

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., April 18, 2019.

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

Agenda Approval

Upon motion by Mr. Shea, seconded by Mr. Sperry, 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. Kempe, the Board of Directors unanimously approved the minutes of the March 21, 2019, 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, Amy Watson, Association legal counsel, and the Association's independent auditors, Michael Smoot and Julie Desimone of Moss Adams.

Mr. Graf noted that the committee met with the independent auditors from Moss Adams to review the financial report. From the private session meeting with the auditors, the committee felt there were two areas that should be considered by the Board: to have an independent outside review of IREA's cyber exposure and IREA's fire mitigation exposure and processes. Mr. Mooney responded that IREA has had several outside independent cyber reviews, but that we should have a more thorough discussion with the IT department. He also noted that one of his previously stated goals for this year is to do three things regarding fire exposure: one, to review our vegetation management plan and see what we can do to improve it; second, to review our system design and see whether we should be revising our design standards in fire-prone areas; and three, to review our

maintenance practices and see how they can be upgraded, to meet current best practices. Discussion ensued.

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.

Auditor Presentation

Moss Adams auditors Michael Smoot and Julie Desimone made a presentation to the Board regarding the results of the fiscal year-end audit. They reviewed the audit process and advised the Board that no material weaknesses, significant deficiencies, or noncompliance with laws or regulations were found and that the audit team received full and timely cooperation from management and staff. Directors asked questions regarding the audit reports and received answers from Mr. Smoot and Ms. Desimone.

CREA Report

Mr. Tim White presented the CREA report.

Mr. White attended the CREA meeting held on March 28 and 29. He reported that a substantial portion of the meeting was related to legislation. Mr. White reviewed the results of the CREA Board survey. Discussion ensued.

Finance Report

Ms. Dede Jones presented the Finance report.

Ms. Jones reviewed data from the statement of operations graph.

The March margin was \$3,148,903, which is about \$836,000 less than budgeted for the month. The biggest contributor to that factor is the unplanned Comanche Unit 3 outages. Power costs and revenue were higher than budgeted.

Ms. Jones reported that IREA received a patronage capital refund from CoBank in March in the amount of \$1.165 million.

Operations and Engineering Report

Ms. Pam Feuerstein presented the Operations and Engineering report.

Ms. Feuerstein reviewed information about the unplanned outages of Comanche Unit 3. IREA's effective capacity factor for Comanche Unit 3 was 47%.

Victory Solar produced 2.5 million kWh in March, with a capacity factor of 25.9%.

IREA received 51 applications for small generation interconnection in March. To date, IREA has 2,264 solar interconnections, 2,248 of which are net-metering.

Demand for March was 414 MW, up 14% from March 2018. kWh sales were up about 6% from the previous year.

In March there were 298 new service applications, 171 new services completed, about 7,000 services in process. The Association has 161,466 services now in place.

Ms. Feuerstein summarized the outages that occurred in March. Of the 225 outages, 111 occurred on March 13, the day of the blizzard. On March 6 between Castle Rock and Palmer Lake, a ground wire pulled away from the pole and made contact with the transmission line causing an outage. An insulator failed at the Roxborough substation causing an outage for about five hours. On March 11, a truck working on the I-25 Gap project caught our three-phase line that crosses the highway.

Ms. Feuerstein updated the Board on the AMI project. She reviewed some issues with meter deliveries. As of today, there are 1,904 meters installed. Discussion ensued.

Ms. Feuerstein reviewed an incident that occurred on April 3 that caused an oil spill. Our insurance carrier and environmental remediation contractor are handling it. Discussion ensued.

Ms. Feuerstein reviewed items from the first quarter of 2019 construction budget status report.

Ms. Feuerstein reviewed the safety report. There was one recordable and lost time/modified duty injury during March. There were no vehicle incidents in March.

Community Relations Report

Ms. Mandi Leshar presented the Community Relations report.

Disconnect notices for March were down slightly from last year, due to capital credit refunds.

Ms. Leshar updated the Board on the Western Union Project. Western Union has corrected the issues found during testing for credit card fee changes. However, there are still testing delays with the Striata and Zoom interfaces. There is not an updated timeline for it go live at this time.

