



Regular Meeting Minutes of the Board of Directors
2000 E. Horsetooth Road, Fort Collins, CO 80525
Thursday, March 29, 2018

ATTENDANCE

Board Members

Representing Estes Park: Mayor Todd Jirsa and Reuben Bergsten
Representing Fort Collins: Mayor Wade Troxell and Mayor Pro Tem Gerry Horak¹
Representing Longmont: Mayor Brian Bagley and Tom Roiniotis
Representing Loveland: Mayor Jacki Marsh and Joe Bernosky

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 Clemens Roberts (Chief Strategy Officer)
Angela Walsh (Executive Assistant)
Paul Davis (Customer Services Manager)
Shelley Nywall (Controller)
Jason Maldonado (Safety, Emergency Management and Security Manager)
Jeff Menard (Facilities and Fleet Supervisor)
Steve Retterath (Facilities and Fleet Manager)
Justin Allar (Security Program Supervisor)
Heather Banks (Fuels and Water Manager)
Craig Johnson (Deputy General Counsel)
Adam Perry (Customer Services Supervisor)
Brad Decker (Strategic Planning Manager)
Kerry Fields (Manager of Internal Audit)

Guests

Stuart Lumsden (Gleeds)
Steve Walker (FCI)
Kevin Jones
Alan Braslau (Fort Collins resident)
John Phalan (City of Fort Collins Staff Member)
Anna Thigpen (BKD)
Jodie Cates (BKD)

CALL TO ORDER

Chairman Roiniotis called the meeting to order at 9:00 a.m. A quorum of board members was present and the meeting, having been duly convened, was ready to proceed with business. Dave Smalley, deputy general manager and chief financial officer, introduced Jodie Kates and Anna Thigpen with BKD, and Karin Hollohan, chief administrative services officer, introduced Jason

¹ Attended via conference call intermittently

Maldonado, the safety, emergency management and security manager.

ACTION ITEMS

(1) Consent Agenda

a. Approval of the Regular Meeting Minutes of February 22, 2018

Director Bernosky moved to approve the Consent Agenda as presented. Director Bagley seconded, and the motion carried 7-0.

PUBLIC COMMENT

None.

COMMITTEE REPORTS

(2) Retirement Committee Report (presenter: Gerry Horak)

Newly elected Committee Chairman Gerry Horak provided a summary of the February Retirement Committee meeting from Thursday, February 22 including an update on the Plan's performance for 2017, long-term outlook for the economy and capital markets, and the annual review of the investment consultant. No board action was necessary at the March meeting.

Director Bergsten thanked Director Horak for taking the lead on the retirement committee.

BOARD ACTION ITEMS

(3) 2017 BKD Audit Report (presenter: Dave Smalley)

Mr. Smalley introduced Jodie Cates and Anna Thigpen with BKD to provide the 2017 financial audit results.

Jodie Cates provided the summary of the financial statements and overall audit results highlighted within the post audit letter. No audit adjustments were proposed.

Anna Thigpen provided highlights throughout the year reflected within the financial statements.

Director Bergsten inquired about outage accrual expenses. Shelley Nywall, controller, responded that staff implemented a change to the policy to accrue 100 percent of estimated outage expenses versus the prior policy of accruing 80 percent. Mr. Smalley added that adjustments are made each year based on the revised cost estimates. Jason Frisbie, general manager and ceo, also added that costs for outages are predicted three years in advance and after the first year of planning adjustments are made to the overall project budget. Ms. Cates stated that Platte River's outage accrual practices are following GASB 62 for regulating the rate setting process.

Ms. Thigpen continued providing the notes to the financial statements on page 24 and 25 of the audit report, highlighting a new footnote disclosure related to Windy Gap sales transactions. All transactions followed FERC guidelines. Director Bergsten asked about the intangible asset of the Windy Gap water rights and if they are depreciated. Ms. Cates responded that the rights will be amortized over the term of the agreement, not depreciated, and it's different from the gain of the

transactions. Mr. Smalley responded that the transactions resulted in a \$39 million net gain that will be recognized over 29 years, which is the estimated remaining life of the Rawhide facility. Ms. Cates noted that this was a complex transaction and that Platte River is proactive at addressing issues before they become of concern.

