



Regular Meeting Minutes of the Board of Directors
2000 E. Horsetooth Road, Fort Collins, CO 80525
Thursday, September 28, 2017

ATTENDANCE

Board Members

Representing Estes Park: Mayor Todd Jirsa and Reuben Bergsten¹

Representing Fort Collins: Mayor Wade Troxell

Representing Longmont: Mayor Dennis Coombs and Tom Roiniotis

Representing Loveland: Mayor Cecil Gutierrez² and Steve Adams

Absent: Mayor Pro Tem Gerry Horak

Platte River Staff

Jason Frisbie (General Manager/CEO)

Joe Wilson (General Counsel)

Dave Smalley (Deputy GM and Chief Financial Officer)

Karin Hollohan (Chief Administrative Services Officer)

Andy Butcher (Chief Operating Officer)

Alyssa Clemsen Roberts (Chief Strategy Officer)

John Bleem (Chief Communications and Marketing Officer-Interim)

Angela Walsh (Executive Assistant)

Brad Decker (Strategic Planning Manager)

Paul Davis (Customer Services Manager)

Shelley Nywall (Controller)

Heather Banks (Fuels and Water Manager)

Justin Allar (Security Program Supervisor)

Rob Morse (IT & Cyber Security Manager)

Steve Roalstad (Communications and Marketing Manager)

Sabrina Martz (Generation and Power Markets Supervisor)

Carol Ballantine (Manager of Power Markets and Generation Dispatch)

Paul Crosby (Manager of Operations Technology and CIP)

John Collins (Director of Power Delivery)

Roy Steiner (HR Manager)

Mindy Pfeiger (Senior Accounting Analyst)

Megan Thorson (Accountant)

Joel Danforth (Customer Services Program Manager)

Guests

Tim McCollough (Fort Collins Utilities)

Will Welch (Wm T. Welch Company LLC)

Stuart Lumsden (Gleeds)

Joe Bernosky (Loveland Water and Power)

¹ Attended via conference call

² Arrived at 9:15

CALL TO ORDER

Chairman Roiniotis called the meeting to order at 9:02 a.m. A quorum of Board members was present and the meeting, having been duly convened, was ready to proceed with business. Platte River management introduced staff to the Board; Rob Morse, IT and cyber security manager, Roy Steiner, HR manager, Paul Crosby, manager of operations technology and CIP, John Collins, director of power delivery, and Megan Thorson, accountant. Director Adams introduced Joe Bernosky from Loveland Water and Power.

ACTION ITEMS

(1) Consent Agenda

a. Approval of the Regular Meeting Minutes of August 31, 2017

Director Jirsa moved to approve the Consent Agenda as presented. Director Coombs seconded, and the motion carried 6-0.

PUBLIC COMMENT

None.

BOARD ACTION ITEMS

(2) Retirement Committee Report

(presenter: Steve Adams)

a. Acceptance of the Audited Annual Defined Benefit Pension Plan Report

Committee Chairman, Steve Adams, provided a summary of the August 31, 2017 meeting. As reported at the July Board meeting, the Retirement Committee regularly monitors and evaluates the asset classes and investments in the pension plan portfolio looking for opportunities to diversify, reduce risk, and improve portfolio returns. At the August meeting, the Plan's investment consultant, Innovest, recommended adding a three percent portfolio allocation in the reinsurance asset class. After a lengthy discussion, the Committee voted 5-1 to invest three percent in the reinsurance asset class and reduce the allocation to large cap domestic equity, fixed income, and hedge funds by one percent for each asset class. The Committee voted 6-0 to purchase approximately \$3 million of the Stone Ridge Reinsurance Risk Premium Interval Fund.

Innovest provided a report showing the performance of the Plan through June. For the year, Plan assets increased \$4.6 million to \$99 million. The increase in assets is due to net cash outflows of \$474,000 and investment gains of about \$5.1 million. The return year-to-date was 5.2 percent, slightly above the benchmark return of 4.9 percent.

Per the Committee's request, staff conducted an RFP process for actuarial consulting services. After reviewing staff's recommendation, the Plan Administrator, Jason Frisbie, appointed Willis Towers Watson as the Plan's actuary. The Committee approved the appointment.