Mr. Mooney noted that IREA has reached a milestone with 70,000 customers signed up for eBilling.

Consumer calls were down about 7% from last March due to the March 13 blizzard, which caused IREA to close its offices.

Ms. Leshar reported on various Colorado bills.

House Bill 1245, Affordable Housing Funding Form Vendor Fee Changes, increases the vendor fee to 4% for retailers who collect state sales tax but caps the fee at \$1,000. If the bill passes, it will cost IREA about \$72,000 or more per year.

House Bill 1261, Climate Action Plan to Reduce Pollution, and House Bill 1313, Reduce Carbon Dioxide Emissions by Qualifying Retail Utilities, are companion bills. Ms. Leshar and Mr. Mooney reviewed the bills and a chart on Colorado greenhouse gas emissions by sector. Discussion ensued.

Senate Bill 85, Equal Pay for Equal Work Act, proposes to remove the authority of the Department of Labor and Employment to enforce wage discrimination complaints and instead permits the complainant to bring a civil action in district court. The bill takes away the first amendment rights of employers/potential employees to discuss wages in an interview. We are concerned that market availability cannot be considered in determining pay for trades and professions. Ms. Leshar noted that four amendments passed as of last night; however, she has not yet reviewed them.

Senate Bill 107, Broadband Infrastructure Installation, authorizes electric utilities or other electricity suppliers to install and maintain above-ground broadband. IREA submitted language changes regarding pole attachment fees and the ability to continue to recoup cost-based attachment fees. IREA received an updated draft of the bill that is problematic.

Ms. Leshar reviewed social media communication statistics.

Mr. Mooney discussed some proposed requirements under Senate Bill 19-236.

Corporate Services Report

Mr. Gerry Hacker presented the Corporate Services report.

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

Mr. Hacker reviewed other Human Resource activities. HR kicked off an awareness campaign informing employees and their families of the new Face It Together (FIT) program that provides addiction counseling for those who suffer from addiction as well as to those who have been impacted by addiction. IREA will celebrate Lineman Appreciation Day the afternoon of April 25.

Mr. Hacker discussed the Association's website, email activity, cybersecurity measures, and network risk assessments.

Mr. Hacker reviewed other miscellaneous items from his report.

Legal Report

Ms. Amy Watson presented the Legal report.

Ms. Watson recommended that the Board accept the minutes of the April 13, 2019, Annual meeting. Upon motion by Mr. Graf, seconded by Mr. Sperry, the Board of Directors unanimously accepted the minutes of the April 13, 2019, annual meeting, as presented.

Ms. Watson updated the Board on the condemnation cases for the Eastern Reliability Upgrade. One of the cases has been closed. Trials for the remaining four landowners are being scheduled in August and September of this year.

Ms. Watson updated the Board on three third-party condemnation cases where IREA had been named. It appears that the Association's property is unaffected.

Ms. Watson reported that Black Hills and PSCo challenged the latest PUC PURPA rule amendment and requested a rehearing. The PUC amended language related to the process of a utility's obligation to purchase capacity or energy from a contracted qualifying facility. The PUC ruled that the previous language was inconsistent and violated PURPA requirements. The PUC denied the request for a rehearing. Discussion ensued.

Ms. Watson reviewed updates regarding the *Delta Montrose v. Tri-State* case. The PUC denied Tri-State's motion to dismiss. The PUC is asserting jurisdiction over Tri-State because the energy charge is a rate for providing energy service. A schedule has not been set yet to hear and decide on the exit charge for DMEA to withdraw from its Tri-State membership.

Tri-State filed a declaratory order lawsuit in Adams County, and DMEA submitted a motion to dismiss based on exhaustion of remedies, arguing that the PUC has to make a determination before the dispute can be brought to court.

Black Hills Energy 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. It is reported that a customer will bring a 3 MW plus load to the Black Hills' service territory if the economic development rate is approved. An evidentiary hearing was held April 1-3.

Chief Executive Officer's Report

Mr. Patrick Mooney presented the CEO report.

