

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

MARCH 16, 2022

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 March 16, 2022, at 9:00 a.m. The meeting was held on WebEx with Board members and staff appearing electronically. 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 called the meeting to order and reported that all the seven Directors were present on WebEx being Robert H. Gardner, Kristen N. Bertuglia, David C. Munk, Adam Quinton, Keith E. Klesner, David S. Campbell, and Alexander DeGolia. Staff attending included Bryan J. Hannegan, President and Chief Executive Officer; David Bleakley, Vice President – Engineering; Bob Farmer, Vice President - Information Technology; Cody O’Neil, Vice President—Glenwood District Operations; Andrew Schiller, Vice President – Finance; John Rowley, Vice President - Human Resources; and Jenna Weatherred, Vice President—Member and Community Relations. Also attending was General Legal Counsel Randolph W. Starr.

Agenda Item 2: Adjourn Previous Board Meeting. Chair Munk adjourned the meeting of the Board of Directors originally convened on February 16, 2022, and then continued to today’s meeting. [09:00]

Agenda Item 3: Public Comment. Chair Munk asked for comments of members of the public present. No comments were received, and no members of the public were on the call. [09:00]

Agenda Item 4: Employee Recognition. Jack Warkentin, Warehouse Supervisor at the Glenwood office, is celebrating 25 years of service. Jeffrey Fletcher, Tree Clearing Foreman at the Glenwood office, is celebrating 15 years of service. Jennifer Broderick, Network and Systems Specialist II at the Glenwood office, is celebrating 5 years of service. [09:06]

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 February 16, 2022, Regular Meeting
- b. Treasurer’s Report
- c. Safety Committee Minutes
- d. Power Supply Report
- e. Diversity, Equity, and Inclusion Committee Minutes
- f. System Reliability Report
- g. Member Participation Report
- h. Legislative and Regulatory Report
- i. Attorney’s Report
- j. Board Committee Reports

- i. Communications
- ii. Finance
- iii. Governance
- iv. Strategic Issues
- k. 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
 - v. Holy Cross Energy Roundup Foundation

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. [09:08]

Agenda Item 6: Staff Reports. The Staff Reports had been delivered to the Board members prior to the meeting. Questions from Board members were answered by staff members. [10:02]

Agenda Item 7: Old Business.

a. Member Equity Distribution. Vice President Schiller presented a recommendation for distribution of accrued and unpaid capital credits to the members of Holy Cross. The recommendation is in accordance with the Articles of Incorporation, Bylaws and Policies of Holy Cross. Vice President Schiller reviewed the member equity allocations and refund options for 2022. Discussion among the board members ensued and questions posed to Mr. Schiller were answered.

Upon motion duly made, seconded, put to a vote and unanimously carried, the following resolutions were adopted:

RESOLVED, that Holy Cross shall allocate, for 2021 only, Operating Margins of \$8,883,300 to member equity accounts; and that

RESOLVED, that 50% of the 2021 member equity allocations on a discounted net present value basis, in the approximate amount of \$2,014,154, be refunded to members in May 2022; and that

RESOLVED, that 1/25th of the allocated margins balance from 2006 to 2020, of approximately \$2,662,639, shall be refunded to members on a first-in first-out basis in December 2022. [10:04]

b. Uncollectable Debt Write-off. Vice President Schiller presented the list of accounts that are uncollected and that should be declared as uncollectable, totaling \$42,268.70 (July 1, 2021, through December 31, 2021). The list had been presented to the Board prior to the meeting. Upon motion duly made, seconded, put to a vote and unanimously carried, the following resolution was adopted:

RESOLVED, that the attached list of accounts receivable totaling \$15,818.31, be declared uncollectable and be written off the financial records of HCE. [10:08]

c. Director Compensation Review. Board members reviewed Director Compensation and expenses annually as outlined in Corporate Policy 4.6, Director Compensation and Expenses, Section 2.2.5. HCE currently compensates the Board of Directors with a monthly fee of \$1,000.00. The Board Chair receives an additional monthly fee of \$500.00 and each Committee Chair receives an additional monthly fee of \$250.00. A Director fee is also paid for each full day or portion thereof spent on Holy Cross business. Holy Cross business requiring more than four hours of participation per day is compensated at the full day rate of \$500.00. Business requiring four hours or less of

participation per day is compensated at the ½ day rate of \$250.00. These fees are reviewed annually by the Board of Directors. The 2021 CREA Directors Compensation Survey, the 2020 NRECA National Directors Study Survey, 2021 Board Expense Summary and Corporate Policy 4.5 Director Compensation and Expenses was provided prior to the meeting, and they were reviewed at the Board meeting. Director Gardner made additional comments. Questions posed by Board members were answered by Director Gardner and staff members. [10:26]

[A break was taken from 10:26 to 10:42]

Agenda Item 8: New Business.

