

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

ROLL CALL

Vice President Jim Lueck presided at the meeting. Directors present were:

Steve Oestman	Pam Stieb
Leo Brekel	Ted Carter
Jim Lueck	David Kinnison
Merlin Prior	Aaron Sprague
Brad Stromberger	

Manager Farnsworth, Rance Ferguson, Trent Loutensock, Dennis Herman, Tad Huser, and Attorney Bryson Fredregill were also present. Directors Mike Bennett and Merl Miller were absent. Attorney Fredregill recorded the minutes of the meeting.

AGENDA APPROVED

The Agenda was revised and approved as revised.

MINUTES APPROVED

The minutes of the October 18, 2018 board meeting were approved without revision.

MANAGER'S REPORT

Manager Farnsworth presented graphs of kWh Purchased, kWh Sold, Operating Revenue, Expenses, Operating Margins, and Cash & Investments for October 2018. Farnsworth presented the Ormat report for October. Highline recognized savings of \$5,527.96 in October and \$125,308.93 Y-T-D. Aaron Sprague reported on issues related to the RRWCD. Farnsworth presented the results of the director compensation survey.

ENGINEERING REPORT

Trent Loutensock presented November Engineering Report. Loutensock reported on the status of construction projects, the mobile substation, the construction work plan, substation testing and maintenance, system sectionalizing, and AMI.

OPERATIONS REPORT

Rance Ferguson presented the November Operations Report. Ferguson reported on the status of construction projects and substation maintenance. He reported that a Highline bucket truck sold for \$30,250.00, which exceeded expectations by approximately \$25,000.00. He also reported on the activities of the Holyoke, Sterling, and Ovid Crews. Ferguson presented the Safety Committee Report and outage report. There were no accidents.



Manager Farnsworth presented proposed amendments to Article III of the Bylaws. The board discussed revising the proposed language of the newly added Section 12 of Article III to read as follows:

"Former Director as Employee

**Section 12.** No person shall be eligible to become a Cooperative employee who served as a Highline Electric Association Director within (3) three years before the proposed hire date."

It was properly moved, seconded, and carried to authorize publication of Notice of the Proposed Bylaw Amendment as revised.

#### CYBERSECURITY RECOMMENDATION

Manager Farnsworth reported on the review of the Cybersecurity Assessment Report. Regarding external security the report noted no critical vulnerabilities from external attacks. The report revealed on high vulnerability which is currently being corrected. Regarding internal security, the report noted one critical deficiency and eight deficient risks. The report produced seventy-seven recommendations, sixty-four of which can be implemented by Highline at little to no cost. The remaining recommendations can be implemented with the purchase of equipment, patches, and updates at an estimated cost of approximately \$10,000.00, which amount has been included in the proposed 2019 Budget.

#### CAPITAL CREDIT RETIREMENT DISCUSSION

Dennis Herman Presented the recommended general capital credit retirement of approximately \$2,311,771.14. The total retirement includes the balance of 1995 and 65.5% of 1996 Tri-State capital credits and the balance of 2003 and 84.51% of 2004 Highline capital credits. Herman explained the methodology underlying the recommendation. It was properly moved, seconded, and carried to approve the general refund of capital credits as recommended.

#### 2019 BUDGET

Farnsworth presented the proposed 2019 Budget with revisions since the draft presented at the October meeting, including additional amounts for IT equipment, a share of the expense for the truck for the mobile substation, Unit 37, the Ovid Office, and hosted PCS. Farnsworth explained the role of deferred revenue in the budget and beyond.

It was properly moved, seconded, and carried to approve the budget as presented.

#### RATE TARIFFS

Manager Farnsworth presented revised Rate Tariff Sheets 26, 32, and 33. Sheet 26 was further revised. It was properly moved seconded and carried to approve Rate Tariff Sheet 26 as revised and Rate Tariff Sheets 32 and 33 as presented.

#### VEHICLE BID DISCUSSIONS

Rance Ferguson presented the bids to replace one of Holyoke's digger trucks, Unit 37. Highline received bids from Altec and Custom Truck. It was properly moved, seconded, and carried to accept the bid from Altec in the amount of \$265,535.00.

#### EXECUTIVE SESSION

It was properly moved, seconded, and carried to go into executive session to consider documents or receive testimony given in confidence and to receive privileged legal advice from Attorney Fredregill regarding a confidential business opportunity and general manager succession planning, with the following in attendance: All directors present at the meeting, Manager Farnsworth and Attorney Fredregill. Rance Ferguson, Trent Loutensock, Tad Huser, and Dennis Herman were also present for the discussion regarding the confidential business opportunity. It was properly moved, seconded, and carried to exit executive session.

Merlin Prior exited the meeting.

Vice President Lueck recessed the meeting at 12:05 p.m. for lunch and reconvened the meeting at 12:43 p.m.

#### TRI-STATE

Leo Brekel reported on his attendance at the regular meeting of the Tri-State Board of Directors. He reported that, according to the consolidated operating budget, Tri-State is \$6 million ahead of budget. He reported on projected revenue deferral and capital credit retirement. He reported on the long-term financial forecast.

#### CREA

Jim Lueck reported on his attendance at the CREA Board of Directors meeting and the CREA Energy Summit. CREA is considering re-branding.

#### WESTERN UNITED

Jim Lueck reported on the status of Western United. Western United has a new board president.

#### BASIN ELECTRIC

Leo Brekel and Mark Farnsworth reported on their attendance at the Basin Electric annual meeting.

#### MEETING ATTENDANCE

The Board discussed attendance at upcoming meetings.

#### EMERGENCY BUSINESS

It was properly moved, seconded, and carried that the following Subordination Agreements, Contracts, and Releases be approved:

Subordination Agreements

Ernest J. Martin

ADJOURNMENT

There being no further business to come before the meeting, the meeting was adjourned at 1:11 p.m.

---

SECRETARY

---

PRESIDENT

4839-5829-1330, v. 2