

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., February 21, 2019.

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

Agenda Approval

Mr. Mooney requested to amend the agenda by adding the Cheyenne Ridge Proposal, item number 13. Upon motion by Mr. Graf, seconded by Mr. Anest, the Board of Directors unanimously approved the agenda, amended as noted.

Public Comment

The following members were in attendance and presented a video to the Board on climate change: Pati Turner, Elizabeth Rogers, Sue Gorney, Gay Liberty, Pam Moore, Lani Gossett, Heather Lynn, Louise Peterson, Holly Sample, and Jan Mummery. Directors asked questions and thanked the members for their presentation and comments.

Minutes Approval

Mr. Kempe noted one error in the draft minutes. Upon motion by Mr. Graf, seconded by Mr. Sperry, the Board of Directors unanimously approved the minutes of the January 24, 2019, regular meeting, corrected as noted.

CREA Report

Mr. Tim White presented the CREA report.

Mr. White attended the CREA meeting on the 24th and 25th of January. He reported that a substantial portion of the meeting related to the legislative and tax committee. Mr. White reviewed key takeaways from the executive director's report. Discussion ensued.

Finance Report

Ms. Dede Jones presented the Finance report.

Ms. Jones reviewed several new graphs and tables in her report.

The January margin was \$3.397 million, which is about \$1.46 million greater than budgeted for the month. Revenue was over budget by about \$400,000 and O&M expenses, including power costs, was about \$1 million less than budgeted. Other significant variances included: lower than budgeted power costs, weather-related delays in our tree trimming schedule, a slight delay in customer service expense, and timing expenses in the budgeting of administrative and general costs primarily related to hardware/software purchases and legal/consulting services.

Ms. Jones discussed a write-off for a diversion account in the amount of \$416,000. Discussion ensued.

Ms. Jones reported that the accumulated post-retirement benefits liability decreased by over half from December 2017. This decrease was principally due to the efforts of Gerry Hacker in negotiating a new retiree Medicare supplemental plan option. Ms. Jones noted that the December 2018 Form 7 is being restated this week to reflect this adjustment on the balance sheet.

Ms. Jones reported that due to the Nutanix implementation, the processing time for the capital credit allocation was reduced from eight hours to four hours.

Ms. Jones reviewed the details of a note that will reprice on March 1, 2019. Discussion ensued.

Operations and Engineering Report

Ms. Pam Feuerstein presented the Operations and Engineering report.

In January, IREA's effective capacity factor for Comanche Unit 3 was 87%.

Victory Solar produced 1.7 million kWh in January, with a capacity factor of 18.2%.

IREA received 41 applications for small generation interconnection in January. To date, IREA has 2,190 solar interconnections, 2,174 of which are net-metering.

Demand for January was 423 MW, up from January 2018. kWh sales were up from the previous year.

For the month of January, there were 193 new service applications, 46 new services completed, and close to 8,000 services in process. The Association has 161,175 services now in place.

There were two outages in the month of January. On January 1 in the Conifer district, an LTC indicator failed on a transformer, taking out the distribution substation. Implementing SCADA on the transformer will mitigate the issue and is scheduled for

completion soon. The other significant event was on January 26 when a car struck a guy wire causing it to flip over the transmission line between Bayou and Elizabeth, taking out the Elizabeth and Kiowa substations. The Brick Center to Kiowa transmission line will prevent outages from such events.

Ms. Feuerstein updated the Board on the AMI project. She reported that the first 1,000 meters have been installed. Ms. Feuerstein reviewed a map showing the phases of implementation of AMI meters throughout our service territory.

Ms. Feuerstein reviewed the safety report. There were no recordable injuries in January. Three vehicle incidents occurred in January. Disciplinary action was taken and new backing procedures are being implemented.

Consumer Services Report

Ms. Mandi Leshar presented the Consumer Services report.

Disconnect notices for January were done slightly from past years. The number of calls received in January was down about 3% from January 2018. The service level goal was met for the third month in a row.

In January, consumer electronic contacts were at 4,500, up about 20% from January 2018. Electronic billing continues to increase; there were 68,997 eBill accounts in January.

Ms. Leshar reported that the outsourced lockbox for returned capital credits checks seems to be working well.

Ms. Leshar reported that the first round of testing for the Western Union software upgrade went well and testing for the most challenging portion starts now.

Corporate Services Report

Mr. Gerry Hacker presented the Corporate Services report.

