

**MEETING MINUTES  
Board of Directors - Regular Meeting  
5496 N. U.S. Highway 85  
Sedalia, Colorado  
July 21, 2022**

**Call to Order**

President Tim White called a regular meeting of the Board of Directors (“Board”) of CORE Electric Cooperative (“CORE”) at 9:30 a.m. on July 21, 2022.

The following Directors were present in person: Tim White, Bruff Shea, Jim Anest, Bob Graf, and Mike Kempe. Directors Mike Sperry and Ron Kilgore attended remotely. A quorum was deemed present. CEO Jeff Baudier and CORE staff also were present. President Tim White called the meeting to order and presided.

**Agenda Approval**

Upon motion by Mr. Anest, seconded by Mr. Kempe, the Board of Directors unanimously approved the agenda as presented.

**Public Comment**

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

**Approval of Minutes of June 16, 2022, Regular Meeting**

Upon motion by Mr. Graf, seconded by Mr. Shea, the Board of Directors unanimously approved the minutes of the June 16, 2022, regular meeting, as presented.

**Approval of Write-Offs**

Upon motion by Mr. Graf, seconded by Mr. Anest, the Board unanimously approved December write-offs for \$213,599.00. Mr. Graf noted that the Audit Committee had an elaborate discussion of policies and procedures regarding the write-off process; the Committee is satisfied with the policy and process.

## **Audit Committee Report**

Mr. Graf presented the Audit Committee Report. Mr. Graf reported that the Audit Committee held its regular quarterly meeting on July 20, 2022. Directors and committee members Jim Anest, Bob Graf, and Bruff Shea were present and constituted a quorum. Also present were Jeff Baudier, Chief Executive Officer; Dede Jones, Chief Financial Officer; Kathleen Solano, Chief Administrative Officer; and Deborah Rhodus, acting Committee Secretary. Michael Smoot and Shauna Trautman from Moss Adams, the Cooperative's independent auditors, attended remotely.

The Committee received and reviewed the quarterly compliance memo from the Cooperative's Chief Financial Officer, Dede Jones. Mr. Graf reported that a qualified applicant applied for the internal auditor position, who seemed to be a viable candidate and has been vetted to certain levels.

The Committee confirmed that applicable accounting policies and internal control measures were adequate for required compliance with existing loan covenants and financial reporting. Mr. Graf requested that the quarterly compliance memo be appended to the minutes of this meeting.

Other items to share: the conversion to NISC is going reasonably well, and staff has resolved many of the expected challenges. Discussion followed. After reviewing RFPs from other banking organizations, the Cooperative selected Key Bank for its banking needs. The Audit Committee had previously reported its intention to request RFPs for an independent external auditor and felt that the process should occur periodically. The project was delayed for a year due to the NISC conversion, but it is back on track, and requests will go out in the Fall of 2023 (including Moss Adams), with a selection made in time for the December 31, 2023, audits.

Acceptance of the 401(k) Pension and the Union Pension Plan Audits are action items on the agenda. The Committee recommended that the Board of Directors adopt both audit reports.

### **Acceptance of 401(k) Pension and Union Pension Plan Audit**

Mr. Graf motioned that the Board approves the independent auditors' reports regarding the Association's employee 401(k) and union pension plans as presented and discussed. Mr. Sperry seconded the motion, which was unanimously approved.

### **Staff Presentations**

#### **CEO**

Mr. Baudier reminded the Board of CORE's foundational elements and reviewed its performance management scorecard method. He discussed the Cooperative's quarterly goals and current performance status. At the half-year mark, the Cooperative is on track with its goals and moving toward where we expect to be by the end of the year. Mr. Kempe asked when the scorecard method was implemented. Mr. Baudier responded that it was implemented in April.

Mr. Baudier announced that CORE's GIS Manager, Duane Holt, was named by Esri, the global market leader in GIS, as an Esri Electric Hero. Duane was not only recognized across the nation but internationally as one of the top people in GIS Technology. Congratulations to Duane and the GIS Team for their hard work and innovative thinking!

#### **Finance**

Ms. Jones reviewed with the Board CORE's financial results, debt service coverage, and equity to assets ratio, and reported that CORE's finances are in alignment with the plan. In June, kWh sales were 8.8% higher than the previous year, resulting from a combination of growth and weather. Year-to-date, kWh sales are consistent with last year. Mr. Graf noted that the commercial reporting data looked different from past updates. Ms. Jones responded that the difference is how the data was produced from the previous system versus NISC and that once the three-part rate is implemented, the data will reconfigure. Year-to-date, the margin is about double what was budgeted. The forecasted year-end margin is projected to be about \$22.6 million. Discussion followed. Ms. Jones also reviewed the Cooperative's long-term debt portfolio. Discussion followed.

## Operations and Engineering

Ms. Feuerstein reviewed the results of second quarter power supply, operations, engineering, and safety.

Capacity factors were reported as follows:

- Comanche Unit 3: 50.3%
- Victory Solar: capacity factor was 32.46%.
- Pioneer Solar: capacity factor was 36.98%.

