

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., July 26, 2018.

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

Mr. Graf noted one grammatical error. Upon motion by Mr. Anest, seconded by Mr. Dozier, the Board of Directors unanimously approved the minutes of the June 21, 2018, regular meeting, corrected as noted.

Audit Committee Report

Mr. Bob 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 Bruff Shea. Also present were Patrick Mooney, Chief Executive Officer, Dede Jones, Chief Financial Officer, and Amy Watson, Association legal counsel. Mr. Graf requested that the quarterly compliance memorandum to the Board prepared by the Association's CFO, Ms. Jones, be incorporated into the minutes of the meeting. The items discussed consisted of an error detected in statistical reporting for miles of line, an update of the Castle Rock sales tax audit issue, which will be further addressed to the Board in executive session, an update on a fraudulent check claim, and variable interest rate debt adjustment. Discussion ensued.

CREA Report

Mr. Pat Mooney presented the CREA report in Tim White's absence.

Mr. Mooney stated that Mr. White participated in the June teleconference CREA meeting and that he would note items from the June minutes. Items discussed included the Commitment to Zero program, CREA's communication plan survey, and CREA's Innovations Summit set for the week of October 29.

Finance Report

Ms. Dede Jones presented the Finance report.

The June margin was just under \$1.2 million, which is about \$850,000 below budget. Contributing factors during the month of June were higher than budgeted sales, lower than budgeted unbilled revenue, higher than budgeted purchased power costs driven by weather and high demand, an additional provision of \$225,000 for allowance for bad debts related to diversion accounts, and the increased depreciation of Comanche Unit 3.

Year-to-date, the margin is just under \$15.1 million, about \$1.3 million below budget. Revenue net of unbilled revenue and power costs is higher than budgeted. Distribution and maintenance expenses are under budget, mainly due to the timing of tree trimming invoices. Diversion accounts on a year-to-date basis are almost \$300,000 over budget. A&G expenses are under budget largely due to timing differences and slightly under budget consulting expenses, which will increase by the end of the year.

Ms. Jones reviewed data from Risk Management and Safety. There was one OSHA recordable injury and no vehicle incidents in the month of June. We continue to focus on safety practices in the workplace.

Operations and Engineering Report

Ms. Pam Feuerstein presented the Operations and Engineering report.

In June, Comanche Unit 3 had a plant capacity factor of 74% and IREA's effective capacity factor was 86%.

Demand for the month of June was 560 MW, up from June 2017. kWh sales were up from the previous year.

For the month of June, there were 352 new service applications, 393 new services completed, while 2,770 services were in construction and over 4,608 services were in design or under contract. The Association has 159,225 services now in place. Mr. Dozier requested that an aging report related to these categories to be discussed at another time. Mr. Mooney and Ms. Feuerstein stated that this could be done.

There were a few outages in June due to weather, contractor related incidents, vehicle crashes, animals, and fires.

Victory Solar produced 2.9 million kWh in June, with a capacity factor of 31.47%.

IREA is seeing more roof-top solar activity and received 63 new applications for small generation interconnection in June. To date, IREA has 1,757 solar interconnections, 1,741 of which are net-metering.

Ms. Feuerstein updated the Board on the AMI project.

Ms. Feuerstein reviewed the second quarter construction budget.

Consumer Services Report

Ms. Mandi Leshar presented the Consumer Services report.

Ms. Leshar reported that disconnect notices for June are down slightly from last month and down year-over-year, noting that the call center data has been extremely consistent month-over-month. The service level goal was not achieved in June due to losing two highly performing reps. While those positions are now staffed, there is still movement happening in the department.

Electronic contacts and electronic billing continue to increase, while the eDisconnect notices are going down.

Ms. Leshar updated the Board on the progress of the payment processing project.

Ms. Leshar reported that as of July 1 the stamp area of IREA's payment return envelopes will include verbiage promoting free electronic payment information.

Corporate Services Report

Mr. Gerry Hacker presented the Corporate Services report.

Mr. Hacker discussed personnel statistics for the month of June.

Mr. Hacker reviewed other Human Resources activities including employee events held in June. HR hosted an ice cream social for all IREA employees on July 10. Ms. Shiloh Sword attended the annual Society of Human Resource Management conference in June and brought back some good resources and strategies that will be implemented at IREA.

As reported last month, the GIS Connect project experienced a couple of technical issues and resource constraints. The anticipated completion date was expected to occur mid-July but the expected completion date is now August.

The Cayenta managed services project is going very well. Database tuning is complete and, we see an increase in performance across the board. Testing in the user

acceptance testing environment is almost complete. IREA testers found some bugs in the patching. Cayenta will fix the bugs and reintroduce the upgrades into the testing environment. Once the upgrades are validated, they will move into production making us current with Cayenta's latest releases.

Mr. Hacker discussed the Association's website, email activity, cybersecurity measures, and network risk assessments.

