

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., July 22, 2019.

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

Mr. Graf noted one error in the draft minutes. Upon motion by Mr. Sperry, seconded by Mr. Shea, the Board of Directors unanimously approved the minutes of June 20, 2019, regular meeting, corrected as noted.

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 internal auditor, Linda Thomas.

Mr. Graf reported that the audit committee met privately with the Association's new internal auditor, Linda Thomas.

The committee discussed internal controls. The committee recommends the Board adopt the audit reports on the various retirement and benefits programs. Mr. Graf requested that the quarterly compliance memorandum to the Board prepared by the Association's CFO, Ms. Jones, be attached to the minutes of the meeting. Upon motion by Mr. Graf, seconded by Mr. Anest, the Board of Directors unanimously approved that Ms. Jones' quarterly compliance memorandum to the Board be attached to the minutes.

CREA Report

Mr. Tim White presented the CREA report.

Mr. White reported that the June 28 CREA meeting was a call-in meeting. Items discussed were CREA operations, the June 21 Resolutions committee meeting, the DMEA vs. Tri-State case, information regarding the retail choice guest speaker presenting at the August board manager meeting, and various legislation. Mr. Kempe requested and received additional information regarding retail choice.

Bluebird Branding Presentation

Representatives of Bluebird Branding, Jim Miller and Karl Peters, attended the July Board meeting and made a presentation to the Board of Directors regarding Bluebird's direction and rebranding process. Board members had the opportunity to ask questions.

Finance Report

Ms. Dede Jones presented the Finance report.

Ms. Jones reviewed the 2019 financial forecast and discussed changes to the forecast for the remainder of the year. The most significant change was a reduction in long-term borrowing. Mr. Mooney followed up on discussion from last month's meeting on potential borrowing for investment purposes and noted that Board Policy No. 109 – Investments should be reviewed and possibly revised to allow for different investments. Discussion ensued.

The June margin was about \$113,000 below budget, primarily due to weather. Year over year sales for the month of June were down 10%. The year-to-date budget is within a percent of the prior year.

Operations and Engineering Report

Mr. Pat Mooney presented the Operations and Engineering report in Ms. Feuerstein's absence.

In June, IREA's effective capacity factor for Comanche Unit 3 was 97.83%.

Victory Solar produced 3.1 million kWh in June, with a capacity factor of 33.84%.

Demand for June was 497 MW, down from June 2018. Record numbers for peak demand are expected in July.

Mr. Mooney updated the Board on the progress of the AMI project. There were 4,405 meters installed in June, and as of today, there are about 17,000 meters installed. By the end of 2019, 80,000 meters are expected to be installed. In May, we eliminated 371 truck-rolls by remotely performing disconnections and reconnects using the AMI system. Discussion ensued.

In June, there were 477 new service applications, 61 new services completed, and 8,000 services in process. The Association has 161,615 services now in place.

Community Relations Report

Ms. Mandi Leshar presented the Community Relations report.

The number of disconnect notices sent in June is down from June 2018. The number of customers on eBilling is just over 72,006.

Ms. Leshar reviewed the payment counts platform chart. The trend overall is showing that payments in the form of checks are slightly decreasing. In June, 77% of payments collected were made electronically. It is anticipated that electronic payments will increase due to free credit card processing.

Ms. Leshar reviewed the Speedpay payment counts chart and the cost to IREA. July will reflect a full month of credit card processing fees. Discussion ensued. Phase II of the upgrade is actively being worked. Phase II consists of recurring credit card payments, credit card payments within the eBill, and guest login.

The customer service level goal in June was 94%. The number of customer electronic contacts for the month of June is down from last month.

Ms. Leshar reviewed The Affordable Clean Energy Rule (ACE).

Ms. Leshar reported on two state committees that focus on energy. IREA will monitor upcoming committee meetings.

Representatives from IREA are meeting with local towns and municipalities to gain a better understanding of their current and future needs and their energy goals. Discussion ensued.

Ms. Leshar reviewed information on a potential IREA Key Accounts Program. Discussion ensued.

Ms. Leshar reviewed social media communication statistics and noted that IREA has been receiving positive feedback on the free credit card processing fees.

Corporate Services Report

Mr. Ian Fleming presented the Corporate Services report.

Mr. Fleming discussed personnel statistics for the month of June.

Mr. Fleming reviewed other Human Resource activities. Last week representatives from Face It Together came to IREA and met with supervisors and managers to discuss the program and how it works.

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

Mr. Fleming reviewed other miscellaneous items from his report.

