

Regular meeting minutes of the board of directors

2000 E. Horsetooth Road, Fort Collins, CO
Thursday, April 27, 2023

Attendance

Board members

Representing Estes Park: Mayor Wendy Koenig and Reuben Bergsten
Representing Fort Collins: Mayor Jeni Arndt¹ and Kendall Minor
Representing Longmont: Mayor Joan Peck and David Hornbacher²
Representing Loveland: Mayor Jacki Marsh and Kevin Gertig

Platte River staff

Jason Frisbie (general manager/CEO)
Sarah Leonard (general counsel)
Dave Smalley (chief financial officer and deputy general manager)
Melie Vincent (chief operating officer)
Raj Singam Setti (chief transition and integration officer)
Eddie Gutiérrez (chief strategy officer)
Angela Walsh (executive assistant/board secretary)
Kaitlyn McCarty (executive assistant – finance and IT)
Josh Pinsky (IT service desk technician II)
Libby Clark (director of human resources and safety)
Shelley Nywall (director of finance)
Jason Harris (controller)
Javier Camacho (director of public and external affairs, strategic communications and social marketing)
Staci Sears (human resource manager)

Guests

Chris Telli (FORVIS, LLP)
Anna Thigpen (FORVIS, LLP)
Kevin Jones (Fort Collins area chamber of commerce)

¹ Joined via Zoom Webinar; left the meeting at the break

² Joined via Zoom Webinar

Call to order

Chair Bergsten called the meeting to order at 9:00 a.m. A quorum of board members was present via roll call. The meeting, having been duly convened, proceeded with the business on the agenda.

Action items

1. Consent Agenda

- a. Approval of the regular meeting minutes of March 30, 2023
- b. Revised general manager annual performance review policy: Resolution 06-23

Director Marsh moved to approve the consent agenda as presented. Director Koenig seconded. The motion carried 8-0.

Public comment

Chair Bergsten opened the public comment section by reading instructions, noting that time to accommodate each speaker would be divided equitably by the number of callers wishing to speak at the start of public comment. No members of the public asked to address the board.

Board action items

2. 2022 FORVIS financial audit report

Dave Smalley, chief financial officer and deputy general manager, introduced Chris Telli and Anna Thigpen with FORVIS, LLP, to present the financial audit report for 2022 starting on page 31 of the board packet.

Chris Telli, FORVIS, LLP partner, introduced the new reporting format for required communications to the board, thanked the board for the opportunity to present the report and stated that Platte River's 2022 financial audit received a clean, unmodified opinion. Anna Thigpen summarized the post audit letter and financial audit results stating there were no matters applicable or reportable, no alternative accounting treatments and no audit adjustments required for 2022. Looking forward there will be a new Governmental Accounting Standards Board (GASB) 96 implementation standard for 2023.

Mr. Telli reiterated there were no proposed audit adjustments, no written deficiencies or no written findings. He provided an overview of GASB 96, which addresses subscription-based information technology arrangements and is expected to require additional work compared to GASB 87.

Mr. Telli thanked Platte River staff and board members for their attention to detail and commitment to providing information during the auditing process.

Chair Bergsten asked about GASB 96 and how that affects our transition and integration team with new software to implement and how it will affect entering the market. Raj Singam Setti, chief transition and integration officer, noted Platte River energy market software and distributed energy resources management system software are subscription-based services consistent throughout the industry, but clarified systems related to compliance with reliability standards of the North American Electric Reliability Corporation (such as Energy Management System by Open Systems International) will be physically based at Platte River. Directors thanked staff for their work on the 2022 financial audit.

Director Hornbacher moved to approve the 2022 FORVIS financial audit report as presented. Director Gertig seconded. The motion carried 8-0.

3. Acceptance of the 2022 annual report

Eddie Gutiérrez, chief strategy officer, provided an overview of the annual report provided in the board packet. The board had no comments or questions.

Director Koenig moved to accept the 2022 Annual Report as presented. Director Peck seconded. The motion carried 8-0.

Management presentations

4. Proposed employee total compensation policy update (presenter: Libby Clark)

Libby Clark, director of human resources and safety, summarized the current policy, the limitations of the current policy for benchmarking data, and the process to update Platte River's compensation philosophy. She presented the proposed changes to the employee total compensation policy reflecting a more flexible and evergreen document to evolve with current and future board direction.

