

**PLATTE RIVER POWER AUTHORITY**  
**Minutes**  
**Regular Meeting of the Board of Directors**  
**Thursday, July 29, 2010**

The Platte River Power Authority Board of Directors' meeting convened at 9:00 a.m. on Thursday, July 29, 2010, in the Platte River Power Authority boardroom.

**BOARD MEMBERS:**

*Present:* Reuben Bergsten of Estes Park; Mayor Doug Hutchinson and Brian Janonis representing Fort Collins; Mayor Cecil Gutierrez (Secretary) representing Loveland; and Tom Roiniotis representing Longmont.

*Absent:* Mayor Bill Pinkham, Mayor Bryan Baum, and Mr. Ralph Mullinix.

*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; Human Resource Manager, Dave Green; Engineering Services Manager, Rocky Knutson; Senior Project Engineer, Bill Emslie; and Marketing and Community Relations Manager, Jon Little.

**GUESTS AND MEMBERS OF THE PUBLIC:**

City of Fort Collins Customer and Employee Relations Manager, Patty Bigner; City of Fort Collins Light & Power Operations Manager, Steve Catanach; Nina Jackson of Livermore; and Fort Collins resident Eric Sutherland.

**ACTIONS:**

**(1) Call to Order.** Vice Chairman Hutchinson convened the meeting at 9:00 a.m., and allowed members of the public to introduce themselves.

**(2) Approval of the Regular Meeting Minutes of May 27, 2010.**

Director Gutierrez moved to approve the meeting minutes of May 27, 2010; Director Roiniotis seconded the motion. Motion passed 5-0.

**(3) Public Comment.** Fort Collins resident Eric Sutherland would like Platte River to be actively involved in the Fort ZED project. Mr. Sutherland expressed concern about the City of Fort Collins' use of diesel generators as part of Fort ZED. Mr. Sutherland also expressed concerns regarding possible wind generation development at the Maxwell Ranch, owned by Colorado State University.

Customer & Environmental Services Division Manager, John Bleem stated that Platte River has been involved in Fort ZED and RDSI since the beginning. Mr. Bleem has been involved in the technical aspects of determining how running diesel generators might impact rates to the other Municipalities. Air quality concerns may require further study.

Mr. Steve Catanach, City of Fort Collins Light & Power Operations Manager, mentioned that Fort ZED is larger than RDSI and has some grassroots elements, including the “green restaurant” initiative. Part of the benefit of the Fort ZED project is economic development potential. A zero energy district is an ambitious goal and will require changes to utilities over the coming years.

Ms. Nina Jackson of Livermore, Colorado, mentioned that she is interested in learning about renewable energy and wanted to know the factors Platte River considers when developing new renewable energy projects—such as economic, environmental, and conservation impacts. In 2004, Maxwell Ranch received a biodiversity rating of B2 from the Natural Heritage Conservation, which is of significance for cottonwood and other plants in the area. She asked if Platte River looks at surrounding communities and the impacts of development. She wondered if Maxwell Ranch would be a viable renewable energy project for a wind farm and still be viable as a working cattle ranch for the Colorado State University.

Later in the meeting (during the Renewable Energy Supply Update item), information was provided regarding renewable resource planning, including a review of factors used to consider new projects.

**(4) Consent Agenda.** There was one item for approval on the Consent Agenda:

- Second Amendment to the Customer Information System IGA

Director Gutierrez moved to approve the Consent Agenda and associated Resolution No. 9-10—Second Amendment to the Customer Information System Intergovernmental Agreement. Director Janonis seconded the motion. Motion passed 5-0.

Director Roiniotis inquired as to why Platte River is not subject to the Red Flag Rule although the cities of Fort Collins and Longmont are.

General Counsel stated that Platte River does not have retail customers like the cities do and is not subject to federal Identity Theft Red Flag Rules. This one-year extension will allow staffs to further investigate customer information system operating procedures and determine if there are any compliance issues.

Director Janonis stated that the City of Fort Collins is looking at other possibilities and may not see this as a long-term agreement. Longmont may also consider other options.

**(5) Retirement Committee Report.** The Chief Financial Officer provided an overview of the first quarter investment performance.

He reported that at the May Retirement Committee meeting, Watershed Investment Consultants, Inc. provided a review of the first quarter investment performance.

As of March 31, 2010, Plan assets increased from \$52.9 million to \$55.9 million, including a \$1.7 million investment gain. The Plan returned three (3) percent for the quarter outperforming the benchmark return of 2.8 percent. Overall, a good first quarter for the pension plan.