Ms. Thigpen reviewed highlights from the cash and investment footnote disclosures and concluded her report with the defined benefit pension plan footnotes and budgetary retention schedule. Director Bagley asked a question regarding salary increases mentioned on page 37 and whether Platte River looks at market salary surveys. Ms. Hollohan confirmed the compensation program is market based with published salary survey sources. She added the annual process and information reviewed is similar to what the board received regarding the general manager/general counsel in preparation for the executive session discussion. Ms. Hollohan continued stating that the senior leadership team evaluates the results to ensure each position reflects market-based pay recommendations. Director Bergsten asked when the Defined Benefit (DB) plan was closed to new employees. Staff responded the DB plan closed to new employees in 2010.

Director Troxell moved to accept the 2017 BKD Audit Report as presented. Director Bergsten seconded. The motion carried 8-0.

(4) Windy Gap Firing Project Funding: Third Amendment to the Fifth Interim Agreement (presenter: Heather Banks)

Heather Banks, fuels and water manager, introduced the Third Amendment to the Fifth Interim Agreement for the Windy Gap Firing Project funding for 2018 activities and provided a brief history to the project and recent transactions resulting in the increase in participation level. Ms. Banks mentioned that the project costs continue to shift, change and increase, with the latest estimate 40 percent higher than the estimate provided one year ago based on a conceptual engineering report. The total cost of the project is now estimated at \$575 million, which is based on the pre-final design. Ms. Banks has requested Northern Water to attend a future board meeting to present on the project.

Director Bagley inquired about Platte River's share in the increase. Ms. Banks responded that Platte River is 18 percent of the project so total share cost is about \$102 million. Director Bagley asked a follow up question on how Platte River will pay for the increases. Mr. Frisbie responded that in February the 18 percent share was at \$76 million and reminded the board of the previous unit sales of \$39 million, plus \$16 million in contracted sales for 2018, and potential sales of about \$19 million over the next year or so. Director Bagley asked if the increase will impact rates. Mr. Smalley responded that the project is currently factored into rate projections and will not impact current rate projections and mentioned that staff will present at the April board meeting providing a debt financing update and plan for 2018. Mr. Smalley also mentioned a potential opportunity to be involved in a pooled debt financing with other Windy Gap participants, however, that opportunity is still under review. Mr. Frisbie added the additional unit sales helped mitigate this increase. Conversation ensued regarding the individual municipalities' challenges with the increase in the firing project. Director Bergsten thanked and complimented Ms. Banks for her strategic approach and negotiations throughout the entire project. Ms. Banks thanked the board for their support and approval of the water policy.

Director Bagley moved to approve Resolution 05-18: Windy Gap Firing Project Funding: Third Amendment to the Fifth Interim Agreement as presented. Director Bernosky seconded. The motion carried 7-0.

Annual Review for General Manager/General Counsel

(5) Executive Session

Director Bergsten moved that the board go into executive session for the purposes of considering personnel matters related to the annual review of the performance and compensation of the general manager and the general counsel.

The general counsel advised that an executive session is authorized in this instance pursuant to Colorado Revised Statutes, Section 24-6-402, subsection (4)(f); provided that, no formal action will be taken during the executive session.

Director Jirsa seconded, and the motion carried 8-0.

10:45 – 11:00: 15-Minute Break

(6) Reconvene Regular Session

The Chairman reconvened the regular session and asked if there was further discussion or action as a result of the executive session. Director Bergsten made a motion to move both the general manager and the general counsel up to the mid-point market salary survey recommendations; general manager/ceo salary to \$341,604 and general counsel to \$223,390. Director Bagley seconded. Ms. Hollohan asked a clarifying question regarding if the pay increases would be paid retroactive through the course of the year or if there was a different effective date. The Chair responded that the salaries would be paid retroactive to the beginning of the year. Director Bergsten amended the motion to include salaries to be paid retroactive to the first pay period of the year. Director Bagley seconded, and the motion carried. Board Secretary Angela Walsh asked if Mr. Horak was on the phone and received no response; consequently, the vote was 7-0. Ms. Hollohan asked another clarifying question on the board's desire to conducting full market salary surveys every two to three years. Chairman Roiniotis responded that every two to three years would be sufficient and complimented staff on their materials provided to the board noting the historic pay information was also helpful.