Director Marsh asked if the policy addresses training and educational commitments to invest in current employees. Ms. Clark responded that training is part of Platte River's total rewards strategy. Director Arndt asked if there are any potential downside to future discrimination challenges with a discretionary policy. Ms. Clark responded that staff is working in parallel with an external legal team to complete a pay equity analysis to ensure Platte River's pay practices are nondiscriminatory. Platte River will continue equity analyses on a periodic basis. Jason Frisbie, general manager and chief executive officer, noted the policy includes language requiring Platte River pay and benefits to be fair, equitable and competitive. Chair Bergsten suggested clarifying the policy to require a routine pay equity review process. Mr. Frisbie agreed to add a statement in the policy for implementing a three-year review process for evaluating pay equity and including a report to the board.

Sarah Leonard, general counsel, summarized the two action items being requested by the board to add a periodic equity evaluation process and periodic reporting to the board. Discussion ensued among directors and staff about the changing industry, policy review process and the current energy transition work to meet future needs.

Staff will provide an updated form of the policy reflecting the additions for the board to review and potentially approve at the next board meeting in May.

Director Minor asked how Platte River conducted the current market analysis. Ms. Clark described past practices of using a handful of market salary surveys with a manual process. She noted Platte River purchased software in 2022 allowing access to over 2,000 market surveys. This enables staff to benchmark data with all utilities-based positions or expand into other areas to match positions. Mr. Frisbie commented on the 'art' piece to evaluating Platte River compensation due to the size of the organization and the amount of work each position is asked to do. This is also included in the evaluation process. Director Minor suggested further collaboration among Platte River and the owner communities on compensation analyses.

Chair Bergsten observed that Platte River is ahead of the industry in its decarbonization goals and talked about a Google funded program to attract the same talent in the electric industry and how that creates additional competition.

Mr. Frisbie and Ms. Leonard confirmed the board's staff direction to include the revised policy, including the board-recommended language, in the consent agenda for the May board meeting and noted the board can remove the policy from consent if further review and discussion is needed.

5. Gainsharing program (presenter: Libby Clark)

Ms. Clark presented Platte River's gainsharing program, highlighting how it unites employees around a common mission to meet criteria focused on compliance, financial integrity and operational excellence. She also previewed refreshing the gainsharing program to align with Platte River's evolving strategic priorities.

Director Marsh asked about a bonus system for all employees for reaching carbon reduction milestones. Chair Bergsten commented on other metrics that could be more relevant with the energy transition and integration goals. He asked Mr. Singam Setti how long a virtual power plant will take to implement. Mr. Singam Setti estimated five years from the starting point. Chair Bergsten suggested the board should focus on more strategic direction for meeting milestones than defining how employees will be incentivized.

Mr. Frisbie commented on tying the gaining sharing program, the Resource Diversification Policy (RDP), the mission, vision and values of the organization, and other employee programs together. Staff will explore options to modify the existing gainshare program to reflect the challenges of Platte River's resource transition. Director Hornbacher observed how the gainsharing program is a great way to recognize overall operations at a utility. The question is how to shift the program to encourage employees to be innovative and creative. Director Marsh noted the current program does not reflect the 2030 goals. Director Koenig commented on people joining an organization with interest to help them achieve goals and creating internal motivation from leadership to help meet those goals. Director Peck emphasized the importance of goal setting and commented on Platte River leadership's responsibility in setting compensation, bonus structures and how they reward staff. Director Arndt expressed

concurrence with Director Koenig and her support for leadership's ability to set recognition strategies to reward staff appropriately. Mr. Frisbie noted that staff is working to revise the program to fit the current focus on diversification and carbon reduction, adding that all employees and positions matter at Platte River. Discussion ensued among directors and staff on inspiring internal motivation, the gainsharing program and other compensation strategies to accomplish the 2030 goal.

6. Organized markets update (presenter: Melie Vincent)

Melie Vincent, chief operating officer, provided an overview of market structure history, readiness projects for market operations in the Southwest Power Pool (SSP), the results from the first few days after Platte River entered the Western Energy Imbalance System (WEIS) market on March 30 and what it will look like moving forward into SPP's Regional Transmission Organization - West.

