

**PLATTE RIVER POWER AUTHORITY**  
**Minutes**  
**Regular Meeting of the Board of Directors**  
**Thursday, March 25, 2010**

The Platte River Power Authority Board of Directors' meeting convened at 9:02 a.m. on Thursday, March 25, 2010, in the Platte River Power Authority boardroom.

**BOARD MEMBERS:**

*Present:* Mayor Bill Pinkham and Bob Goehring of Estes Park; Mayor Doug Hutchinson representing Fort Collins; Mayor Cecil Gutierrez (Secretary) and Ralph Mullinix (Chairman) representing Loveland; and Tom Roiniotis representing Longmont.

*Absent:* Brian Janonis; Mayor Bryan Baum

*Quorum present?* Yes

**PRESENT FROM PLATTE RIVER'S MANAGEMENT STAFF:**

General Manager, Brian Moeck; and General Counsel, Joe Wilson. Division Managers: John Bleem, Customer & Environmental Services; Mike Dahl, Electric Operations; Jason Frisbie, Power Production; and Dave Smalley, Financial Services.

**OTHER PLATTE RIVER STAFF IN ATTENDANCE:**

Executive Assistant, Esther Velasquez; Controller, Ed Doherty; Human Resource Manager, Dave Green; Marketing and Community Relations Manager, Jon Little; Treasury Manager, Julie Depperman; Manager of Internal Audit, Becky Avery; and Reliability Compliance Officer, Deb Schaneman.

**GUESTS AND MEMBERS OF THE PUBLIC:**

City of Fort Collins Customer and Employee Relations Manager, Patty Bigner; Fort Collins Utilities Finance and Budget Manager, Bill Freeman; Dennis Yockey and Sarah Jones from BKD, LLP; Eric Sutherland, Fred Kirsch, Amanda Chapin, and Sue Radford of Fort Collins.

**ACTIONS:**

**(1) Call to Order.** Chairman Mullinix convened the meeting at 9:02 a.m., and welcomed guests.

**(2) Approval of the Regular Meeting Minutes of February 25, 2010.**

Director Hutchinson moved to approve the meeting minutes of February 25, 2010; Director Gutierrez seconded the motion. Motion passed 6-0.

**(3) Public Comment.** The Chairman welcomed members of the public to offer comments.

Mr. Eric Sutherland of Fort Collins inquired about the increased Longmont transmission capacity and if energy efficiency projects could have negated the need for upgrading the Longmont transmission lines. He also expressed interest in having Platte River be more involved in distributed generation and other developing technologies.

Chairman Mullinix mentioned that a couple years ago there was a failure on the transmission system in Longmont. Affected residents inquired about improvements to the system. Current improvements being made are to help avoid any future events where residents are without power for long periods.

Mr. Fred Kirsch spoke about surplus sales and demand side management. Mr. Kirsch would like to see surplus sales increase. He felt that the Craig and Rawhide energy stations are some of the cleanest and most efficient power plants and should be utilized as much as possible so that other older less efficient plants can be retired. Mr. Kirsch also provided samples of constituent letters to Board members and lobbied for Platte River to be more involved in demand side management programs on the residential level.

Ms. Sue Radford from Fort Collins inquired if carbon emissions pricing is being included in Platte River planning. John Bleem stated that the Climate Action Plan has a \$21 per metric ton price, based on the consultants' estimates and that prices up to \$60 per ton have been considered in other studies.

**(4) Recognition of Director Bob Goehring.** The Chairman read aloud a resolution prepared for Director Goehring. Director Goehring has served on the Board of Directors and Audit Committee since 2007.

General Manager, Brian Moeck presented Director Goehring with a framed copy of the resolution and other memorabilia.

Director Goehring mentioned that generation, transmission, and distribution of electricity is complex and that Platte River staff has done a great job providing electricity to customers.

Mayor Pinkham stated that the Town of Estes Park would miss Bob and all he has done for the community. Reuben Bergsten will be replacing Mr. Goehring on Platte River's Board.

Director Roiniotis moved to approve Resolution 4-10—Recognition of Director Bob Goehring; Director Gutierrez seconded the motion. Motion passed 6-0.

**(5) Audit Committee Report.** Director Tom Roiniotis introduced Mr. Dennis Yockey and Ms. Sarah Jones of BKD, LLP and stated that they would provide a recap of the Audit Report presented early this morning to the Audit Committee.

Mr. Yockey stated that the financial statements are presented on a comparative basis. The highest opinion rendered is an unqualified or clean audit, which is the opinion BKD gave Platte River.

