

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

SEPTEMBER 20, 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 September 20, 2023, at 9:01 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 seven Directors were present, Robert H. Gardner, Kristen N. Bertuglia, David C. Munk, Adam Quinton, Keith E. Klesner, 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; Trina Zagar-Brown, Vice President—Business Services; and Director of Human Resources John Rowley. Also attending was General Legal Counsel Randolph W. Starr, Jonathan Perez, and Betsey Seymour. 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 August 23, 2023, and then continued to today’s meeting. [09:14]

Agenda Item 3: Public Comment. Chair Munk asked for comments from members of the public present. No members of the public were present in person or on the web. [09:14]

Agenda Item 4: Employee Recognition.
August Service Recognition:

Jeff Wissing, Vegetation Management Supervisor in Glenwood Springs, is celebrating 30 years of service.

Chuck Campagna, Cyber Security Analyst I in Glenwood Springs, is celebrating 5 years of service.

Christian Rosa, IT Tech Analyst II in Glenwood Springs, is celebrating 5 years of service.

Dan Lovato, Crew Foreman-District, is celebrating 15 years of service.

Josh Berns, Warehouse Person in Glenwood Springs, is celebrating 5 years of service.

Recent New Hires, Promotions and Departures:

Shawn Shanahan joined us on August 1, 2023, as the Warehouse Person in Avon.

Jose Lira joined us on August 7, 2023, as the Meter Reading Technician in Glenwood Springs.

Doug Christie has been promoted to Communications Specialist in Glenwood Springs. Doug previously held the Production Coordinator position. His promotion took effect September 1, 2023.

Ginette Puidokas has been promoted to Key Accounts Specialist in Glenwood Springs. Ginette previously held the Community Relations Representative position. Her promotion took effect September 1, 2023.

Pam Willis, Benefits Administrator, departed from Holy Cross on August 31, 2023.

[09:23]

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 August 23, 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 with a change in the minutes of the Governance Committee meeting on August 21. [09:51]

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. [10:11]

Agenda Item 7: Old Business.

- a. None. [10:11]

Agenda Item 8: New Business.

- a. Key Ratio Trends Analysis. Vice President Whelan provided a brief review of key financial performance indicators for Holy Cross in comparison to other cooperative utilities, using Form 7 data collected by the Cooperative Finance Corporation (CFC). The Key Ratio Trend Analysis (KRTA) is a tool provided by CFC to help staff and the Board comprehend a complete picture of our system's performance. The KRTA provides 145 ratios and includes information on other state cooperatives and national data from all cooperatives that are CFC borrowers. The 2022 KRTA includes data from 812 cooperatives in the US, 22 in the state

of Colorado and 5 within our Power Supplier category (wholesale customers of Xcel Energy/PSCo and Guzman). Mr. Whelan selected some key ratios relevant to Holy Cross to help illustrate how Holy Cross is performing, relative to peers on a state and national average. The full document with 145 ratios was included in the Call to Order. For the ratios provided in the memo, staff has adjusted where necessary the impact of the kWh and revenue sold to Guzman. Staff did not adjust the 145 ratios provided in the Call to Order. Questions posed by Board members were answered by Mr. Whelan with input from Mr. Hannegan. [10:37] A break was taken. [10:37-10:54]