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

Last month, the Board asked Mr. Hacker to provide statistical data comparing the number of IREA customers per employee to other cooperatives. Mr. Hacker reviewed his findings with the Board. As of December 2017, of the 813 cooperatives who reported, IREA was ranked 8th in the nation for having the most customers per employee. Of the 25 largest cooperatives, IREA ranked 4th. IREA was number one in the State of Colorado. Discussion ensued.

Mr. Hacker reported that 206 employees and dependents attended the 10th Annual Bio-Metrics clinic in February. In addition to Ken Logan's retirement, Cory Van Doozer also retired in January. Cory was an engineering aide and had 18 years of service with IREA.

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. Patrick Mooney presented the Corporate Affairs report.

Mr. Mooney reviewed some legislative bills.

- Senate Bill 19-053, concerning California motor vehicle emission standards, died.
- Senate Bill 19-067, concerning the creation of the Rural Development Grant Program, has been sent to the appropriations committee.
- Senate Bill 19-107, concerning broadband infrastructure installation, is a bill that IREA is interested in. Senator Donovan requested that parties submitted proposals and asked that IREA provide language regarding preserving our ability to charge pole attachment fees. Discussion ensued.

Mr. Mooney reviewed progress of a potential Regional Transmission Organization (RTO) bill. Discussion ensued.

Legal Report

Ms. Amy Watson presented the Legal report.

Ms. Watson updated the Board on the condemnation cases for the Eastern Reliability Upgrade. Trials are being scheduled for this fall.

Ms. Watson reviewed three third-party condemnation cases where IREA had been named. Discussion ensued.

Ms. Watson reviewed updates regarding the *Delta Montrose v. Tri-State* case. An evidentiary hearing is set for June. The PUC denied all requests to intervene except for that of the Colorado Energy Office. Discussion ensued.

Black Hills Energy has filed with the PUC for approval of an economic development rate that would apply to new customers with demand equal to or greater than 3 MW or existing customers adding load of at least 3 MW. Those customers may enter into an agreement with Black Hills Energy for a lower energy rate up to ten years. BHE is also seeking approval of a proposed economic development rate agreement with a nondisclosed party wanting to locate in the Pueblo area.

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 PG&E's second Chapter 11 Bankruptcy filing, exploration by various utilities of new rate designs aimed at electric vehicles, a settlement agreement between the North American Electric Reliability Corporation and Duke Energy, Tri-State's announcement of its new Chief Executive Officer, and Grand Valley Power's goal of delivering 60% renewable energy by 2030. Discussion ensued.

Mr. Mooney reported that the Association has contracted with a company to perform drone inspections of the 44 kV transmission line between Bailey and Shawnee. We have not been able to inspect that section of line readily by helicopter due to the terrain and the trees. Mr. Mooney is hopeful that this will lead to more drone work going forward.

Mr. Mooney updated the Board on a billing discrepancy with the Bergen Park substation project.

Action Items

Upon motion by Mr. Shea, seconded by Mr. Kempe, the Board of Directors unanimously approved the consent agenda, including refunds of deceased consumer patronage capital in the amount of \$43,414.69 and write-offs in the amount of \$467,234.

Proposed Resolution

Mr. Mooney advised the Board of changed circumstances regarding a previously approved solar project. At the November 15, 2018 Board meeting, the Board of Directors approved a resolution executing a power purchase agreement for the Sundance Solar project. The developer of that project has since changed the site location for the project and has submitted an agreement for the new location. The Hunter Solar project agreement is substantially similar to the previously approved Sundance Solar PPA. Mr. Mooney recommended approval of Resolution BR19-5, approving participation in the Hunter Solar project and authorizing Mr. Mooney to finalize terms of the power purchase agreement. Mr. Kempe requested and received

information regarding the project commission date. Upon motion by Mr. Graf and seconded by Mr. Shea, the Board of Directors unanimously adopted the following resolution:

BOARD RESOLUTION BR19-5

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, in November 2018, the Board of Directors approved a power purchase agreement with Cypress Creek Renewables, LLC for the Sundance 75 MW solar photovoltaic project to be constructed in Kiowa, Colorado; and

Whereas, Cypress Creek Renewables, LLC subsequently advised the Association that it intends to proceed instead with the Hunter 75 MW solar photovoltaic project to be constructed near the Town of Bennett in Arapahoe County, Colorado (“the Project”), which was developed simultaneously with the Sundance project; and

Whereas, Hunter Solar, LLC, a single purpose entity owned by parent company Cypress Creek Renewables, LLC, has completed the required engineering studies, provided 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, Hunter 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 15 year term, with two potential five year extensions, at a price at or below the Association’s avoided cost and with a commercial operation date no later than February 1, 2022; and

Whereas, Association staff and legal counsel have negotiated the material terms and conditions of a power purchase agreement with Hunter 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 BD19-5, 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 rescinds its approval of the power purchase agreement with Sundance Solar, LLC and authorizes the Chief Executive Officer to finalize negotiations and execute a power purchase agreement with Hunter Solar, LLC to purchase power from the Project upon terms and conditions substantially consistent with those set forth in Board Document BD19-5 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 BD19-5.