In the Management's Discussion and Analysis section, some of the highlights of the most significant events that impacted Platte River over the last year are as follows:

- *Total net assets* as of December 31, 2009, increased by \$10.7 million.
- *Capital investments* of \$53.8 million were made in 2009 toward upgrades and expansion of the existing transmission system.
- *The Series HH Power Revenue Bonds* were issued for \$114.3 to finance the transmission capital additions.
- *The Series S-1 Subordinate Lien Bonds* were redeemed for \$77.7 million in April 2009.

*Total assets* have increased over the last three years about \$21.1 million, while total liabilities have decreased \$1.6 million. This is an indication of increased financial strength for the organization.

*Operating income* was \$19 million in 2009 as compared to nearly \$13 million in 2008. Nonoperating expenses, net, in 2009 increased approximately \$7.4 million from 2008 due to decreases in interest income, other income, and a net decrease in fair value of investments. The market had a fairly dramatic impact also.

In reviewing the financial statements and footnotes, Mr. Yockey also pointed out the following:

- Platte River has certain restricted assets, primarily by bonds.
- *Net cash* provided by operating activities was \$49.8 million compared to \$34.4 in 2008. A large portion of cash was used to finance the transmission upgrade projects.
- *Total long-term debt outstanding, net* was \$275 million compared to \$175 in 2008.
- *Bond service coverage* improved from 2008.
- *Employees' Pension Plan* has no pension obligation, which indicates that the pension plan is in good condition.
- There are no pending legal matters or proposed environmental regulations that will likely have an adverse effect on Platte River's financial situation.

Ms. Sarah Jones covered the post-audit letter highlights:

- Platte River follows the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 980 to record certain transactions impacted by the ratemaking process.

- There were no proposed Audit Adjustments this year.
- There were no written communication with regard to internal controls.
- During the initial risk assessment process in November of 2009, BKD auditors mentioned an issue surrounding segregation of duties with initialization and approval of journal entries. Management responded promptly to implement system controls.

Ms. Jones noted that management is always very responsive and easy to work with.

Director Roiniotis thanked BKD for their thorough audit and congratulated staff on a nearly perfect audit. Additionally, Director Roiniotis recommended that the Board of Directors of Platte River accept the audit as presented. Director Pinkham moved and Director Goehring seconded. Motion passed 6-0.

Director Pinkham thanked BKD for the clarity and quality of their audit report.

**(6) Retirement Committee Report.** The Committee Chair Pinkham provided an overview of the February 25, 2010, Retirement Committee meeting.

Watershed Investment Consultants provided a review of the 2009 fourth quarter investment performance. During the December quarter, Plan assets increased from \$51.3 million to \$52.9 million, this included an investment gain of \$1.5 million. The return for the quarter was 2.9 percent, which was higher than the benchmark's 2.7 percent gain.

Platte River staff presented a proposed 401(a) defined contribution plan intended to replace the defined benefits pension plan for new employees. Key provisions of the plan include:

- Eligible employees include regular employees hired on or after September 1, 2010.
- Voluntary employee contributions will go to a 457(b) plan; employer contributions will go to a 401(a) plan.
- Contributions will be based on base pay plus "built-in scheduled overtime" only.
- Mandatory employer contributions increase with length of service at five year milestones.
- Matching contributions will be equal to 50 percent of participant contributions up to 6 percent of compensation—employer match will not exceed 3 percent of compensation.
- Vesting in the employer contribution portion is 100 percent after three years of service.
- A plan administrator will manage the plan and will appoint a plan committee to handle administrative tasks and monitor investments.

- Based on actuarial assumptions, the plan is designed to cost Platte River 11 percent over the life of the plan.

The Retirement Committee recommended that the DC plan be presented to the full Platte River Board for approval.

Dave Green mentioned that staff has worked with the Retirement Committee for over a year to draft a Defined Contribution (DC) plan for all new employees and continue the Defined Benefit (DB) plan for current employees. With the Board's approval of the Plan, staff will proceed with the selection of a provider/trustee and establish procedures to implement the change on September 1, 2010. Staff will also present a restated Defined Benefit pension plan to the Retirement Committee at the May meeting closing the Plan to employees hired on or after September 1. Employees hired before that date will continue in the existing DB Plan and will not be eligible to participate in the new DC Plan.

Director Hutchinson moved to approve Resolution 5-10—Defined Contribution Retirement Plan; Director Goehring seconded the motion. Motion passed 6-0.

