

**INTERMOUNTAIN RURAL ELECTRIC ASSOCIATION**  
**Colorado 16 Jefferson**  
**Sedalia, Colorado**

A regular meeting of the Board of Directors (the “Board”) of The Intermountain Rural Electric Association (the “Association”) was called to order at the office of the Association at 5496 N. U.S. Highway 85, Sedalia, Colorado, at 9:30 a.m., April 22, 2021.

The following Directors were present in person: Tim White, Bruff Shea, Mike Kempe, Jim Anest, Gene Sperry, Bob Graf, and Ron Kilgore. A quorum was deemed present. CEO Jeff Baudier and Association staff were also present.

**Agenda Approval**

Mr. Baudier requested amending the agenda to add two items, Audit Committee Report and Acceptance of Audit Reports, and removing Resolution BR21-13: Conifer District Office CMGC Contract Award, as the item did not require Board approval. Upon motion by Mr. Graf, seconded by Mr. Sperry, the Board unanimously approved the agenda, amended with the noted changes.

**Public Comment**

One customer attended the meeting but did not address the Board.

**Minutes Approval – March 18, 2021, Regular Meeting**

Upon motion by Mr. Shea, seconded by Mr. Kempe, the Board unanimously approved the minutes of the March 18, 2021, regular meeting, as presented.

**Approval of Write-Offs**

Upon motion by Mr. Graf, seconded by Mr. Kilgore, the Board unanimously approved March write-offs of \$22,184.

**Proposed Resolution**

Mr. Baudier recommended the adoption of Resolution BR21-11, approving the award of the Franktown Substation Construction Contract to Foothills Energy Services, Inc. Mr. Shea asked when construction would begin, and Ms. Feuerstein stated in May 2021. Upon motion by Mr. Graf, seconded by Mr. Anest, the Board unanimously adopted the following resolution:

### **BOARD RESOLUTION BR21-11**

Whereas, The Intermountain Rural Electric Association (“the Association”) intends to construct the Franktown Substation in 2021-2022 for the purpose of serving growing demand in Douglas County; and

Whereas, the Association has solicited and received bid proposals for the construction of the Franktown Substation from Altitude Energy; Colorado Powerline, Inc.; Foothills Energy Services, Inc.; Great Southwestern Construction, Inc.; Interstate Electrical Contractors, Inc. and Ward Electrical Company; and

Whereas, the Association’s engineering staff and outside consultant have reviewed the technical requirements, schedules, and pricing of all bids received; and

Whereas, the Association’s engineering staff recommends that the Association award a contract to Foothills Energy Services, Inc. for the construction of the Franktown Substation; and

Whereas, the Board of Directors has determined that such recommendation is in the best interests of the Association and its members;

Now, therefore, be it resolved by the Board of Directors that the Association shall award a contract to Foothills Energy Services, Inc. for the construction of the Franktown Substation in the amount of Two Million Three Hundred Three Thousand Seven Hundred Six Dollars and Thirty-Seven cents (\$2,303,706.37) and such additional amounts as may be reasonably necessary, if any, to facilitate such purchase and installation of that facility, and authorizes the Chief Executive Officer or his designee to execute such contracts as may be necessary in connection therewith.

### **Proposed Resolution**

Mr. Baudier recommended the adoption of Resolution BR21-12, approving the award of the Bayou to Elizabeth 115kV Rebuild Construction Contract to Colorado Powerline, Inc. Mr. Kempe asked how many miles of line the rebuild is, and Ms. Feuerstein replied 8.9 miles of line. Upon motion by Mr. Shea, seconded by Mr. Sperry, the Board unanimously adopted the following resolution:

**BOARD RESOLUTION BR21-12**

Whereas, The Intermountain Rural Electric Association (“the Association”) intends to rebuild the Bayou to Elizabeth 115 kV transmission line in 2021 for the purpose of increasing system capacity, to integrate renewables and to add a fiber optic ground wire for communications; and

Whereas, the Association has solicited and received bid proposals for the construction of the Bayou to Elizabeth 115 kV Transmission Line Rebuild Project from Altitude Energy; Colorado Powerline, Inc.; Foothills Energy Services, Inc.; and Ward Electrical Company; and

Whereas, the Association’s engineering staff and outside consultant have reviewed the technical requirements, schedules, and pricing of all bids received; and

Whereas, the Association’s engineering staff recommends that the Association award a contract to Colorado Powerline, Inc. for the construction of the Bayou to Elizabeth 115 kV Transmission Line Rebuild Project; and

Whereas, the Board of Directors has determined that such recommendation is in the best interests of the Association and its members;

Now, therefore, be it resolved by the Board of Directors that the Association shall award a contract to Colorado Powerline, Inc. for construction of the Bayou to Elizabeth 115 kV Transmission Line Rebuild Project in the amount of Two Million Three Hundred Twenty-Seven Thousand Four Hundred Fifty-Five Dollars and Eleven cents (\$2,327,455.11) and such additional amounts as may be reasonably necessary, if any, to facilitate such purchase and installation of that facility, and authorizes the Chief Executive Officer or his designee to execute such contracts as may be necessary in connection therewith.