Chair Bergsten commented on the market results and pointed out being in the shoulder season also affects market prices and resource output. Mr. Frisbie referred to the RDP and commented on needing time to experience the market, learn from the market and back test for budgeting appropriately in the future. Director Minor commented on evaluating coal contracts in the future with flexibility to match the dispatchability. Discussion ensued among directors and staff on market results and the various factors that affect resource dispatch and managing the challenges of volatility.

Ms. Vincent recognized Rawhide Energy Station staff for the work they completed to improve the flexibility of Unit 1 to create the greatest value in the market. Director Minor commented that coal units are not built to ramp up and ramp down so quickly, they are meant to run fully for long periods of time. Mr. Frisbie noted Rawhide staff is reevaluating maintenance scheduling and strategies while factoring in how the market dispatches the units.

Ms. Vincent shared a handout showing hour-by-hour location marginal prices (LMPs) and the average LMP trends for the first 17 days in the market. Chair Bergsten commented on seeing the contrast for time of use rates versus actual costs and Platte River managing the costs for the owner communities. Director Marsh asked if correlating carbon statistics would be provided for the energy produced and consumed. Mr. Singam Setti noted the same request has been made in the eastern markets. The PJM Regional Transmission Organization created a Locational Marginal Emissions report showing what emissions are being produced by location. Chair Bergsten encouraged looking at everything holistically and how renewables are maximized on the grid. Ms. Leonard commented on renewables being available in the market and how load can be served by resources not in our portfolio without transferring associated renewable energy credits. Chair Bergsten observed state requirements may not reflect how resources are used in a market.

5-minute break (10:48-10:53)

7. Ensuring reliability with the integration of renewable energy (presenter: Raj Singam Setti)

Mr. Singam Setti recapped Platte River's RDP goals and provided an overview of the current challenges all utilities face to maintain reliability and decarbonize in a financially sustainable manner.

Director Koenig asked whether storage technology may not be adequate to solve the reliability concern by 2030. Mr. Singam Setti responded that the need for dispatchable capacity is key to reliability until energy storage technology advances, complemented by what the communities will do together to contribute to a virtual power plant (VPP).

Director Minor commented on a misconception that utilities can use advanced metering infrastructure to communicate with a VPP. Chair Bergsten noted Platte River and the four owner communities will be treated as a single load in the market. Mr. Singam Setti stressed the importance of system visibility, being able to predict how much demand will be on the system and how load and demand-side resource response is submitted into the market will be essential to realize VPP benefits.

Chair Bergsten commented on how time-of-use rates and the future time of peak will affect the system. Mr. Singam Setti discussed using pricing signals and carbon-to-device signals to encourage changes in customer use patterns to shift peak usage to when noncarbon generation is available.

Mr. Frisbie commented that fuel reliability, the differences between coal and future dispatchable fuels and availability of hydropower energy will be big challenges in our future. Mr. Singam Setti noted the importance of new technologies to help handle limited flexibility. Director Minor observed that the market does not necessarily reflect the risks and costs of adding new resources. Discussion ensued among directors and staff on dispatchable generation, financial incentives to help with new generation and costs passed on to the rate payers.

Director Gertig thanked staff for presenting solid information with data and illustrating this complex issue for everyone to understand. Director Hornbacher commended staffs' efforts to anticipate the future so that decisions today are effective in the future. Director Peck asked how many batteries Platte River would need to serve load when no renewable resources are available. Mr. Singam Setti clarified that the hypothetical example he provided is not feasible, but staff continues forecasting and modeling for 200 megawatts of energy storage to work in conjunction of other dispatchable resources; using 2,400 megawatts of four-hour batteries is not the direction Platte River intends to take. Mr. Frisbie noted staff and utility directors will visit emerging technology developers in California in May to see what technologies could be feasible for Platte River to consider. Discussions ensued among directors and staff regarding resource technology, planning responsibly, use of distributed energy resources management systems and VPPs.