Chairman Roiniotis stated the board was pleased with the performance of both the general manager and the general counsel and complimented both for their contributions throughout 2017. Board members followed with continued praises and thanked them for their leadership.

Chairman Roiniotis verified that Director Horak returned to the call and described the motion voted on by the board and asked if Director Horak would like to register his vote. Director Horak asked if both salary adjustments were presented within one motion, stating that he did not favor the one motion approach. Director Horak reiterated his disapproval of the process and provided no further comments.

MANAGEMENT PRESENTATIONS

(7) HQ Campus

(presenter: Karin Hollohan)

Ms. Hollohan stated the presentation shifted slightly from the memo outlined within the board packet and reiterated the pause in the project was to reevaluate and consider the LEED certification options and discuss recommendations with the sustainability team. Ms. Hollohan summarized the background for the sustainability process, the building design site features, the

recommended enhancements, respond to questions regarding the site's uniqueness, general cost of updates and outlined the next steps.

Ms. Hollohan recognized the focus of the new facility has always been around sustainability and highlighted the recommended items including targeting Silver LEED certification given the stage of design the project is currently in. Pursuing the Silver LEED certification adds an estimated \$350,000 dollars in additional costs with a three-month extension on the timeline. Ms. Hollohan outlined other considerations including internal Platte River assessment regarding adding rooftop solar placed on the outbuildings such as the fleet, warehouse and substation garages, adding additional electrical vehicle (EV) charging stations and requesting a renewable tariff from the City of Fort Collins. Director Bergsten asked if the additional EV charging stations will be in the public assessable area, and at what charging level. Ms. Hollohan responded that the charging stations will be in the public parking area and choosing the type of stations will be future decisions.

Director Troxell commented that the City of Fort Collins fully supports the request for the renewable tariff. Mr. Frisbie added that staff met with the public commenters from the March meeting to reevaluate the suggestions and recommendations. Director Troxell thanked staff for the reconsideration of LEED certification and sustainability features to the campus. Discussion ensued regarding the value of pursuing LEED and the additions the design team have spent time considering and adding into the project.

Ms. Hollohan continued to present the unique features to the site and compared the differences of this building to typical office building sites; storm water retention requirements by the city, fiber infrastructure, and 24-7 operations to name a few. Ms. Hollohan provided next steps to completing the final agreements of cost, scope and schedule, and continuation of the value engineering evaluations. Platte River hosted a community open house held at the headquarters campus for close neighbors; a total of six people attended the open house. Director Bernosky asked about the grading permits and the building permits that will incorporate the LEED certification. FCI representative, Steve Walker, responded that the permits are spread out in different sections to allow for the processes to move forward. Discussion ensued regarding the drained pond and preparations for the site.

**(8) Energy Efficiency Program Year-End Results (2017) and Evaluation (2014-2016)
(presenter: Adam Perry)**

Adam Perry, customer services supervisor, provided a summary of the energy efficiency program and evaluation previously provided in the February board packet. Director Troxell talked about the City of Fort Collins recently being awarded the Bloomberg 2018 U.S. Mayor's Challenge grant and asked how that award fits into the Efficiency Works (EW) program. Mr. Perry responded that it directly relates to the city's "on bill" financing program and referred to John Phelan with the City of Fort Collins to provide more detail. Mr. Phelan discussed the city's "on bill" financing with third party capital and indicated that a primary focus of the grant is to develop ways to overcome the "split incentive" barrier, which often limits efficiency upgrades in the residential rental market. Mr. Phelan went on to explain that the "split incentive" barrier occurs when the party paying the utility bill and therefore receiving the benefits of an efficiency improve (typically the tenant) is not the party making the efficiency upgrade capital investment decisions (the landlord or building owner). Director Troxell added additional objectives to the city's program and hopes that the other cities would benefit from the Fort Collins initiative. Discussion ensued regarding the EW program and other aspects related to the focused rental housing market.

