

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 18, 2018.

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

Agenda Approval

Upon motion by Mr. Anest, seconded by Mr. Shea, the Board of Directors unanimously approved the agenda, as presented.

Public Comment

A customer addressed the Board with a complaint regarding the Engineering Department's handling of a transformer upgrade for his service. Mr. White stated that the customer's concerns would be addressed. Mr. Mooney stated that he or Ms. Feuerstein would be available to speak with him to discuss his concerns and thanked him for bringing the matter to the Association's attention.

Minutes Approval

Upon motion by Mr. Shea, seconded by Mr. Kempe, the Board of Directors unanimously approved the minutes of the September 20, 2018, regular meeting, as presented.

Audit Committee Report

Mr. Bob Graf presented the Audit Committee report.

Mr. Graf reported that the Audit Committee held its regular quarterly 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.

Mr. Graf reported that updates were given on the following items: Castle Rock sales tax audit, update regarding fraudulent checks, and reconciliation and compliance of the subsidiary and general ledgers. Mr. Kempe requested and received additional information regarding fraudulent checks.

Mr. Graf also reported that the committee reviewed and discussed two governance items, the Association's Form 990 and whistleblower policies. The committee found nothing of an adverse nature in these new areas. Mr. Graf reported an adjustment in the variable rate loan, which Ms. Jones may discuss in her report to the Board.

CREA Report

Mr. Tim White reported that the CREA Board has not met since last month's meeting. Mr. Mooney noted that CREA's Fall Energy Innovations conference will take place at the end of the month.

Finance Report

Ms. Dede Jones presented the Finance report.

The September margin was \$179,000, which is about \$1.4 million below budget for the month. Contributing variances included higher than budgeted unbilled revenue and power costs, the accelerated depreciation of Comanche Unit 3, the timing of the CFC patronage capital allocation that was budgeted for September and an unexpected CoBank special patronage distribution that was received in September.

Year-to-date, the margin is \$24.8 million. Revenues for the year including unbilled revenue are higher than budgeted. Total power costs, which include the PSCo formula rate true-up, are lower than budgeted. There continue to be timing differences in operating costs and distribution maintenance and higher than budgeted provisions for bad debts related to power diversions.

Ms. Jones noted that this will be the last month that she will report on safety data, as this function will be overseen by Pam Feuerstein. Ms. Jones reviewed data from risk management and safety. There were no OSHA recordable injuries for the month of September; however, one non-recordable injury did occur during the month. Two vehicle incidents did occur during the month of September.

Ms. Jones reviewed a presentation to the Board on the preliminary budget summary for 2019. Discussion ensued.

Operations and Engineering Report

Ms. Pam Feuerstein presented the Operations and Engineering report.

In September, Comanche Unit 3 had a plant capacity factor of 76% and IREA's effective capacity factor was 82%.

Demand for the month of September was 521 MW, up from September 2017. kWh sales were up from the previous year.

For the month of September, there were 272 new service applications, 278 new services completed, while 2,597 services were in construction and over 3,519 services were in design or under contract. The Association has 160,270 services now in place.

There were a few outages for the month of September due to some primary cable faults, construction dig-ins, a van striking a pole, and a dead tree outside of the right-of-way.

Victory Solar produced 2.7 million kWh in September, with a capacity factor of 29.7%.

IREA received 66 new applications for small generation interconnection in September. To date, IREA has 1,945 solar interconnections, 1,929 of which are net-metering.

Ms. Feuerstein updated the Board on the AMI project. System integration testing begins next week. We plan to set the first 1,000 meters by mid-December. Discussion ensued.

Ms. Feuerstein reviewed the 2018 third-quarter construction budget.

Consumer Services Report

Ms. Mandi Leshar presented the Consumer Services report.

Ms. Leshar reported that disconnect notices for September are down from last month. The service level goal in September dropped a bit and was not met, primarily due to staffing.

Electronic contacts dropped slightly for the month but are up from last year and electronic billing continues to increase with 66,822 eBill accounts.

Ms. Leshar updated the Board on the lockbox project.

Corporate Services Report

Mr. Gerry Hacker presented the Corporate Services report.

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

Mr. Hacker updated the Board on two Human Resource projects related to IREA's retiree health insurance plan and a comprehensive market-based study and review of IREA's compensation system.