BKD recently completed their audit of the Defined Benefit Plan for the year ending December 31, 2016. The Plan's financial statements received a clean audit opinion. BKD's post audit letter indicated that there were no audit adjustments. The financials reflect a Plan net position of \$94.4 million as of December 31, 2016, an increase of \$4.9 million over 2015. The net pension liability

decreased to \$19.4 million from \$20.5 million reported in 2015. The Retirement Committee accepted the report and recommended that it be presented to the Board for acceptance.

Director Adams moved to accept the Audited Annual Defined Benefit Pension Plan Report as presented. Director Jirsa seconded, and the motion carried 6-0.

MANAGEMENT PRESENTATIONS

(3) 2018 Proposed Annual Budget Work Session (presenter: Shelley Nywall)

Shelley Nywall, controller, described the proposed 2018 Budget highlighting the schedule, trends, the budget process, 2018 overview and the 5-year capital forecast. The budget documents were provided within the Board packet starting on page 63.

Jason Frisbie, general manager and ceo, added that the proposed budget is consistent with past practices of continued capital investments as well as predictive and preventative maintenance intended to keep facilities operating efficiently, which facilitates Platte River maintaining the lowest wholesale rates in the state.

Ms. Nywall referred to Karin Hollohan, chief administrative services officer, to discuss the staffing outlook for future staffing needs. Ms. Hollohan handed out a memo describing the planning process and projecting staffing needs for core business and three other categories within the organized markets, customized resource services, and fiber and broadband services depending on Board provided direction. The handout also outlines the staff increases since 2014 and the requested 2018 positions show a significant slowdown to only three new positions, one of which directly supports Platte River's core business operations. Ms. Hollohan noted that the drivers for previous additions were regulatory compliance, planning, business modeling and forecasting. Director Troxell asked if staff engages with the four-member municipalities for aggregation of services when developing staffing plans in connection with city utilities for a unified perspective, providing an example of the unified after-hours answering service. Mr. Frisbie noted that staff spends time at utility director meetings and other discussions on certain topics relating to staffing needs and how best to accomplish goals across member municipalities, especially as it relates to IT and operation services. Mr. Frisbie continued that the Board will see an increase of municipal support within the marketing and communication departments now that Platte River is more fully staffed. Director Troxell asked if there is a mechanism for staff to drive conversations to improve unified integration and asked if a resolution by the Board would be the mechanism needed to accommodate staffing discussions on unified integration. Mr. Frisbie offered that the billing system, after hours call center and the AMI center are examples of unified integration discussions already taking place at the utility director level, and feels the Board doesn't need to provide any mechanism because staff is already engaged. Chairman Roiniotis commented that the after-hours call system has been discussed for almost 18 years, however, various challenges have presented themselves over the years such as systems consistency, and noted that Platte River is the ultimate example of regional collaboration. Chairman Roiniotis continued to note that staff has been driven by the directors and they continually look for ways to leverage each other to move forward. Director Bergsten commented on the perceived call center barrier, noting that it's not a Platte River barrier, but a need for consensus among Platte River and the member municipalities to move it forward. Director Bergsten continued by complimenting the Energy Efficiency program collaboration and the effectiveness of that program with Platte River and all four municipalities. Director Troxell noted that Platte River isn't the barrier, however, could be the carrier to drive integration of systems within the call center and other regional collaboration opportunities. Director Adams commented on regionalization and remembered a list being provided to the utility

directors with items identified for possible regional coordination, and knows that the Utility Directors continue to review the list. Director Adams offered to bring it to the Board for informational purposes. Chairman Roiniotis pointed out that regional broadband is another opportunity for working together. Director Troxell asked that the list be brought to the Board to review. Mr. Frisbie noted that the Fiber Asset presentation later on in the meeting will highlight another opportunity for collaboration as well.