Mr. Fleming reported that Jonathan Lackman, IREA's Systems Administrator, has been promoted to the Information Technology Director.

Mr. Fleming updated the Board on the Sedalia parking lot and Bennet office expansion projects. An erosion control inspection will take place on Wednesday on the Sedalia parking lot project, and we will begin moving dirt as early as this week if the inspection goes well. The Bennett project is in the architect design phase, and staff interviews are being conducted regarding office space layout.

Mr. Fleming noted that the Tesla Model 3 will be on site this Wednesday and that the Chevy Bolt was on-site and available if the Board wished to look at or take it for test-drive.

Mr. White called for a ten-minute break.

Legal Report

Ms. Amy Watson presented the Legal report.

PSCo filed a fourth formula rate filing that includes the revised depreciation expense for the early retirement of Comanche Units 1 and 2, and the regulatory assets. The filing is similar to what the Colorado PUC approved last year for retiring the Craig Unit 1 coal plant early. The filings are expected to pass as submitted. Discussion ensued.

Ms. Watson updated the Board on the easement condemnation cases for the Eastern Reliability Upgrade project. Discussion ensued.

DMEA and Tri-State have reached a settlement agreement and submitted the agreement to the PUC last Friday. As part of the agreement, DMEA will no longer be a Tri-State entity by May 1, 2020. DMEA has forfeited its right to its current and any future capital patronage credits and Tri-State has agreed to transfer certain transmission assets to DMEA. DMEA will purchase transmission service from Tri-State. DMEA agreed to drop all of the challenges both in the PUC and the District Court upon the agreement of the settlement and has also agreed not to challenge Tri-State's efforts to be regulated under FERC for rate regulations.

The City of Boulder filed a condemnation case against PSCo for the distribution facilities.

Chief Executive Officer's Report

Mr. Patrick Mooney presented the CEO report.

Mr. Mooney reviewed items from his industry report, including that Southwest Power Pool extended the deadline for utilities to give notice of intent to participate in its proposed Energy Imbalance market to the end of August, PG&E bondholders propose to rename the company "Golden State Power Light and Gas Company," a bipartisan cybersecurity bill passed by the U.S. Senate, an application filed by PSCNM to retire the San Juan generating station coal-fired plant in 2022, and complaints filed with the Colorado PUC regarding San Luis Valley Electric Cooperative's recently implemented three-part residential rate. Discussion ensued.

IREA was contacted by a solar developer regarding arrangements for potential installation of rooftop solar at an apartment complex in IREA's service territory. Discussion ensued.

An agreement has been reached on the sale of the Strasburg storage yard and will be signed on August 1.

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

We plan to install conduit in the new employee parking lot to accommodate 16 two dual-port electric vehicle charging stations.

Mr. Mooney discussed potential civil lawsuits related to power diversions.

The Pioneer solar project developer advised IREA that the project will be sold to Solar Frontier Americas, Inc. (SFA). SFA has done several solar projects, and Mr. Mooney is confident that the project will move forward.

IREA is waiting for project approval from the Town of Castle Rock before closing on the land purchase for the Meadows substation.

Mr. Mooney updated the Board on the progress of analyzing the Association's pension plans.

Mr. Mooney reported on his participation in a committee meeting at Tri-State. Discussion ensued.

Action Items

Upon motion by Mr. Shea, seconded by Mr. Dozier, the Board of Directors unanimously approved the consent agenda, including refunds of deceased consumer patronage capital in the amount of \$51,819.44 and write-offs in the amount \$47,221.

Retirement Plan Audit Reports

Mr. Graf made a motion that the Board accept the independent auditors' reports regarding the Association's union pension plan and employee 401(k) plan as presented. The motion seconded by Mr. Anest, and the Board unanimously accepted the Association audit report and the union pension and 401(k) audit reports, as presented.

Proposed Resolution

Mr. Mooney recommended approval of Resolution BR19-19 that awards Nunn Construction the General Contractor contract for the Bennett project. Upon motion by Mr. Graf and seconded by Mr. Kempe, the Board of Directors unanimously adopted the following resolution:

BOARD RESOLUTION BR19-19

Whereas, the Intermountain Rural Electric Association ("the Association") has decided to relocate its district office and operations facility that serves the eastern portion of its service territory from Strasburg, Colorado to the Town of Bennett, Colorado; and

Whereas, the Association purchased property in Bennett (see Board Resolution BR18-14) upon which to construct the new district office building, warehouse, storage yard, training facility, and related facilities (collectively referred to as "the Bennett Office Project" or "the Project") and contracted with LKA Partners, Inc. to provide architectural design and related services for the Project (see Board Resolution BR19-10); and

