

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., December 20, 2018.

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

Agenda Approval

Mr. White requested to add a CREA matter for discussion to Executive Session. Upon motion by Mr. Graf, seconded by Mr. Anest, the Board of Directors unanimously approved the agenda, amended as requested.

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 and Mr. Kempe noted two corrections to the proposed minutes. Upon motion by Mr. Sperry, seconded by Mr. Shea, the Board of Directors unanimously approved the minutes of the November 15, 2018, regular meeting, corrected as noted.

CREA Report

Mr. Tim White presented the CREA report.

Mr. White attended the December CREA joint board-manager meeting. He reported that discussions included year-end committee reports, review of newly elected officers to the Managers Association, and renewable energy standards. Discussion ensued.

Finance Report

Ms. Dede Jones presented the Finance report.

The November margin was \$3.6 million, which is about \$846,000 greater than budgeted for the month. Contributing variances included higher than budgeted revenue, lower than budgeted unbilled revenue, and lower than budgeted power costs due to a PSCo transmission credit true-up. Distribution and maintenance costs were under budget mainly due to the timing of tree trimming invoices and line locates. Other contributing

factors are Comanche Unit 3 depreciation expense, less than budgeted interest expense, and obsolete inventory write-offs.

Year-to-date, the margin is \$29.4 million, about \$1.3 million above budget. 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.

Operations and Engineering Report

Ms. Pam Feuerstein presented the Operations and Engineering report.

In November, Comanche Unit 3 had a plant capacity factor of 82%, and IREA's effective capacity factor was 91%.

Demand for the month of November was 390 MW, up from November 2017. kWh sales were up from the previous year.

For the month of November, there were 300 new service applications, 202 new services completed, 3,538 services in construction, and over 3,590 services in design or under contract. The Association has 160,579 services now in place. We received 1,200 new lots in November, 850 of which are in one subdivision.

There was a major event day on November 23 with extremely high winds in the Conifer area taking out the 44kV line.

Victory Solar produced 1.6 million kWh in November, with a capacity factor of 17.5%.

IREA did not receive any new applications for small generation interconnection in November. To date, IREA has 2,105 solar interconnections, 2,089 of which are net-metering.

Ms. Feuerstein reviewed the safety report. There were no OSHA recordable injuries or vehicle incidents in the month of November.

Ms. Feuerstein updated the Board on the AMI project.

Consumer Services Report

Ms. Mandi Leshar presented the Consumer Services report.

Disconnect notices continue to go down. The number of calls received for the month of November was 10,248, and the service level goal was met. One of the consumer services representatives will be out in January to have a baby, so we have a temp coming in to start training.

Electronic contacts continue to be fairly stable. Of the 1,390 CSS requests, over 900 are the auto-pay program. Electronic billing continues to increase with 67,885 eBill accounts.

Ms. Leshar updated the Board on the status of the Association's check processing machines now that the check remittance outsourcing project has been implemented. Discussion ensued.

Ms. Leshar updated the Board on the fee changes that were approved by the Board at the November meeting and the Western Union software upgrade, both of which will be implemented at the same time and are expected to go live in March 2019.

Corporate Services Report

Mr. Gerry Hacker presented the Corporate Services report.

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

On November 13, Human Resources hosted an informational meeting for retirees and active employees nearing retirement to talk about the retiree insurance program. About 50 people attended, and the information appeared to be well received. Going forward as people retire the cost savings should be substantial.

The Association's new short-term disability insurance policy will be effective as of January 1, 2019.

Mr. Hacker reviewed other HR events including highlights from the Sixth Annual Ugly Sweater Contest and the 10th Annual Bio-Metrics clinic, which will be held February 5, 6, and 7.

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.

The Colorado Air Quality Control Commission voted unanimously to adopt a low-emission vehicle standard that was first adopted in California. The new rules require manufacturers' fleets of passenger, light and medium-duty vehicles sold in Colorado to average 36 miles per gallon by 2035. Exceptions to the rule include emergency vehicles, used vehicles, vehicles purchased out of state, and military vehicles. Colorado

joins 12 other states and the District of Columbia in adopting the standard, which accounts for approximately 40% of the U.S. new vehicle market. The AQCC also considered adopting a zero-emissions vehicle standard, but that was tabled until May 2019. Nine other states have adopted a zero-emissions standard. Discussion ensued.

Mr. Liss reviewed the 2019 legislative committee assignments. Discussion ensued.

It was announced on Monday that Colorado will have a new PUC Commissioner effective January 2019. John Charles Gavan, who is a member of DMEA Board of Directors and formerly Tri-State Board, was appointed by Governor Hickenlooper to replace Wendy Moser. The Senate has to confirm the appointment in this next legislative session.

Legal Report

Ms. Amy Watson presented the Legal report.