The floor was returned to Ms. Nywall for any questions the Board may have up to this point. Director Adams asked about the increase in the budget contingency and asked if the funds affect the rates. Dave Smalley, deputy general manager and chief financial officer, responded that the budget contingency is a mechanism that creates the ability to manage unforeseen events without needing to file a budget amendment with the state and is part of Platte River's overall reserves. Discussion continued on the budget contingency accounting. Director Bergsten asked if the contingency is counted towards the 200-day reserve. Mr. Smalley confirmed general reserves support the budget contingency and is included in the days reserve calculation. Director Jirsa asked how often Platte River has had to use the contingency funds. Mr. Smalley referred to page 17 within the budget document that charts the historical usage of the funds. Mr. Frisbie added that Platte River has never used it in emergency situations, more to take advantage of opportunities, and this mechanism helps Platte River to stay within budget. Beginning in 2018 the contingency appropriation will represent 10 percent of the operating expenses and capital additions instead of a static number so it may fluctuate a bit from year to year. Mr. Smalley added that the contingency appropriation allows for flexibility with long term projects like the Windy Gap Firming Project. Director Adams switched back to the Energy Efficiency program as it relates to the staffing plan and asked if the staffing additions are reflected within the IGA or Tariff 1 rates. Ms. Nywall responded that it is a direct billing as contracted services to the municipalities. Mr. Frisbie reminded the Board that the program is providing a net \$150,000 savings to the municipalities while providing a higher level of customer service.

Ms. Nywall continued the Budget presentation with capital additions planned for 2018. Director Adams asked about the mobile crane purchase and the justifications of purchasing versus renting. Mr. Frisbie answered that there is enough consistent work to justify the ownership of a mobile crane. Director Coombs asked how long the 2018 planned outage will last. Staff answered six weeks. Mr. Frisbie continued to note that this outage will be a complete replacement of the turbine generator. Director Adams asked if tours are available for city staffs during the scheduled outage. Mr. Frisbie answered that it's a good time for city staff to tour and staff will plan to have a Board meeting up there as well.

Ms. Nywall moved into the five-year capital forecast plan. Director Troxell requested that the numbers reflect the integration of distribution utilities as an active system, not just by project, and would like to see more intention in accomplishing goals. Mr. Frisbie referred to the demand side management response information as an example of systems integration. Mr. Frisbie also noted that Energy Efficiency funding continues to grow and is another proactive example of systems integration. Andy Butcher, chief operating officer, continued to talk about opportunities as Platte River moves forward into organized markets and the value that will bring to the table. Discussion continued among Directors and staff about possible opportunities and energy resources. Chairman Roiniotis requested a clarification on Director Troxell's earlier request. Director Troxell wants to see projects and programs that support distribution utility integration reflected within the budget. Chairman Roiniotis suggested a statement provided within the budget to summarize the collaboration with the four municipalities.

Ms. Nywall continued presenting the five-year capital forecast and summarized the 2018 Budget.

Director Adams asked about the cost of living increase of 3.1 percent for salaries. Ms. Hollohan responded that it is the general market adjustment, while market priced jobs may receive more or less than the 3.1 percent, the labor budget reflects the step adjustments and increases as staff move through the salary range within their position as a result of the annual labor surveys. Platte River uses several published survey resources for benchmarking. Mr. Frisbie referred to page 82 that offers more information for the labor budget breakdown.

(4) HQ Campus

(presenter: Karin Hollohan)

Ms. Hollohan introduced owner representatives Will Welch and Stuart Lumsden to provide an update for the HQ campus project and noted that she is very pleased with the current project outcomes. Mr. Welch provided the overview of the work completed since the August Board meeting and discussed the current project processes, cost and budget messages, and the design development schedule. Mr. Lumsden presented the list of items that the design team and leadership team have been focusing on including building square footage and circulation areas, and the site development plan changes, also confirming that the target project cost will be \$40-45 million. Director Troxell asked about the redundancy of generators and asked if they were coupled with certain departments. Mr. Welch responded that they are for the two control rooms, and there are redundant supplies from the grid, the two generators and a UPS backup system planned. Mr. Frisbie discussed the differences of the generators versus the UPS redundancy and costs. Discussion among staff and Directors ensued regarding generator duration and demonstration of “ways of doing it”. Wrapping up the presentation, Mr. Welch previewed the project schedule. Director Adams asked to see the site plan and elements of the site plan at the October Board meeting. Ms. Hollohan added that the building itself has the same general design and shape, however, the back buildings have shifted within the site to allow for site efficiencies. Director Troxell asked if any of the community demonstration features and utilization of areas for demonstrations have changed. Mr. Frisbie confirmed that none of the community demonstration features have changed.

