

Regular meeting minutes of the board of directors

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

Attendance

Board members

Representing Estes Park: Mayor Wendy Koenig
Representing Fort Collins: Mayor Jeni Arndt and Kendall Minor
Representing Longmont: Mayor Joan Peck and David Hornbacher
Representing Loveland: Mayor Jacki Marsh and Kevin Gertig

Absent: Reuben Bergsten

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)
Javier Camacho (director of public and external affairs, strategic communications and social marketing)
Julie Depperman (director of treasury services)
Heather Banks (fuels and water manager)
Chris Fields (fuels and water resources engineer)
Kendal Perez (communications and marketing specialist)
Leigh Gibson (senior external affairs specialist)
Ivan Chavarria (senior communications and marketing specialist)

Guests

None

Call to order

Vice Chair Gertig 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 May 25, 2023

Director Hornbacher moved to approve the consent agenda as presented. Director Koenig seconded. The motion carried 7-0.

Public comment

Vice chair Gertig opened the public comment section by reading instructions, noting that time to accommodate each speaker would be divided equitably by the number of in-person members of the public and callers wishing to speak at the start of public comment. One member of the public addressed the board.

Committee report

2. Defined Benefit Plan committee report

Committee Chair Dave Hornbacher provided the retirement committee report from the May 25, 2023, meeting.

He explained the actuary from Willis Towers Watson reviewed the plan's actuarial valuation report, which includes the required funding contribution for 2024. The report stated that due to negative portfolio returns in 2022, funding is increasing from \$3 million in 2023 to \$9.1 million in 2024. At the March 2023 board meeting, the board approved contributing \$3 million of additional funding in 2023. This reduces the 2024 contribution from \$9.1 million to \$6.1 million. He reminded the board the defined benefit plan was closed to new participants in 2010. As of Dec. 31, 2022, there were 77 active employees in the plan, down from 83 on Dec. 31, 2021. The total number of participants including retirees is 304. If actuarial assumptions hold, the actuary projects a steady decline in funding from 2027 to 2044, with funding falling below \$1 million beginning in 2034.

Committee Chair Hornbacher switched to the plan's investment consultant, Northern Trust, who reported on the plan's performance for the quarter that ended March 31, 2023. Northern Trust indicated that assets increased \$1.7 million, as positive market returns and contributions exceeded benefit payments and the portfolio returned 3%, while the plan's benchmark increased 5%. He stated the plan's underperformance is the result of the portfolio's exposure to low-volatility, high-quality equities. The low volatility strategies give the portfolio downside protection during turbulent markets but will lag market returns when riskier equity strategies are in favor. The plan's annual target return is 7.5%.

Northern Trust also provided an asset and liability study update, explaining that due to Platte River's disciplined contribution strategy, the plan remains on track to meet its funding ratio goal of 100%. The current strategic asset allocation continues to provide a reasonable balance to manage the asset volatility while earning sufficient returns to improve the ratio over time.

Committee Chair Hornbacher noted the report was for informational purposes only and the next committee meeting is scheduled for August 31. The board had no questions.

Board action items

3. Acceptance of the 2023 strategic plan

Eddie Gutiérrez, chief strategy officer, presented the final version of the 2023 strategic plan and recommended the board accept the document. He thanked staff for their work on the process and the board for their involvement during a work session in 2022. Jason Frisbie, general manager and chief executive officer, thanked the communications and marketing team for their work as well as Mr. Gutiérrez for stepping in during the strategic planning process as a new executive and seeing it through to completion.

Director Arndt moved to accept the 2023 strategic plan as presented. Director Marsh seconded. The motion carried 7-0.

The board expressed appreciation to staff for the document. Mr. Frisbie reminded board members to let the board secretary know how many copies they would like for their owner communities.

4. Executive session

Vice Chair Gertig noted the next item on the agenda was to discuss the purchase, acquisition, lease, transfer, or sale of real, personal, or other property interests. He also reminded the public the Zoom Webinar would remain open for outside participants to wait while the board moved into executive session. Once the board completed the executive session, the board would return to the Zoom Webinar to reconvene the regular session. Director Hornbacher reiterated the recommendation for the board to convene an executive session to discuss potential land transactions enabling resource development opportunities. Colorado's open meetings laws allow the board to go into executive session to discuss the purchase, acquisition, lease, transfer, or sale of any real, personal, or other property interest. Therefore, he moved that the board of directors go into executive session to discuss potential land transactions.

