

**MINUTES OF REGULAR BOARD MEETING
OF
HOLY CROSS ENERGY**

OCTOBER 20, 2021

A regular meeting of the Board of Directors of Holy Cross Electric Association, Inc., a/k/a Holy Cross Energy (hereinafter called “Holy Cross”), a Colorado cooperative association, was held at the main office at 3799 Highway 82 in Garfield County, Glenwood Springs, CO, on October 20, 2021, at 9:02 a.m. The meeting was held in WebEx webcast format with Board members and staff appearing by WebEx at Holy Cross’s main office. Notice of the meeting was given in accordance with Colorado law and the bylaws of Holy Cross.

Agenda Item 1: Roll Call. Chair David C. Munk reported that all the seven Directors were present online being Robert H. Gardner, Kristen N. Bertuglia, David C. Munk, Adam Quinton, David S. Campbell, Alexander DeGolia, and Keith E. Klesner. Staff attending included Bryan J. Hannegan, President and Chief Executive Officer; Sam Whelan, Power Supply Manager; David Bleakley, Vice President – Engineering; Bob Farmer, Vice President - Information Technology; Cody O’Neil, Vice President—Glenwood District Operations; Rick Arnhold, Vice President – Eagle / Vail District Operations; Andrew Schiller, Vice President – Finance; John Rowley, Vice President - Human Resources; ~~Jenna Weathered, Vice President—Member and Community Relations; and Brian DeCrow, Safety Coordinator.~~ Also present were employees Jim Walker and James Ray. General Legal Counsel Randolph W. Starr also attended.

Agenda Item 2: Adjourn Previous Board Meeting. Chair Munk adjourned the meeting of the Board of Directors originally convened on September 15, 2021, and then continued to today’s meeting. [09:03]

Agenda Item 3: Public Comment. Chair Munk asked for comments of members of the public present. As no members were present there were no comments. [09:03]

Agenda Item 4: Employee Recognition. Jim Walker, Aspen Crew Foreman, is celebrating 30 years of service. James Ray, Glenwood Line Operations Manager, is celebrating 30 years of service. Dane Shaffer, Senior Equipment Operator, is celebrating 15 years of service. [09:20]

Agenda Item 5: Consent Calendar. The following informational items were presented to the Board in the form of written reports and memoranda:

- a. Minutes of September 15, 2021, Regular Meeting
- b. Treasurer’s Report
- c. Safety Committee Minutes
- d. Power Supply Report
- e. System Reliability Report
- f. Legislative and Regulatory Report
- g. Attorney’s Report
- h. Staff Reports
- i. Board Committee Reports

- i. Communications
- ii. Finance
- iii. Governance
- iv. Strategic Issues
- j. Directors' Reports
 - i. Western United Electric Supply Corporation
 - ii. Colorado Rural Electric Association
 - iii. National Rural Electric Cooperative Association
 - iv. National Rural Utilities Cooperative Finance Corporation

Questions posed by Board members were answered by staff members. Upon motion duly made, seconded, put to a vote and unanimously carried, it was

RESOLVED, that the items on the Consent Calendar be approved as presented. [10:07]

Agenda Item 6: COVID-19 Update. President and CEO Hannegan gave an update about the effects of the government orders regarding COVID-19 and the effect on Holy Cross's operations. Questions from Board members were answered by Mr. Hannegan and staff members. [10:26] A break was taken. Russ Winder, Manager – Construction Engineering, joined the meeting. [10:26 to 10:45]

Agenda Item 7: Old Business.

- a. Quarterly Safety and Loss Report. Vice President Rowley made a verbal and visual presentation on the First Quarter Risk Management plan. Highlights:

In 2021 Q3:

- Our Total Recordable Cases Incident Rate (TRCIR) was 2.6 reflecting a total of three recordable incidents in the first and second quarters of 2021. There were no recordable incidents in the third quarter.
- The Days Away, Restricted, or Transferred (DART) rate was 0 for the first, second, and third quarters of 2021.
- There was one Auto Liability/Physical Damage claim in the third quarter with an estimated amount of \$3,500.

The 2021 Safety Improvement Plan which includes an update on our three-year plan, annual plan, and current initiatives was presented to the Board.

Questions posed by Board members were answered by Mr. Rowley. [10:51]

Agenda Item 8: New Business.

- a. Construction Engineering Capital Plan.

Russ Winder described the proposed 2022-2031 Construction Work Plan (CWP) and sought the Board's feedback prior to its incorporation into future year operating and capital budgets. The present 2022-2031 Construction Work Plan projects a need for \$161.6 million in investment in the following general areas:

- Replacement (\$69.2 million) – replacement of aging infrastructure
- Smart Grid (\$24.5 million) – distribution automation and smart devices
- Reliability (\$13.1 million) – increased capacity to support load growth in certain areas, reduced risk of contingencies and outages
- Transmission (\$60.0 million) – expansions and upgrades to our assets at voltages >115kV
- Fire Mitigation (\$3.5 million) – efforts to harden our system and reduce ignition sources
- RFP Upgrades (\$0.3 million) – system improvement projects to support Power Supply

A 10% contingency fund is also required, bringing the entire total to \$177.7 million over the ten-year period.

Note that expenditures in Transmission assets are covered by the Transmission Integration and Equalization “TIE” Agreement with Public Service Company of Colorado / Xcel Energy. In that agreement, HCE and Xcel each are responsible for their respective shares of total combined system investment between the two parties. In general, this results in HCE being paid back a large portion of its transmission expenditures in future years.

No action is required of the Board of Directors at this time. The full 2022 Operating and Capital budgets will be presented to the Board for review and approval in December. Mr. Hannegan made comments and responded to questions. Questions posed by Board members were answered by Mr. Winder and Mr. Bleakley. Mr. Winder left the meeting. [11:28]

b. Information Technology Capital Plan.