Mr. Hacker reviewed other miscellaneous items from his report.

Corporate Affairs Report

Mr. Josh Liss presented the Corporate Affairs report.

EPA Administrator Scott Pruitt resigned and is being replaced by Andrew Wheeler as the acting EPA Administrator. Wheeler is believed to be a more effective administrator and does not have the political "baggage" of Mr. Pruitt. The EPA released a replacement for the Clean Power Plan as Pruitt was resigning, which is currently under administrative review.

Supreme Court Justice Anthony Kennedy announced his retirement. President Trump named Brett Kavanaugh as his potential replacement. Kavanaugh served on the U.S. Court of Appeals for the D.C. Circuit and previously worked for Justice Kennedy and Ken Starr during their investigation of President Clinton. A confirmation hearing may possibly be scheduled in September or October.

Mr. Liss reviewed the 2018 primary elections. Discussion ensued.

Legal Report

Ms. Amy Watson presented the legal report.

As a reminder, the redistricting process is underway according to the requirement in the Association's Bylaws. The Redistricting Committee will meet at 8:30 a.m. before the next Board meeting.

The new Clean Power Plan is said to be "inside the fence" regulation. A draft is expected to be released to the public within the next three to four weeks. The EPA is aiming to have the new plan effective in 2019. At that time the EPA will formally repeal the prior Clean Power Plan, which is still stayed in the D.C. Circuit Court of Appeals.

PSCo submitted its 120-day report that included 11 proposed portfolios, but there were three main ones: the Phase I Portfolio, the Preferred Stipulation CEPP Portfolio, and an

Alternative CEPP Portfolio. Ms. Watson discussed PSCo's plans for making the portfolios cost neutral. Discussion ensued.

Chief Executive Officer's Report

Mr. Patrick Mooney presented the CEO report.

Mr. Mooney discussed a few industry items including PG&E and Southern California Edison's potential bankruptcies related to two wildfires, the current solar investment tax credit schedule, Tesla's announcement of a company-wide reorganization, the Colorado PUC's increase of PSCo's energy efficiency targets above what PSCo proposed, United Power's purchase of the Town of Frederick's electric utility, the EPA's Mercury and Air Toxics Standards, and Cal ISO.

PSCo contacted IREA regarding interconnection to IREA's 115 kV transmission line for a proposed new substation to be built south of the Compark substation. We will accommodate PSCo if capacity allows for the interconnection.

An employee knocked over a concrete block wall in the wash bay area next to the mechanic's shop. The block wall did not extend from floor to ceiling and did not contain any steel for support.

Mr. Mooney updated the Board on a potential land purchase near the Sedalia headquarters. Discussion ensued.

Action Items

Upon motion by Mr. Anest, seconded by Mr. Kempe, the Board of Directors unanimously approved the consent agenda, including refunds of deceased consumer patronage capital in the amount of \$33,683.93 for the month of June and write-offs in the amount of \$53,660.

Acceptance of Audit Reports, 401(k) and Pension Audits

Mr. Graf reported that the Audit Committee reviewed the reports of the independent auditors regarding the Association's union pension plan and employee 401(k) plan and recommends that the Board of Directors move to accept the reports as presented. Mr. Sperry and Mr. Kempe requested and received information regarding the reports. Upon motion by Mr. Graf, seconded by Mr. Kempe, the Board unanimously accepted the Association audit report and the union pension and 401(k) audit reports, as presented.

Proposed Resolution

Mr. Mooney recommended approval of a resolution authorizing the closure of the Schwab investment account. Upon motion by Mr. Graf and seconded by Mr. Kempe, the Board of Directors unanimously adopted the following resolution:

BOARD RESOLUTION BR18-9

Whereas, Article IX, Section 5 of the Bylaws of The Intermountain Rural Electric Association (“the Association”) provides that “All funds of the Association shall be deposited from time to time to the credit of the Association in such bank or banks as the Board may select or invested in a prudent manner and in the best interests of the Association as the Board may determine”; and

Whereas, the Association has two accounts with Charles Schwab & Co., Inc. containing cash or cash equivalents; and

Whereas, the Chief Executive Officer and Chief Financial Officer of the Association have recommended that the Association close these accounts; 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 hereby authorizes the Chief Executive Officer and Chief Financial Officer to take such steps as are necessary to close the Association’s Charles Schwab & Co., Inc. brokerage accounts.