**(7) Legal Counsel Report.** The General Counsel reported on current legal activities.

As reported at the last Board of Directors' meeting, the Loveland Utilities Commission provided suggested edits to the Organic Contract addressing redundant language and preserving "reliable, cost-effective, and environmentally responsible power" language in the "Purposes" section of the Organic Contract. Annotated copies of the drafts were presented to the Fort Collins Electric Board for consideration on March 10. The Electric Board unanimously recommended adoption of the draft agreements as modified by the Loveland Utilities Commission. The agreements are planned to be on the Fort Collins City Council's agenda for the April 6 meeting.

Director Mullinix stated that the other three municipalities would wait until the City of Fort Collins approves the documents as amended on first reading by their council. Then the other cities, having already brought the agreements before their electric boards, will request that the respective councils approve the agreements by resolution.

Counsel also provided an update on the various rulemakings regarding transmission before the Public Utilities Commission (PUC). There are two pending rulemakings: one on the CPCN process for transmission that does not have a direct effect on Platte River, the other deals with transmission planning. The Commission on numerous occasions has stated these rulemakings will not upset the current jurisdictional balance.

A document included in the Board packets addresses the responsibilities of the Board of Directors. Although extensive documentation has been provided to new Board members in the past, this document provides a brief summary.

Director Roiniotis inquired about the progress of the Button Rock project. There is a possibility that a combined effort with the Governor's Energy Office may be undertaken to convince the Federal Energy Regulatory Commission (FERC) to delegate dam safety authority to the state engineer.

**(8) Legislative and Regulatory Update.** The General Manager reported on the following items:

**Federal.** Health care legislation was signed this past Tuesday, so there may be climate legislation action in the near future.

The Environmental Protection Agency will likely issue their tailpipe standards this month, setting the stage for possible regulation of stationary sources. Environmental Protection Agency Administrator Lisa Jackson stated that large stationary sources would not be subject to greenhouse gas regulation until 2011. In 2010, Best Available Controls Technology (BACT) guidelines and a definition on what is a major modification will have to be developed. Additionally, the Environmental Protection Agency plans to issue standards concerning coal ash in April. It is also likely that a new Clean Air Interstate Rule (CAIR) will be issued involving SO<sub>2</sub> and NO<sub>x</sub>. Formerly, the CAIR rule only involved the mid-west and eastern U.S.; the new rule may be nationwide.

Regarding legislative activity, Senators Murkowski (R-AK) and Rockefeller (D-WV) are proposing two actions: one would prevent the Environmental Protection Agency from regulating greenhouse gases, while the second would postpone EPA regulation of stationary sources for two years.

Earlier this week, the General Manager was in Washington D.C. for the Large Public Power Council (LPPC) Environmental Task Force (ETF) meeting. With the focus on health care legislation, the meeting with Speaker Pelosi's staff and other members on the Hill regarding comparable incentives for renewables did not appear to be very productive.

Senators Kerry (D-MA), Graham (R-SC), and Lieberman (I-CT) are expected to release more details concerning their effort to combine energy independence with climate change legislation.

Human Resource Manager Dave Green provided a few highlights from the new health care legislation and how it may affect Platte River as well as other employers. At this point there are more questions than answers. The law mandates health coverage for dependants up to age twenty-six. Platte River's costs may increase by as much as \$100,000 per year to cover these dependants. It will eliminate pre-existing condition exclusions and will remove lifetime and annual coverage limits, which will likely increase re-insurance premiums. Preventive care coverage will be required without cost sharing for immunizations, well baby care, and preventive care. These costs may exceed current limits in Platte River's plan. Flex spending and health savings reimbursements for over-the-counter medications will no longer be allowed

under the new law beginning around January 1, 2011. Additionally, maximum contributions before tax to Flex plans will be reduced from \$5,000 to \$2,500. States' costs will increase from enrolling people in Medicare and Medicaid.

**State Legislative Issues.** Marketing and Community Relations Manager Jon Little provided information on current state issues of interest. The Colorado Association of Municipal Utilities (CAMU) legislative report was provided to Board members.

HB1001 - The Governor has signed the 30 percent Renewable Energy/Distributed Generation Incentive bill. This bill will only affect Colorado's IOUs, Black Hills and Xcel.

HB1042 - The Air Quality Permitting Program bill has not progressed since last month.

HB1162 - This bill prohibits retaining more than five percent of payments due to a contractor to ensure that work is satisfactorily completed for the first fifty percent of a construction project and no more than 2.5 percent on the remaining work. This bill is in the initial stages and if passed would require an adjustment in the amount of retainage Platte River holds.

HB1365 - Has already passed the House and has been assigned to a Senate Agricultural and Natural Resources Committee. This bill will require IOUs, mainly Xcel, to reduce emissions from coal-fired generators and submit to the PUC an emission reduction plan. The plans will give primary consideration to replacing or repowering coal-fired electric generators with natural gas or other low-emitting resources. The new or repowered plants will not be allowed to emit more than 1,100 pounds of CO<sub>2</sub> per MWh. Xcel will be allowed to fully recover costs and have a 10.5 percent return on equity to carry out the plans.

