

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

NOVEMBER 16, 2023

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 November 16, 2023, 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 six of the seven Directors were present, Robert H. Gardner, Kristen N. Bertuglia, David C. Munk, Adam Quinton, Keith E. Klesner [absent], Alexander DeGolia, and Linn Brooks. Staff attending included Bryan J. Hannegan, President and Chief Executive Officer; David Bleakley, Vice President – Engineering; Cody O’Neil, Vice President—Operations; Sam Whelan, Vice President—Finance; Jenna Weatherred, Vice President—Member and Community Relations; and Trina Zagar-Brown, Vice President—Business Services. Also attending were General Legal Counsel Randolph W. Starr, Jonathan Perez, and Betsey Seymour with Samantha Pickard. No others were on the web meeting.

Agenda Item 2: Adjourn Previous Board Meeting. Chair Munk adjourned the meeting of the Board of Directors originally convened on October 18, 2023, and then continued to today’s meeting. [09:00]

Agenda Item 3: Public Comment. Chair Munk asked for comments from members of the public present. Michael L as a member of the public was present on the web. [09:00]

Agenda Item 4: Employee Recognition.

August Service Recognition:

Samantha Pickard, GIS Analyst, is celebrating 5 years of service. Ms. Pickard left the meeting at the end of this agenda item.

Recent New Hires, Promotions and Departures:

Christian Rosas has been promoted to Enterprise Applications Analyst in Glenwood Springs.

Chuck Campagna has transferred to AMI Infrastructure in Glenwood Springs.

Jared Roberts has been promoted to Tree Trimmer II in Glenwood Springs.

Vince Stoltfus has been promoted to Journey Lineworker in the Eagle Vail District.

Austin Walck has been promoted to Apprentice Operator in Glenwood Springs.

Ladd Epp, Manager Cyber Security, departed from Holy Cross on October 11, 2023.

Manuel Gomez, Fiber and Broadband Director, departed from Holy Cross on October 11, 2023.

Jim Walker, Crew Foreman in Aspen, retired from Holy Cross after 32 years of dedicated service. [09:13]

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 October 18, 2023, Regular Meeting
- b. Treasurer’s Report
- c. Safety Committee Minutes
- d. Diversity, Equity, and Inclusion Committee Minutes
- e. Power Supply Report
- f. System Reliability Report
- g. Community Energy Systems Report
- h. Member Participation Report
- i. Legislative and Regulatory Report
- j. Attorney’s Report
- k. 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. Federated Rural Electric Insurance Exchange

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. [09:41]

Agenda Item 6: Staff Reports. The Staff Reports were delivered to the Board members prior to the meeting. Questions from Board members were answered by staff members. [10:04]

Agenda Item 7: Old Business.

- a. Updated 2022 Audit Report. Vice President Whelan advised the Board on the revised 2022 annual financial audit and sought acceptance of the report. Robert Lang of Kelso Lynch joined the web meeting for this item. As outlined in Article V, Section 5.8 of the Holy Cross Electric Association Bylaws, the Board of Directors shall have an audit committee that is directly responsible for overseeing the work of any registered public account firm employed by the Cooperative. Further outlined in Section 2.4.10 of Holy Cross Corporate Policy 4.1 “Functions of the Board of Directors,” one of the functions the Board of Directors is “reviewing the annual financial audit and management letter with the auditor present and directing such remedial action as may be necessary.” The work of Holy Cross’s independent auditor was initially completed, and a final report was presented by the auditor via conference call to the Holy Cross Finance Committee (acting as the Board Audit Committee) at its meeting on July 11, 2023. The Board then approved the audit at the July 19, 2023, Board meeting. Following the approval, Holy Cross received a request from RUS to provide an updated audit in accordance with Government Audit Standards. This request came as Holy Cross has recently begun to draw on the funds available through the USDA Rural Energy Savings Loan Program (RESP). Holy Cross’s Staff worked with our audit firm, Kelso-Lynch, and has provided an updated report for the Board’s review in Call To Order. The updated report includes:

1. References to the audit being performed in accordance with Government Auditing Standards; and
2. A new section on “Internal Control over Financial Reporting” on page 3 of the report. Vice President Whelan recommended the acceptance of the revised audit. Upon motion duly made, seconded, and unanimously carried, it was **RESOLVED**, that the revised independent audit of the financial statements of Holy Cross Energy for the fiscal year ended April 30, 2023, be accepted, and published on the Holy Cross website. [10:17] Mr. Lang left the meeting.

Agenda Item 8: New Business.

- a. Annual Meeting Date and Location. After a written and verbal presentation by Vice President Weatherred, upon motion duly made, seconded, and unanimously carried, it was **RESOLVED**, that the 2024 Annual Meeting of the Members be held at 4 Eagle Ranch, 4098 Highway 131, Wolcott, CO 81655 on June 6, 2024. [10:22] A break was taken. [10:22 to 10:38]
- b. NRECA / CREA Membership Review. President and CEO Hannegan reviewed with the Board the value of Holy Cross’s membership in our State and National cooperative associations. Holy Cross participates in both statewide and national activities through its memberships in the Colorado Rural Electric Association and the National Rural Electric Cooperative Association, respectively. At its October 2023 Board meeting, a request was made to review the value of Holy Cross’s memberships in both organizations as an Item for Future Agendas and has been calendared as part of the November meeting agenda. Staff has provided background materials to inform the discussion, including:
 - A one-page summary of benefits from NRECA;
 - Information on expected 2024 NRECA dues;
 - The new Director handbook from CREA; and
 - CREA’s proposed 2024 budget showing planned activities.