Proposed Resolution

Mr. Mooney recommended approval of a resolution authorizing IREA to proceed with eminent domain against the owners of the properties that are located within the approved designated route in order to acquire the required easements to construct the Brick Center to Kiowa transmission line. He reported that good faith offers were made several months ago to property owners along the route and that most offers were accepted, but a few owners have refused to respond or have taken positions that are not reasonable. Condemnation may be necessary to acquire the full right-of-way, as has been the case with some other transmission lines. Upon motion by Mr. Graf and seconded by Mr. Sperry, the Board of Directors unanimously adopted the following resolution:

BOARD RESOLUTION BR18-10

Whereas, The Intermountain Rural Electric Association (“the Association”) is a cooperative electric association and nonprofit corporation organized and existing under the provisions of §§ 7-55-109 and 7-130-103, C.R.S.; and

Whereas, the Association is obligated to provide electric energy to its members within its service territory and is authorized to construct public improvements for that purpose, including a new 115 kV transmission line approximately 14 miles in length to connect the Brick Center Substation in Arapahoe County, Colorado to the Kiowa Substation in Elbert County, Colorado (“the Eastern Reliability Upgrade”); and

Whereas, the Eastern Reliability Upgrade will be a looped electric system that feeds power from two directions to improve reliability in the Elizabeth and Kiowa communities; and

Whereas, Arapahoe and Elbert Counties have approved the Preferred Alternative Route for the Eastern Reliability Upgrade as shown on Board Document BD18-8 and issued the permits necessary to construct the line; and

Whereas, it is necessary for the Association to acquire construction easements of various dimensions and perpetual easements 75 feet in width over properties along the Preferred Alternative Route as more particularly set forth on Board Document BD18-8 with terms sufficient for the construction and continued operation, maintenance, inspection, repair, alteration, and replacement of electric transmission and distribution facilities together with rights of ingress and egress, vegetation management, and other rights necessary for the full and complete use of such easements (“the Easements”); and

Whereas, the Association through its staff has made good faith offers to acquire the Easements from the respective property owners; and

Whereas, pursuant to §§ 38-2-101, 38-4-103, and 38-5-105, C.R.S., the Association has the power to acquire the Easements through the exercise of eminent domain; and

Whereas, the Chief Executive Officer, Chief Operating Officer, and Association’s attorney recommend that, to the extent the Association has not acquired the Easements by negotiation and purchase by the date of this Resolution, the Board authorize the Association to acquire the

Easements through the exercise of eminent domain pursuant to §§ 38-2-101, 38-4-103, and 38-5-105, C.R.S. and take all necessary legal measures, including condemnation and immediate possession, as may be required to timely construct the Association's facilities; and

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

Now, therefore, be it resolved that the Board of Directors finds and determines that it is necessary to the public health, safety, and welfare of its members for the Association to construct the Eastern Reliability Upgrade and to acquire property interests in connection with the project; and

Further, be it resolved that the Board of Directors authorizes the Association to take all legal measures and exercise its power of eminent domain to acquire and obtain immediate possession of the Easements; and

Further, be it resolved, that the Chief Executive Officer of the Association is authorized to determine and negotiate specific terms and conditions and modify the specific boundaries of the Easements in a manner consistent with this resolution and existing permits as may be necessary in his discretion to facilitate acquisition of the Easements or completion of the Eastern Reliability Upgrade.

2018 NRECA Region 7 Voting Delegate Certificate

Currently, the NRECA voting delegate and alternate delegate are Mr. Graf and Mr. Dozier, respectively. Mr. Mooney stated that neither Mr. Graf nor Mr. Dozier is attending the 2018 NRECA Region 7 meeting; however, Mr. Anest and Mr. Mooney are attending. Therefore, a motion to change the delegates is necessary. Mr. Graf nominated Mr. Anest as the voting delegate and Mr. Mooney as the alternate. Upon motion by Mr. Graf, seconded by Mr. Sperry, the Board of Directors unanimously approved Mr. Anest and Mr. Mooney as the 2018 NRECA Region 7 voting delegate and alternate delegate, respectively.

Executive Session

Mr. Shea called for an executive session for the purpose of discussing Comanche Unit 3, confidential business information, potential land purchases, a legal dispute, and personnel matters. Upon motion by Mr. Kempe, seconded by Mr. Sperry and carried unanimously, the Board of Directors approved an executive session. The Board convened in executive session with Mr. Mooney.

Minutes of Regular Meeting July 26, 2018
Intermountain Rural Electric Association
Page 9

There being no further business to discuss, Vice President Bruff Shea adjourned the meeting.

The next regular meeting will be held on August 16, 2018.

Memorandum

Intermountain Rural Electric Association

TO: Board of Directors

FROM: Dede Jones

DATE: July 26, 2018

SUBJECT: Financial Records of the Association
April 1, 2018 through June 30, 2018

Intermountain Rural Electric Association (the Association) is in substantial compliance with the reporting requirements of all federal, state, and local authorities with regard to taxes, payroll and insurance. In addition, the Association is in substantial compliance with the covenants contained in our credit agreements with CFC and CoBank.

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 material irregularities to occur. Financial books and records properly reflect the revenue and operational expenses of Intermountain Rural Electric Association and the resulting margins.

Our analysis of this quarter's operations has revealed no evidence of financial irregularities.