8. Engagement strategies preview (presenter: Eddie Gutiérrez)

Mr. Gutiérrez presented engagement strategies with the four owner communities and previewed the regional approach and philosophy for sharing Platte River's story to provide context for Platte River's resource transition and integration in the future.

Director Marsh suggested staff meeting with the League of Women Voters. Mr. Gutiérrez requested leaning on municipal staff to suggest the best groups to reach out to and present to. Director Koenig noted the communities are excited for the communications plan. Chair Bergsten asked how long the message testing will take before communications are activated in the owner communities. Mr. Gutiérrez responded that there is enough messaging to start telling Platte River's story leading up to the energy transition, but the board can expect to see the next edition of communications by the first of the year.

Management reports

9. Wholesale rate projections (presenter: Dave Smalley)

Mr. Smalley summarized the memorandum in the board packet proposing revised scheduling to provide information to owner community staff for budgeting purposes sooner in the year. The memorandum confirms an estimated five percent rate increase for 2024 and describes significant changes in resource planning forecasting and modeling. Staff will present the long-term wholesale rate projections at the May board meeting. Director Minor asked if the five percent will be consistent through 2029. Mr. Smalley responded that at this point staff estimates a five percent increase every year to 2029, but projections will be updated as new information is available. Director Gertig discussed the fundamental gap between where Platte River and the owner communities are heading and budgeting for that outcome. He asked staff to be proactive in communicating the changes in rates and collaboration on financial decisions. Discussion ensued among directors and staff discussing financial requirements, asset management and resource planning.

10. Draft overview of the strategic plan (presenter: Eddie Gutiérrez)

Mr. Gutiérrez explained the strategic plan draft document is content only. The full document will be presented at the May board meeting, with approval requested in July.

Monthly informational reports for March

11. Q1 performance dashboard (presenter: Jason Frisbie)

Mr. Frisbie summarized quarterly results for reliability, environmental responsibility and financial sustainability. There were no questions from the board.

12. Legal, environmental and compliance report (presenter: Sarah Leonard)

Ms. Leonard highlighted the rulemaking to address the Colorado Air Pollution Control Division's proposed revisions to Regulation Number 3 for sources in disproportionately impacted communities. There were no questions from the board.

13. Resource diversification report (presenter: Raj Singam Setti)

Mr. Singam Setti highlighted the continued negotiations related to Platte River's 2021 solar request for proposals and the status of activities among the distributed energy resources working groups. They are working on distributed energy resource management system functional requirements and distributed storage projects.

14. Operating report (presenter: Melie Vincent)

Ms. Vincent discussed the variance report for March. Net variable cost to serve owner community load was above budget because Platte River could not offer surplus energy into the market. Year to date, wind and solar generation is close to budget but above budget for March. Ms. Vincent noted that with the Craig Station outage and Rawhide's planned minor outage in May, the focus will be on purchasing low-cost energy. Director Minor asked about the issues at the Craig Generation Station and unit outages. Ms. Vincent explained the challenges at Craig, the planned minor outage at Rawhide and expected start-up dates. Mr. Frisbie provided further details.

Chair Bergsten asked if the shaft share agreement with the Craig Station will continue. Ms. Vincent said staff is evaluating whether the shaft share agreement still makes sense now that Platte River is part of the WEIS market.

15. Financial report (presenter: Dave Smalley)

Mr. Smalley discussed the financial results for March and year to date variances. Revenues and surplus sales are below budget, municipal sales are at budget, expenses are below budget and net income results reflect unrealized gains on investments. There were no questions from the board.

16. General management report (presenter: Jason Frisbie)

Mr. Frisbie mentioned the upcoming community events including the NoCo Time Trials and invited the board members to attend. There were no questions from the board.

Roundtable and strategic discussion topics

Directors provided updates from their individual communities.

Adjournment

With no further business, the meeting adjourned at 12:23 p.m. The next regular board meeting is scheduled for Thursday, May 25, 2023, at 9:00 a.m. either virtually or at Platte River Power Authority, 2000 E. Horsetooth Road, Fort Collins, Colorado.

AS WITNESS, I have executed my name as Secretary and have affixed the corporate seal of the Platte River Power Authority this 25 day of May, 2023.


Secretary

Adopted: May 25, 2023
Vote: 6-0