Mr. Mooney briefly reviewed a few items from his industry report including Colorado Springs Utilities' announcement of a new 150 MW solar generation plan plus a 25 MW battery storage project, Duke Energy and two other utilities' NERC fines for infrastructure protection rules violations, the Montana legislature's approval of a smart meter bill, Duke Energy's plan for developing charging infrastructure for electric vehicles and buses, Southwest Power Pool's proposal to form an energy imbalance market, and the International Energy Agency report of 4% growth in global electricity use.

Mr. Mooney briefly discussed issues with Comanche Unit 3.

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

Mr. Mooney reported that Shiloh Sword-Dougherty was promoted to the Human Resources Director.

Mr. Mooney discussed revisions to the Rates and Regulations related to time-of-use and an opt-out option and will bring these items to the May meeting.

Action Items

Upon motion by Mr. Anest, seconded by Mr. Sperry, the Board of Directors unanimously approved the consent agenda, including refunds of deceased consumer patronage capital in the amount of \$92,940.69 and write-offs in the amount of \$36,088.

Proposed Resolution

Mr. Mooney recommended approval of Resolution BR19-10, authorizing Mr. Mooney to finalize and execute a contract with the architecture firm, LKA Partners, related to the construction of the Bennett facility. Upon motion by Mr. Shea and seconded by Mr. Dozier, the Board of Directors unanimously adopted the following resolution:

BOARD RESOLUTION BR19-10

Whereas, the Intermountain Rural Electric Association ("the Association") decided to relocate its district office that serves the eastern portion of its service territory to the Town of Bennett, Colorado, and purchased property in Bennett (see Board Resolution BR18-14) upon which to construct the new district office building, warehouse, storage yard, and training facility ("the Bennett Office Project"); and

Whereas, the Association issued a request for proposals (“RFP”) for an architect to provide architectural design and related services for the Bennett Office Project on March 14, 2019, and received three proposals in response; and

Whereas, the Association’s staff evaluated the proposals for technical merit and cost and determined that LKA Partners, Inc. submitted the proposal with the best project approach at a competitive cost; and

Whereas, the Chief Executive Officer and Association staff have reviewed the proposal and recommend that the Association award LKA Partners, Inc. a Standard Form of Agreement Between Owner and Architect (AIA Form B133-2014), which is presented to the Board as Board Document BD19-9; 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 to award and the Chief Executive Officer to execute a Standard Form of Agreement Between Owner and Architect (AIA Form B133-2014) presented to the Board as Board Document BD19-9, which may be amended as deemed appropriate by the Chief Executive Officer, for the Bennett Office Project to LKA Partners, Inc. in the amount of One Million, One Hundred Seven Thousand, Three Hundred Dollars, and No Cents (\$1,107,300.00) and such additional amounts, if any, as may be reasonably necessary to design the Bennett Office Project consistent with the terms of Board Document BD19-9 as amended.

Proposed Resolution

Mr. Mooney recommended approval of Resolution BR19-11, authorizing people holding certain positions within the company to negotiate and execute documents for real estate transactions on behalf of the Association. This resolution is proposed because some job titles have changed since the most recent authorization resolution of 2017. Upon motion by Mr. Graf and seconded by Mr. Kempe, the Board of Directors unanimously adopted the following resolution:

BOARD RESOLUTION BR19-11

Whereas, the Board of Directors of The Intermountain Rural Electric Association (“the Association”) adopted Board Resolution BR17-9 on June 22, 2017, authorizing Association staff with specific job titles to negotiate and execute real estate contracts, permits, licenses, railroad crossing

agreements, and other documents of a similar nature relating to the acquisition of property, easements, and rights-of-way on behalf of the Association; and

Whereas, the titles of certain positions have been changed and the Chief Executive Officer recommends that the Board reauthorize Association staff consistent with the revised titles to acquire property rights on behalf 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 individuals holding the positions of Chief Executive Officer, Chief Operating Officer, Engineering Director, and Lands and Rights-of-Way Manager to negotiate and execute real estate contracts, permits, licenses, railroad crossing agreements, and other documents of a similar nature relating to the acquisition of property, easements, and rights-of-way on behalf of the Association. All prior inconsistent or conflicting resolutions or parts thereof are hereby rescinded.