Mr. Perry continued to present the evaluation results from 2014 to 2016 and previewed the future

of the EW programs. Director Bagley asked what products are available to purchase on the website and where to send people for evaluation requests or to obtain rebates. Mr. Perry responded that the Efficiency Works Store website currently has items like smart thermostats, power strips and LED lighting. Mr. Perry also explained that, if they want an assessment, they could obtain more information at the Efficiency Works website where they could also find contact information for program staff who could then help them to determine next steps, which could include signing up for an audit or getting a referral to efficiency contractors. Director Troxell inquired about the third-party relationships with vendors. Mr. Perry confirmed that a contractor, Simple Energy, operates the Store based in Boulder with a web-based platform providing instant rebates for eligible customers. Chairman Roiniotis asked if EW is working with smart thermostat vendors, who can provide direct control of customers' air conditioning if they choose to opt into a demand response program. Mr. Perry responded that EW's current rebates for smart thermostats are based on the efficiency improvement they can provide and are not tied to participation in a demand response program. Paul Davis, customer services manager, added staff have evaluated smart-thermostat demand response and found the benefit-cost ratio for the program to be low due to Platte River's long capacity position. Mr. Davis also indicated Platte River will continue to evaluate this.

Director Bernosky commented that the key accounts with whom he has recently met have all expressed their appreciation of the Efficiency Works program. He went on to thank staff for doing a great job and said he appreciated the work Platte River has done to collaborate with the city staffs. Director Bergsten complemented the addition of water efficiency products on the website. Director Troxell tagged onto the Chairman's comments on DSM, and suggested staff continuing to work towards real time customer engagement programs. Discussion ensued regarding possible technologies available to increase customer engagement. Alyssa Clemsen Roberts, chief strategy officer, added that the updated strategic plan addresses the technology evaluation including end-user apps and that staff will continue to evaluate. Additional discussion ensued regarding a variety of emerging technologies that could enhance customer engagement.

(9) Next Steps of CRP, ZNC, IRP

(presenter: Brad Decker)

Brad Decker, strategic planning manager, provided a high-level presentation for moving into the next phase of resource planning efforts with the integrated resource portfolio (IRP) which is the formal direction Platte River will head within the next three to five years. Mr. Decker noted that the next steps in the IRP process will incorporate community involvement. Mr. Decker gave credit to the zero-net carbon (ZNC) study and noted that the IRP will incorporate information learned during the ZNC study.

Director Troxell asked about the resources and the role of the municipalities as an active part in the system to manage load and energy needs together within the IRP. Director Bagley mentioned the value of setting deadlines to stimulate progress and asked if there is a way to speed up the IRP process. Andy Butcher, chief operating officer, clarified the IRP is designed to set goals and the action plan doesn't move quickly, and using the IRP as a path or a set of goals with flexibility to work outside the IRP is valuable, like Platte River did with the last IRP. Mr. Butcher added that this IRP will outline the next five years reflecting the agreed upon goals, however, Platte River will also continue to evaluate moving faster and further into renewables. Director Bagley mentioned setting policy as a board to make sure if leaders change there's still a path toward renewable energy. Mr. Butcher responded that the IRP sets the policy for staff to reach the goals, however, if opportunities present themselves, there's flexibility to pursuing the better opportunities.

Discussion ensued among Directors and staff on modeling and incorporating accurate results

within the IRP. Mr. Frisbie added that Platte River is fortunate in the regards of not needing to replace a resource and the advantage of being able to make proactive decisions instead of needing to replace a resource in an emergency, and the ZNC was a path forward providing opportunity to exceed future expectations or requirements in a cost-effective manner. Ms. Roberts added the IRP process has requirements to follow. Mr. Decker added the IRP process usually takes about three years to complete and publish, and staff is attempting to push the process into two years if allowed to file sooner than the required deadline. Mr. Frisbie reminded the board that going into the Southwest Power Pool market will make a huge difference in the way we incorporate resources in the future and Platte River will have to move into the market before knowing how much more renewable resources can be incorporated.

