

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., November 15, 2018.

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

Public Comment

There was no public comment, as there were no individuals present who wished to address the Board of Directors.

Minutes Approval

Mr. Kempe noted one grammatical correction in the proposed minutes. Upon motion by Mr. Anest, seconded by Mr. Dozier, the Board of Directors unanimously approved the minutes of the October 18, 2018, regular meeting, corrected as noted.

CREA Report

Mr. Pat Mooney presented the CREA report.

Mr. Mooney attended the CREA Board meeting. He reported that discussion focused on prospective legislation.

Finance Report

Ms. Dede Jones presented the Finance report.

The October margin was just over \$1 million, which is about \$1.25 million below budget for the month. Contributing variances included one-time charges for additional expense for pension cost catch-up and increased depreciation expense for salvaged transportation equipment.

Year-to-date, the margin is \$25.8 million, about 488,000 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. There continue to be timing differences in operating costs and distribution maintenance.

Operations and Engineering Report

Ms. Pam Feuerstein presented the Operations and Engineering report.

In October, Comanche Unit 3 had a plant capacity factor of 87% and IREA's effective capacity factor was 95%.

Demand for the month of October was 363 MW, up from October 2017. kWh sales were up from the previous year.

For the month of October, there were 267 new service applications, 114 new services completed, 2,957 services in construction and over 3,368 services in design or under contract. The Association has 160,381 services now in place.

There were a few outages for the month of October due to a failed lightning arrester, some primary cable faults, construction dig-ins, a vehicle striking a pole, and high winds causing a tree outside of the right-of-way to fall into a line.

Victory Solar produced 1.9 million kWh in October, with a capacity factor of 20.2%.

IREA received 43 new applications for small generation interconnection in October. To date, IREA has 2,043 solar interconnections, 2,027 of which are net-metering.

Ms. Feuerstein updated the Board on the AMI project. System integration testing has begun and will be extended through December to ensure the automated service orders piece works smoothly with the AMI meters. The first 1,000 meters will be implemented in January. Discussion ensued.

Ms. Feuerstein reviewed the safety report. There was one OSHA recordable injury and three vehicle incidents in the month of October. A structured training program is being developed to aid in reducing incidents. A new Safety Coordinator has been hired who is reporting directly to Pam, who has an industrial safety degree.

Consumer Services Report

Ms. Mandi Leshar presented the Consumer Services report.

Ms. Leshar reported that disconnect notices continue to go down, about 8% year-to-date. The number of calls received for October is down 4% from last year. The service level goal was met in October and the department is fully staffed.

Electronic contacts have increased about 29% from last year and electronic billing continues to increase with 67,265 eBill accounts.

The lockbox project went live yesterday and it was successful.

Ms. Leshar discussed a new incentive for the Autopay program. Customers who sign up for Autopay will be entered to win one of ten Nest Learning Thermostats. Winners will be notified in January.

Corporate Services Report

Mr. Pat Mooney presented the Corporate Services report in Mr. Hacker's absence.

He discussed upcoming changes to the retiree health insurance program and reviewed the Association's health and dental insurance renewals.

Corporate Affairs Report

Mr. Josh Liss presented the Corporate Affairs report.

The Chairman of FERC filed comments with the EPA supportive of the new Affordable Clean Energy rule.

Mr. Liss reviewed the results of several states' ballot initiatives from this month's election and Colorado legislative election results.

Legal Report

Ms. Amy Watson presented the Legal report.

Ms. Watson updated the Board on a lawsuit filed by a customer, which was settled.

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

Ms. Watson reviewed two resolutions on the agenda regarding eminent domain.

Ms. Watson updated the Board on CPUC proceedings regarding PSCo's Preferred Colorado Energy Plan Portfolio and the early retirements of Comanche Units 1 and 2.

PSCo and the City of Boulder have submitted agreement documents, not including an agreement regarding costs, to the PUC. Both parties have agreed to certain easement sharing and what facilities need to be transferred. A Boulder City Council meeting is scheduled for December 4 to determine whether to begin the condemnation proceeding on PSCo's facilities. The district court stayed the litigation in the Boulder dispute regarding Boulder's authority under its charter to create its own electric facility.

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 development of a digital ledger system pilot program that will track electricity from wind and solar generations, coal capacity retirements and increased natural gas usage, NERC's report on reliability and the impact of coal and nuclear retirements on the grid, and the Delta-Montrose Electric Association members' vote to convert DMEA to an Article 56 cooperative.

Mr. Mooney discussed issues with postal delivery, which he hopes will be resolved with the payment processing change we have made.

Mr. Mooney discussed his plan to move forward and implement the paid time off (PTO) proposal that was previously discussed with the Board. A parental leave program also will be implemented.

The property adjacent to the Sedalia headquarters building has been purchased and design work has begun for a new employee parking lot and a solar facility.

Mr. Mooney provided the list of organizations where IREA donations have been made. These organizations are within IREA's service territory and they assist customers with their electric bills. Directors who wish to contribute additional donations should contact Josh Liss.