Proposed Resolution

Mr. Mooney recommended approval of Resolution BR19-12, authorizing the conveyance of a sidewalk and trail easements across our transmission line right-of-way adjacent to the Castle Rock substation and across property owned by SLV Castle Oaks. In exchange, IREA will obtain pedestrian and vehicular access rights to a portion of our Castle Rock substation site. Mr. Kempe requested and received information clarifying the location. Upon motion by Mr. Graf and seconded by Mr. Shea, the Board of Directors unanimously adopted the following resolution:

BOARD RESOLUTION BR19-12

Whereas, The Intermountain Rural Electric Association (“the Association”) owns parcels of real property in Castle Rock, Colorado, as described in deeds recorded with the Douglas County Clerk and Recorder, Douglas County, Colorado, as Reception Nos. 112832, and 112833, collectively known as the Castle Rock Substation Site; and

Whereas, SLV Castle Oaks, LLC is developing the Terrain Filing No. 4 Subdivision, which is a mixed-use planned community on the property adjacent to the Castle Rock Substation Site; and

Whereas, SLV Castle Oaks, LLC requested non-exclusive sidewalk and trail easements over the Castle Rock Substation Site in the locations shown on page one of the attached Board Document BD19-10 for public bicycle and pedestrian use; and

Whereas, SLV Castle Oaks, LLC has agreed to provide the Association vehicle access from a public street to and from the Castle Rock Substation Site across Tract A as shown on page two of the attached Board Document BD19-10 in exchange for the sidewalk and trail easements; and

Whereas, the Association's engineering staff has determined that the proposed sidewalk and trail easements do not interfere with the Association's current or foreseeable future operations and maintenance of the Castle Rock Substation Site and that the vehicle access easement from SLV Castle Oaks, LLC will improve access to and from the Castle Rock Substation Site, and recommends conveying such easements to SLV Castle Oaks, LLC; and

Whereas, SLV Castle Oaks, LLC and the Association have agreed upon the terms of the easement agreements which have been presented to the Board as part of Board Document BD19-10; and

Whereas, the Board of Directors has determined that such recommendation is in the best interest of the Association, its members, and the Castle Rock community;

Now, therefore, be it resolved that the Board of Directors hereby approves the conveyance of sidewalk and trail easements to SLV Castle Oaks, LLC in exchange for vehicle access from a public street to and from the Castle Rock Substation Site across Tract A as presented in Board Document BD19-10 and authorizes the Chief Executive Officer to execute the easement and access agreements on behalf of the Association.

Proposed Resolution

Mr. Mooney requested to withdraw the motion for Resolution BR19-16, Solar Project Agreement, as IREA has not received a finalized agreement as was expected. He further stated that once all information is received, the resolution will be brought to the Board for approval. Discussion ensued.

Election of Officers

Mr. Graf made a motion to reappoint officers as they currently exist, which was seconded by Mr. Sperry. The Board of Directors unanimously reappointed all Association Board Officers: Mr. Tim White as President, Mr. Bruff Shea as Vice President, Mr. Duke Dozier

as Secretary-Treasurer, and Mr. Jim Anest as Assistant Secretary-Treasurer.

Audit Committee Appointment

Mr. Sperry made a motion to reappoint the audit committee members who are currently on the committee, which was seconded by Mr. Dozier. The Board of Directors unanimously approved the following directors to the audit committee: Mr. Bob Graf, Mr. Jim Anest, and Mr. Bruff Shea.

Mr. Kempe inquired about the recent director election results. Mr. Mooney stated that item should have been on the April agenda but was omitted by oversight. Election results will be an item on the May agenda.

Executive Session

Mr. White called for an executive session for the purpose of discussing Comanche Unit 3 and personnel matters. 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.

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

The next regular meeting will be held on May 16, 2019.

Memorandum

Intermountain Rural Electric Association

TO: Board of Directors

FROM: Dede Jones

DATE: April 18, 2019

SUBJECT: Financial Records of the Association
January 1, 2019 through March 31, 2019

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.