



Estes Park • Fort Collins • Longmont • Loveland

Regular Meeting Minutes of the Board of Directors

2000 E. Horsetooth Road, Fort Collins, CO

Thursday, April 25, 2019

ATTENDANCE

Board members

Representing Estes Park: Mayor Todd Jirsa and Reuben Bergsten

Representing Fort Collins: Mayor Wade Troxell and Ross Cunniff¹

Representing Longmont: Mayor Brian Bagley and Susan Wisecup

Representing Loveland: Mayor Jacki Marsh and Joe Bernosky

Platte River staff

Jason Frisbie (General Manager/CEO)

Joe Wilson (General Counsel)

Dave Smalley (Chief Financial Officer and Deputy GM)

Andy Butcher (Chief Operating Officer)

Alyssa Clemens Roberts (Chief Strategy Officer)

Angela Walsh (Executive Assistant/Board Secretary)

Steve Roalstad (Communications and Marketing Manager)

Wade Hancock (Financial Planning and Rates Manager)

Pat Connors (Vice President of Power Supply)

Paul Davis (Energy Solutions Manager)

Julie Depperman (Director of Treasury)

Heather Banks (Fuels and Water Manager)

Kaleb Brimhall (Deputy General Counsel)

Tracy Thompson (Executive Administrative Assistant)

Shelley Nywall (Director of Finance)

Julie Ackerman (Controller)

Guests

Tim McCollough (City of Fort Collins)

Jim Lees (City of Loveland)

Kevin Jones (Fort Collins Chamber of Commerce)

Dick Mallott (Loveland resident)

Anna Thigpen (BKD)

Jodie Cates, (BKD)

Mike Meryhew (BKD)

Brian McGill (City of Longmont)

Keith Kaderly (Inside Information)

CALL TO ORDER

Chairman Jirsa 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.

¹ Arrived at 9:06.

ACTION ITEMS

(1) Consent agenda

- a. Approval of the regular meeting minutes of March 28, 2019**
- b. Approval of the special meeting minutes of March 29, 2019**

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

Director Wisecup introduced Brian McGill, rate analyst with Longmont Power and Communications. Director Bagley introduced three young men participating in “bring your child to work” day. Dave Smalley, chief financial officer and deputy general manager, introduced the three consultants from BKD. Alyssa Clemens Roberts, chief strategy officer, introduced Keith Kaderly, consultant with Inside Information. Director Troxell introduced Ross Cunniff as the interim appointed Fort Collins board member replacing Gerry Horak. Directors and staff around the table introduced themselves to Director Cunniff.

PUBLIC COMMENT

Dick Mallott, Loveland resident, inquired about the battery storage project and the IRP status.

BOARD ACTION ITEMS

(2) 2018 BKD audit report (presenter: Dave Smalley, BKD)

Mr. Smalley introduced Jodie Cates and Anna Thigpen with BKD to review the 2018 audit results. Mr. Smalley noted that the financial audit and pension plan audit are now combined into one financial statement this year with the early implementation of accounting standard GASB 84.

Jodie Cates, BKD, discussed the highlights from the audit and noted that Platte River received clean, unmodified opinions. The full audit is in the board packet starting on page 15.

Director Cunniff asked about any unfunded liability within the pension plans. Ms. Cates responded that there are liability disclosures and Platte River has unique funding and planning strategies associated with the pension plans to address the unfunded portions and will point out the footnotes later in the audit review.

Director Bagley asked about Platte River not paying a flat fee and paying them based on transactions they make stated on page 19. Mr. Smalley responded the investment managers are paid based on the expense ratio of funds invested in and page 19 reflects the timing of purchase transactions. Mr. Bagley asked how Platte River pays the investment managers. Mr. Smalley responded that Platte River pays them based on the expense report. Jason Frisbie, general manager and CEO, responded that Platte River does pay a flat rate to Innovest, however, the individual investment fees are paid for separately by the plan.

Anna Thigpen, BKD, covered the items listed in the annual audit letter to the board and management covering the audit results and noted that no proposed adjustments were passed onto management. Ms. Thigpen noted the three new accounting standards that will be applicable to Platte River within the next couple years; GASB 83 (certain asset retirement

obligations), GASB 87 (leases), and GASB 89 (accounting for interest cost incurred before the end of a construction period).

Director Bagley moved to accept the 2018 BKD audit report as presented. Director Wisecup seconded, and the motion carried 8-0.

MANAGEMENT PRESENTATIONS

(3) 2020 Preliminary wholesale rates

(presenter: Wade Hancock)

Wade Hancock, financial planning and rates manager, reviewed the overall wholesale rates restructuring project, and noted that the rates setting policy and the rates setting document is included in the board packet as reference. Mr. Hancock previewed the preliminary wholesale rates and mentioned that the proposed wholesale rates will be presented at the May board meeting.

Mr. Hancock noted that the previously mentioned microsite being added to the Platte River website will be changed to a more permanent website defining the wholesale rates structure providing explanations, frequently asked questions and useful information.

Director Troxell explained that he felt the goals for the rates being designed is to meet the peak for the central plant and in doing so diminishes some benefits of our distributed energy resources and should be geared more towards system benefits. Mr. Hancock responded that maintaining the summer demand charge puts more emphasis on lowering the peak and spreading it out – ability to address the known and measurable changes – and as distributed resources continue to grow the rate structure can be tweaked as one of the goals is flexibility. Mr. Frisbie noted that staff plans to review the rate structure more frequently than as has been done in the past, make modifications to the rates as needed providing financial incentive to improve load factors, and continue benefits system wide. Mr. Frisbie mentioned that staff still needs to decide the future of Tariff 7 once more wind and solar is added to the system as they are the final piece to finalize the numbers.

Director Cunniff asked what the percentage difference is from changing meters from low side to high side. Mr. Hancock responded the percentages for energy is about 0.399 percent and demand is about 0.492 percent. Director Cunniff asked to confirm his understanding of shifting from a fixed charge to a demand charge. Mr. Hancock responded that we are maintaining the revenue requirement and decreasing the determinants. Mr. Frisbie noted that we are preparing for entering into a market which is based on revenue requirements and determinants by which side of the transformer the meter is on. Director Bergsten asked for caution when discussing the differences between distributed, intermittent and dispatchable resources and asked about the owner charge being charged on the variable cost of energy and if the allocating costs for DSM cost/expenses are per community. Mr. Hancock responded the numbers reflect the total budget for the DSM programs and the administration for the programs. Discussion ensued among directors and staff about DSM charges including energy efficiency programs.

Director Troxell asked for strategic planning for steps 2 and 3 – where we want to be and stages of how to get there – to drive and inform rate structures and setting goals for 2030. Mr. Hancock responded that the IRP process will help guide those also. Director Troxell noted the information technology along with the storage technologies and active management of the system with time constants. Director Bergsten mentioned centralize system integration at the Platte River level instead of pushing it out between the four owner communities.

(4) 20 MW solar/battery update

(presenter: Pat Connors)

Pat Connors, vice president of power supply, reviewed the 20 MW solar and battery project, the finalized project contractors and vendors, and highlighted the various aspects of the project that is projected to come online early 2020.

Director Cunniff asked what chemistry the batteries will be. Mr. Connors responded that it is lithium ion, but he will have to follow up with the exact chemistry.

Director Troxell asked for Mr. Connors to explain the round-trip efficiency of the battery. Mr. Connors responded that charging and discharging the battery results in a 10 percent loss and the goal is for the battery to charge and discharge on its own once it's programmed to do so. Director Cunniff explained the degradation depends on the occurrences of charging and discharging the battery for life expectancy. Mr. Connors noted that the PPA outlines one cycle per day - one charge and one discharge per day - anymore and it decreases the life of the battery quicker.

Director Bagley asked how big the physical size of the battery will be and asked how much the battery will cost. Mr. Connors responded that the size is about a semitruck and costs about \$2 million including the tax credits. Discussion ensued among directors and staff regarding storage, power and energy associated with this project. Director Troxell requested for staff to think about the outcomes Platte River is after by learning from having the battery, and wants to demonstrate technology integration and active management. Mr. Connors noted that one of the goals is to learn how to develop our own control system because outside vendors are unwilling to share information for the storage technologies. Discussion ensued among directors and staff regarding learning outcomes and objectives from this battery project, and how costs would change if the tax credit wouldn't be a part of the project.

Mr. Frisbie noted that this presentation is just highlighting the project and staff will return to the board with greater detail later in the year.

Mr. Connors concluded by outlining the permitting process and start of construction currently planned to be online by end of March 2020. Director Troxell asked for more work in intended outcomes, how to measure success, further systems analysis and system integration, and what that all means to Platte River.

(5) Wind interconnection update

(presenter: Andy Butcher)

Mr. Butcher provided an overview of the current permitting and easement process for the generator outlet line project, explained the difference between a generator outlet vs. transmission line and advantages to purchasing the generator outlet line.

Director Wisecup asked if generator outlet is a FERC term that's commonly used in the industry. Mr. Butcher responded that it is commonly used and is the correct term for the type of line. Director Troxell asked if changing the reference to the line affects the permitting process. Mr. Butcher responded that it will not affect the permitting process. Director Bagley asked if it will look differently than a transmission line. Mr. Butcher responded that it will look the same.

Mr. Butcher noted that the wind commitment has increased from 150 MW to 165 MW due to the purchasing of the generator outlet line.

Director Cunniff asked if the wind turbines will shut down if the generator outlet trips. Mr. Butcher said that they would shut down if the line were to go down because the energy wouldn't be able to be transferred anywhere else.

Director Troxell mentioned meeting with the Mayor of Cheyenne and discussed data centers in Wyoming and a Department of Defense project with the missile silos and noted that the fiber addition will be a positive addition. Director Marsh added that Cheyenne is anticipating adding a significant amount of jobs due to those projects.