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

Last month the Board approved two resolutions on the agenda regarding eminent domain. Both cases settled without litigation and IREA has acquired both of the easements.

Delta Montrose (DMEA) filed a complaint with the PUC against Tri-State asking the PUC to establish a withdrawal fee. DMEA wants to terminate its contract with Tri-State; however, DMEA does not agree with the withdrawal fee quote that Tri-State calculated for DMEA. Discussion ensued.

The Boulder City Council voted to begin condemnation proceedings to acquire assets from PSCo. Boulder has not yet filed.

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 that Xcel Energy has announced its goal to reduce carbon emissions to zero by 2050, Platte River Power Authority announced that it also plans to go carbon free if certain criteria are met, and PacifiCorp released its internal study that calculated costs and benefits of taking coal units offline. Discussion ensued.

Mr. Mooney detailed the paid time off (PTO) and parental leave proposals that were previously discussed with the Board. The plans will be implemented on January 1, 2019.

Mr. Mooney discussed a billing discrepancy with the Bergen Park substation project.

Mr. Mooney discussed the retirement of Mr. Costas Lagos, IREA's Facilities Manager. Mr. Lagos will retire effective March 1, 2019, after more than 40 years with IREA.

The Association has retained Alliance for Cooperative Energy Services Power Marketing (ACES) to perform a phase 2 study on what options there are for power supply.

Mr. Mooney discussed an injury to one of IREA's employees.

Mr. Mooney updated the Board on the status of a potential renewables project. Discussion ensued.

Mr. Mooney discussed a letter sent by Julie Desimone of Moss Adams, the Association's auditors, inviting the Board to communicate with her. Mr. Mooney's recommendation is that it is done through the audit committee. A conference call with the auditors is scheduled at the next audit committee meeting in January.

Action Items

Upon motion by Mr. Shea, seconded by Mr. Sperry, the Board of Directors unanimously approved the consent agenda, including refunds of deceased consumer patronage capital in the amount of \$53,609.95 and write-offs in the amount of \$63,985.

Proposed Resolution

Mr. Mooney recommended approval of Resolution BR18-26, approving the award and execution of a construction contract with S.E., Inc. for the Kenosha to Roberts Tunnel transmission rebuild project. Upon motion by Mr. Graf and seconded by Mr. Dozier, the Board of Directors unanimously adopted the following resolution:

BOARD RESOLUTION BR18-26

Whereas, The Intermountain Rural Electric Association ("the Association") during 2019 and 2020 intends to upgrade the 44 kV transmission line from the south side of Kenosha Pass to Roberts Tunnel as part of an ongoing project to increase transmission voltage from Conifer to Hartsel; and

Whereas, the Association issued a request for proposals for the construction of the Kenosha to Roberts Tunnel 115 kV transmission line and received proposals on November 28, 2018, from Colorado Powerline, Inc., Foothills Energy Services, Inc., Great Southwestern Construction, Inc., and S.E., Incorporated; and

Whereas, the lowest responsive proposal was submitted by S.E., Incorporated in the amount of ten million, nine hundred seventy-two thousand, five hundred fourteen dollars, and forty-nine cents (\$10,972,514.49); and

Whereas, the Association's engineering staff, in coordination with the Association's consulting engineer, evaluated the proposals and recommend that the Association award an Electric Transmission Construction Contract (IREA Form 831) to S.E., Incorporated for the construction of the Kenosha to Roberts Tunnel 115 kV transmission line (see Board Document BD18-22); 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 Electric Transmission Construction Contract (IREA Form 831) as presented in Board Document BD18-22 for the construction of the Kenosha to Roberts Tunnel 115 kV transmission line to S.E., Incorporated in the amount of ten million, nine hundred seventy-two thousand, five hundred fourteen dollars, and forty-nine cents (\$10,972,514.49) and such other currently unanticipated amounts as may be reasonably necessary to complete the construction of the Kenosha to Roberts Tunnel 115 kV transmission line consistent with such contract.

Proposed Resolution

Mr. Mooney recommended approval of Resolution BR18-27, approving the execution of two one-year system improvement contracts and one one-year time and materials sectionalizing contract with Colorado Powerline, Inc. Upon motion by Mr. Shea and seconded by Mr. Dozier, the Board of Directors unanimously adopted the following resolution:

BOARD RESOLUTION BR18-27

Whereas, the Intermountain Rural Electric Association (“the Association”) contracts with Colorado Powerline, Inc. to provide construction services for various system improvements, line extensions, and sectionalizing work; and

Whereas, the Association’s System Improvement, New Consumer Line Extension, and Time and Materials Construction Agreements with Colorado Powerline, Inc. for construction work on the Association’s electric distribution system expire on December 31, 2018; and

Whereas, the Association’s engineering staff, in coordination with the Association Attorney, has negotiated new 2019 System Improvement, New Consumer Line Extension, and Time and Materials Construction Agreements with Colorado Powerline, Inc. for construction work on the Association’s electric distribution system, which contracts have been presented to the Board as Board Document BD18-23; and

Whereas, under the agreements the Association may assign work to Colorado Powerline, Inc., but also retains discretion to bid work, assign work to a different contractor, and perform work using internal resources; and

Whereas, Association staff recommends Board approval of such agreements; 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 approves the 2019 System Improvement, New Consumer Line Extension, and Time and Materials Construction Agreements with Colorado Powerline, Inc. as set forth in Board Document BD18-23, as presented.