SB116 - Requires a public entity to pay a contractor on a periodic basis for any costs incurred by the contractor for work performed on a change order on a public works contract until the change order is finalized. This will have little or no affect on Platte River.

**(9) Financial Report, February 2010.** The Chief Financial Officer reported on the February financial results.

**Net income** for the month of February was \$2.0 million. This is \$0.8 million above budget as the result of below budget operating expenses.

**Operating revenues** totaled \$15.3 million during February and were right at budget. Below-budget municipal sales were offset by above-budget surplus sales. Municipal sales were \$0.5 million below budget with energy deliveries 2.9 percent below budget and billing demand 6.1 percent below budget. Short-term surplus sales were \$0.5 million above budget for the month with higher-than-projected energy sales. Contract sales to Tri-State were right at budget.

**Operating expenses** excluding depreciation in February were \$9.9 million and were \$0.8 million, or 7.3 percent, below budget. Fuel was \$0.1 million above budget as a result of higher-than-projected output from the thermal generating units. All other operating expense categories reported below budget variances during the month. Purchased power was the largest variance due to lower-than-budget reserves and wind purchases. Also, energy was

delivered to Tri-State under the forced outage exchange agreement as a result of Craig Unit 3 being offline.

**Debt expense** of \$2.7 million was right at budget for the month. Debt service coverage for the month was 2.09 times versus a budget of 1.83 times.

**Capital expenditures** totaled \$6.3 million for the month. This is \$2.2 million behind budget as the result of payment timing differences.

**Resource output** from the thermal units during February was 6.7 percent above budget. Excellent operations were reported from both Rawhide and the Craig units. Rawhide Unit 1 reported a net plant capacity factor of 97.9 percent and the Craig units reported a combined net capacity factor of 99.3 percent. Wind generation produced 4,552 MWh and the peaking units did not operate during the month.

**(10) Transmission/Substation Projects Update.** The Division Manager, Electric Operations provided a presentation on all the transmission projects currently underway.

**Dixon Creek - Horseshoe.** This project will benefit the City of Loveland by providing a new transmission source on the northwest corner of town that will complement the Boyd substation and will improve reliability for Loveland. The overhead portion will be done this coming fall and winter.

**Portner.** This project, a majority of which will be underground, will feed electricity to the new Portner Substation in Fort Collins. Boring was completed under Fossil Creek to bring the cable to the substation.

**Fort St. Vrain to Fordham.** Weather conditions have been challenging, but crews worked as promptly as possible to allow the farmers to prepare their fields for spring.

Highland Ditch required a jack and bore operation as well. Oligarchy Irrigation Ditch from the Northwest Substation required the longest jack and bore operation of any project.

At the last Board of Directors meeting, some questions were asked about the Longmont transmission project. A question was raised regarding the right-of-way. Platte River worked with Boulder County, Tri-State and others and signed a contract with Tri-State, the owner of the overhead transmission line and right-of-way. The contract allows Platte River to rebuild the Tri-State overhead line, upgrade the size of the conductor, and to maintain the line. Additionally, the contract allows Platte River to use the Tri-State right-of-way to build a new underground transmission line near County Line Road as part of the project that will loop around the north and west sides of the city, increasing electric system reliability.

A question was also raised about the type and design of the overhead transmission poles. The new poles are within six inches in height and similar in size. The conductor was



upgraded so that the line could carry enough electricity for the entire city in the unlikely event other transmission lines were unable to supply power.

Questions surrounding electromagnetic fields (EMFs) were also brought up during the *Public Comment* portion of the February Board of Directors meeting by Mr. Richard Quigley. Staff has communicated with the public since 2006 when the project was initially contemplated. Most recently Mayor Baum along with the General Manager and Electric Operations Division Manager addressed citizens' questions at City Hall surrounding construction and other project-related issues, including EMF levels.

The engineering firm contracted for this project calculated EMF levels based on expected load in 2009, 2013, and 2018. Calculations were also made based on current load and estimated load growth of an additional 50 percent. The EMF levels 150 feet from the center of the overhead transmission line that was in service in 2009 measured 1.7 milligauss. In 2013, the estimated EMF from the underground and overhead lines is 1.4 milligauss. The reason for the reduction was the off-loading of some of the circuit loading from the overhead line to the underground line, thus reducing EMF levels. In the event the underground line is out of service in 2013, the milligauss level is calculated to be 3.2 milligauss. In 2018, under normal service it is estimated at 1.6 milligauss. With a 50 percent increase in load, or Longmont build out, it is 2.4 milligauss with lines normal and 4.6 milligauss if the underground line is out of service.