Whereas, the Association has determined that the construction manager/general contractor ("CMGC") approach to constructing the Bennett Office Project provides the Association with the value of a contractor's expertise in the design phase while preserving the Association's ability to

achieve a competitively priced guaranteed maximum price ("GMP") for the construction phase; and

Whereas, the Association issued a request for proposals (RFP) for a CMGC on June 7, 2019, and received four proposals on June 24, 2019; and

Whereas, the Association's staff, in coordination with the Association's architect, evaluated the proposals for technical merit and cost and determined that Nunn Construction, Inc. submitted the proposal with the best project approach at a competitive cost; and

Whereas, Nunn Construction, Inc. proposed to provide preconstruction services, including scheduling, pricing, constructibility, material analysis, cost estimation, budgeting, value engineering, and other various consulting services for a firm fixed cost of \$19,000 and construction services for a fee of 2.85% of the cost of work, which will be competitively bid in two phases with two GMP amendments: a site grading and utilities bid package to be bid in November 2019; and a facility construction work package to be bid in January 2020 when LKA Partners, Inc. completes the design and construction documents for the Bennett Office Project; and

Whereas, the Chief Executive Officer and Association staff, in coordination with LKA Partners, Inc., have reviewed the proposal and recommend that the Association award Nunn Construction, Inc. a CMGC Contract (AIA Forms A201-2007 and A133-2009) to include terms for the two GMP amendments to the CMGC Contract (AIA Form A133-2009, Exhibit A); 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 the Bennett Office Project CMGC Contract (AIA Forms A201-2007 and A133-2009) as set forth in Board Document BD19-15 to Nunn Construction, Inc. in the amount of nineteen thousand dollars (\$19,000) for preconstruction services; a 2.85% fee on the cost of work, which will be competitively bid in two phases; and such additional amounts, if any, as may be reasonably necessary to complete the Project, and further authorizes the Association's Chief Executive Officer to execute said contract on behalf of the Association and to execute the GMP amendments upon completion of each bidding phase.

Proposed Resolution

Mr. Mooney recommended approval of Resolution BR19-20, authorizing termination of a pension plan that has no participants, no assets, and no liabilities. Upon motion by Mr. Sperry and seconded by Mr. Kempe, the Board of Directors unanimously adopted the following resolution:

BOARD RESOLUTION BR19-20

Whereas, The Intermountain Rural Electric Association's ("the Association") Fully Insured (Union) Defined Benefit Plan (Contract No. 699356-001) with Minnesota Life Insurance Company ("the Plan") was closed to new employee participants in 1982 when the Association created a new defined benefit plan for union employees; and

Whereas, a full distribution of benefits has been made to the last employee participating in the Plan, the expenses of the Plan have been paid, and there are no remaining liabilities of the Plan; and

Whereas, the terms of the Plan do not allow for future participants, and no employees are eligible or ever will be eligible to participate in the Plan; and

Whereas, Association provides and maintains separate retirement plans for all union and non-union employees and retirees; and

Whereas, the Chief Executive Officer, members of the Association's Investment Committee, and the Plan's administrator recommend that the Plan be terminated; 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 termination of the Fully Insured (Union) Defined Benefit Plan (Contract No. 699356-001) to be effective July 22, 2019, and authorizes the Chief Executive Officer to execute on behalf of the Association all documents necessary to effectuate such termination and meet the requirements of the Internal Revenue Code and any law or regulation regarding such termination.

Proposed Resolution

Mr. Mooney recommended approval of Resolution BR19-21, authorizing Mr. Mooney to negotiate and execute a construction contract and PPA with a buyout arrangement with Pivot Energy for the design and construction of the solar carport project. Mr. Kempe and Mr. White requested and received information regarding the project. Discussion ensued. Upon motion by Mr. Anest and seconded by Mr. Kempe, the Board of Directors unanimously adopted the following resolution:

BOARD RESOLUTION BR19-21

Whereas, The Intermountain Rural Electric Association (“the Association”) desires to contract with a third party for the design and construction of a solar carport at the Association’s Sedalia office that will provide covered parking for the Association’s employees and deliver approximately 430 kW DC of solar energy to the Association (“the Sedalia Carport Project”); and

Whereas, the Association issued a request for proposals on April 29, 2019, for the Sedalia Carport Project and received four proposals on May 23, 2019; and