Proposed Resolution

Mr. Mooney recommended approval of Resolution BR18-28, 2019 Business Financial Plan. Upon motion by Mr. Kempe and seconded by Mr. Anest, the Board of Directors considered the following resolution:

BOARD RESOLUTION BR18-28

Whereas, the Chief Executive Officer and Chief Financial Officer of The Intermountain Rural Electric Association (“the Association”) have presented to the Board of Directors the 2019 Business Financial Plan as Board Document BD18-24, which consists of the proposed 2019 operating budget, capital budget, construction work plan, donations budget, and director education and industry events budget; and

Whereas, the Board of Directors has reviewed the 2019 Business Financial Plan with Association staff; and

Whereas, the Chief Executive Officer and Chief Financial Officer have recommended approval of the 2019 Business Financial Plan; 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 approves the 2019 Business Financial Plan as presented.

Ms. Dede Jones made a presentation of the final budget to the Board. Discussion ensued. Mr. Anest left the meeting during the presentation. The Board unanimously approved Board Resolution BR18-28 (Mr. Anest was absent for the vote).

Proposed Resolution

Mr. Mooney recommended approval of Resolution BR18-29, authorizing execution of a payment processing contract with Speedpay. Upon motion by Mr. Graf and seconded by Mr. Dozier, the Board of Directors unanimously adopted the following resolution (Mr. Anest was absent):

BOARD RESOLUTION BR18-29

Whereas, The Intermountain Rural Electric Association (“the Association”) uses a third party vendor to process electronic payments, including credit card payments and automated clearing house (“ACH”) transactions; and

Whereas, the Association issued a request for proposals for payment processing services and received proposals from four vendors offering electronic payment services; and

Whereas, the Association's Consumer Services Manager and staff engaged in an extensive evaluation and interview process with regard to those proposals and found that Western Union d/b/a Speedpay, Inc. offers the desired functionality for a competitive cost; and

Whereas, the Association's Chief Executive Officer and Consumer Services Manager recommend that the Association award a contract to Speedpay, Inc. for payment processing services as presented in Board Document BD18-25; and

Whereas, the proposed contract provides for fees to be paid by the Association and not charged directly to the customer making any given payment for credit and debit cards and for payments made via IVR, consumer services representative, the Association's website, and e-bills; 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 contract with Speedpay, Inc. for payment processing services upon terms substantially consistent with those provided in Board Document BD18-25 and such other documents as may be reasonably necessary to implement such services.

Proposed Resolution

Mr. Mooney requested that proposed Resolution BR18-30: Bergen Park Transmission Interconnection Agreement, be deferred until a billing matter related to the project is resolved. Discussion ensued.

Mr. Anest returned to the meeting.

Proposed Amendment of Board Policy 108

Mr. Mooney recommended approval of amendments to Board Policy 108. The proposed revisions to Board Policy 108 will provide clarity of the language within the policy and will not change the substance of the policy. Mr. Kempe and Mr. Graf requested and received information regarding some of the revisions. Discussion ensued.

Upon motion by Mr. Kempe, seconded by Mr. Sperry, the Board of Directors unanimously approved the proposed revisions as presented.

Mr. White noted that while Mr. Anest left the meeting items 10 and 11 were voted on, and he asked if Mr. Anest would like to cast his vote on those two items. Mr. Graf noted that item 10 was Mr. Anest's motion. Mr. Anest declined to vote since he left the meeting.

Executive Session

Mr. White called for an executive session for the purpose of discussing Comanche Unit 3, personnel matters, CEO evaluation, and CREA matter. 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.

Upon reconvening, Mr. Graf moved, Mr. Shea seconded, and the Board unanimously approved a \$10,000 salary increase in 2019 for the Chief Executive Officer in addition to a bonus in the amount of \$50,000.

There being no further business to discuss, President Tim White adjourned the meeting.

The next regular meeting will be held on January 24, 2019.

Memorandum

Intermountain Rural Electric Association

TO: Board of Directors

FROM: Dede Jones

DATE: January 24, 2019

SUBJECT: Financial Records of the Association
October 1, 2018 through December 31, 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.