOW, THEREFORE, BE IT RESOLVED, that each of the following officers or positions (line out any not to be authorized under this Resolution) Chief Executive Officer and Chief Financial Officer ("Officers") of the Company are jointly and severally authorized and empowered to obtain for and on behalf of the Company from time to time, from CoBank, ACB ("CoBank"), a loan or loans or other financial accommodations (including, without limitation, letters of credit, note purchase agreements and bankers acceptances) (collectively, a "Loan") under this Resolution; and for such purposes: (1) to execute such application or applications (including exhibits, amendments and/or supplements thereto) as may be required for all borrowings; (2) to obligate the Company to pay such rate or rates of interest as the Officers so acting shall deem proper, and in connection therewith to purchase such interest rate risk management products as may be offered from time to time by CoBank; (3) to obligate the Company to such other terms and conditions as the Officers so acting shall deem proper; (4) to obligate the Company to make such investments in CoBank as required by CoBank; (5) to execute and deliver to CoBank or its nominee all such written loan agreements, documents and instruments as may be required by CoBank in regard to or as evidence of any Loan made pursuant to the terms of this Resolution; (6) to pledge, grant a security interest or lien in, or assign property of the Company or property of others on which it is entitled to borrow, of any kind and in any amount as security for any or all obligations (past, present and/or future) of the Company to CoBank; (7) from time to time extend, amend, renew or refinance any such Loan; (8) to reborrow from time to time, subject to the provisions of this Resolution, all or any part of the amounts repaid to CoBank on any Loan made pursuant hereto (whether for the same or a different purpose); (9) to execute and deliver to CoBank an Electronic Commerce Master Service Agreement, a separate Service Agreement for each different service requested by the Company, and such other agreements, addenda, documents or instruments as may be required by CoBank in the event that the Company elects to use CoBank's electronic banking system (the "System"); (10) to execute and deliver to CoBank any agreements, addenda, authorization forms and other documents or instruments as may be required by CoBank in the event that the Company elects to use any services or products related to the Loan that are offered by CoBank now or in the future, including without limitation an automated clearing house (ACH) service; (11) to direct and delegate to designated employees of the Company the authority to direct, by written or telephonic instructions or electronically, if the Company has agreed to use the System for such purpose, the disposition of the proceeds of any Loan

authorized herein or any property of the Company at any time held by CoBank; and (12) to delegate to designated employees of the Company the authority to request by telephonic or written means or electronically, if the Company has agreed to use the System for such purpose, loan advances and/or other financial accommodations, and in connection therewith, to fix rates and agree to pay fees. In the absence of any direction or delegation authorized in (11) or (12) above, all existing directions and/or delegations shall remain in full force and effect and shall be applicable to any Loan authorized herein.

RESOLVED FURTHER, That each of the Officers are hereby jointly and severally authorized to: (1) establish a Cash Investment Services Account at CoBank; (2) make such investments therein as any Officer shall deem proper; (3) direct by written or telephonic instructions or electronically, if the Company has agreed to use the System for such purposes, the disposition of the proceeds therein; (4) delegate to designated employees of the Company the authority set forth in (2) and (3) above; and (5) execute and deliver all documents and agreements necessary to carry out this authority.

RESOLVED FURTHER, That each of the Officers are hereby jointly and severally authorized and directed to do and/or cause to be done, from time to time, all things which may be necessary and/or proper for the carrying out of the terms of these Resolutions.

RESOLVED FURTHER, That all prior acts by the Officers or other employees or agents of the Company to accomplish the purposes of these Resolutions are hereby approved and ratified.

RESOLVED FURTHER, That any Officer of the Company is hereby authorized and directed to cast the ballot of the Company in any and all proceedings in which the Company is entitled to vote for the selection of a member of CoBank's board of directors or for any other purpose.

RESOLVED FURTHER, That these Resolutions shall remain in full force and effect until a certified copy of a duly adopted resolution effecting a revocation or amendment, as the case may be, shall have been received by CoBank. The authority hereby granted shall apply with equal force and effect to the successors in office of the Officers herein named.

RESOLVED FURTHER, That effective on the date when the Loan under these Resolutions becomes available, the following listed Resolutions are hereby revoked:

ALL PRIOR RESOLUTIONS

No such revocation shall affect the validity of any action or actions made or taken in reliance on such resolution(s) prior to the effective date of revocation.

RESOLVED FURTHER, That the Secretary or any Assistant Secretary of the Company is hereby authorized and directed to certify to CoBank a copy of these Resolutions, the names and specimen signatures of the present Officers above referred to, and if and when any change is made in the personnel of any said Officers, the fact of such change and the name and specimen signatures of the new Officers. CoBank shall be entitled to rely on any such certification until a new certification is actually received by CoBank.

Proposed Resolution BR16-27

Mr. Mooney proposed a resolution authorizing an additional \$150,000 for retirement of deceased consumer capital, as retirements have exceeded expectations this year. Upon motion by Mr. Graf, seconded by Mr. Anest, the Board of directors unanimously adopted the following resolution:

BOARD RESOLUTION BR16-27

Whereas, the Intermountain Rural Electric Association (Association) retires patronage capital credits allocated to deceased patrons of the Association upon written request from the patron's estate as provided in the Association's bylaws; and

Whereas, in February 2016, the Association retired \$13,600,000 of patronage capital, which included a set aside of \$550,000 for the purpose of retiring patronage capital credits allocated to deceased patrons throughout the 2016 fiscal year (see Board Resolution BR16-4); and

Whereas, the substantial retirement of patronage capital resulted in an increase of requests from patron estates for the full retirement of deceased patrons' allocated patronage capital; and

Whereas, the Chief Executive Officer and Chief Financial Officer have advised the Board of Directors that at the current rate of retirements the \$550,000 set aside will not be sufficient to retire deceased capital patronage for the remainder of the 2016 fiscal year and an additional \$150,000 allocation is recommended to meet the anticipated requests for the retirement of deceased patronage capital; and

Whereas, the Board of Directors determines that an additional allocation of \$150,000 is appropriate for the retirement of deceased patronage capital until the Association's next retirement of patronage capital and that the financial condition of the Association permits approval of an additional allocation in that amount for deceased patronage capital retirement;

Now, therefore, be it resolved that the Board of Directors hereby authorizes \$150,000 to be allocated for deceased patronage capital retirement, to be retired and paid out to patron estates upon receipt of proper notice to the Association.

Proposed Rush Creek Project

Mr. Mooney recommended two motions, one declining IREA participation in the Rush Creek Project, and the other supporting the Rush Creek Project before the Colorado PUC. Mr. Mooney referred to the report and analysis provided to the Board regarding the project. Because IREA has no federal tax liability and Xcel can take advantage of the production tax credit it would be financially disadvantageous for IREA to participate in the project rather than buy power from the project from Xcel under the wholesale power contract. Mr. Kempe requested and received information regarding the project. After discussion and upon motion by Mr. Graf, seconded by Mr. Dozier and carried unanimously, the Board of Directors declined IREA participation in the Rush Creek Project. Mr. Mooney recommended that IREA support the project in PUC proceedings and explained his rationale. Upon motion by Mr. Kempe, seconded by Mr. Shea and carried unanimously, the Board of Directors approved IREA support of the Rush Creek Project.

Executive Session

Mr. White called for an executive session for the purpose of discussing Comanche Unit 3, personnel, and confidential business. Upon motion by Mr. Shea, seconded by Mr. Dozier 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 October 11, 2016.

President

Secretary-Treasurer