

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 20, 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

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 July 26, 2018, regular meeting, as presented.

Redistricting Committee Report

Mr. Gene Sperry presented the Redistricting Committee report.

Mr. Sperry reported that the Redistricting Committee met immediately preceding the Board meeting and reviewed three different possible district boundary options. The committee provided a map of the redistricting boundaries that it plans to recommend to the Board at the next Board meeting in October. Discussion ensued.

CREA Report

Mr. Tim White presented the CREA report.

The CREA board of directors met on August 31. Mr. White reported that items discussed included renewal of NRECA's health insurance plan. CREA will monitor the PUC proceedings regarding PSCo's Energy Resource Plan. Two guest speakers at the meeting addressed the transportation bills. Country Life Magazine will do more PR marketing to get information out in more ways.

Finance Report

Ms. Dede Jones presented the Finance report.

The August margin was \$6.6 million, which is about \$4.1 million higher than budgeted for the month due to the formula rate true-up for power costs that were received from PSCo. Other contributing variances are unbilled revenue, which reduced net revenue, the accelerated depreciation of Comanche Unit 3, less than budgeted regulatory balancing expense, and the timing of the CFC patronage capital allocation, that was budgeted for September.

Year-to-date, the margin is \$24.6 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, largely tree trimming, and higher than budgeted provisions for bad debts related to power diversions.

Ms. Jones reviewed data from risk management and safety. There were no OSHA recordable injuries or vehicle accidents in the month of August. A roll of copper wire fell off an IREA trailer while it was being transported. Procedures for loading and pre and post trip inspections are being reviewed. We will also be conducting an extensive on-site driver training for all CDL drivers. Mr. Mooney noted that the Association has hired a new safety program coordinator who has a degree in industrial safety, so there will now be two full-time safety employees. The safety function will move from risk management and will now report to Pam Feuerstein. Claims management and risk management will remain with Dave Maier who reports to Dede Jones.

Operations and Engineering Report

Ms. Pam Feuerstein presented the Operations and Engineering report.

In August, Comanche Unit 3 had a plant capacity factor of 91% and IREA's effective capacity factor was 98.7%.

Demand for the month of August was 503 MW, up from August 2017. kWh sales were up from the previous year.

Ms. Feuerstein introduced IREA's new power supply manager, Chris Hildred, to the Board.

For the month of August, there were 235 new service applications, 563 new services completed, while 2,650 services were in construction and over 3,524 services were in design or under contract. The Association has 159,998 services now in place.

Mr. Dozier commended Ms. Feuerstein for the aging report she provided to the Board. The aging report was discussed with Ms. Feuerstein.

There were a few outages in August due to a tree falling into a 3-phase line, construction dig-ins, and lightning.

Victory Solar produced 3.2 million kWh in August, with a capacity factor of 33.40%.

IREA received 71 new applications for small generation interconnection in August. To date, IREA has 1,882 solar interconnections, 1,866 of which are net-metering.

Consumer Services Report

Mr. Pat Mooney presented the Consumer Services report in Ms. Leshner's absence.

Mr. Mooney reported that the service level goal was met at 90% in the month of August. Disconnect notices for August are up from last month.

Mr. Mooney reported that an article regarding the new lockbox process will be in the October Watts and Volts. It will advise customers that the provided return payment envelope will have a different address, as well as remind those customers who do not use the provided return envelope to verify that the correct mailing address is used. The article will also advise customers to notify any third-party payors of this change. Electronic payors will not have to take action regarding this change.

Corporate Services Report

Mr. Gerry Hacker presented the Corporate Services report.

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

Mr. Hacker updated the Board on two human resource projects related to IREA's retiree health insurance plan and a comprehensive study and review of IREA's compensation system to stay competitive in the market.

Mr. Hacker reviewed other human resources activities.

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

As reported last month, the GIS Connect project experienced a couple of technical issues and resource constraints. One of the project vendors will release a new software platform in September and it was recommended that the project should wait until the

new platform is released. The anticipated completion date is now expected to occur in October.

The Cayenta managed services project has been completed.

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 the Kavanaugh hearings.

The EPA released its replacement for the Clean Power Plan. They are calling it the Affordable Clean Energy Rule (ACE). Some of the key differences between ACE and the Clean Power Plan (CPP) are that ACE calls for inside the fence regulation of individual power plants whereas the CPP calls for outside the fence regulation. ACE allows states to set their own standards for compliance and allows three years for states to submit compliance plans, whereas the CPP allowed only nine months. ACE also allows the EPA to act on state plans within a period of one year, and the CPP called for a review period of four months. If the EPA finds a state plan insufficient under the ACE Rule the state would have up to two years to issue a federal replacement plan where the CPP called for a replacement plan within six months. The EPA estimates it will reduce the compliance burden on the energy industry by up to \$400 million per year. The EPA is taking public comments through October 31.

Mr. Liss reviewed thirteen statewide questions that made the November ballot.

Legal Report

Ms. Amy Watson presented the Legal report.

In July, FERC issued an order that changed how utility companies, including PSCo, calculated accumulated deferred income tax to a one-step process from a two-step process. The two-step process allowed companies the benefit of keeping tax dollars longer. PSCo filed in FERC to change the method for calculating its accumulated deferred income tax. IREA has intervened in the case to monitor it. Other parties have raised questions whether PSCo has calculated the formula properly. We are considering whether they are correct. Discussion ensued.