Mr. Hacker reviewed data pertaining to the Association's health and dental insurance renewals and various Human Resources activities.

Mr. Hacker reviewed a new cloud-based help desk project that will be easy for people to use and help streamline the process and IT's response time.

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.

Mr. Liss reviewed Brett Kavanaugh's United States Supreme Court confirmation.

The United Nations Intergovernmental Panel on Climate Change released a report this month that the governments around the world need to take rapid action to avoid what it says will be dangerous levels of global warming. The report predicts that the planet will reach 1.5 degrees Celsius above the pre-industrial temperature by 2030 unless drastic changes are made. The report prompted renewed calls for the United States to renew its commitment to the 2015 Paris Climate Accord that it backed out of last year.

Mr. Liss reviewed the latest polling data for the upcoming election.

The Colorado Air Quality Control Commission is taking a hard look at auto emissions standards and is looking to adopt measures similar to those of California.

Legal Report

Ms. Amy Watson presented the Legal report.

Ms. Watson updated the Board on the PSCo ADIT Tariff FERC filing and IREA's position on the matter. Discussion ensued.

Ms. Watson reviewed IREA's position regarding the PUC's decision on PSCo's Preferred Colorado Energy Plan Portfolio and the early retirements of Comanche Units 1 and 2.

PSCo and the City of Boulder have not yet agreed on costs. The Boulder City Council voted to move forward and it was acknowledged in discussions that Boulder may need to condemn PSCo's facilities. The Court of Appeals remanded the case to the district

court for hearing and both parties have submitted motions with the court. Discussion ensued.

Ms. Watson updated the Board on the condemnation cases regarding the Eastern Reliability Upgrade project.

Chief Executive Officer's Report

Mr. Patrick Mooney presented the CEO report.

Mr. Mooney discussed a few of the industry items addressed in his report including California law requiring PG&E to pay for damages in a fire last year, the Cal ISO Energy Imbalance Market, the Kansas Corporation Commission and the City of Fort Collins implementation of a three-part rate plan.

Mr. Mooney reviewed a design for new employee parking at the Sedalia Headquarters. Discussion ensued.

Mr. Mooney discussed ongoing activity with solar projects and a proposed wind project. Discussion ensued.

Action Items

Upon motion by Mr. Graf, seconded by Mr. Anest, the Board of Directors unanimously approved the consent agenda, including refunds of deceased consumer patronage capital in the amount of \$43,738.18 and write-offs in the amount of \$54,171.

Proposed Resolution

Mr. Mooney recommended approval of a resolution approving a contract with Valmont Industries, Inc., for the purchase of 137 steel poles that will be installed for the Kenosha/Roberts Tunnel project. Upon motion by Mr. Shea and seconded by Mr. Dozier, the Board of Directors unanimously adopted the following resolution:

BOARD RESOLUTION BR18-15

Whereas, The Intermountain Rural Electric Association ("the Association") requires steel poles and anchor bolts to rebuild and increase the capacity of the existing 44 kV transmission line from the south side of Kenosha Pass to Roberts Tunnel; and

Whereas, the Association solicited, received, and evaluated bids for the steel poles and anchor bolts from Sabre Industries, Inc., Trinity-Meyer Utility Structures, LLC, and Valmont Industries, Inc.; and

Whereas, the lowest responsive bid was submitted by Valmont Industries, Inc. in the amount of two million, one hundred sixty thousand, eight hundred twenty dollars, and no cents (\$2,160,820.00); and

Whereas, the Association's engineering staff has reviewed the proposals and recommends that the Association award an Equipment Contract (IREA Form 198) to Valmont Industries, Inc., the lowest responsive bidder, for the purchase of the steel poles and anchor bolts; 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 an Equipment Contract (IREA Form 198) for steel poles and anchor bolts to Valmont Industries, Inc. in the amount of two million, one hundred sixty thousand, eight hundred twenty dollars, and no cents (\$2,160,820.00) and such other additional amounts, if any, as may be reasonably necessary to obtain the steel poles and anchor bolts consistent with such contract.