At the May Retirement Committee meeting, the Managing Director of Portfolio Management for Principal Global Investors provided an overview of the Principal U.S. Property Account fund and its performance. The U.S. Property Account fund has suffered over the past several years. Principal implemented a strategy of using available cash to pay down debt, transitioning to use free cash flow to pay investors in the queue, and buying property opportunistically. Principal's account manager believes the worst is over and that plan performance going forward will be more in line with portfolio expectations.

The Committee also reviewed the Actuarial Valuation Report, which contained the required funding contribution to the Plan for 2011. The recommended funding is \$4.4 million, down \$3.3 million from 2010.

Human Resource Manager and Defined Contribution (DC) Plan Committee Chair Dave Green provided a summary of recent developments and recommended changes to the Plan. Cook Street Consulting was selected to assist in determining a DC provider and funds list. ICMA-RC was selected as the Plan provider. The new funds list will offer better funds and lower fees not only for new hires in the Defined Contribution Plan but also for current employees with a 457(b) retirement plan. Employees have been informed of upcoming changes, employee meetings are scheduled, and an internal implementation team is currently testing system requirements to ensure smooth implementation of the DC Plan on September 1, 2010.

The Retirement Committee recommends Board approval of several changes to the Defined Benefit Plan and Defined Contribution Plan. Defined Benefit (DB) Plan changes are as follows: close the DB Plan to new employees hired on or after September 1, 2010, make administrative and regulatory changes, change the name of the Employees' Pension Plan to Platte River Power Authority Defined Benefit Plan.

For the Defined Contribution (DC) Plan, the Committee recommends changing the timing of contribution percentage increases to accommodate Platte River payroll system requirements and clarify the definition of Earnings.

Director Roiniotis moved to approve Resolution No. 10-10 – Authorizing Amendments to the Defined Benefit and the Defined Contribution Retirement Plans. Director Gutierrez seconded. Motion passed 5-0.

Mayor Gutierrez inquired about the types of real estate investments in the Principal portfolio.

Investments include commercial office, retail, industrial, and multi-family.

**(6) Legal Counsel Report.** General Counsel reported the following:

The Public Utilities Commission (PUC) issued a Notice of Proposed Rulemaking (NOPR) yesterday dealing with how regulated and non-jurisdictional utilities perform transmission planning in Colorado. Platte River participated in two investigatory dockets before the PUC. Platte River sought to have the Commission recognize that transmission planning is a coordinated effort among investor-owned, cooperative, and municipal utilities within the state. Platte River is a member of the Colorado Coordinated Planning Group. The Commission's rule, which will be posted on August 10, recognizes the CCPG as the primary statewide planning vehicle and builds the rule around the CCPG's planning. The CCPG considers this a positive step by the Public Utilities Commission (PUC), but jurisdictional issues remain to be sorted through the rulemaking. Comments to this proposed rulemaking are due August 25, reply comments on September 1, with a rulemaking hearing expected on September 9, 2010.

**Oil and Gas Development at Rawhide.** As discussed at the May Board of Directors meeting, there is a noteworthy amount of interest in oil and gas development in Weld and Larimer counties.

The "Jake" well, located in northern Weld County, has piqued development interest. The well taps into a shale formation, called the Niobrara, 7,000 feet below the surface. Developers are attempting to lease mineral rights from subsurface owners, which may or may not be the surface owners. According to a recent *Denver Business Journal* article, Wyoming offered land for development several years ago and did not receive any minimum bids of one dollar per acre; however, recent bids for these properties are in excess of \$3,100 per acre.

Platte River received two written bids for oil and gas development on the Rawhide property. According to developer representatives, much of the subsurface rights at the Rawhide site are not held by Platte River. The proposals received are for the mineral rights owned by Platte River and offer up-front lease payments and the possibility of future royalty payments. Staff remains circumspect that payments might not offset possible risks to Platte River operations. In addition to access and security, questions exist regarding possible seismic activity resulting from drilling and extraction, along with the integrity of the impermeable shale levels underlying the reservoir and monofill. Counsel has retained an attorney with oil and gas expertise and is considering engineering and geologic experts to assist in investigating risks and

protections.

According to Colorado law, subsurface rights are the dominant estate; however, landowners can oppose development. Given the nature of the Rawhide facilities, a strong case could be brought before the oil and gas commission arguing that the area surrounding Rawhide is too sensitive to allow development. At this time, it is uncertain if such an approach would be successful in preventing development.

Counsel will continue to keep the Board apprised of this developing situation and seek guidance to either allow or oppose development.

Mayor Hutchinson mentioned that the City of Fort Collins is facing similar issues and although the city may not be able to prevent development, they are attempting to mitigate impacts as much as possible.

**Organic Contract and Power Supply Agreements.** After three years of negotiations, all four owner municipalities have agreed to readopt and extend the Organic Contract. In conjunction with the extension of the Organic Contract, Platte River has negotiated changes to the power supply agreements between Platte River and each of the four Municipalities. