



Estes Park • Fort Collins • Longmont • Loveland

Regular meeting minutes of the board of directors

2000 E. Horsetooth Road, Fort Collins, CO

Thursday, August 27, 2020

ATTENDANCE

Board members via Zoom Webinar

Representing Estes Park: Mayor Wendy Koenig and Reuben Bergsten

Representing Fort Collins: Mayor Wade Troxell¹ and Ross Cunniff

Representing Longmont: David Hornbacher and Mayor Brian Bagley²

Representing Loveland: Mayor Jacki Marsh and Joe Bernosky

Platte River staff via Zoom Webinar

Jason Frisbie (General Manager/CEO)

Sarah Leonard (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)

Masood Ahmad (Resource Planning Manager)

Bryce Brady (Energy Solutions Supervisor)

Shelley Nywall (Director of Finance)

Wade Hancock (Financial Planning and Rates Manager)

Trista Fugate (Director of Community and Government Affairs)

Julie Depperman (Director of Treasury Services)

Pat Connors (Vice President of Power Supply)

Paul Davis (Energy Solutions Manager)

Steve Roalstad (Communications and Marketing Manager)

Kaitlyn McCarty (Executive Assistant – Finance and IT)

Guests

Keith Kaderly (Inside Information)

Dr. Martin Carcasson (Center for Public Deliberation)

CALL TO ORDER

Chair Troxell called the meeting to order at 9:06 a.m. A quorum of board members was present via Zoom Webinar. The meeting, having been duly convened, proceeded with the business on the agenda. Chair Troxell announced that the Platte River staff continues to keep the board, staff and public safe by hosting a virtual meeting.

¹ Dismissed self at 12:30 p.m.

² Joined the meeting at 9:19 a.m.

ACTION ITEMS

(1) Consent agenda

a. Approval of the regular meeting minutes of July 30, 2020

Director Bergsten moved to approve the consent agenda as presented. Director Koenig seconded. The motion carried 7-0 via roll call vote.

PUBLIC COMMENT

Numerous comments were provided to the board online and by email regarding the integrated resource plan (IRP).

MANAGEMENT PRESENTATIONS

(2) Efficiency Works programs update (presenter: Bryce Brady)

Bryce Brady, energy solutions supervisor, provided an overview of the Efficiency Works program and focused on the energy efficiency programs strategy through a phase in and phase out plan to continue customer services during the COVID-19 pandemic.

Chair Troxell asked if there were enhancement program limitations for the four owner communities. Mr. Brady responded that Efficiency Works was developed through collaboration for common programs within all four owner communities to ensure the contractor network providing the services to the customers have a consistent set of rules and standards to follow. Mr. Brady noted that if one of the owner communities has an enhancement program it would like to offer; the staff works behind the scenes to collaborate with other city staff to make sure the customer gets the best service along the way. Chair Troxell asked if the Efficiency Works team developed their phase in and phase out planning in conjunction with Larimer County Department of Health. Alyssa Clemens Roberts, chief strategy officer, responded that the Efficiency Works team continues to evaluate the programs offered while seeking guidance from Larimer County and the Colorado Department of Public Health and Environment to receive the latest information related to COVID-19 and inform how the team moves forward in the phase in/phase out stages. Ms. Clemens Roberts noted that the five utilities' staffs have been working together on common practices as they move forward.

(3) Financing update – issuance of Series KK bonds (presenter: Julie Depperman)

Julie Depperman, director of treasury services, provided a brief overview of why Platte River is issuing Series KK bonds to advance refund a portion of outstanding Series II bonds and summarized the process. Ms. Depperman outlined that Platte River intends to refund a portion of the outstanding Series II bonds of \$23,455,000 by issuing taxable bonds, noting the refunding analysis provided by PFM on Jul. 29, 2020 projects a 22% savings and an escrow efficiency of 88%. Staff will return to the September board meeting to seek board approval. No questions or comments were received from the board.

(4) Wholesale rate projections (presenter: Wade Hancock)

Wade Hancock, financial planning and rates manager, provided an overview of the wholesale rate projections for 2021 as noted in the whitepaper provided at the July board meeting. He

presented rate projections for the 2021-2030 planning horizons, breaking down the 2021 rate projections in more detail, benchmarking, staffs' 1.5% 2021 rate recommendation and next steps.

Director Koenig asked if the presented rate projections reflect any of the suggested IRP portfolio cases. Mr. Hancock responded that the financial projections reflect portfolio two (P2) resource projection data, updated with current market assumptions. Director Koenig continued by asking if rate projections were completed for portfolio three (P3). Mr. Hancock responded that P3 rate scenarios were completed earlier in the year. Jason Frisbie, general manager and CEO, added that the rate projections for the four portfolio options are included in the IRP presentation. Director Bergsten asked if the purchased power rate pressure is related to the planned closures of the coal plants. Mr. Hancock responded that it is related because the generation is replaced by the wind and solar power purchase agreements (PPAs) and other non-firm purchases. Chair Troxell shared his appreciation to staff and supported the direction Platte River is heading.

(5) IRP recap and recommendations (presenters: Andy Butcher and Masood Ahmad)

Andy Butcher, chief operating officer, provided an overview of the presentation agenda including discussing the decarbonization initiatives, noting that Masood Ahmad, resource planning manager, would provide a recap of the February board meeting IRP presentation along with covering how the resources and costs were used within the modeling. Mr. Butcher will complete the presentation with staff recommendations and next steps.

Chair Troxell asked what the predicted load growth in megawatts (MW) without decarbonization will be with respect to the information shown on the graphs. Mr. Butcher responded that the information shows a predicted 1.4 million MWh worth of decarbonization by 2024, requiring technology that doesn't really exist today. He also mentioned that the DER strategy group is tasked to create a decarbonization system with the integration of the additional noncarbon resources. Mr. Ahmad stated that the projected load growth used was .7% and distributed solar was equal to 20 MW.

Chair Troxell asked how reciprocating internal combustion engine (RICE) units fit into a roadmap to 2030 for a noncarbon future. Mr. Butcher responded that staff created multiple portfolios with and without RICE units and the recommended path for the IRP is not an action plan, but the modeling shows that dispatchable resources will be needed to complement the intermittent resources. Director Bagley asked about staff recommending P2 and how the nine caveats to the Resource Diversification Policy help avoid adding the RICE unit. Mr. Frisbie added that an IRP model will solve for goals through the least cost manner for the parameters provided. The recommendation for the IRP is not to recommend any RICE units; this is the closest Platte River can get to 100% noncarbon with 2020 technology. Mr. Frisbie added that several IRPs will be completed before 2030 and a lot of progress will come from the DER strategy committee while remaining adaptable and responsive to diversify the portfolio moving forward. Director Bagley asked if staff would begin to build the RICE unit without board approval if P2 was adopted, stating that he already knew the answer. Mr. Frisbie responded staff would not move forward with building a RICE unit in response to P2 approval. Director Koenig asked to have 'adaptable and responsive' wording included in the P2 language.

Mr. Ahmad presented the recap of the February board meeting presentation and resource related costs. Director Troxell commented on a DER program not being reflected within the portfolios. Mr. Ahmad responded that distributed solar is shown to be up to 100MW on the demand side by 2030 and electric vehicles are reflected at 9% increase in energy in future

slides. Director Bergsten commented that the current work of the DER strategy committee is establishing a foundation to bring back to Mr. Ahmad's team to include in future modeling. Mr. Ahmad also stated that the current slide is only showing the supply side of the equation and DER and distributed solar are reflected in demand information. Mr. Butcher reminded the board the IRP is full of assumptions and within this IRP load forecast takes on a lot of load side assumptions. Ms. Clemens Roberts commented that the DER strategy committee will play a much greater role in the next IRP while this current one reflected the need for all five utilities to have a major role in systems integration.

Chair Troxell asked what causes the steep increase in rates in 2030 for P3. Mr. Ahmad responded that, as shown in the expansion plan, P2 reflects adding 700 MW of new capacity after the retirement of all coal resources whereas P3 requires adding 2,400 MW of new capacity after all thermal resources are removed from the system. Director Hornbacher asked about P3 reflecting resources being added close to 2030 and how Platte River will be investing in the resources before 2030 versus adding resources between 2021 to 2025. Mr. Butcher responded that the IRP uses economics to make decisions. In this case, P3 reflects a forced removal of Rawhide Unit 1, which is not based on economics and pushes all other new additions closer to the 2030 mark. In reality, it would not be feasible to add that much capacity in that short a time. Mr. Frisbie added that the slide being presented was a rate slide reflecting the rate smoothing program and suggested not relating the rate increase to the timing of the resources and does not reflect the cost to serve at that time.

Director Hornbacher asked if the projected energy consumption was covered by the 2,400 MW of suggested battery storage in P3. Mr. Ahmad responded that the fully charged 2,400 MW battery storage was going to cover the expected consumption because it would provide 9,600 MWh. Director Troxell commented that the chart shows a lack of systems integration with a generation only model showing P3 not cost competitive among the four portfolios. Mr. Butcher responded that the concern is embedded within the nine caveats of the Resource Diversification Policy and improvements within the system could help ease the reliability concern. Director Cunniff commented on the reliability concern with the use of lithium battery technology to model from and asked about the regional correlation in generation capacity and if the battery was to support Platte River load. Mr. Ahmad confirmed. Director Cunniff asked about using batteries to feed back into the system when the price is most advantageous for Platte River. Discussion ensued among directors and staff regarding the use of batteries, how future costs of carbon free resources change within a regional market and the impacts to surplus sales with excess energy.

Mr. Butcher provided the staff recommendation for the board adoption of P2, stating that P2 will become the base scenario for future IRP model runs and that approving P2 does not include adding additional resources before the completion of the next IRP. At the same time, staff will continue on the path to meet the Resource Diversification Policy goals and address the caveats while maintaining the three pillars and meeting and exceeding the state mandate for carbon reduction. Mr. Butcher reviewed next steps. Staff will return to seek approval from the board during the September board meeting, filing the final IRP with the Western Area Power Administration (WAPA) in October as required by federal regulations and then presenting the results at community listening sessions in November.

