

HIGHLINE ELECTRIC ASSOCIATION  
REGULAR MEETING OF THE BOARD OF DIRECTORS  
December 19, 2019

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 December 19, 2019.

ROLL CALL

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

Mike Bennett	Leo Brekel
Aaron Sprague	David Kinnison
Jim Lueck	Merl Miller
Pam Stieb	Merlin Prior
Brad Stromberger	

Manager Dennis Herman and Attorney Bryson Fredregill were also present. Attorney Fredregill recorded the minutes of the meeting. Directors Ted Carter and Steve Oestman were absent from the meeting. Director David Kinnison entered the meeting during the presentation from Duane Highley.

AGENDA APPROVED

The Agenda was revised and approved as revised.

MINUTES APPROVED

The minutes of the November 21, 2019 meeting were approved as presented.

CONVERSATION WITH TRI-STATE CEO DUANE HIGHLEY

Duane Highley discussed Tri-State's revised mission statement. He also discussed Tri-State's proposed Responsible Energy Plan. He discussed the process that Tri-State underwent to produce the Responsible Energy Plan. The plan is designed to embrace energy transition while maintaining rate stability and reliability. Highley discussed how Tri-State proposes to handle coal assets that are stranded as a result of the plan. He discussed the legal pressures arising from production of the Colorado-mandated Responsible Energy Plan while maintaining operations in Wyoming, Nebraska, and New Mexico. Highley discussed support for the plan from the Colorado Governor's office and the legislature.

Highley updated the board on the pending litigation at the Colorado PUC with United Power and La Plata Electric Association, Inc.

Director David Kinnison entered the meeting.

Highley discussed FERC jurisdiction over Tri-State. He also discussed Tri-State's investigations into joining a regional trade organization.

Duane Highley exited the meeting.

The board discussed Mr. Highley's presentation.

## MANAGER'S REPORT

Manager Herman presented graphs of cumulative kWh purchased and kWh sold through November 2019. Herman also presented graphs of operating revenue, expenses, operating margins, and cash & investments through November. Herman highlighted monthly and year-to-date variances from budget for each of the foregoing.

Herman discussed plans for a new reservoir in Y-W's territory as well as the associated need for pumping from the Pruitt reservoir. Herman reported that the Tri-State board approved a \$30 million capital credit retirement at their December board meeting, of which \$1,685,326.00 is allocated to Highline. Highline will elect to take its retirement in January 2020. Herman reported on energy audits available to participants in the master irrigator class. Herman reported that Highline is currently soliciting bids for the Ovid remodel project. He also reported that Highline is currently evaluating and renegotiating its joint use agreements.

Herman discussed a proposal from PCTelcom to partner on the installation of overhead fiber for the provision of broadband services. The consensus of the board was not to pursue the partnership at this time. Herman updated the board on the status of the SECURE Act.

Herman presented a proposal for Highline to join Southeast Colorado Power Association in intervening in La Plata Electric Association, Inc. v. Tri-State Generation and Transmission Association, Inc. (Proceeding No. 19F-0620E) and United Power, Inc. v. Tri-State Generation and Transmission Association, Inc. (Proceeding No. 19F-0621E). It was properly moved, seconded, and carried to authorize Highline to intervene in La Plata Electric Association, Inc. v. Tri-State Generation and Transmission Association, Inc. (Proceeding No. 19F-0620E) and United Power, Inc. v. Tri-State Generation and Transmission Association, Inc. (Proceeding No. 19F-0621E), either as a joint movant with Southeast Colorado Power Association or individually as determined by the General Manager and legal counsel for the association, and to further authorize a statement to FERC in the same matter if deemed beneficial by the General Manager and legal counsel for the association.

Herman presented and reviewed the Ormat summary for November. Highline recognized savings of \$1,686.23 in November and \$52,228.02 Y-T-D.

## OPERATIONS AND SAFETY REPORT

Rance Ferguson presented the December Operations Report. He provided an update on the Thanksgiving ice storm. Highline lost seven poles in the area from north of Crook to south of Fleming. Ferguson updated the board on pole testing. Just over 8,000 poles will be tested in 2019. As of the last report about 25% of the poles have been tested. Ferguson reported on the activities of the Holyoke, Sterling, and Ovid crews.

Ferguson presented the Safety Committee Report and reported on safety training. There were no accidents. Ferguson presented the outage report.

## MEMBER SERVICES REPORT

Tad Huser presented the December Member Services Report. He reported on new services and energy efficiency rebates. He provided an update on recently commissioned renewable member systems. He reported on the status of the load control program and Revolving Loan Fund Activity.

## ENGINEERING REPORT

Alex Astley presented the December Engineering Report. He reported on the status of engineering for the Riverview Solar project. He reported on coordination efforts with Tri-State for a new transmission metering point at the West Plains Substation. He reported on IT activities, including routine upkeep, PCS billing server migration, digital mapping system updates, integration of solar field data into the Highline website, and investigations into brief disconnects. He reported that approximately 5,000 AMI meters have been deployed. He updated the board on staking for several projects, including an upcoming transmission line rebuild. Astley also reported on the status of communication tower installation and site acquisition.

## CORPORATE SERVICES REPORT

Jim Jackson presented the December Corporate Services Report. The Cushion of Credit balance was \$69,055.14 as of 11/30/19. Highline had \$1,923,291.15 million in CFC investments as of 11/30/19. HEA paid \$1,837.65 in fees on \$132,866.08 worth of credit card payments in November. Jackson reported that 4,164 capital credit checks were mailed. Jackson presented the Form 7, check register, and cash flow statement.