Mr. Farmer informed the Board about the proposed 2022-2031 Information Technology (IT) Capital Plan and seek the Board’s feedback prior to its incorporation into future year capital budgets. In October 2020, Staff presented the 2021-2030 IT capital plan to the Board of Directors. This is an update to the capital plan.

The 2022-2031 IT capital plan projects a need for \$33.0 million in investment in the following areas:

- Fiber Priority 1 (\$6.7 million) – deploy fiber to create a backbone between key facilities and substations including a carryover of \$1.7M from 2021.
- Fiber Priority 2 (\$12.8 million) – expand fiber to remote priority 2 assets.
- Fiber Priority 3 (\$1.9 million) – expand fiber to remote priority 3 assets.
- IT Infrastructure (\$6.8 million) – maintain and expand high-site facilities, networks, voice, wireless, and two-way radio systems.
- IT Services (\$2.4 million) – maintain existing compute and storage systems and expand systems to improve resiliency.
- Security (\$2.1 million) – maintain and expand existing cyber and physical security systems.

No action is required of the Board of Directors at this time. The full 2022 Operating and Capital budgets will be presented to the Board for review and approval in December. Questions posed by Board members were answered by Mr. Farmer. [11:37]

c. Letter of Credit for RFP Project Upgrades.

Mr. Schiller provided an overview of HCE’s cost responsibility for Network Upgrades for the Grand Valley Hydro project and to gain Board resolution for the CFC Letter of Credit Reimbursement Agreement. As a part of HCE’s 2020 RFP, HCE solicited multiple resources and contracted with Grand Valley Hydro (GVH) to purchase the energy and capacity from a 4.5MW hydro plant. GVH currently operates an old 3MW hydro plant that will soon be decommissioned and upgraded to 4.5MW of capacity. The GVH plant interconnects with the PSCo transmission system at the Vinelands substation near Palisade. HCE, GVH and PSCo have been working through the Small Generator Interconnection process with PSCo over the last several months. GVH and PSCo now have a final form of Small Generator Interconnection Agreement (SGIA) that outlines upgrade costs for the GVH project. The costs are shown on the tables presented to the Board. The Power Purchase Agreement (PPA) between HCE and Grand Valley Hydro clarifies cost responsibility between the two parties should there be required upgrades to accommodate the project. GVH is responsible for the “Table 1 – Transmission Provider’s Interconnection Facilities” costs, while HCE is responsible for the “Table 2 – Station Network Upgrades” costs.

Station Network Upgrades:

As noted above, HCE is responsible for “funding” the Network Upgrades for the GVH project. The PSCo OATT defines Network Upgrades as: Modifications or additions to transmission-related facilities that are integrated with and support the Transmission Provider’s overall Transmission System for the general benefit of all users of such Transmission System. Network Upgrades are typically funded in one of two ways:

1. The customer (HCE) provides cash up front for the Network Upgrades and the transmission provider provides facilities credits back to the customer over time that refunds the cost and interest expense the customer incurred.
2. The customer’s financial institution provides a Letter of Credit as security for the upgrades and the transmission provider releases the Letter of Credit once commercial operations of the project is achieved.

HCE and PSCo preferred to take the Letter of Credit approach.

CFC Letter of Credit:

CFC has agreed to issue a Letter of Credit in favor of PSCo for \$3,662,000. CFC also requires HCE enter into a Letter of Credit Reimbursement Agreement should PSCo draw on the Letter of Credit. The Letter of Credit carries an annual expense to HCE that is estimated to total \$40k during the 18-month upgrade construction period.

HCE staff and Counsel have reviewed the CFC Letter of Credit Reimbursement Agreement and do not anticipate requesting material changes from CFC.

After discussion by the Board, upon motion duly made, seconded, put to a vote and unanimously carried, the following resolutions were adopted:

RESOLVED, that the Cooperative is hereby authorized to apply for a letter of credit to be issued by National Rural Utilities Cooperative Finance Corporation (“CFC”), in accordance with the terms and conditions of the Letter of Credit Reimbursement Agreement substantially in the form submitted to this meeting (the “Letter of Credit Agreement”), provided that such letter of credit shall be issued to Public Service Company of Colorado, as Beneficiary thereof and shall be in an aggregate amount not to exceed \$3,662,000.00; and

RESOLVED, that the individuals listed below are hereby authorized to execute and to deliver to CFC the Letter of Credit Agreement;

RESOLVED, that each of the following individuals is hereby authorized in the name and on behalf of the Cooperative to execute and to deliver all such other documents and instruments as may be necessary or appropriate, to execute any future amendments to said Letter of Credit Agreement as such individual may deem appropriate within the amount authorized herein and to do all such other acts as in the opinion of such authorized individual acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions:

<u>Office or Title</u>	<u>Name (typed or printed)</u>
President and Chief Executive Officer	Bryan J. Hannegan
Vice President of Finance	Andrew Schiller

RESOLVED, that the President and Chief Executive Officer be authorized to sign the CFC Certificate of Resolutions and Incumbency required for CFC to issue a Letter of Credit associated with the Grand Valley Hydro project. [11:48]

Agenda Item 9: Executive Session. None. [11:49]

Agenda Item 10: Continuation of Board Meeting. Chair Munk recessed the meeting at 11:49 p.m. until **November 20, 2021, at 9:00 a.m.** for a regular meeting by WebEx.

Secretary – Robert H. Gardner

APPROVED:

Chair – David C. Munk

The Holy Cross Energy Board Meeting schedule for 2021:
November 17, 2021—WebEx
December 15, 2021—in person