

**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., July 22, 2021.

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

**Agenda Approval**

Ms. Rhodus requested to amend the agenda to include Audit Committee Report. Upon motion by Mr. Kempe, seconded by Mr. Shea, the Board unanimously approved the agenda, amended as noted.

**Public Comment**

There was no public comment, as no member appeared to address the Board.

**Minutes Approval – June 24, 2021, Regular Meeting**

Upon motion by Mr. Graf, seconded by Mr. Anest, the Board unanimously approved the minutes of June 24, 2021, regular meeting, as presented.

**Approval of Write-Offs**

Upon motion by Mr. Anest, seconded by Mr. Kempe, the Board unanimously approved the June write-offs of \$35,360.

**Audit Committee Report**

Mr. Graf reported that the Audit Committee held its regular quarterly meeting on July 21, 2021. Present were directors and committee members Bruff Shea, Jim Anest, and Bob Graf. A quorum was deemed present. Also present were Jeff Baudier, Chief Executive Officer; and Dede Jones, Chief Financial Officer.

Mr. Graf summarized committee discussions regarding the draft Moss Adams audit reports of the employee and union retirement plans. The Committee suggested a few minor adjustments, which will be implemented. The Audit Committee recommends that the Board of Directors accept the draft 401(k) and Union Pension Plans Audit reports.

Mr. Graf noted that the Committee had a lengthy discussion concerning issues on the plans administration and liability and oversight function of the plan administrator. Management staff were prepared and already addressing some of the concerns and have identified some potential savings, with no adjustment to benefits.

The Committee reviewed Form 990 in-depth and recommends that the Board accepts Form 990, as submitted.

The Committee was introduced the Association's new Controller, Curtis Hoepker, during the meeting.

The Internal Auditor position remains open.

Mr. Graf requested that the quarterly compliance memorandum to the Board prepared by the Association's CFO, Ms. Jones, be attached to the minutes of this meeting.

Mr. Shea reported that Mr. Graf was unanimously reappointed as the Committee Chair.

### **Acceptance of 401(k) Pension, Union Pension Plan Audits, and Form 990**

Mr. Kempe requested edits to language regarding contributions for clarity purposes. Mr. Graf replied that the Audit Committee recognized some potential clarity issues and corrected the language. Mr. Graf motioned that the Board accepts the independent auditors' reports regarding the Association's employee 401(k) plan and union pension plan, with the corrections mentioned and Form 990 as presented. Mr. Kempe seconded the motion, which was unanimously approved.

### **Staff Presentations**

#### **Finance**

Ms. Jones reviewed the Association's June financial results and the 2021 forecast and gave a status up on Association 2021 goals with the Board.



In June, kWh sales were up 10.6% from the previous year and up about 6% on a year-to-date basis from the prior year due to weather and growth. The adjusted forecasted year-end margin is about \$15.8 million, \$1.7 million lower than budget.

Ms. Jones announced that Martha Lord, Controller for the Association, submitted her resignation after ten years in the position. Curtis Hoepker, who filled the position, comes from a large distribution cooperative in North Carolina.

### **Operations & Engineering**

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

- Comanche Unit 3: IREA capacity factor was 98.6%.
- Pioneer Solar: capacity factor of 38%
- Victory Solar: capacity factor of 32%

System peak demand in June was 621 MW, and system energy peaked at 241 MWh. System growth remained high in June. There were 431 meters set in June. Applications are up almost 60% from last year.

Ms. Feuerstein reviewed reliability data, noting that June was a good month, and discussed outages for the second quarter of 2021.

Ms. Feuerstein discussed the Platte River fire and reviewed IREA's revised wildfire response procedure and training with the Board. Discussion followed.

Ms. Feuerstein reviewed system maintenance data on vegetation management and line patrol maintenance and noted that system maintenance is on track.

Ms. Feuerstein updated the Board on the construction budget and reviewed current projects. The projected spending for 2021 will be below the revised construction budget.

There was one OSHA-recordable injury in June and no vehicle incidents.

Mr. Baudier announced that the Denver Business Journal selected Pam Feuerstein as one of the 2021 C-Suite Award winners. The Board congratulated Ms. Feuerstein.

### **Community Relations**

Ms. Leshar reviewed Association payments and delinquent customer data. Pay arrangements significantly dropped. Starting this week, IREA will no longer extend payment arrangements beyond three months.

Ms. Leshar reviewed the progress of the NISC project and reported that the NISC bill template is complete, and shared an example of the new bill format.

In June, the contact center dipped slightly below the service level goal. Five part-time CSR positions and a full-time CSR III position were added. Additional ongoing training was added.

Ms. Leshar reviewed data on various email campaigns and customer outreach. She updated the Board on IREA's marketing and economic development strategic plans and reviewed the EV infrastructure plan. Discussion followed.

### **Corporate Services**

Ms. Solano updated the Board on leadership changes within the Corporate Services department, departmental short-term and long-term goals, and high-priority projects. She discussed personnel statistics, the Association's benefits plans, gave an update on the NISC project and discussed the Conifer office project. Discussion followed.

### **CEO Report**

Mr. Baudier updated the Board on the status of Association 2021 goals and objectives, and values. He reviewed new and potential business opportunities and discussed IREA's Public Relations strategic plan. Discussion followed.

Mr. Baudier requested that the minutes reflect the recognition that Journeyman Lineman Dave Hackenkamp recently celebrated his 70<sup>th</sup> Birthday and has over 30 years of service with IREA.

### **Director Updates**

Mr. Anest noted the September Parker Chamber event.

### **CREA Report**

Mr. White presented the CREA report.

Mr. White attended the June 25 CREA Board of Directors meeting. Charles Able of Sangre de Cristo was elected as the CFC Director for this area. CREA's auditor reviewed the Association's 2019 and 2020 audit results with the Board, and a motion was passed to approve the audit report.

### **Executive Session**

Mr. White called for an executive session for the purpose of discussing PSCo matters. Upon motion by Mr. Shea, seconded by Mr. Kempe and carried unanimously, the Board of Directors approved an executive session. Staff was excused, and the Board convened in executive session with Mr. Baudier.

There being no further business to discuss, President Tim White adjourned the meeting.

The next regular meeting will be held on August 26, 2021.



# Memorandum

## *Intermountain Rural Electric Association*

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

DATE: July 21, 2021

SUBJECT: Audit Committee (AC) Oversight Report to the Board of Directors for the Quarter March 1, 2021 through June 30, 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. Potential candidates were identified for the position during the Controller recruitment and hiring process, which was not planned and required priority attention in the 2<sup>nd</sup> quarter. The position should be filled in the 3<sup>rd</sup> 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 pension and 401k plan audits.

#### **7) Special Investigations and Whistleblower Policies**

There are no special investigations or whistleblower activities to report. I continue to have temporary access to Red Flag reporting as replacement for the vacant internal auditor position. System administrator access has also been given to the Chief Administrative Officer, Kathleen Solano, as replacement for the General Counsel vacant position. 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**

A physical inventory was conducted in early July at all IREA warehouse locations. Adjustments totaling only 0.23% of the total inventory balance were required. Opportunities for process improvements were identified, but no significant control weaknesses were noted.

Conifer	\$	(1,503.72)
Bennett		(317.37)
Woodland Park		(416.84)
Sedalia		37,628.60
	\$	<u>35,390.67</u>
Inventory balance	\$	15,241,925.41
Adjustment % of total		0.23%