## CONSENT AGENDA

The Consent Agenda contained the following items:

- a. Policy 6-2 Power and Energy Conservation
- b. Safety Committee Report
- c. New Members and Membership Refunds
- d. Subordination Agreements or Release of Liens
- e. Estate Capital Credit Refunds

One of the proposed estate refunds was removed from the Consent Agenda. The items on the Consent Agenda were approved as revised by unanimous consent.

## POLICY 2-4 WAGE AND SALARY ADMINISTRATION

Manager Herman presented revised Policy 2-4.

It was properly moved, seconded and carried to go into executive session for confidential testimony regarding a personnel matter and a confidential business opportunity with the following in attendance: All Directors present at the meeting, Manager Herman, and Attorney Fredregill. It was properly moved, seconded, and carried to exit executive session.

It was properly moved, seconded, and carried to approve Policy 2-4 as presented.

## RIVERVIEW SOLAR PROJECT UPDATE

Manager Herman reviewed the Riverview Solar Project compared to budget. The project is approximately \$22,824.00 under budget. Herman presented a revised Power Purchase Agreement and Interconnection Agreement with Highline Services, LLC. Herman also presented drafts of consents to assign the Power Purchase Agreement and Interconnection Agreement to Farm Credit Leasing Services Corporation. Herman also requested approval of an access easement in favor of Highline Services, LLC for access to the Riverview Solar Project site.

It was properly moved, seconded, and carried to authorize THE President to execute the revised Power Purchase Agreement with Highline Services, LLC on behalf of Highline Electric Association.

It was properly moved, seconded, and carried to authorize THE President to execute the revised Interconnection Agreement with Highline Services, LLC on behalf of Highline Electric Association.

It was properly moved, seconded, and carried to authorize the General Manager to negotiate and execute on behalf of Highline Electric Association the Consent to Collateral Assignment of the Power Purchase Agreement.

It was properly moved, seconded, and carried to authorize the General Manager to negotiate and execute on behalf of Highline Electric Association the Consent to Collateral Assignment of the Interconnection Agreement.

It was properly moved, seconded, and carried to approve an access easement in favor of Highline Services, LLC for access to the Riverview Solar Project site.

#### RUS LOAN DISCUSSION AND APPROVAL

Manager Herman reported on Highline's current equity position, highlighting that Tri-State's allocation and retirement of capital credits no longer creates equity for Highline. Manager Herman reported on the equity requirements of Policy 4-1 and discussed ways in which Highline can maintain a 50% equity level in the coming years. He discussed anticipated short- and long-term economic pressures facing Highline.

Manager Herman presented the RUS 740c for the CO 29 AV8 Loan request in the amount of \$38,928,000.00. It was properly moved, seconded, and carried to approve the 740c as presented and to authorize execution of the 740c by the General Manager and President of Highline.

#### 2020 Rate Approval

Manager Herman discussed the previously approved rate increase and clarified that the purpose of the rate increase was to generate additional revenue of approximately 1%. The rate increase necessary to achieve this goal is approximately 1.2%. Herman presented the revised rate tariffs. It was properly moved, seconded, and carried to approve rate tariffs as presented.

#### 2020 REBATE DISCUSSION

Tad Huser presented the proposed 2020 Rebate Program. He reported that Tri-State's Residential LED bulb/fixture rebate, initially scheduled to expire on December 30, 2019, will continue. It was properly moved, seconded, and carried to approve the rebate program as presented.

#### NRECA R3 RESOLUTION AND LETTER OF SUPPORT

Manager Herman presented a resolution endorsing participation in NRECA's Rural Cooperative Cybersecurity Capabilities Program. Manager Herman recommended approval of the resolution because of the potential benefit of the program to Highline at no cost. It was properly moved, seconded, and carried to approve the Highline Electric Association Endorsement of Participation in NRECA's Rural Cooperative Cybersecurity Capabilities Program resolution.

#### BACKHOE BIDS

Rance Ferguson presented the bids to replace Highline's 1993 John Deere 310D backhoe. It was properly moved, seconded, and carried, to accept the bid from Wagner Equipment for a 2018 Caterpillar 415F2HRC backhoe in the amount of \$72,161.99 after trade-in.

#### TRI-STATE

Director Brekel presented the Tri-State meeting report and reported on his attendance at the regular meeting of the Tri-State Board of Directors.

#### CREA

Director Lueck reported on his attendance at the regular meeting of the CREA Board of Directors. He reported that member dues will increase 7% in 2020.

#### NREA BOARD MEETING AND ANNUAL MEETING

Director Prior and Manager Herman reported on their attendance at the NREA board meeting and annual meeting. Prior reported that the Legislative Committee established its priorities for 2020, including rural broadband and preservation of the cooperative tax-exempt status. The Accountability Committee discussed conflict of interest issues involving lease and service agreements. NREA is changing its 401K benefit from a 4% base to a 4% match. NREA revenue is up and expenses are under budget.

#### MIDWEST ELECTRIC ANNUAL MEETING

Director Lueck reported on his attendance at the Midwest Electric annual meeting. A panel presented on the effects of the flooding in Nebraska.

#### 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 3:12 p.m.

*Martin R. Priest*

SECRETARY

*W. S. S.*

PRESIDENT

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