For June 2022, system peak demand was 608 MW, down from the prior year.

Ms. Feuerstein discussed two potential solar and storage with battery projects; each project is about 12 MW. Discussion followed.

While there were some outages in the second quarter (weather-related, fire danger, and vegetation issues), we are currently on target with meeting our reliability goals. Ms. Feuerstein reviewed a chart that breaks down the percentage of outages into categories, e.g., vegetation, weather, animals, etc. She reported that 27% of the outages in the second quarter were due to trees outside of our right-of-way. We are working with new AI technology that helps identify hazard trees. Our system maintenance, vegetation, and line patrol are on track.

System growth continues to remain high. Applications for service, year-to-date, is about 2,800, compared to 2,600 the previous year. Meter sets were up by about 100 from the prior year.

Ms. Feuerstein updated the Board on the construction budget.

Ms. Feuerstein gave a summary of second quarter safety results noting that improvement for the balance of the year is needed to meet performance targets. A safety program analysis consulting firm has been retained to perform a comprehensive review of CORE's safety program.

### **Corporate Services**

Ms. Solano reviewed the Cooperative's performance management program and personnel metrics for the second quarter. Discussion followed.

Ms. Solano discussed the second quarter's Information Technology projects, metrics, and cybersecurity measures. Discussion followed.

Ms. Solano reviewed second quarter metrics for Facilities, Fleet, and Strategic Planning and Communications. She also recapped the successful NISC implementation project and the Conifer district office project. Discussion followed.

### **Member Experience**

Ms. Leshar reviewed call center statistics, payments and delinquent analytics, member contacts, energy solutions projects, and business development opportunities. She discussed member satisfaction tracking capabilities through the new phone system and a new member satisfaction survey that launched in July to the members. She reported that the prepaid billing plan is progressing well, with implementation scheduled for Q1, 2023. Ms. Leshar announced the Cooperative is actively working to fill the Member Energy Solutions Director position. The person in this role will identify our members' energy solutions needs, oversee energy solution projects, identify and execute grant options, and work with key state officials. She reviewed various load growth opportunities that the Cooperative is pursuing. Discussion followed.

### **Director Updates**

Bob Graf noted that he and Bruff Shea attended the CoBank Energy Directors Conference in Chicago. He reported that the attendance was down 75% due to the conference location this year. The conference will be held at the Broadmoor next year.

### **Executive Session: Confidential Legal Matters**

Mr. White called for an executive session to discuss confidential matters. Upon motion by Mr. Graf, seconded by Mr. Kempe, and carried unanimously, the Board of Directors approved an executive session. The Board convened in executive session with Mr. Baudier, staff members, and Perry Glantz, legal counsel.

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

The next regular meeting will be held on August 18, 2022.

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

DATE: July 20, 2022

SUBJECT: Audit Committee (AC) Oversight Report to the Board of Directors for the Quarter of April 1, 2022, through June 30, 2022.

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. A qualified applicant received in early July has been phone-screened by HR's talent acquisition and selection specialist, who recommended further consideration of this candidate. The applicant is undergoing both skills and competency/profile assessments with emphasis on professional success factors and applied reasoning skills. An interview and reference checks should follow very quickly.

**2) Accounting and Financial Reporting Process**

CORE Electric Cooperative ("CORE") follows generally accepted accounting principles in recording and reporting its accounting information. CORE 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 Cooperative'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 CORE goals and objectives.

**4) Financial Statements**

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

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

CORE is in substantial compliance with the reporting requirements of all federal, state, and local authorities related to taxes, payroll, and insurance. In addition, the Cooperative 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**

Moss Adams completed their work in connection with the audit of CORE's 2021 financial statements in April 2022. Audits of the union pension and 401k savings plans will wrap up in July 2022 so that these audit reports and required IRS filings (Form 5500) are issued by the July 31, 2022 deadline. Moss Adams management and staff conducting these plan audits have been very knowledgeable and professional.

As agreed upon at the April 2022 AC meeting, Moss Adams will conduct the financial statement and retirement plan audits for the year ended December 31, 2022.

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

There are no special investigations or whistleblower activities to report. Access to Red Flag reporting has been given to the Chief Administrative Officer, Kathleen Solano. There has been no change to the protocol that the CEO will be notified of any whistleblower activity that doesn't involve him. Once hired, the internal auditor will also be granted access.

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

Comanche 3's returned to service mid-June after the unplanned forced outage which began January 28, 2022. Nearly \$15 million of replacement power and outage maintenance costs related to this transmission breaker outage were incurred. We are using the regulatory balancing mechanism to expense these costs over a three-year period from 2022 through 2024.

The unit developed a tube leak and was removed from service July 8<sup>th</sup>. Comanche 3 returned to service July 14<sup>th</sup>. Finance will determine if any special accounting treatment should be recorded for this outage in Q3.

The liability of \$731,233 recorded at yearend 2021 for the amount due to non-union retirees who elected to take a lump-sum distribution from the defined benefit pension plan increased to \$873,484 at April 30, 2022. We will record the

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additional liability, if needed, based on developments with Securian's and CORE's legal counsel.