10:28 - 10 Minute Break

(5) Joint Dispatch Review

(presenter: Carol Ballantine)

Carol Ballantine, manager of power markets and generation dispatch, presented a history of the joint dispatch agreement (JDA), a status update, and a description of the benefits, costs, and sales and purchases associated with JDA. The JDA is a joint venture between Xcel Energy, Black Hills Colorado and Platte River to increase operational efficiencies, enhance reliability and serve load more economically. Director Troxell asked if balancing authority and wheeling party costs are within the agreements. Ms. Ballantine presented the next slide showing the breakdown of costs to answer Director Troxell’s question. While presenting the cost to serve with and without the JDA slides, Ms. Ballantine noted that numbers shown are hypothetical to illustrate a larger perspective than what the actual numbers would show. Mr. Frisbie clarified that the intra-hour surplus transmission connecting all companies is provided at no cost. Mr. Butcher added that at the top of every hour there is transmission that is not being utilized and sharing transmission is key to joint dispatch with the three parties knowing that surplus transmission is free.

Director Troxell asked if going into the market will supply additional opportunities. Ms. Ballantine responded that the JDA has helped staff prepare for a market. Though the JDA is not a market, it’s allowing staff to engage in settlements, dispatching and offering the ability to manage resources better, but the JDA is a preliminary step that will go away once the market is established. Director Troxell commented that a virtual power plant within a community could add

to the real time dynamic of the system. Chairman Roiniotis asked if there are future possibilities for downsizing staffing levels between JDA and the demand response pilot as we move into the markets. Mr. Butcher added that with the JDA staff will get one or two settlements with two companies, but once Platte River enters into the real market there will be hundreds of settlements and staffing will need to increase within the settlement groups. Mr. Butcher continued that markets will be a new world in financials and data analytics that will require more staff. Chairman Roiniotis commented that JDA is an example of regional collaboration enabling us to integrate more renewables on the system. Director Bergsten commented on the complexity of the industry requires additional staffing, although giving us opportunities to do a lot more with Platte River's resources.

(6) Demand Response Pilot

(presenter: Joel Danforth)

Joel Danforth, customer services program manager, provided an overview and recap of goals for the demand response pilot, past results, the year-to-date status of the program and future focuses for the pilot. Director Troxell asked if there was additional load reduction on the days of events that could have been addressed. Mr. Danforth responded that there are Fort Collins commercial and industrial customers that are not participating within the program that could have added to the pilot results. Director Troxell continued with possible generating capacity and additional resources within the load centers. Paul Davis, customer services manager, added that while having more resources available for demand response will provide more value it will also add complexity to the program. Examples include the duration of demand response events and the types of resources being utilized.

Mr. Danforth continued with the load reduction calculations used within the pilot and discussed a successful event for the Longmont voltage reduction procedures that occurred in early September.

Director Troxell asked if the joint technical advisory committee has participation from all four municipalities and asked if any environmental assessment is addressed within the committee. Mr. Danforth responded that yes, all four municipalities participate and the committee is still in the scoping timeframe to determine the direction of the committee. Director Bergsten asked about the charts reflecting savings, noting that it doesn't look like a whole lot of financial benefit is provided right now. Mr. Frisbie offered that the charts might be confusing but the point is that while Fort Collins is good at clipping their own peak, that response may not provide the most benefit to the Platte River system. Discussion ensued regarding the credit and the rate savings the pilot is testing for future possibilities. Chairman Roiniotis reiterated that the pilot was meant to discover the available demand response on the system while providing credit to the participating municipalities. Tim McCollough with Fort Collins Utilities added to the discussion stating the potential value provided by distributed energy resources.