Proposed Resolution

Resolution BR18-16 approves adoption of the proposed redistricting boundaries as recommended by the redistricting committee. Mr. Kempe and Mr. Dozier requested and received information regarding population boundaries. Upon motion by Mr. Sperry and seconded by Mr. Shea, the Board of Directors unanimously adopted the following resolution:

BOARD RESOLUTION BR18-16

Whereas, the directors of The Intermountain Rural Electric Association ("the Association") are elected by members within seven geographic director districts; and

Whereas, the Bylaws of the Association require the Board to review the number of patrons in each director district every eight years and, if there are substantial inequalities, redefine district boundaries so that each district contains as nearly as practicable the same number of patrons; and

Whereas, the Board created a Board redistricting committee consisting of directors not up for election in 2019 to review the current director districts

and present a redistricting report and recommendation to the Board for consideration (see Board Resolution BR18-3); and

Whereas, the redistricting committee reviewed the number of patrons currently in each district and determined that redefining of the director districts was appropriate; and

Whereas, the redistricting committee developed criteria for redefining district boundaries, worked with Association staff to develop district maps and redistricting options, and presented a report to the Board for consideration; and

Whereas, in its report the redistricting committee recommended that the Board adopt the criteria-based redistricting plan depicted on Board Document BD18 11; and

Whereas, the Board of Directors agrees with the committee report and finds 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 approves the redistricting plan proposed by the redistricting committee as depicted on Board Document BD18-11 to be effective October 22, 2018.

Proposed Resolution

Mr. Mooney reported that the 2018 deceased consumer patronage refunds will soon exceed the amount that was previously approved by the Board. This is a result of higher margins, higher refunds and IREA's effort to reduce the number of years of capital credits outstanding. Mr. Mooney recommended approval of a resolution that approves an additional \$75,000.00 for anticipated deceased consumer patronage refunds through the end of the year. Upon motion by Mr. Graf and seconded by Mr. Sperry, the Board of Directors unanimously adopted the following resolution:

BOARD RESOLUTION BR18-17

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 January 2018, the Association retired \$15,000,000 of patronage capital, which included a set aside of \$750,000 for the purpose

of retiring patronage capital credits allocated to deceased patrons throughout the 2018 fiscal year (see Board Resolution BR18-1); 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 \$750,000 set aside will not be sufficient to retire deceased capital patronage for the remainder of the 2018 fiscal year and an additional \$75,000 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 \$75,000 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 \$75,000 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 Resolution

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

BOARD RESOLUTION BR18-18

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

Whereas, CoBank has offered to renew such revolving credit facility in the amount of thirty million dollars (\$30,000,000) upon the terms and conditions set forth in Board Document BD18-12 (Second Amended and Restated Promissory Note and Supplement) and the Association's Chief

Executive Officer and Chief Financial Officer recommend that the revolving credit facility be renewed as offered; 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 with CoBank in an amount that shall not at any one time exceed thirty million dollars (\$30,000,000).

Be it further resolved that the Board President is hereby authorized to execute the Second Amended and Restated Promissory Note and Supplement with CoBank as presented in Board Document BD18-12.

Proposed Resolution

Mr. Mooney recommended approval of a resolution approving a procurement card program agreement that replaces the use of corporate credit cards for business-related purchases. Upon motion by Mr. Dozier and seconded by Mr. Sperry, the Board of Directors unanimously adopted the following resolution:

BOARD RESOLUTION BR18-19

WHEREAS, Board of Directors Policy 108 requires that the Board consider and approve all credit agreements, lines of credit, and other arrangements pursuant to which The Intermountain Rural Electric Association (“the Cooperative”) may borrow money; and

WHEREAS, the National Rural Utilities Cooperative Finance Corporate (“CFC”) has arranged with U.S. Bank to offer CFC cooperative members a commercial credit card program designated the One Card Program as set forth in Board Document BD18-13; and

WHEREAS, the Chief Executive Officer and Chief Financial Officer of the Association have evaluated the benefits of the One Card Program and recommended that the Cooperative participate in such program in lieu of its current credit cards; and

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

NOW, THEREFORE, BE IT RESOLVED, that the Cooperative establish or continue its participation in a corporate credit card program under the terms, conditions and provisions of the One Card Program Reimbursement Agreement (the "Agreement"), and to reimburse CFC, together with interest, for any amounts that CFC is required to pay U.S. BANK on behalf of the Cooperative pursuant to the terms of the Agreement; and,

RESOLVED, that the Chief Financial Officer of the Cooperative be and is hereby authorized to execute the Agreement on behalf of the Cooperative, to execute any future amendments to said Agreement as such individual may deem appropriate, and to execute such further documents as may be necessary or appropriate in order to comply with CFC's or U.S. Bank's requirements; and,

RESOLVED, that it is the intent of the Board that upon execution and delivery of the Agreement to CFC, and when executed by CFC, the Agreement shall constitute a valid and binding agreement between CFC and the Cooperative, enforceable in accordance with its terms; and

RESOLVED, that the appropriate officers are authorized to take all other actions they deem advisable to carry out the purpose of these resolutions.