In addition, Directors who have served as Holy Cross’s representatives to CREA and NRECA are available to answer questions and provide their views at the meeting. [11:24]

- c. Long Term Financial Forecast. Vice President Whelan presented a long-term projection of Holy Cross’s financial trajectory. Michael Whiddon and Christina Conley joined the meeting. Holy Cross staff have developed a long-term financial plan, based on input from the various Holy Cross Departments on their expected future operating and capital needs. As in prior years, Holy Cross’s staff has developed a long-term financial plan, based on input from the various Holy Cross Departments on their expected future operating and capital needs. The current Long Term Financial Plan has a Base Case with the following assumptions:
 - 1,318 GWh sales in 2024, then an average increase of 0.88% per year through 2033
 - Power supply costs assume new Guzman deal, NextEra, Hunter, and current RFP projects: PSCo wholesale contract as backstop
 - Labor expenses increase at 4.25% in 2024, 3% per year thereafter
 - Non-labor expenses increase at 3% per year through 2033
 - Capital Expenses follow 10-year draft plans presented in October
 - Interest rate for future borrowing estimated at 5.5% through 2033
 - Margins determined at 5.25%: 25-year rotation for capital credits
 - Assumes none of the \$4MM deferred revenue balance is utilized (decision to be made as a part of the operating budget process)
 - Includes latest C3 production forecast through 2029
 - Includes higher transmission costs tied to Colorado Power Pathway (post 2025)

These assumptions result in a Long-Term Financial Plan with:

- Holy Cross's rates projected to grow 1.9%/yr. over the next decade
- 3.4%/yr. rate increases projected over the next 3 years
- Larger ECA (1.124 ¢/kWh) projected for 2024 due to:
 - o a forecast reduction in expected sales relative to 2023 (return to normal)
 - o initial operating cost estimates (to be presented at the meeting)
 - o a strong financial year in 2023 (lower than budgeted ECA)
 - o no deferred revenue assumption built in
- A rate decrease in 2030 when C3 is retired and Holy Cross can claim capacity credit for replacement resources.

With respect to our Financial Ratios (important for our lenders and their estimate of credit risk):

- > 40% equity goal projected to be sustained through 2033
- Equity growth comes from capital credit rotation cycle and increased margins
- Debt Service Coverage remains strong

Staff provided a detailed briefing on the expected 2024 Operating Budget and the Long Term Financial Plan and sought Board feedback on options for rate reduction that can be incorporated if desired by the Board. [12:38] Mr. Whiddon and Ms. Conley left the meeting. A break was taken. [12:38 to 13:32]

- d. Draft 2024 Work Plan Initiatives. Staff sought Board review and comment on the proposed 2024 work plan initiatives and their alignment with the Holy Cross Strategic Plan. In November of each year, Holy Cross staff develop work plans to guide their activities intended for the following year. These work plan initiatives have been organized in alignment with the goals and objectives of the Strategic Plan.

In reviewing these work plan initiatives, the Board should keep in mind that most day-to-day activities of the Holy Cross's staff are operational in nature and focused on fulfilling our ongoing commitment to safely provide reliable, affordable, and increasingly sustainable energy and services to our members and their communities. The Key Performance Indicators established each year at the Board's December meeting are the most appropriate way for the Board to exercise oversight over those operational and ongoing activities.

The proposed work plan initiatives reflect the Holy Cross Staff's *additional* commitment to activities that are more strategic in nature, and directly aligned with the goals and objectives of the Holy Cross Strategic Plan. As such, these work plan initiatives are appropriate for Board oversight on a regular basis through the review of monthly staff reports that will be provided at each Board meeting.

At the Board meeting, staff will briefly describe each of the work plan initiatives, identify how they are aligned with one or more Strategic Plan strategic goals and objectives, and define the tasks, and deliverable outcomes associated with each initiative. After each work plan initiative is presented, Board members will have an opportunity for comment and suggestions for refinement. In reviewing the draft work plan initiatives (posted in Call To Order), Board members should consider the following questions:

1. Is the work plan initiative clearly defined?
2. Is the work plan initiative directly aligned with our Strategic Plan?
3. Are the planned deliverables achievable and of value?
4. Is there sufficient stakeholder and/or community engagement?
5. How might the proposed work plan initiative be improved?

Based on feedback from the Board and further work by Staff, these work plan initiatives will be finalized and presented to the Board in December along with the 2024 budget request for

review and approval. Betsey Seymour explained the process that staff will follow after the adoption of the 2024 Work Plan. [16:20]

Agenda Item 9: Executive Session. None. [16:20]

Agenda Item 10: Items for Future Agendas. Discussion about the items on the list ensued. [16:27]

Agenda Item 11: Continuation of Board Meeting. Chair Munk continued the meeting until **Wednesday, December 20, 2023, at 9:00 a.m.** The next meeting will be held in person at the main office at 3799 Highway 82 in Garfield County, Glenwood Springs, CO. [16:27]

Secretary – Alexander DeGolia

APPROVED:

Chair – David C. Munk

2023 Holy Cross REA Board Meeting Schedule [Third Wednesday of each month]
December 20, 2023—in person—Glenwood

2024 Holy Cross REA Board Meeting Schedule [Third Wednesday of each month]
January 17, 2024—WebEx
February 21, 2024—in person at Cooley Mesa
March 20, 2024—WebEx
April 17, 2024—WebEx
May 15, 2024—WebEx
The Annual Meeting of Members will be held on June 6, 2024, at 4 Eagle Ranch, 4098 Hwy 131, Wolcott, CO 81655
June 19, 2024—in person
July 17, 2024—WebEx
August 21, 2024 (strategic planning)—in person
September 18, 2024—WebEx
October 16, 2024—WebEx
November 20, 2024—WebEx
December 18, 2024—in person at Glenwood