Director Cunniff asked for the construction timeline. Mr. Connors noted that they will start putting poles up in August starting from Rawhide Energy Station and noted that there are current timing sensitivities due to the nesting patterns of an eagle. Mr. Butcher added that construction timelines could change.

(6) Potential transmission right-of-way disposal (presenter: Kaleb Brimhall)

Joe Wilson, general counsel, introduced Kaleb Brimhall, deputy general counsel, to the board, who has been at Platte River for about a year.

Mr. Brimhall outlined the right-of-way in question and noted that the right-of-way was previously secured many years ago during planning for possible transmission routes potentially needed for future growth, however, it is no longer needed. Mr. Brimhall stated staff recommendations of the sections of right-of-way and staff will return to the board in May for approval.

Mr. Frisbie added, for Director Cunniff's benefit, that the typical approval process is to provide the board with a whitepaper, then provide a presentation and the ability for the board to ask any questions, and then bring back a resolution for the board's consideration the following meeting.

Break: 10:49-11:00

(7) IRP Survey results (presenter: Alyssa Clemens Roberts)

Ms. Clemens Roberts introduced the third-party consultant, Keith Kaderly with Inside Information, who conducted a scientific study among the four owner communities related to the Integrated Resource Plan (IRP) project. Staff passed out two reports to each board member; an aggregated report for Platte River and an individual report for each community. Director Bernosky thanked Ms. Clemens Roberts for providing the presentation to the city staffs earlier in the week.

Mr. Kaderly provided the board with some of his professional background, the background to the project, and presented the combined average results from the four communities surveyed. Mr. Kaderly also highlighted the opinions of both residential and commercial customers surveyed and noted that the exact questions asked in the survey are provided in the handouts the board received during the meeting.

Director Bagley complimented Mr. Kaderly on the information provided in the presentation.

Mr. Frisbie commented on the survey reflecting the increased communications efforts by Platte River within our owner communities the last few years. Director Troxell commented on change management and clarified that reliability and low cost are not at odds against renewable energy.

Director Troxell also noted that the higher rental percentage reflected in Fort Collins and the work towards energy efficiency in new rental projects by the City of Fort Collins. Ms. Clemesen Roberts added that Mr. Kaderly and she had previously worked together on a project within a large rental market initiative in the state of Arkansas.

MONTHLY INFORMATIONAL REPORTS

(8) Legal & governmental affairs report (presenter: Joe Wilson)

Mr. Wilson discussed the Organic Contract and Power Supply Agreements approval process and noted that a signing ceremony is planned for the May board meeting. Mr. Wilson also noted the latest updates regarding the legislative bills that relate to the energy industry and how they could affect Platte River. No questions were raised from the board.

(9) March operating report (presenter: Andy Butcher)

Mr. Butcher highlighted the surplus sales market results for March. Director Bernosky asked if the actual numbers could be added to the bar charts to the operating reports.

(10) March financial report (presenter: Dave Smalley)

Mr. Smalley introduced a new staff person in finance, Julie Ackerman, controller. Regarding financial results, he noted that primarily due to improved surplus sales markets financials reflect better than budgeted numbers for year to date. No questions or comments were raised from the board.

(11) General management report (presenter: Jason Frisbie)

Mr. Frisbie highlighted an update to the fiber accounting policy on page 79 in the board packet and asked Shelley Nywall, director of finance, to provide an overview of the fiber accounting policy. Ms. Nywall also highlighted that throughout the process, the fiber policy only included the fiber and the policy will be changed to include equipment associated with the local loops. The policy will return to the board for approval in May.

Mr. Frisbie covered the follow up requests from the March board meeting regarding the tower attachment expirations and 5G deployment, and the potential drought impacts related to future hydro project production.

(12) Executive Session

Director Bagley explained that discussions and questions have come up regarding board make up and new board members coming in from Fort Collins and Longmont and requested to have an executive session to ask legal questions and discuss with the whole board. Director Bagley moved to amend the agenda to include an executive session for the purpose of receiving legal advice for the process of incoming new board members. Director Bernosky seconded. Motion carried 8-0.

Director Troxell moved that the board go into executive session for the purposes of seeking an opinion from legal counsel concerning the language at section 2.3.2 (ii) of the Organic Contract.

The General Counsel has advised that an Executive Session is authorized in this instance

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pursuant to Colorado Revised Statutes, Section 24-6-402, subsection (4)(b); provided that no formal action will be taken during the Executive Session.

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

(13) Reconvene Regular Session

The Chair reconvened the regular session at 12:36 and asked if there was further discussion or action as a result of the executive session. No board member raised any further discussion.

Roundtable and strategic discussion topics

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

ADJOURNMENT

With no further business, the meeting adjourned at 12:40 p.m. The next regular board meeting is scheduled for Thursday, May 30, at 9:00 a.m. at the Platte River Power Authority, 2000 E. 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 30 day of May, 2019.

Angelabakh
Secretary