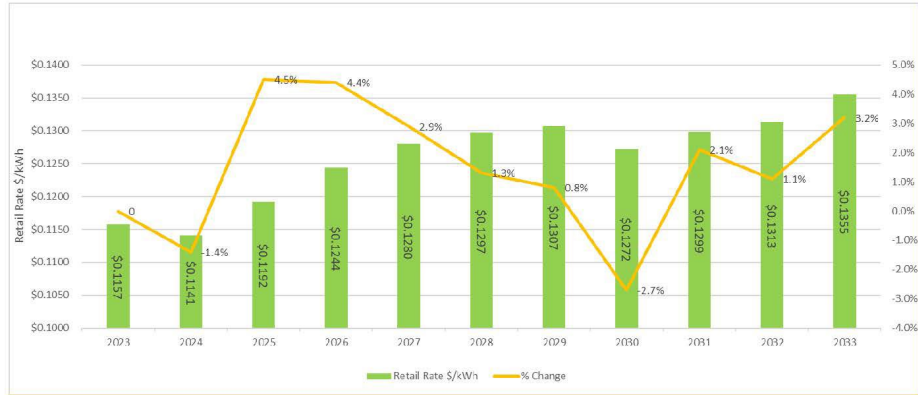
- b. Electric Rate Comparison. Vice President Whelan provided a brief comparison of Holy Cross's electric rates compared to the respondents to the Colorado Association of Municipal Utilities (CAMU) rate survey. Every six months (January and July) CAMU requests each electric utility in the state of Colorado to provide their electric bill for a fictitious customer with specific consumption for four types of electric consumer. Holy Cross has provided the implied bill for three of those customers as Holy Cross does not have an applicable rate for CAMU's Industrial customer class. Although this isn't a perfect comparison of rates amongst utilities, the survey provides a useful way to compare bills of an "average" Colorado customers. Staff has provided the related graphs for those responses. Holy Cross's current rates and tariffs (plus the ECA) are shown by the green bar, ranked against those that have responded to the survey regardless of the corporation's status (IOU, Cooperative or Municipal). Holy Cross continues to have lower rates than most of the utilities in Colorado, in line with our strategic priorities. Holy Cross's rates include the addition of a franchise fee as well as the WeCARE rate rider, which many other utilities do not have. [11:06]
- c. Amendment to 2023 Operating Budget. Vice President Whelan informed the Board about amendments to the 2023 Operating Budget intended to achieve a smooth ECA (Energy Cost Adjustment) transition from year to year. The Electric Cost Adjustment Rate Rider (ECA) is an element of Holy Cross's Tariffs, Rates and Regulations that ensures Holy Cross's ability to recover sufficient electric revenue each year to meet the costs of delivering electric service, regardless of factors beyond Holy Cross's control such as weather variability or changes in the overall economic environment. The ECA allows for additional rate recovery when electric sales are lower than expected and provides rate relief to members when electric sales are higher than expected. At times between fiscal years, the ECA is prone to volatility based on the formula used to determine it. To smooth out this volatility, Holy Cross began in its 2019 budget to defer any positive variance in the Operating Margin in one year into the following year to help mitigate the need for an ECA increase to meet increasing costs. At the end of 2022, Holy Cross had recognized approximately \$8.5 million in such deferred revenue, with a plan to use \$5.7MM in 2023 and the remaining \$2.8MM in 2024. Higher than forecasted electric sales during the first half of 2023 and a \$500K Public Service Company of Colorado (PSCo) production formula rate true-up for 2022 has resulted in a positive operating margin variance for Holy Cross, which is currently being passed back to members in the form of a reduced ECA. The budgeted ECA for 2023 was 0.60 ¢/kWh, however the current monthly ECA has been closer to 0.3 – 0.35 ¢/kWh due to the positive variance in Operating Margin. Additionally, staff received a true-up estimate of the 2022 Transmission Integration and Equalization Agreement (TIE), indicating a refund due from PSCo of approximately \$2.3MM. Standard practice would be to incorporate this savings into the financial forecast, resulting in a decrease to the ECA. Should this refund be incorporated into the ECA starting in October, the ECA would be driven negative, to approximately -0.58

¢/kWh. This would result in a large swing in the ECA as the January ECA would jump up considerably based on the expected 2024 budget. To manage large month-over-month ECA variances, staff is proposing the Board authorize the deferral of revenue in the amount of the TIE true-up (\$2.3MM) to 2024. This change is expected to maintain the low ~0.30 ¢/kWh ECA through the end of 2023, while providing an additional \$2.3MM (\$5MM total) of deferred revenue available to offset potential rate increases in 2024 and 2025.