Proposed Resolution

Mr. Mooney recommended approval of Resolution BR19-6, authorizing Mr. Mooney to finalize a contract to sell the Wagner Street property. Upon motion by Mr. Graf and seconded by Mr. Sperry, the Board of Directors unanimously adopted the following resolution:

BOARD RESOLUTION BR19-6

Whereas, the Bylaws of The Intermountain Rural Electric Association (“the Association”) provide that the Association’s Board of Directors may authorize the Chief Executive Officer to sell any of the Association’s property that is no longer used or useful in the conduct of the business of the Association; and

Whereas, in Board Resolution BR18-12 the Board of Directors authorized the Chief Executive Officer to make and negotiate offers for the sale of the Wagner Street yard (the “Property”), which the Association will have no further use of after it relocates its district office to Bennett, Colorado; and

Whereas, Strasburg Metropolitan Parks and Recreation District (“the Recreation District”) is interested in purchasing the Property upon terms set forth in the Chief Executive Officer’s report dated February 13, 2019; and

Whereas, the Association’s Chief Executive Officer recommends that the Association enter into a Contract to Buy and Sell Real Estate with the

Recreation District 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 and that given the location of the Property adjacent to school and recreational facilities it also is in the best interest of the Strasburg community that the Property be acquired by the Recreation District;

Now, therefore, be it resolved that the Board of Directors hereby authorizes the Association's Chief Executive Officer to negotiate and enter into a Contract to Buy and Sell Real Estate with the Recreation District for the sale of the Property as shown on Board Document BD19-6 and consistent with the terms set forth in the Chief Executive Officer's report dated February 13, 2019, and further authorizes the Chief Executive Officer to execute on behalf of the Association any documents necessary to effectuate such conveyance.

Bennett Site Presentation

Mr. Costas Lagos presented proposed architectural site plans for the Bennett property to the Board. Discussion ensued.

Rate Complaint

Mr. Mooney reviewed a rate complaint made by a customer regarding the application of the Load Factor Adjustment. Staff has reviewed application of the LFA to multi-family residences and finds that further analysis is called for. Mr. Mooney advised that he would revisit this issue with the Board.

Executive Session

Mr. White called for an executive session for the purpose of discussing Comanche Unit 3 and a confidential business matter. Upon motion by Mr. Shea, seconded by Mr. Kempe and carried unanimously, the Board of Directors approved an executive session. The Board convened in executive session with Mr. Mooney.

Cheyenne Ridge Wind Project

The Board of Directors convened in public session. Mr. Mooney and the Board discussed whether the Association should participate in ownership of the proposed Cheyenne Ridge wind project, as offered by Public Service Company of Colorado pursuant to the Association's power purchase agreement. Mr. Mooney reported that staff analysis of the proposal indicated there would be significant additional costs to the

Association from participation in the project at every level studied and that there would be additional revenue required, i.e., rate increases, if IREA were to participate in the project. It also appears that if IREA were to acquire an ownership interest in the 345 kV generation tie line serving the project, there would be additional regulatory costs and burdens. Staff advised the Board that industry sources project wind energy prices likely will not increase significantly in the medium term even if the production tax credit expires, therefore wind energy should be available in the near future at a cost equal to or lower than the cost to participating in the project and when the Association has more contractual flexibility to acquire additional resources.

Based on these considerations, Mr. Mooney recommended that the Association not participate in the Cheyenne Ridge project and that instead as it is able to do so the Association pursue renewable energy purchases from wholesalers, developers or in the marketplace. The consensus of the Board was that although the Board wishes to pursue opportunities to acquire additional renewable resources, ownership of the Cheyenne Ridge project and associated generation tie line would be unnecessarily costly and not an optimal way to achieve that goal. It also was noted that through wholesale purchases from PSCo the Association will purchase energy from the Cheyenne Ridge project irrespective of Association ownership participation.

Mr. Mooney advised the Board that he would inform PSCo that IREA declines to participate in the project as an owner.

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

The next regular meeting will be held on March 21, 2019.