Ms. Watson updated the Board regarding the condemnation cases to acquire easements for the Eastern Reliability Upgrade project. Discussion ensued.

Ms. Watson reviewed PSCo's Preferred Colorado Energy Plan Portfolio and the early retirements of Comanche Units 1 and 2.

The Colorado Supreme Court remanded the Boulder electric utility case back to the court of appeals. The court of appeals has not yet taken action.

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 EPA's reconsideration of the Mercury and Air Toxins Standards, Delta-Montrose Electric Association's proposed reorganization, and the Nuclear Energy Leadership Act bill.

Mr. Mooney reported that IREA has signed an agreement for reliability services from the Southwest Power Pool, as has PSCo.

IREA will receive a power cost refund as a result of a correction required to account for PSCo metering problems at a delivery point.

Mr. Mooney reported that another electric utility is seeking an arrangement with a solar developer proposing a project within IREA's service territory. We will facilitate the project and may participate. Discussion ensued.

Mr. Mooney updated the Board on discussions with PSCo related to property adjacent to the Compark substation. Discussion ensued.

Mr. Mooney discussed IREA's current credit card processing agreement with Western Union and the renewal proposal that was received. Discussion ensued regarding the potential cost of assuming certain transaction charges.

Action Items

Upon motion by Mr. Anest, seconded by Mr. Dozier, the Board of Directors unanimously approved the consent agenda, including refunds of deceased consumer patronage capital in the amount of \$70,700.50 and write-offs in the amount of \$54,400.

Proposed Resolution

Mr. Mooney recommended approval of a resolution approving a contract with Sabre Industries, Inc., for the purchase of 40 steel poles that will be installed for the Brick

Center to Kiowa transmission line upgrade project. Upon motion by Mr. Shea and seconded by Mr. Kempe, the Board of Directors unanimously adopted the following resolution:

BOARD RESOLUTION BR18-13

Whereas, The Intermountain Rural Electric Association ("the Association") requires steel poles and anchor bolts to construct the Eastern Reliability Upgrade 115 kV transmission line from the Brick Center Substation in Arapahoe County to the Kiowa Substation in Elbert County ("the Eastern Reliability Upgrade"); 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 Sabre Industries, Inc. in the amount of six hundred ninety-two thousand, eight hundred forty-eight dollars, and no cents (\$692,848.00); and

Whereas, the Association's engineering staff has reviewed the proposals and recommends that the Association award an Equipment Contract (IREA Form 198) to Sabre 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 the steel poles and anchor bolts needed for the Eastern Reliability Upgrade to Sabre Industries, Inc. in the amount of six hundred ninety-two thousand, eight hundred forty-eight dollars, and no cents (\$692,848.00) 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

Mr. Mooney recommended approval of a resolution authorizing the purchase of approximately 14 acres located in the Town of Bennett. The purchased parcel will serve as the relocation site for the Strasburg district office. Mr. Kempe requested and was given information regarding terms of the contract. Upon motion by Mr. Kempe and

seconded by Mr. Shea, the Board of Directors unanimously adopted the following resolution:

BOARD RESOLUTION BR18-14

Whereas, The Intermountain Rural Electric Association (“the Association”) intends to relocate its district office that serves the eastern portion of its service territory from the Town of Strasburg to the Town of Bennett, Colorado, to consolidate district functions at one site, make the Strasburg storage yard available for community use more suitable to its location, and better serve the current and projected consumer population; and

Whereas, the Association has identified property owned by Gayeski Capital Equities, LLC of approximately 14.14 acres located in the Town of Bennett, County of Adams, State of Colorado, that is suitable property to relocate its district office; and

Whereas, the Chief Executive Officer, Chief Operating Officer, Attorney, and Association staff have negotiated the terms and conditions for the purchase of such property at a price of \$2,796,360.34 (\$4.54 per sq. ft.) as provided in Board Document BD18-10, Contract to Buy and Sell Real Estate; and

Whereas, the Contract to Buy and Sell Real Estate also includes provisions for the recording of a final plat, negotiation of a road access agreement, construction of a regional stormwater facility, and negotiation and execution of a development agreement that addresses various other governmental land development requirements Gayeski Capital Equities, LLC must complete both prior to and after the Association purchases the Bennett property; and

Whereas, the Association’s Chief Executive Officer recommends that the Association enter into the Contract to Buy and Sell Real Estate with Gayeski Capital Equities, LLC, attached as Board Document BD18-10; 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 finalize and execute on behalf of the Association a Contract to Buy and Sell Real Estate with Gayeski Capital Equities, LLC to purchase the Bennett

property upon terms and conditions substantially consistent with those set forth in Board Document BD18-10. The Board further authorizes the Chief Executive Officer to negotiate and execute such other agreements and documents as may be necessary to effectuate such purchase and comply with governmental land development requirements consistent with the terms and conditions set forth in Board Document BD18-10.

Rate Proposal

Mr. Mooney presented to the Board an additional rate analysis on a potential rate restructuring. No action was required at that time. Mr. Mooney expects to have received estimates of the 2019 formula rates by the October Board meeting which will help determine whether IREA moves forward with the proposed changes or not. If so, Mr. Mooney intends to seek approval to publish proposed changes at the October Board meeting. Discussion ensued.

Executive Session

Mr. White called for an executive session for the purpose of discussing Comanche Unit 3, confidential business matters, and personnel matters. 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, President Tim White adjourned the meeting.

The next regular meeting will be held on October 18, 2018.