Staff went to Mr. Quigley's neighborhood recently and conducted EMF readings near the community pool; none of the readings were higher than 1.0 milligauss. Staff has, and continues to, provide studies and other available information to concerned citizens, but there has never been a definitive study conducted determining safe or harmful EMF levels.

The General Manager mentioned that Mr. Quigley requested undergrounding the entire transmission line in the Sundance neighborhood (at an estimated cost of \$2 million dollars) and inquired if the Board of Directors wished to pursue this option. The Board does not wish to pursue undergrounding the entire line.

**(11) Management Report.** The General Manager reported on the following items:

The General Manager asked Deb Schaneman, Reliability Compliance Officer to discuss the Estes Park tabletop reliability audit.

In 2005 Congress made reliability standards mandatory and enforceable, giving the Federal Energy Regulatory Commission authority to oversee the standards. In turn, the FERC delegated the responsibility to the North American Electric Reliability Corporation (NERC), which assigned responsibilities to eight regional entities. Since Platte River is in the western region interconnection, the Western Electricity Coordinating Council (WECC) is the compliance-monitoring agency. There are currently 1,685 registered entities within North America, with 4,479 functions. Platte River is registered under transmission owner/operator, generator owner/operator, planning authority, transmission planner, transmission service

provider, resource planner, and load serving entity. Each of the four cities is registered as a distribution provider. There are certain standards that apply to each of the functions. As the compliance monitor and enforcement authority, WECC can impose sanctions up to \$1 million dollars per day per violation. As a transmission provider, Platte River is subject to on-site compliance audits every three years and the cities as distribution providers have off-site audits every six years.

The City of Fort Collins underwent an audit in 2008, with no violations. In 2009, Platte River underwent an on-site audit and did not have any violations. The Town of Estes Park underwent their audit in February 2010, and although no violations were found, the audit approach was new and will likely affect the other cities in the future.

The issue of most significance during the Estes Park audit was the applicability of transmission protection system standards. Since all of the Estes Park transformers are in a radial connection system, Estes Park and Platte River staff felt these standards were not applicable. WECC took the position that if the circuit switcher and the transformer failed, the transformer loses its exemption and becomes part of the Bulk Electric System; therefore, the Town of Estes Park must have a transmission protection program and PRC standards 4 and 5 are applicable. This new audit approach was somewhat surprising, but because there is a maintenance agreement between Estes Park and Platte River in which Platte River provides testing, WECC was able to audit those records and rule that Estes Park was in compliance.

There was a recently reported settlement with Poudre Valley REA (PVREA) and Western Area Power Administration (WAPA). WECC found PVREA non-compliant for these standards even though WAPA provided similar documentation to that of Platte River.

Moving forward, the City of Fort Collins is probably in a safe position since they have not claimed exemptions from the standards. Loveland and Longmont are in similar position to Estes Park. Staff is hopeful that the maintenance agreement between Loveland and Platte River will be acceptable to demonstrate compliance. Longmont, however, does not have an agreement with Platte River. Platte River staff and Longmont staff have been working to incorporate the transmission protection system into their under-frequency load shedding protection system.

Director Goehring thanked Platte River staff for all their assistance with the Estes Park audit.

Regional organizations are coming under more pressure from the Federal Energy Regulatory Commission to more rigorously apply the standards. A policy statement from Federal Energy Regulatory Commission sets a base level penalty at \$175,000 for compliance proceedings when the FERC intervenes.

**Other Board Actions.** Director Hutchinson thanked members of the public for their interest in various issues and was glad they stayed for the entire meeting to learn more about

Platte River. Some of these issues are complicated. The City of Fort Collins has increased energy efficiency funds to \$4 million this year. The Mayor stated that he has responded to citizens letters regarding energy efficiency.

Mayor Pinkham and Mayor Gutierrez echoed Mayor Hutchinson's comments about responding to citizens letters. They stated that responses have been positive and allowed the opportunity for the cities to inform citizens of various programs offered in each city.

**Adjournment.** The meeting adjourned at 11:55 a.m. The next regular Board meeting is scheduled for Thursday, April 29, 2010, at 9:00 a.m. in the Platte River Power Authority boardroom, 2000 East Horsetooth Road, Fort Collins, Colorado.

AS WITNESS, I have executed my name as Assistant Secretary and have affixed the corporate seal of the Platte River Power Authority this 30 day of April, 2010.

  
Assistant Secretary