a. 2022 Key Performance Indicators. Staff proposed modification to the Key Performance Indicators (KPI) for 2022 to conform with the Board-approved Operating Budget. The Board approved a set of KPI's at the December board meeting. The KPI for the Energy Cost Adjustment (ECA) was set at < 0.39 ¢/kWh. This was based on the Board's approval for a budget which anticipated a \$5M deferral. The 2022 budget anticipated using \$2.5M of that deferral. During the Board's January 2022 meeting, staff presented an update on the 2021 financial forecast. The January projection would exceed budget by only \$4.1M, not the \$5M that used to build the 2022 budget. Since the January projection only anticipated \$4.1M to be available for deferral, the Board elected to defer \$4.1M and recognize half (\$2.05M) of the deferral in 2022. This reduced utilization of deferred revenue in 2022 was replaced with a higher ECA to recover the \$450k not deferred. Correspondingly, the new KPI should be < 0.403 ¢/kWh. The February ECA is above 0.403 ¢/kWh. This was done to help recoup the under collections in January when the ECA was set at 0.385 ¢/kWh. Mr. Schiller answered questions from Board members. Upon motion duly made, seconded, put to a vote and unanimously carried, the following resolution was adopted:

RESOLVED, that the Key Performance Indicators (KPIs) for 2022 be amended to increase the allowable ECA from 0.39 to 0.403 ¢/kWh, consistent with the adopted 2022 Operating Budget. [10:44]

b. Amendments to Articles of Incorporation. Staff and legal counsel proposed to update HCE's current Articles of Incorporation to include current practices and language and to allow it to match HCE's bylaws and policies. HCE's current Articles of Incorporation were most recently updated in 1988. HCE's General Counsel recently undertook a review of those Articles and identified two sections in need of specific changes to conform with recent Board decisions and past growth of the Association. Questions from Board members were answered by Attorney Starr:

- The Board of Directors' term of office was changed from three to four years in length in HCE Bylaws on December 16, 2020. Therefore, this has been updated in Article V.
- The original limit on the number of members was set at 50,000. We are currently over 45,000 members therefore Article VI has been updated to allow an unlimited number of members.
- In lieu of specific amendments to address these two issues, HCE's General Counsel has proposed a complete replacement of the 1988 Articles of Incorporation with a complete, top-to-bottom revision using updated language similar to other Colorado electric cooperatives that have recently amended their Articles.
- Changes to the Articles of Incorporation first require approval by the Board of Directors by a 2/3 vote. If approved by the Board, the amended Articles will be presented to the membership for approval on the June 2022 ballot (with or without Director elections, as appropriate).

Upon motion duly made, seconded, put to a vote and unanimously carried, it was **RESOLVED**, that the proposed amended and restated Articles of Incorporation are approved as presented and that it shall be presented to the members at the next election for action. [10:55]

c. Wildfire Risk Mitigation Plan. Vice President Bleakley gave an update to the Board on current and planned activities intended to reduce the risk of wildfire ignition from our distribution system, and to improve the resilience of our distribution system to impacts from potential wildfires. Over the past several years, HCE has undertaken several specific activities to mitigate the risk of wildfires to the HCE system and to the areas we serve, including:

- Vegetation management
- Regular visual and infrared system inspection
- Pole testing
- Substation testing
- Monthly/Annual substation inspections
- Smart meters
- Investigation of all temporary faults on main feeders
- Automatic Vehicle Location (AVL) to improve response time
- Fire protection system settings that reduce the likelihood of fuse expulsions
- Implementation of multiple SCADA control switching points
- Transmission expansions for resilience, such as the Avon-Gilman project
- Fire retardant wrapping of transmission structures
- Non-expulsion fuse replacements
- Installation of smart reclosers and sectionalizing
- Additional hardware maintenance
- Drone inspections of overhead line
- Right-of-way inspection through satellite imagery

For 2022, the Reliability and Resilience Work Plan includes a specific task related to wildfire mitigation activities. Task 3 focuses on continued replacement of expulsion fuses and installation of smart devices. Additional lower risk areas may be included if time and budget permit. Outside of the work plan we will continue to build upon our inspection and maintenance activities that have been used in past years. Questions posed by Board members were answered by Mr. Bleakley with input from Mr. Hannegan. No action is required of the Board at this time. [11:31]

Agenda Item 9: Executive Session. Upon motion duly made, seconded, put to a vote and unanimously carried, the following resolution was adopted:

RESOLVED that the Board enter executive session to consider documents or testimony given in confidence generally relating to negotiations on real property acquisition. All staff members remained in the Board room.

No action was taken by the Board to make final policy decisions or adopt or approve any resolution, rule, regulation, or formal action, any contract, or any action calling for the payment of money. Direction was given on negotiations.

Upon motion duly made, seconded, put to a vote and unanimously carried, the following resolution was adopted:

RESOLVED that the Board exit executive session. [12:34] Discussion about the scheduling of the upcoming Finance committee meeting ensued.

Agenda Item 10: Adjourn Board Meeting. Chair Munk continued the meeting at 12:39 p.m. until **April 20, 2022, at 9:00 a.m.** The next meeting will be held by WebEx. The Finance Committee meeting will be held following the Board meeting.

Secretary – Robert H. Gardner

APPROVED:

Chair – David C. Munk

Holy Cross REA Board Meeting Schedule [Third Wednesday of each month]
April 20, 2022—WebEx
May 18, 2022—WebEx
The Annual Meeting of Members will be held on June 2, 2022, at Lundgren Amphitheatre & Lawn, 789 Gypsum Creek Road, Gypsum, CO 81637
June 15, 2022—in person
July 20, 2022—WebEx
August 17, 2022 (strategic planning)—in person
September 21, 2022—WebEx
October 19, 2022—WebEx
November 16, 2022—WebEx
December 21, 2022—in person