The general counsel advised that an executive session was authorized in this instance by Colorado Revised Statutes, Section 24-6-402(4)(a); provided that no formal action would be taken during the executive session. Director Peck seconded, and the motion carried 7-0.

Seven-minute break (10:00-10:07)

Reconvene regular session

Vice Chair Gertig reconvened the regular session. Roll call confirmed all board members were present other than Chair Bergsten. Vice Chair Gertig asked if there was further discussion or action as a result of the executive session. The board took no action.

Management presentations

5. Enterprise risk management (presenter: Shelley Nywall)

Shelley Nywall, director of finance, provided an overview of the enterprise risk management program and the energy risk management structure, and then reviewed the enterprise risk assessment completed by a third-party auditor. Mr. Frisbie observed how selling power to counterparties with established credit limits helps mitigate risks associated with participation in a wholesale energy market.

Director Koenig commented on receiving periodic status reports on the enterprise risk management program. Mr. Frisbie noted staff will produce a handout or a one-page document for a quick update on the enterprise risk management program.

6. Chimney Hollow Reservoir project update (presenter: Heather Banks)

Heather Banks, fuels and water manager, reviewed background for the Windy Gap firming project and provided an update of the Chimney Hollow Reservoir. She introduced Chris Fields, fuels and water resource engineer, who has been directly involved with the Chimney Hollow Reservoir project. Ms. Banks played a video to provide a “virtual” tour of the construction site to highlight how the project has progressed and discussed additional financial commitments expected to complete the project.

Director Arndt asked if there are any grants that could be applied for to cover the additional costs. Ms. Banks was not aware of any grants that would apply at this time. Director Peck asked if the loans were secured by collateral owned by the participants. Sarah Leonard, general counsel, confirmed that the loans are secured by all participants obligations under the allotment contracts.

Director Minor asked how additional financing will affect Platte River’s capacity for bonding or funding for future projects. Dave Smalley, chief financial officer and deputy general manager, responded that this project has unique financing terms. Northern Colorado Water Conservancy District (Northern Water) issued bonds and obtained favorable loan terms to finance construction of Chimney Hollow Reservoir. The debt obligations belong to Northern Water, but payments from participants in the joint financing pool enable Northern Water to meet its debt service obligations. These payment obligations are treated as operational and maintenance (O&M) expenses and do not directly impair debt capacity. Ms. Leonard noted the contract mandates Platte River treat its share as an O&M expense; outstanding bond covenants recognize O&M comes first before debt service. Discussion ensued among directors and staff regarding the financial impact of the project for the participants.

7. Market update and RTO West progression (presenter: Melie Vincent)

Melie Vincent, chief operating officer, presented key market concepts, market conditions experienced within the first three months of the Western Energy Imbalance System (WEIS) market and market outcomes. She also updated the board on how development of the Southwest Power Pool Regional Transmission Organization West (SPP RTO West) market has progressed to date.

Director Minor asked what the penalty is if Platte River does not meet its minimum contractual coal delivery schedule. Mr. Frisbie responded that there is a fee of \$7 per ton.

Vice Chair Gertig asked about how unit costs will be recognized as Platte River changes the types of resources used in the market. Ms. Vincent responded that SPP has a proposal, responding to the Federal Energy Regulatory Commission's Order No. 2222, to address use of distributed energy resources. SPP established task forces to evaluate storage but no rules have been finalized. Raj Singam Setti, chief transition and integration officer, pointed out the challenges with storage as a resource because sometimes storage acts as demand on the system and other times storage provides supply to the system. He added that storage can be programmed to charge during low demand and discharge during high demand to support system reliability.

Director Marsh asked how staff is doing after switching to the market. Ms. Vincent explained that Platte River did not have a choice about entering the WEIS market because the joint dispatch agreement was going to terminate when Public Service Company of Colorado joined the WEIS. She also noted the current unusual market conditions is not due to the WEIS. She added that joining the WEIS market is a good steppingstone for Platte River before moving into RTO West. Ms. Vincent emphasized the complexities of both markets, explaining how staff adjusted to working within the market constructs and look forward to joining RTO West.