Mr. Frisbie summarized past actions taken by the board and the staff to continue moving forward on the objectives of the Resource Diversification Policy, including announcing shutting down the three coal units, adding the Roundhouse Wind project onto the system, additional solar projects and announcing the intent to join the Western Energy Imbalance Market, all while maintaining the highest levels of reliability and safety during the global pandemic. Mr. Frisbie

complimented staff for their commitment to the IRP. Mr. Frisbie added that the board will be asked at the September board meeting to approve the IRP through a resolution that will be very specific in exactly what the board will be approving.

Chair Troxell commented that P1 or P4 should not be considered, that P2 and P3 are the only viable options, and did not support adding a RICE unit, but if P2 is the direction it needs to include a DER strategy with systems integration. Director Marsh echoed Chair Troxell's comments and asked about the cost comparison of natural gas within the portfolios, what effects current and future administrations could have on capital costs for renewable resources and stated that she will not authorize a RICE unit. Mr. Butcher responded that the natural gas costs are outlined on page 57 of the report. Ms. Clemens Roberts responded to Director Marsh's comment about potential administration changes, stating that staff will always seek to take advantage of tax credits to lower costs for customers. Director Bernosky asked about future tranches of solar and wind and if they would remain PPAs or if Platte River would pursue owning the projects, and then asked if the investment and production tax credits are included within the modeling. Mr. Butcher commented that the wind and solar projects represented within the IRP are PPAs and includes tax credit estimates and if they change, assumptions will be remodeled. Director Cunniff agreed to making it clear in the IRP that it is a snapshot in time and will not commit us to building RICE units if there is a viable technology alternative and will not support adding a natural gas resource. He continued to request adding language in the IRP that staff will continue to evaluate noncarbon resources, to continue to pursue DER strategies and requested adopting interim goals and providing adequate time for public comment at future board meetings.

Director Bergsten commented on continuing to ensure this is an ongoing process and asked where the fracking comments were coming from. Mr. Butcher responded that the RICE units would burn natural gas that comes from various processes. Director Bergsten requested a policy for systems integration to take to the four town and city councils to commit to a DER strategy. Director Bagley commented on supporting P2 and asked for the board to be conservative when moving forward with a vision of 100% noncarbon to allow staff to remain flexible to take advantage of different technologies. Director Koenig asked to strive for 100% noncarbon energy and to have Platte River striving for the solutions, adding that the public also needs to be willing to accept the cost increase and the issues associated with intermittent energy if Platte River moves forward too soon. Director Koenig stated her support for P2 and to include language about striving for 100% noncarbon.

Director Hornbacher thanked Platte River's staff for the work on the IRP and the public input and asked if the IRP is a 10-year planning horizon. Mr. Butcher corrected that the IRP is a 20-year planning horizon but a five-year action plan. Director Hornbacher commented on how dynamic the electric utility environment is – changing quickly – and suggested that any resolution include commitments for completing the IRPs within shorter timeframes. He noted that any kind of DER strategy requires active participation from the distribution utilities and the end users in order to be a successful solution. Director Cunniff supported starting the next IRP sooner. Director Bergsten requested feedback from staff if submitting the next IRP is necessary to reaching goals. Mr. Butcher stated that staff believes the IRP modeling could happen more frequently but WAPA does not want them submitted more frequently than five years. Mr. Frisbie added that one interim goal could be completing the next IRP by 2024. Director Hornbacher requested the actual actions and differences between P2 and P3 be included in the information presented at the September board meeting.

MONTHLY INFORMATIONAL REPORTS

(6) Legal, environmental and compliance report (presenter: Sarah Leonard)

Sarah Leonard, general counsel, highlighted the Gallagher matter outlined on page 164 and covered the order issued by the Federal Energy Regulatory Commission regarding the western energy imbalance service proposal.

(7) July operating report (presenter: Andy Butcher)

Mr. Butcher commented that surplus sales prices were higher than projected for July and noted other positive results from the joint dispatch market. No questions were received from the board.

(8) July financial report (presenter: Dave Smalley)

Mr. Smalley commented on the favorable results for July. No questions were received from the board.

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

Mr. Frisbie noted the budget work session will be presented at the September board meeting with adoption in December. He explained that the solar production below budget variance on the operating report is due to a delay in construction and reminded the board of the retirement committee meeting. Director Hornbacher asked about the status of the RFP for the additional solar project. Mr. Butcher stated that staff is in final negotiations with a PPA for that solar project. Ms. Leonard added that when there is a signed agreement a joint announcement will go public.

Roundtable and strategic discussion topics

ADJOURNMENT

With no further business, the meeting adjourned at 1:11 p.m. The next regular board meeting is scheduled for Thursday, September 24, at 9:00 a.m. either virtually or 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 24 day of September, 2020.


Secretary