Chairman Roiniotis mentioned the ZNC study opened different opportunities for discussions with various citizen groups within the communities while coming to an agreement as a board the direction Platte River can go and maintaining the three pillars of providing energy. Chairman continued to ask the status of the study commissioned by the sustainability group on the ZNC study. Mr. Decker responded that staff had received an executive summary prior to the board meeting and expected the full report by end of week. Ms. Roberts added the participants of the group are very happy with the direction Platte River is going and appreciated the discussions with staff. Discussion ensued among Directors and staff among the “study of the study”, continued community engagement, exploring and demonstrating new technologies and organizational self-learning. Mr. Decker and staff will bring a schedule back to the board at a future meeting.

MANAGEMENT REPORTS

(10) Policy Repository and Resolution Rescissions (presenter: Joe Wilson)

Joe Wilson, general counsel, introduced the whitepaper on the policy repository project and will be back in April to discuss the internal process and inventory of policies. Staff will return in May asking the board to rescind outdated policy resolutions.

(11) Safety Program Review (presenter: Karin Hollohan)

Ms. Hollohan acknowledged Mr. Maldonado who authored the whitepaper and complimented the safety team for the improvements they’ve brought forth within the safety program and practices. Ms. Hollohan reminded the board that Platte River hosts a safety speaker every summer and city staffs are invited to participate if interested; planning for this year’s speaker is currently in process. More information will be communicated to the staff once plans are finalized.

(12) Draft 2018-2020 Strategic Plan (presenter: Alyssa Clemesen Roberts)

Ms. Roberts referred to the content draft for the Strategic Plan available within the board packet and reiterated to the board that staff will return at the April meeting to have further discussion regarding the content and direction. Director Bagley asked if the April version will be the final copy. Mr. Frisbie responded that the leadership team would like to receive board feedback in April and have a work session, if necessary, with the intent of providing a final in May. Mr. Frisbie reiterated that the Strategic Plan fits into the “policy” discussion and the path Platte River will follow for the next two to three years. Director Troxell added onto the discussion by asking that the strategy within the Strategic Plan defines how it plays together with the budget and priorities and shows a two-year review of strategy mentioned within the context. Any board feedback received will be reflected within the next version in April.

MONTHLY INFORMATIONAL REPORTS

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

Mr. Wilson highlighted a bill introduced the day before and will follow up with an email to the board explaining the bill which addresses first right of refusal on transmission development.

(14) February Operating Report (presenter: Andy Butcher)

Mr. Butcher highlighted an unplanned outage at Rawhide in February due to vibration in the isophase and after parts were located, staff was able to fix the unit and put it back online in a timely manner. Mr. Butcher pointed out the dispatch cost was almost on target for planned purchases for the month regardless of the outage. Director Bergsten asked about root cause of the equipment failure. Mr. Frisbie responded delamination of the bushings within the isophase and noted that it was staff knowledge with an experienced operator confident enough to raise a flag to the vibration. Discussion ensued among Directors and staff on the equipment and purchased energy to supplement the outage.

(15) February Financial Report (presenter: Dave Smalley)

Chairman Roiniotis asked the board if there were any questions or comments regarding the February financial report contained within the board materials. No questions or comments were raised.

(16) General Management Report (presenter: Jason Frisbie)

Mr. Frisbie commented on a few items within the general management report; the completion of the WECC audit with staff still awaiting the final report; the Mountain West Transmission Group update previously sent out to the board in an email; status of the fiber activities following a Utility Director’s meeting discussion; the communications building vendor leases; and an update regarding the transmission line from the Enyo wind project.

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 12:44 p.m. The next regular board meeting is scheduled for Thursday, April 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 Secretary and have affixed the corporate seal of the Platte River Power Authority this 26 day of April, 2018.


Secretary