Proposed AMENDED 2023 Operating Budget

	2023		2023	
	New Budget	Current Budget	Variance	% Var
kWh Sales	1,242,749,563	1,242,749,563	0	0.0%
Revenue*	\$156,031,590	\$158,307,880	(\$2,276,290)	(1.4%)
<i>Electric Sales</i>	\$142,134,972	\$142,134,972	\$0	0.0%
<i>Guzman</i>	\$9,083,433	\$9,083,433	\$0	0.0%
<i>Deferred</i>	\$3,447,043	\$5,723,333	(\$2,276,290)	(39.8%)
<i>Other</i>	\$1,366,142	\$1,366,142	\$0	0.0%
Power Costs*	(\$79,179,880)	(\$79,179,880)	\$0	0.0%
Gross Margin	\$76,851,710	\$79,128,000	(\$2,276,290)	(2.9%)
Gross Margin %	49.3%	50.0%	-0.7%	(1.5%)
Payroll	(\$28,122,721)	(\$28,122,721)	\$0	0.0%
Non Labor Expense	(\$32,517,978)	(\$34,794,268)	\$2,276,290	6.5%
<i>Depreciation</i>	(\$14,597,692)	(\$14,597,692)	\$0	0.0%
<i>Transmission Exp</i>	(\$2,620,169)	(\$4,896,459)	\$2,276,290	46.5%
<i>Dist Exp Operation</i>	(\$2,540,694)	(\$2,540,694)	\$0	0.0%
<i>Dist Exp Maint</i>	(\$1,032,325)	(\$1,032,325)	\$0	0.0%
<i>Cust Accounts</i>	(\$920,462)	(\$920,462)	\$0	0.0%
<i>Cust Service</i>	(\$1,993,940)	(\$1,993,940)	\$0	0.0%
<i>A&G</i>	(\$6,330,015)	(\$6,330,015)	\$0	0.0%
<i>Property Tax</i>	(\$2,423,183)	(\$2,423,183)	\$0	0.0%
<i>Interest Exp & Other</i>	(\$59,499)	(\$59,499)	\$0	0.0%
Interest	(\$6,598,463)	(\$6,598,463)	\$0	0.0%
Operating Margin	\$9,612,549	\$9,612,549	\$0	0.0%
Non-Operating Margin	\$742,669	\$742,669	\$0	0.0%
Total Margin	\$10,355,218	\$10,355,218	\$0	0.0%

With this budget amendment, the chart below shows the estimated all-in “effective rates” for the next ten years expressed as \$/kWh based on total retail revenue requirement divided by total retail sales:



In addition to expected regular cost increases for labor and materials, the chart reflects a significant reduction in power supply costs in 2024 due to the commercial operation of the Bronco Plains II wind facility, and another reduction in power supply costs in 2030 due to the closure of Comanche 3.

Questions posed by Board members were answered by Mr. Whelan with input from Mr. Hannegan. Upon motion duly made, seconded, put to a vote and unanimously carried, it was **RESOLVED**, that the amended 2023 Operating Budget be approved as presented.

[11:23]

- d. Health and Welfare Trust Renewal. Director of Human Resources Rowley provided the Board with an overview of the year-to-date 2023 performance of the Holy Cross's Health and Welfare Trust, and to make recommendations for plan changes and premiums for the 2024 calendar year. In 2023 Holy Cross is seeing an uptick in claims after five years of performing below budgeted funding levels. The current year forecast through July 2023 is 121% compared to budget, which equates to a \$548,293 deficit with a projected year-end deficit of \$963,873. The total projected 2023 annual cost is \$5,691,207 compared to our budget of \$4,727,334. Our reserve fund is currently at approximately \$4,900,000 which is still very healthy and well above the recommended minimum reserve level of \$2,500,000. Staff presented the current state of our Health and Welfare Plan and recommendations and suggested changes for 2024, including:

- Staff recommends that we continue as a self-funded plan, keeping Health Comp/BAS as our third-party administrator, and HUB as our broker.
- Staff recommend increasing medical plan funding and employee contributions by 3.1% while keeping dental plan funding and contributions flat.
- Staff recommend moving from Express Scripts to Optum for our Pharmacy Benefit Manager.
- Staff recommend implementing Colorado FAMILI and employer paid Short Term Disability through Mutual of Omaha.