Mr. Mooney reviewed data from a study on a battery storage project IREA is interested in pursuing. Discussion ensued.

Mr. Mooney noted two upcoming retirements. Mr. Ken Logan, IREA's Service and Maintenance Superintendent, will retire effective January 9, 2019, and Mr. Costas Lagos, IREA's Facilities Manager, will retire effective March 1, 2019. Both have been with IREA for 40 years and have done a great job. They will be missed.

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 \$32,349.54 and write-offs in the amount of \$61,192.

Payment Processing Agreement

Mr. Mooney proposed that the Association absorb credit card payment processing fees. He noted that this subject previously has been discussed and that he had asked

Ms. Leshner to run a detailed analysis showing what potential costs could be. Mr. Mooney provided that data and three different payment scenarios to the Board for consideration. Mr. Mooney recommended Option 2, where the Association would allow residential customers to pay their electric bill using a credit card or ACH payment and absorb the fees associated with the transaction(s). Because of the likely expenditure involved this proposal requires Board approval. He advised that if approval is not forthcoming he would finalize an agreement with Speedpay that continues our practice of passing through credit card fees to customers.

Mr. Anest made a motion to authorize management to negotiate and execute an agreement with Speedpay that incorporates Option 2 as contained in the CEO report, Mr. Dozier seconded the motion. Following discussion regarding costs, benefits, and alternatives, Directors White, Anest, Sperry, Dozier, and Shea voted in favor of approval of Option 2 and Directors Graf and Kempe opposed the motion. The motion passed.

Proposed Resolution

Mr. Mooney recommended approval of a resolution approving the execution of a power purchase agreement with Sundance Solar. Mr. Kempe requested and received additional information regarding the project. Upon motion by Mr. Dozier and seconded by Mr. Kempe, the Board of Directors unanimously adopted the following resolution:

BOARD RESOLUTION BR18-22

Whereas, the Intermountain Rural Electric Association (“the Association”) is legally required to interconnect small power production facilities that have the capacity of 80 MW or less (“Qualifying Facilities”), purchase energy made available from Qualifying Facilities, and sell energy to Qualifying Facilities under and according to the requirements of the Public Utility Regulatory Policies Act of 1978 (“PURPA”); and

Whereas, Sundance Solar, LLC, a single purpose entity owned by parent company Cypress Creek Renewables, LLC, has developed the Sundance 75 MW solar photovoltaic project to be constructed in Kiowa, Colorado (“the Project”); and

Whereas, Sundance Solar, LLC has completed the required engineering studies, demonstrated proof of financing and property rights, retained land use permits, executed an interconnection agreement with the Association, and has otherwise demonstrated that the Project is viable; and

Whereas, Sundance Solar, LLC has requested to enter into a power purchase agreement with the Association to sell 30 MW of the power generated by the Project for a 20 year term, with two potential five year

extensions, at a price that would at or below the Association's avoided cost and with a commercial operation date no later than April 1, 2021; and

Whereas, Association staff and legal counsel have negotiated the material terms and conditions of a power purchase agreement with Sundance Solar, LLC and Cypress Creek Renewables, LLC and recommend that the Association enter into a power purchase agreement for the energy generated by the Project; and

Whereas, the Board of Directors has been presented with the proposed power purchase agreement, Board Document BD18-16, has reviewed the terms and conditions thereof, and finds 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 Chief Executive Officer to finalize negotiations and execute a power purchase agreement with Sundance Solar, LLC to purchase power from the Project upon terms and conditions substantially consistent with those set forth in Board Document BD18-16 and PURPA. The Board further authorizes the Chief Executive Officer to negotiate and execute such other agreements and documents as may be necessary to implement and manage the power purchase agreement consistent with the terms and conditions set forth in Board Document BD18-16.

Proposed Resolution

Mr. Mooney recommended approval of a resolution authorizing execution of a mineral rights lease with Lone Tree Energy. Mr. Shea, Kempe and Mr. Graf requested and received information regarding the lease. Upon motion by Mr. Dozier and seconded by Mr. Anest, the Board of Directors unanimously adopted the following resolution:

BOARD RESOLUTION BR18-23

Whereas, the Association owns certain real property located at 49980 County Road 186, Elizabeth, Elbert County, Colorado ("the Property"), on which the Association owns and operates the Strasburg Repeater Communications Tower; and

Whereas, the Association owns the mineral rights on the Property and has no plans to develop such rights; and

Whereas, Lone Tree Energy & Associates, LLC proposes to lease the Association's oil and gas rights underlying the Property under the terms set forth in Board Document BD18-17; and

Whereas, the Chief Executive Officer recommends that the Association enter into the proposed lease with Lone Tree Energy & Associates, LLC, provided that certain revisions to the proposed lease can be negotiated to restrict the surface use of the Property, assign liability to Lone Tree Energy & Associates, LLC for its operations, clarify the calculation of royalty payments, and otherwise protect the interests of the Association; 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 the proposed lease with Lone Tree Energy & Associates, LLC to develop the oil and gas rights on the Property upon terms and conditions substantially consistent with those set forth in Board Document BD18-17, provided that the Association's interests are protected as described in this Resolution, and to execute on behalf of the Association the lease and any documents necessary to effectuate such lease.