Whereas, the Association’s staff evaluated the proposals for technical merit and cost and determined that TCA Microgrid Energy LLC d/b/a Pivot Energy (“Pivot Energy”) submitted the proposal with the best project approach at the lowest price on both a design and construction cost and a cost per kWh basis through a power purchase agreement; and

Whereas, the Chief Executive Officer and Association’s engineering staff recommend that the Association contract with Pivot Energy for the Sedalia Carport Project for an expected commercial operation date in January 2020 and upon terms and conditions to be negotiated by the Chief Executive Officer in the form of either (1) a design and construction contract in the approximate amount of one million, three hundred seventy thousand dollars, and no cents (\$1,370,000.00) for a complete purchase of the Sedalia Carport Project, or (2) a site lease for the construction and operation of the Sedalia Carport Project and a power purchase agreement based on a price per kWh with a purchase option that may be exercised at the Association’s discretion; 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 negotiate and execute either (1) a contract for the design and construction of the Sedalia Carport Project with Pivot Energy in the approximate amount of one million, three hundred seventy thousand dollars, and no cents (\$1,370,000.00) and such other currently unanticipated amounts as may be reasonably necessary to complete the construction of the Sedalia Carport Project, or (2) a site lease for the construction and operation of the Sedalia Carport Project and a power purchase agreement with Pivot Energy based on a price per kWh with a purchase option that may be exercised at the Association's discretion. 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 contract or lease and power purchase agreement consistent with the provisions set forth in the Chief Executive Officer's report.

Proposed Resolution

Mr. Mooney said he is withdrawing proposed Resolution BR19-22, Solar Carport Tax Equity Ownership Agreement, because IREA decided to pursue a PPA with a buyout arrangement, as approved in Resolution BR19-21, rather than the tax equity financing deal because the cost difference is within the margin of error of the calculations and a PPA deal is significantly less complex. Resolution BR19-22 was not adopted.

Proposed Resolution

Mr. Mooney recommended approval of Resolution BR19-23, amending the budget for unbudgeted expenditures. Mr. Sperry requested and received information about a budget item. Upon motion by Mr. Graf and seconded by Mr. Shea, the Board of Directors unanimously adopted the following resolution:

BOARD RESOLUTION BR19-23

Whereas, the Chief Executive Officer of The Intermountain Rural Electric Association ("the Association") has identified five construction projects for which 2019 expenditures will exceed the budgeted expenditures for such projects set forth in the 2019 Business Financial Plan (see Board Resolution BR18-28); and

Whereas, such increased expenditures are due to carryover work from 2018 that was expected to be done last year, changes in the scope of work, project redesigns and delayed completion schedules as described in the Chief Executive Officer's report; and

Whereas, each such project's cost will exceed the initial budgeted amount by more than \$500,000, the threshold above which Board action is required by Board policy; and

Whereas, the Chief Executive Officer recommends that the Board amend the 2019 Business Financial Plan to include the additional expenditures for the five construction projects in the total amount of three million, nine hundred seventy-eight thousand, three hundred twenty-eight dollars (\$3,978,328) as 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;

Now, therefore, be it resolved that the Board of Directors finds that the additional expenditures are necessary and appropriate to complete the five construction projects identified in the Chief Executive Officer's report and hereby approves an amendment to the 2019 Business Financial Plan in the total amount of three million, nine hundred seventy-eight thousand, three hundred twenty-eight dollars (\$3,978,328) consistent with the recommendation in the Chief Executive Officer's report.

2019 NRECA Region 7 Voting Delegate Certificate

Currently, the NRECA voting delegate is Mr. Dozier. Mr. Mooney stated that Mr. Dozier is not attending the 2019 NRECA Region 7 meeting; however, Mr. Shea, Mr. Graf, and Mr. Sperry are attending. Therefore, a motion to change the delegates is necessary. Mr. Mooney nominated Mr. Shea as the voting delegate and Mr. Graf as the alternate delegate. Upon motion by Mr. Graf, seconded by Mr. Kempe, the Board of Directors unanimously approved Mr. Shea and Mr. Graf as the 2019 NRECA Region 7 voting delegate and alternate delegate, respectively.

Executive Session

Mr. White called for an executive session for the purpose of discussing Comanche Unit 3, confidential business information, 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 August 22, 2019.

Memorandum

Intermountain Rural Electric Association

TO: Board of Directors

FROM: Dede Jones

DATE: July 22, 2019

SUBJECT: Financial Records of the Association
April 1, 2019 through June 30, 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.

Dierdre P. Jones, Chief Financial Officer