Impacts to Cost and Premiums:

The projected total 2024 medical/dental expense overall funding would increase to approximately \$5,379,520. Actual costs will be dependent on actual claims, costs, and employee count. If these plan changes and premium levels are adopted by the Board, Staff would incorporate these into the proposed 2024 budget that will be considered by the Board in December. Questions posed by Board members were answered by Mr. Rowley. Upon motion duly made, seconded, put to a vote and unanimously carried, it was

RESOLVED, that the Health and Welfare Trust proposal as presented by staff be approved, with a total budgeted 2024 plan expense of \$5,379,520. [11:49]

- e. Authorization of Secretary's Certificate. Vice President Bleakley updated the list of Holy Cross employees authorized to execute applications for Federal agency rights-of-way, permits or other associated documents. At its February 2019 meeting, the Board of Directors approved a resolution certifying that Bryan Hannegan, President; and CEO; David Bleakley, Vice President – Engineering; and Andrew Schiller, Vice President – Finance be authorized to execute Federal agency documents related to rights-of-way, permits, or other actions associated with the Holy Cross's system. Given that one of these three individuals has departed Holy Cross, it is prudent to update this resolution with the names and titles of the current Senior Staff with Federal engineering and contracting authority. Questions posed by Board members were answered by Staff. Upon motion duly made, seconded, put to a vote and unanimously carried, it was

RESOLVED, that Bryan J. Hannegan, President and Chief Executive Officer; David Bleakley, Vice President – Engineering; and Sam Whelan, Vice President – Finance are hereby authorized without qualification to execute, deliver and file, upon behalf of Holy Cross Energy, any and all applications for rights-of-way or permits to the Bureau of Land Management, Department of Transportation, and United States Forest Service, together with any and all documents which may be necessary in connection with such applications; and

FURTHER RESOLVED, that said authorization shall remain in force and effect until and unless written notice of the revocation is delivered. [11:50]

Agenda Item 9: Communications Matters. [Move until after Item 10.]

Agenda Item 10: 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 potential litigation. 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 to negotiators.

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

RESOLVED that the Board exit executive session. [13:08]

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

RESOLVED, that the proposed changes to the Tariffs, Rules, and Regulations of Holy Cross approved by the Board at its regular meeting on January 18, 2023, be rescinded. [13:09]

A break was taken. [13:09-14:10] Director DeGolia left the meeting.

Agenda Item 9: Communications Matters. Director Klesner, as Chair of the Communications Committee introduced Vice President Weatherred and Kristina Johnson and Doug Christie and Ginette Puidokas and Maisa Metcalf and Lindsey Williams who gave a verbal and visual presentation to the Board acting as the Communications Committee on these subjects:

- a. Overview of Current Strategies and Activities.
- b. Member Outreach Work Plan Update.

- c. Member Satisfaction Survey Questions.
- d. Community Energy Systems Project Rubric Review.

Staff members responded to numerous questions posed by Board members. During the discussion Director DeGolia reentered the meeting. No action was taken on the reports. [16:24]

Agenda Item 11: Items for Future Agendas. Lengthy discussion about the items on the list ensued. The October Board meeting will be at the Cooley Mesa facility. [16:51]

Agenda Item 12: Continuation of Board Meeting. Chair Munk continued the meeting until **Wednesday, October 18, 2023, at 9:00 a.m.** The next meeting will be held at the Cooley Mesa office at 0132 Buckhorn Valley Boulevard in Eagle County, Gypsum, CO. [16:51]

✍ _____
Secretary – Alexander DeGolia

APPROVED:

✍ _____
Chair – David C. Munk

2023 Holy Cross REA Board Meeting Schedule [Third Wednesday of each month]
October 18, 2023—in person—Cooley Mesa
November 15, 2023—WebEx
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 ??, 2024, at ???
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