Proposed Resolution

Mr. Mooney recommended approval of a resolution authorizing an eminent domain action to acquire a new easement along Highway 85. We have been negotiating with the property owner and may reach an agreement, but we must be prepared to take action if we are to move facilities in time to avoid delaying the Highway 85 widening project. Upon motion by Mr. Graf and seconded by Mr. Kempe, the Board of Directors unanimously adopted the following resolution:

BOARD RESOLUTION BR18-24

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; and

Whereas, the Colorado Department of Transportation ("CDOT") is widening Highway 85 between the towns of Sedalia and Louviers,

Colorado (“the CDOT Project”) and is condemning the Association’s existing utility easement for the CDOT Project; and

Whereas, the Association must relocate its electric distribution line for the CDOT Project and acquire new easement rights for such relocation; and

Whereas, it is necessary for the Association to acquire perpetual easements 30 feet in width over property as more particularly set forth on Board Document BD18-18 with terms sufficient for the construction and continued operation, maintenance, inspection, repair, alteration, and replacement of electric transmission facilities together with rights of ingress and egress, vegetation management, and other rights necessary for the full and complete use of such easements; and

Whereas, the Association through its staff has made good faith offers to acquire the easements; 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, to relocate its electric distribution line for the CDOT Project; 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 relocate its electric distribution line for the CDOT Project and authorizes the Association to take all legal measures and exercise its power of eminent domain to acquire and obtain immediate possession of the easements set forth on Board Document BD18-18, if the Association cannot acquire the easements by negotiation and purchase.

Proposed Resolution

Mr. Mooney recommended approval of a resolution authorizing eminent domain action to acquire a new easement along I-25. Condemnation will be pursued only if agreement is not reached, but the property owner has delayed responding and we must be prepared to move forward to avoid delaying the I-25 widening project. Upon motion by

Mr. Anest and seconded by Mr. Kempe, the Board of Directors unanimously adopted the following resolution:

BOARD RESOLUTION BR18-25

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 the rebuilding of its three-phase distribution line along Frontage Road east of Interstate 25 in Douglas County, Colorado (“the Frontage Road Project”); and

Whereas, it is necessary for the Association to acquire a perpetual easement varying in width over property as more particularly set forth on Board Document BD18-19 with terms sufficient for the construction and continued operation, maintenance, inspection, repair, alteration, and replacement of electric transmission facilities together with rights of ingress and egress, vegetation management, and other rights necessary for the full and complete use of such easement; and

Whereas, the Association through its staff has made good faith offers to acquire the easement; and

Whereas, the Chief Executive Officer, Chief Operating Officer, and Association’s attorney recommend that, to the extent the Association has not acquired the easement by negotiation and purchase by the date of this Resolution, the Board authorize the Association to acquire the easement 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, to construct the Frontage Road Project; 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 Frontage Road Project and authorizes the Association to take all legal measures and exercise its power of eminent domain to acquire and obtain immediate possession of

the easement set forth on Board Document BD18-19, if the Association cannot acquire the easement by negotiation and purchase.

Proposed Resolution

Mr. Mooney noted that proposed Resolution BR18-26: Eminent Domain (HWY 285 Project) is deferred to the December meeting, if necessary. Discussion ensued.

Proposed 2019 IBEW Local No. 111 Contract

Upon motion by Mr. Shea, and seconded by Mr. Dozier, the Board of Directors unanimously approved the proposed 2018 IBEW Local No. 111 Contract, as presented.

2019 Regular Meeting Schedule

The proposed dates for the 2019 regular Board meetings are the third Thursday of each month except for January, and August, when the fourth Thursday is proposed. Upon motion by Mr. Anest, seconded by Mr. Sperry, the Board of Directors unanimously approved setting regular monthly meetings of the Board of Directors at the Association's headquarters on the third Thursday of each month during 2019, except that the January and August regular meetings shall be held on the fourth Thursday of those months, with all such meetings to begin at 9:30 a.m., at the Association's Sedalia offices.

Mr. White called for a ten-minute break.

2019 Budget Review

Ms. Dede Jones presented a summary to the Board of the 2019 proposed operating and departmental capital budgets and answered questions from directors. She noted that there likely will be some changes to the final version presented in December.

Ms. Feuerstein reviewed the locations of construction budget items to the Board that is in the 2019 proposed construction budget. Discussion ensued.

Mr. Mooney noted that no Board action is required at this time and that the final 2019 Budget will be on the agenda for approval at the December 20 Board meeting.

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. Kempe, seconded by Mr. Anest 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 December 20, 2018.