MANAGEMENT REPORTS

(7) Fiber Asset Ownership

(presenter: Paul Crosby)

Paul Crosby, manager of operations technology and CIP, introduced the whitepaper that proposes an ownership structure for the fiber assets going forward. At the October Board meeting, Mr. Crosby will be presenting on the proposed structure and a discussion on moving forward. Mr. Frisbie added that the paper also includes the history of the Board's decisions, where the current structure is now and the whitepaper prepares the Board for ongoing discussions on how to best utilize the assets. Director Bergsten asked Mr. Smalley about the reduction to equity based on

the installed fiber. Mr. Smalley answered that when Longmont received ownership of the excess fiber, accounting recorded the transaction reflecting installed costs of the fiber that Longmont retained and reduced their ownership equity in Platte River rather than having Longmont make a direct payment. Mr. Smalley also explained that Fort Collins, Loveland and Estes Park also had their ownership equity reduced using the same formula applied to Longmont, however, it was recognized over a twenty year period. This was done to maintain the proper ownership equity amongst the municipalities. Mr. Smalley commented that we may want to utilize a different methodology going forward that accounts for transfers based on incremental costs. This would better reflect the fact that the majority of costs associated with fiber installation is not the number of fibers but rather the installation of the cable itself. Director Bergsten asked if it was right to assume that through the equity share reductions the municipalities already own the fiber loops? Mr. Smalley responded that if the municipalities elected to take title to the fiber it would simply be a transfer to the cities. Mr. Smalley also stated that Platte River is still evaluating how to account for work on the system, such as the fiber replacement that occurred in Estes Park. Director Bergsten requested a whitepaper on operations, maintenance and service work in Longmont for understanding the relationships between Platte River and the municipality.

Director Troxell asked if Mr. Crosby's whitepaper incorporates the municipalities' input. Mr. Frisbie said this is the first step to discussion and going through the process to decide how the municipalities are going to utilize the fiber around their cities and within the long haul that connects the four municipalities. Discussion ensued regarding who's been involved and who will be included in the future conversations within Platte River and utility staffs. Mr. Frisbie offered that this conversation is overdue. Discussion ensued regarding needs and possible usage of the fiber. Director Adams asked about the use of strands, and the active leases that are tying up the strands. Director Adams inquired about the loop with WAPA and to Estes Park, asking if there was another fiber line that was installed to go to Estes Park. Mr. Crosby answered that redundant fiber is planned. Discussion ensued on the use and size of the fiber to Estes Park. Joe Wilson, general counsel, added that conversations between Western have continued regarding the commercial usage of the fiber to the effect that such use was allowed, however, there have been no formal written permission provided.

MONTHLY INFORMATIONAL REPORTS

(8) Legal & Governmental Affairs Report(presenter: Joe Wilson)

Mr. Wilson noted that the special session of the Legislature was set to commence with a pessimistic outlook. The framework for tax reform issued by the Trump Administration continues the present tax-exempt treatment of municipal bonds. Mr. Wilson referred to Mr. Frisbie to talk about the community solar initiative as it relates to the International Trade Commission (ITC) finding with imported solar panels have created serious injury to domestic solar manufacturing companies, ultimately affecting prices for future solar developments. A hearing will be held by the ITC before making a recommendation to the President concerning additional tariffs the imported solar panels which could double the price of panels. Discussion ensued regarding the hearing.

(9) August Operating Report(presenter: Andy Butcher)

Mr. Butcher offered to answer any questions the Board may have regarding the enclosed reports. Mr. Butcher announced that staff will be taking Rawhide Unit 1 offline for a six-day, unplanned outage on Sunday to address issues with the turbine thrust bearing. Mr. Butcher turned back to

the August operating results and noted the positive market sale generation load due to the hot weather in the North East causing higher wholesale market pricing. Mr. Butcher also highlighted the increased positive results regarding the solar facility at Rawhide. Director Coombs asked about tracking the sun's rays. Mr. Frisbie responded the complexity with the tracking mechanisms and movement during high winds, which Juwi hadn't anticipated. Juwi has made significant progress in their programming of the tracking system and presented data to confirm that over the past two months the panels are performing as projected.