Proposed Resolution

Mr. Mooney recommended approval of a resolution authorizing publication of notice of proposed amendments to IREA's residential rates and certain commercial and large power rates as well as certain changes to improve language and address minor and noncontroversial issues of the current Rates and Regulations. Mr. Kempe and Mr. Shea requested and received information regarding miscellaneous items. Upon motion by Mr. Kempe and seconded by Mr. Graf, the Board of Directors unanimously adopted the following resolution:

BOARD RESOLUTION BR18-20

Whereas, the Board of Directors of the Intermountain Rural Electric Association ("the Association") has been presented with proposed amendments to the Rates and Regulations (see Board Document BD18-14); and

Whereas, it is proposed that the Association's Rates and Regulations be amended to create the Small General Service – 1 Phase (SG1), Small General Service – 3 Phase (SG3), and Large Power Service – (LPS) rate classes; freeze the Commercial Service (E1), Commercial Service (E3),

and Large Power Service (FP) rate classes; create a Transmission Wheeling Service (TWS) rate; increase the basic service charge and decrease the per kWh rates for the Residential Service (A) and Residential Incorporated City or Town Service (CS) rate classes; adopt reduced fees for Consumer meters that can be connected and reconnected remotely using the Association's AMI system; clarify the applicability of the engineering design fee; add language to address the removal of electric service facilities for idle services; revise the standard for calculating and surcharging variations in power factor; and revise language in the Rates and Regulations to implement the proposed changes, reflect the Association's current business practices, and accommodate new organizational business practices; and

Whereas, the amendments to the Rates and Regulations are proposed to be effective February 1, 2019; and

Whereas, the Board intends to consider adopting the amendments to the Rates and Regulations after giving notice to the Association's members in accordance with Colorado law;

Now, therefore, be it resolved that the Board of Directors hereby directs that notice of the proposed amendments to the Rates and Regulations as set forth in Board Document BD18-14 and of a proposed effective date of February 1, 2018, be given to the Association's members as required by law.

Proposed Resolution

Mr. Mooney recommended approval of a resolution approving the terms of an agreement as well as authorizing the sale of Compark Tract A. Mr. Shea requested and received information regarding option payment. Upon motion by Mr. Shea and seconded by Mr. Sperry, the Board of Directors unanimously adopted the following resolution:

BOARD RESOLUTION BR18-21

Whereas, the Board of Directors of The Intermountain Rural Electric Association ("the Association") authorized the Association's Chief Executive Officer to make and negotiate offers for the sale of Compark Tract A (see Board Resolution BR18 12 and Board Document BD18 9); and

Whereas, Public Service Company of Colorado (PSCo) has tentatively agreed to purchase Compark Tract A upon terms set forth in the Chief Executive Officer's report dated October 12, 2018; and

Whereas, the Association's Chief Executive Officer recommends that the Association enter into a purchase option agreement with PSCo for the purchase and sale of Compark Tract A consistent with the terms set forth in the Chief Executive Officer's report; 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 Association's Chief Executive Officer to negotiate and enter into a purchase option agreement with PSCo for the sale of Compark Tract A as shown on Board Document BD18 9 and consistent with the terms set forth in the Chief Executive Officer's report dated October 12, 2018, and further authorizes the Chief Executive Officer to execute on behalf of the Association any documents necessary to effectuate such conveyance.

Executive Session

Mr. White called for an executive session for the purpose of discussing Comanche Unit 3, and confidential business information. Upon motion by Mr. Graf, 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, President Tim White adjourned the meeting.

The next regular meeting will be held on November 15, 2018.

Memorandum

Intermountain Rural Electric Association

TO: Board of Directors

FROM: Dede Jones

DATE: October 18, 2018

SUBJECT: Financial Records of the Association
July 1, 2018 through September 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.

Dierdre P. Jones, Chief Financial Officer