8. First integrated resource plan listening session recap (presenter: Eddie Gutiérrez)

Mr. Gutiérrez summarized the first integrated resource plan (IRP) listening session results and outlined the next steps for further engagement activities within the owner communities.

Director Hornbacher shared his appreciation to staff for conducting dual tracks of communications side by side with the owner communities and for the opportunity to individualize owner community engagement sessions. Mr. Gutiérrez discussed the different needs for each owner community, including engagement levels and marketing materials. Director Arndt asked if staff would like the board members to attend the listening sessions. Mr. Gutiérrez encouraged board members to participate at whatever level is comfortable. Mr. Frisbie encouraged council members to join the listening sessions also and for the board members to speak to the advancements Platte River is making during city council meetings and work sessions. He reminded the board that staff is available to present to the city councils when requested. Mr. Gutiérrez discussed the engagement levels and scheduling process for outreach to each community. Discussion ensued among directors and staff about community engagement opportunities, diversity of outreach and board member participation.

Monthly informational reports for May and June

9. Q2 performance dashboard (presenter: Jason Frisbie)

Mr. Frisbie summarized the second quarter performance results, highlighting reliability, environmental responsibility and financial sustainability statistics. Director Minor commented on the work in the communities through Efficiency Works™. He noted Fort Collins staff is currently reviewing overall system analysis to make sure the City of Fort Collins does not adversely affect efficiency outcomes.

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

Ms. Leonard highlighted that Platte River signed the commitment agreement to fund development of SPP RTO West, the Western Area Power Administration's formal process to evaluate joining SPP RTO West, the appeal recently filed by plaintiffs challenging a Bureau of Reclamation decision on Glen Canyon Dam operations and the Environmental Protection Agency's new regulations for greenhouse gas emissions from power plants.

Vice Chair Gertig asked about the Inflation Reduction Act (IRA) direct pay provisions with tax credits and requested continued updates on how they are used by Platte River.

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

Mr. Singam Setti discussed how the IRA impacts pricing for proposed power purchase agreement and highlighted distributed energy storage projects that involve working with consultants and owner community staff on gap analysis for distributed energy resources management systems.

12. Operating report (presenter: Melie Vincent)

Melie Vincent, chief operating officer, highlighted operating results for May and June that resulted in low municipal demand for energy. She noted wind generation was below budget although solar was at budget for the month of June. Net variable cost to serve owner community load for June was below budget due to preplanned hedging earlier in the year. Ms. Vincent noted the bi-lateral market was playing a key role in operational results and unit capacity factors.

13. Financial report (presenter: Dave Smalley)

Mr. Smalley explained that the financial results for May and June reflect the volatility from month to month. In May, the main driver was surplus sales, which were below budget by \$3.1 million and showed a 75% variance due to volume and price. Offsetting that were below-budget operating expenses. June reflected a variance in municipal sales of \$2 million below budget due to mild weather, more than offset by above-budget surplus sales. He referred to Ms. Vincent's report on a surplus sales contract for the summer as the primary driver for positive results, in addition to the below-budget operating expenses.

Year-to-date results reflect a \$4.3 million favorable net income variance, including \$1.2 million due to unrealized gains on the investment portfolio. Municipal sales were \$2.4 million below budget and surplus sales were \$9.6 million below budget, slightly offset by sales from the transmission system of \$1.7 million. Mr. Smalley also pointed out that Platte River is about \$12 million below budget in operating expenses, mostly because fuel expenses are significantly below budget. Year-end contingency forecasting reflects current volatility. Staff will continue to update the information in the management report through year end.

14. General management report (presenter: Jason Frisbie)

Mr. Frisbie highlighted the board members' attendance at the American Public Power Association National Conference in June and reminded board members they are invited to the employee summer picnic in August.

Adjournment

With no further business, the meeting adjourned at 11:59 a.m. The next regular board meeting is scheduled for Thursday, Aug. 31, 2023, at 9:00 a.m. virtually and 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 31 day of August, 2023.



Secretary

Adopted: Aug. 31, 2023

Vote: 6-0