**Conifer District Office CMGC Contract Award**

Mr. Fleming updated the Board on the Conifer district office renovation. The CMGC contract award went to Pinkard Construction.

### **CREA Board of Directors Designated Alternate**

Mr. Shea nominated Bob Graf as the designated alternate for the CREA Board of Directors. Upon motion by Mr. Shea, seconded by Mr. Anest, the Board of Directors unanimously approved Mr. Graf as the designated alternate for the CREA Board of Directors.

### **Audit Committee Report**

Mr. Graf presented the Audit Committee Report.

Mr. Graf reported that the Audit Committee held its regular quarterly meeting on April 21, 2021. Present and constituting a quorum were directors and committee members Jim Anest, Bob Graf, and Bruff Shea. Also present were Jeff Baudier, Chief Executive Officer; Dede Jones, Chief Financial Officer; and Craig Johnson, General Counsel. The Association's independent auditors, Julie Desimone and Ian Fendall from Moss Adams attended the meeting virtually.

The purpose of the meeting was for the Audit Committee to review the draft audit reports prepared by Moss Adams. The committee received a clean opinion. Ms. Desimone reviewed the audit reports in detail with the committee. There were a few typos and changes that committee members recommended to Moss Adams, which were adopted. The committee recommends that the Board of Directors approve the draft audit report with the amended changes.

Mr. Graf stated that it had been the practice of the committee to report quarterly on various accounting issues and internal audit activities, all of which are documented in the quarterly compliance memorandum to the Board, prepared by the Association's Chief Financial Officer, Dede Jones. Mr. Graf requested that the quarterly compliance memorandum to the Board be incorporated into the minutes of the meeting.

### **Acceptance of Audit Reports**

Upon motion by Mr. Graf, seconded by Mr. Kempe, the Board unanimously accepted the draft audit reports, amended as noted.

## **Staff Presentations**

### **Finance**

Ms. Jones reviewed The Association's March financial results and the 2021 forecast with the Board. The March margin was close to budget. kWh sales for March were up 7.6% over 2020 and up 4.4% on a year-to-date basis from the prior year due to growth and weather.

### **Operations & Engineering Presentation**

Ms. Feuerstein updated the Board on the Association's power supply for the month of March. Discussion followed.

- Pioneer Solar: capacity factor of 9.66%
- Comanche Unit 3: IREA capacity factor was 100%.

Demand in March was 389 MW, down from 2020, and kWh sales were up from the previous year.

System growth remained high in March. Ms. Feuerstein reported that the engineering department is now nearly fully staffed, which will help with the high workload. There were 408 meters set in March. Discussion followed.

Ms. Feuerstein reviewed reliability data and discussed new goals.

Ms. Feuerstein discussed outages for the month of March. She thanked Mr. Anest for reaching out to the Town of Parker during the March 14 major winter storm. The Town acknowledged IREA linemen for their hard work during the storm and presented framed letters and medallions to the crew.

Ms. Feuerstein updated the Board on the construction budget and noted projects deferred to a later date. She reviewed data on vegetation management and line patrol maintenance and noted that system maintenance is on track.

There was one OSHA-recordable lost time injury in March. Vehicle incidents are declining.

## **Community Relations Presentation**

Ms. Leshar reviewed Association billing and payments data. Eighty-four percent of payments are electronic. Over 50% of customers receive their IREA bills electronically. Account receivables for March are up about 8% from 2020.

Ms. Leshar reviewed delinquent customer analysis data. Discussion followed.,

The call center continues to maintain the service level goal of 90%. Ms. Leshar reviewed data on the email campaign open rates. The Watts & Volts open rates are up 12% and are a new record. There were over 100,000 website page views, an increase of 130%.

The Association's social media audience increased by 15.6%. Ms. Leshar reviewed data on the number of returned 2021 ballots as of April 14.

- District 3 - 18.48% returned
- District 5 - 12.60% returned
- District 7 – 10.99%

Ms. Leshar reported that the PBS program, Viewpoint with Dennis Quaid, has reached out to IREA about doing a campaign on renewable energy. She shared a video produced by IREA on solar. Discussion followed.

Ms. Leshar gave a brief update on various bills pending before the General Assembly.