(10) August Financial Report

(presenter: Dave Smalley)

Mr. Smalley referred to the financial report for year to date in 2017 and offered to answer any questions the Board may have. The Board had no questions.

(11) General Management Report

(presenter: Jason Frisbie)

Mr. Frisbie highlighted a few items from the report including a minor update to the Strategic Plan and referred to the updated Values and Strategic Initiatives handed out on the table. Mr. Frisbie notified the Board that staff is considering a February date for the Strategic Plan and will continue to keep the Board updated on the progress of the plan. Mr. Frisbie noted that the zero net carbon (ZNC) initial modeling results will be done on October 31, however, the results will not be ready for public consumption, and asked the Board for their help in communicating that the data will be supplied once they are ready. Director Adams requested a date to provide to the groups who are requesting the results. Mr. Frisbie offered to give a timeline on what the next steps are and timing of presentation. Chairman Roiniotis asked if the third party, PACE Global, involvement will impact the timing and if PACE will also be evaluating the financial impacts. Mr. Butcher answered that PACE is strictly operational results. Mr. Frisbie continued that PACE will help answer other questions about rate impacts. Mr. Butcher reiterated that the preliminary information will be ready for staff on October 31, however, staff would like to share the final results with the Board prior to releasing information to the public. Director Troxell asked when the public engagement opportunities are planned, and suggested Platte River announce future public engagement opportunities prior to October 31.

Mr. Frisbie continued with the general management report highlighting upcoming execution of the Colorado River Storage Project (CRSP) contract for federal hydropower. Noting that the capacity and energy will remain the same, this agreement secures this energy for the next forty years. Mr. Frisbie provided an update on staff planning for the community solar project with the municipal staff, and referred to Mr. Wilson's comment on the solar panel imports warning of a tariff addition and the affects that might have with timing on a community solar project. Mr. Frisbie also pointed out the status of the Wind RFP update noting that staff has engaged a third party to evaluate the possible future transmission congestion at each site being considered. Mr. Frisbie noted that the resources in Tariffs 1 and 7 may be shifted. Director Gutierrez asked why Platte River would create another Tariff if the wind is going to be provided system wide and stay in Tariff 1. Mr. Frisbie responded that large customers are specifically asking for 100 percent renewable energy. Director Gutierrez clarified that there are other groups that want the entire system 100 percent renewable, so why would Platte River peel off the renewables into separate tariffs taking it away from the rest of the system, but asked if he was looking at it incorrectly. Mr. Frisbie responded that Director Gutierrez wasn't looking at it incorrectly, however either method wouldn't change the carbon free percentage within the overall portfolio. It also wouldn't change the total cost for each municipality as long as they requested their ownership percentage of the tariff. Chairman Roiniotis commented on the struggle in offering the large commercial customers requesting the 100 percent renewable energy a product to purchase, and Platte River needs something to prove additionality.

Director Jirsa cautioned the Board to not get ahead of the process with the zero net carbon modeling because municipalities will be receiving a lot of feedback from the public on the direction Platte River should go and Tariffs will naturally present themselves. Mr. Frisbie predicts that the question will be how much wind can be added to the system regardless of the zero net carbon modeling results because of the attractive pricing, and there is time over the next couple years to figure out the form or tariff that Platte River provides for the additional renewables.

Mr. Frisbie concluded that the October Board meeting will be the final meeting for both Directors Gutierrez and Coombs, and that the new Board member orientation is being planned for mid to late November.

Roundtable and Strategic Discussion Topics

Board members shared the latest news from the municipalities and discussion topics for future meetings.

ADJOURNMENT

With no further business, the meeting adjourned at 12:22 p.m. The next regular Board meeting is scheduled for Thursday, October 26, at 9:00 a.m. in the Platte River Power Authority Board Room, 2000 East Horsetooth Road, Fort Collins, Colorado.

AS WITNESS, I have executed my name as Assistant Secretary and have affixed the corporate seal of the Platte River Power Authority this 26 day of October, 2017.

Angela A
Assistant Secretary

