

HIGHLINE ELECTRIC ASSOCIATION
REGULAR MEETING OF THE BOARD OF DIRECTORS
February 15, 2018

A regular meeting of the Board of Directors of Highline Electric Association was held at the office of the Association in Holyoke, Colorado at 9:00 A.M. on February 15, 2018.

ROLL CALL

President Mike Bennett presided at the meeting. Directors present were:

Mike Bennett	Leo Brekel
Ted Carter	Brad Stromberger
Jim Lueck	Merl Miller
Steve Oestman	Merlin Prior
Aaron Sprague	Pam Stieb

Manager Farnsworth and Attorney Fredregill were also present. Attorney Fredregill recorded the minutes of the meeting. David Kinnison was absent. Leo Brekel entered the meeting during the Manager's Report.

AGENDA

The Agenda was approved as presented.

MINUTES APPROVED

The minutes of the January 18, 2018 meeting were approved as presented.

MANAGER'S REPORT

Manager Farnsworth presented graphs of the kWh Purchased, kWh Sold, Expenses, Operating Margins, and Cash & Investments for January 2018. Farnsworth reported that the line item titled "Expenses Lines 4-10" was actually lower than presented on the graph by approximately \$120,000, which results in Highline's expenses being approximate \$240,000.00 better than budget. Farnsworth presented and reviewed the Ormat summary for January 2018. Highline recognized \$23,904.78 in savings in January. Director Sprague reported on issues related to the Republican River Water Conservation District.

Leo Brekel entered the meeting.

Brad Stromberger reported on water issues in the South Platte basin. Manager Farnsworth provided an update on the annual meeting. He reported that both Nancy Berges and Kirk Sittner met the requirements of the petition process and will be running for District #3. Farnsworth explained how the 1099s were accounted for in the check register. Farnsworth reported on updates to the December Form 7. Highline's operating margins were \$40,124.66 higher than expected and Tri-State allocations were \$248,033 above projections. Farnsworth discussed Highline's DIY solar project and the applicability of Tri-state's Policy 115.

OPERATIONS REPORT

Rance Ferguson presented the February Operations Report. He reported on the status of contract work, pole inspection, a minor

regulator issue at the Sedgwick substation, Holyoke Crew activity, Sterling Crew activity, and Ovid Crew activity.

Ferguson presented the safety committee report. There were no accidents. He presented the outage report.

ENGINEERING REPORT

Trent Loutensock presented the February Engineering Report.

He reported on the status of the Ovid electrical infrastructure and pole replacement project, warranty repairs to the Sedgwick Substation transformer, AMI software integration, AMI tower permitting, mobile substation assembly and testing, the Chase Substation LTC project, and the Tri-State Board Policy 109 Asset Transfer. Loutensock also reported the load control results for 2017.

MEMBER AND CORPORATE SERVICES REPORT

Dennis Herman presented the February Member and Corporate Services Report. The Cushion of Credit balance was \$3,033,782.99 as of 1/31/18. HEA had \$12 million in CFC Commercial Paper and Select Notes as of 2/9/18. HEA paid \$1,632.70 in fees on \$132,991.19 worth of credit card payments in January. He presented the check register and Form 7.

POLICY 1-2

Manager Farnsworth presented Policy 1-2. It was properly moved, seconded, and carried that Policy 1-2 be approved as presented.

POLICY 1-4

Manager Farnsworth presented Policy 1-4. It was properly moved, seconded, and carried that Policy 1-4 be approved as presented.

RULES AND REGULATIONS

Manager Farnsworth presented revisions to Sections X and XIII of the Rules and Regulations. It was properly moved, seconded, and carried that the Rules and Regulations be approved as presented.

SAFETY COMMITTEE REPORT

It was properly moved, seconded, and carried that the Safety Committee Report be approved as presented.

APPROVE NEW MEMBERS

It was properly moved, seconded, and carried that the list of new members listed below be accepted as members of Highline.

Armatoski, Paul	Bischoff, Rayburn
Boerner, Tyler	Brierly, Amanda
Brompton, Jim	Dale Chaney Trust
Reon Chaney Trust Part B	Ciesla, Andy
Ferguson, Billy J	Fretz, Laurel
Frye, Sarah M	Gap Farms LLC
Gerk, Carolyn	Green, Sharon
Helena Chemical Company	Hewgley, Laloni L

Imperial Beef
Larson, Chelsea
Munson, Roger
Olofson, Kathy
Ridnour, John
Smith, Arlene R
Torres, Diego
Widick, Holly

Kepaa, Shawn
Lundgren, Justin
Northeast Ag Investments
Reata Petroleum Corp
Shino, Ron
Stebakken, Parker
Wegener, Michael

SUBORDINATION AGREEMENTS CONTRACTS AND RELEASE OF LIENS

It was properly moved, seconded, and carried that the following Contract and Lien Releases be approved:

Contract and Lien Release

Casey Kropp

ESTATE CAPITAL CREDIT REFUNDS

It was properly moved, seconded, and carried that the following capital credit refunds and assignments be approved:

Otto L George	\$ 805.39
Dolores M Kisner	384.35
Milton & Genevieve Mekelburg	1,817.79
Perry J. Pomeroy	129.45
Eufemia Sanchez	676.42

Assignments:

Milner Land & Cattle	\$2,190.95
----------------------	------------

POLICY 4-1

Manager Farnsworth presented proposed changes to Policy 4-1. The Board requested that staff and legal counsel review and recommend, if possible, an amendment to Policy 4-1 that would allow transfer of a deceased majority shareholder's (as majority shareholder is defined in Policy 4-1) pro rata share of a corporate patron's capital credits to the deceased majority shareholder's account in a manner that accounts for the deceased majority shareholder's greatest equity in the corporation rather than the equity at the time of death.

VEHICLE BID DISCUSSION AND APPROVAL

Rance Ferguson presented bids for 2018 cab and chassis with a 37-foot articulated/telescoping one-man bucket. It was properly moved, seconded, and carried to accept the ETI bid for a Ford, which was the low bid.

WEED SPRAYING BID DISCUSSION AND APPROVAL

Rance Ferguson presented bids for spraying substations for weeds. It was properly moved, seconded, and carried to accept the Renkoski bid, which was the low bid.

SOLAR PROJECT DISCUSSION

Manager Farnsworth reported that the landowner of the target location for the Microgrid Solar Project has declined to sign a lease with Microgrid. Farnsworth discussed other possible locations for the project.

Manager Farnsworth presented the increased power purchase agreement rate from Microgrid and discussed its effects on the project benefits in terms of net present value. With the increased PPA rate and the requirements of Tri-State Policy 115, the project produces zero net present value benefit under certain circumstances. Farnsworth discussed alternate approaches that could potentially yield a net present value benefit to Highline. It was properly moved, seconded, and carried to authorize Manager Farnsworth to negotiate a power purchase agreement with Microgrid that eliminates the risk of total loss of any net present value of the project over the course of a 30-year contract.

SWPPD SERVICE TERRITORY DISCUSSION

Manager Farnsworth reported on the status of the transfer of service territory and assets to Southwest PPD. He reported that the parties agreed to a depreciated value of line and equipment in the total amount of \$206,841.47. He also reported on issues related to removal and return of line equipment, opens and transfer of service, PCB tests, and pole testing records. He reported that Southwest PPD has requested that Highline continue to serve the account no. 80689. Farnsworth recommended retaining the account. It was properly moved, seconded, and carried for Highline to continue service for account no. 80689.

SCHOLARSHIP DISCUSSION

Dennis Herman presented Highline's current scholarship program. Herman proposed converting one or more of Highline's \$1,000.00 scholarships to recurring 4-year \$1,000.00 scholarships. He also discussed the possibility of making a scholarship available by drawing at the annual meeting. It was properly moved, seconded, and carried to convert two of Highline's 1-year \$1,000.00 scholarships to 4-year \$1,000.00 scholarships. Brad Stromberger and Merlin Prior abstained from the vote.

Executive Session

It was properly moved, seconded and carried to go into executive session to receive privileged legal advice from Attorney Fredregill regarding director election procedure, with the following in attendance: all directors present at the meeting, Manager Farnsworth, and Attorney Fredregill. It was properly moved, seconded, and carried to exit executive session.

STRATEGIC PLANNING

Manager Farnsworth presented his analysis of Highline's strengths, weaknesses, opportunities, and threats. The board discussed and added to the list.

TRI-STATE

Director Brekel reported on his attendance at the regular meeting of the Tri-State Board of Directors. He reviewed the Sources and Distribution of Energy Report. He reported on Tri-State member sales. He presented the Consolidated Balance Sheet and reported that total assets and total equity are lower than last year. He presented Tri-State's Consolidated Operating Budget Variance. Tri-State allocated actual net margins of approximately \$61 million.

Director Stromberger left the meeting.

WESTERN UNITED

Director Carter reported on his attendance at the regular meeting of Western United Electric Board of Directors. He reported that Western United experienced record sales. Western United is beginning to manufacture meter loops.

Director Carter left the meeting.

CREA

Director Lueck reported on his attendance at the regular meeting of the CREA Board of Directors. He reported on proposed legislation that CREA is tracking. CREA's May meeting will be in Sterling.

NREA

Director Prior reported on his attendance at the regular meeting of the NREA Board of Directors. He reported on legislation that NREA is tracking, including LB-325, LB-389, LB-494, LB-693, LB-722, LB-723, LB-763, LB-921, LB-994, LB-1021, LB-1022, LB-1133, and LB-1054.

CREA ANNUAL MEETING

Directors Miller, Stieb, Prior, Lueck, Oestman, and Bennett reported on their attendance at the CREA Annual Meeting.

Aaron Sprague leaves the meeting

President Bennett reported on his attendance at the Presidents' Breakfast

MEETING ATTENDANCE

The directors discussed attendance at upcoming meetings.

PUBLIC COMMENT

There was no Public Comment.

ADJOURNMENT

There being no further business to come before the meeting, the meeting was adjourned at 4:17 p.m.

Merlin R. Prior

SECRETARY

[Signature]

PRESIDENT

4843-6228-5918, v. 1