## **Corporate Services Presentation**

Mr. Fleming discussed IT, Human Resources, and Fleet statistics for March and gave an update on the NISC project. Discussion followed.

## **Legal Presentation**

Mr. Johnson updated the Board on Association litigation matters and disputes. Discussion followed.

### **CEO Report**

Mr. Baudier reviewed the new Board agenda format and the approach of the Board meetings moving forward. The May meeting will focus on his 100-day plan and the Association's goals and objectives. He announced that managers and supervisors would be back to work in the office effective April 19, with all employees back to the office on May 3, 2021.

### **CREA Report**

Mr. White reported that the CREA Board of Directors met on March 26 and April 16. Items discussed at the March meeting included legislation, committee reports, and reviewed minor changes to CREA's bylaws.

The April 16 meeting was a legislative meeting. Discussion followed.

### **Director Updates**

Mr. Anest discussed the awards IREA linemen received from the Town of Parker during the March winter storm, praising Josh Liss, Mandi Leshner, and Pam Feuerstein and her team for communications the Town of Parker received and everyone's hard work.

Mr. Kilgore and Mr. White discussed possible rebates for home chargers, EV charging stations along the I-25 and economic development issues. Discussion followed.

Mr. Graf requested to acknowledge Mr. Sperry, director of District 3, for his 32 years of service on the IREA Board of Directors.

### **Executive Session**

Mr. White called for a motion to go into executive session for the purpose of discussing PSCo matters, confidential business information, and personnel matters. Upon motion by Mr. Kempe, seconded by Mr. Anest, the Board of Directors unanimously approved an executive session. Staff was excused, and the Board convened the executive session at 11:46 a.m. with Mr. Baudier. Mr. Johnson attended the discussion on PSCo matters.

Following the executive session, the meeting was adjourned at 1:40 p.m. No formal action was taken during the executive session.

The next regular meeting will be held on May 20, 2021.



# Memorandum

## *Intermountain Rural Electric Association*

TO: Board Audit Committee  
FROM: Dierdre P. Jones, CFO

DATE: April 21, 2021

SUBJECT: Audit Committee (AC) Oversight Report to the Board of Directors for the Quarter January 1, 2021 through March 31, 2021

With respect to Board Policy No. 102 Section III. A. and the AC's responsibility to report to the Board of Directors (BODs), I report the following:

### **1) Internal Audit Activities**

Internal audit activities are directly supervised by the CFO. The internal auditor position remains vacant. Recruiting to fill this position will resume in the second quarter.

### **2) Accounting and Financial Reporting Process**

The Intermountain Rural Electric Association ("Association") follows generally accepted accounting principles in recording and reporting its accounting information. Association accounts follow the industry standard Rural Utilities Service Uniform System of Accounts – Electric as published in 7 CFR Part 1767. Financial reports are prepared monthly following a well-defined, documented and systematic accounting close and review process.

### **3) Internal Control Structure**

Internal controls, as maintained by management and documented in the Association's policies and procedures, are in place to: safeguard assets, ensure the reliability and integrity of financial information, ensure compliance with laws and regulations; promote efficient and effective operations, and accomplish IREA goals and objectives.

### **4) Financial Statements**

In my opinion, the financial statements for the quarter present fairly, in all material respects, the financial position, results of operations and cash flow of the Association.

### **5) Compliance with Legal and Regulatory Requirements**

The Association is in substantial compliance with the reporting requirements of all federal, state, and local authorities related to taxes, payroll and insurance. In

addition, the Association is in substantial compliance with the covenants contained in our loan and credit agreements with CFC and CoBank.

**6) Retention and performance of Independent External Auditor**

No issues were encountered in the conduct of the 2020 financial statement audit. I will oversee the pension and 401k plan audits, which will begin in May. Results of these plan audits will be reported to the AC in July.

**7) Special Investigations and Whistleblower Policies**

There are no special investigations or whistleblower activities to report. I have temporarily replaced the internal auditor's access to Red Flag reporting with my own so that there are two administrators, as required by Red Flag. Currently, Craig Johnson, General Counsel, and I are Red Flag system administrators. There has been no change to the protocol that the CEO will be notified of any whistleblower activity that doesn't involve him. My access will be deleted as soon as an internal auditor is hired.

**8) Miscellaneous Issues Related to the Financial Practices of the Association**

IREA's Power Supply Director discovered in March 2021 that PSCo incorrectly applied IREA's ownership share of Comanche 3 (25.3333%) rather than a monthly calculated fuel cost percentage to bill us for coal costs. The net impact of the error was an approximate \$66,000 overbilling from July 2019 through February 2021. PSCo has corrected for the error for the monthly billings through December 2020 and will make the 2021 correction on the next billing.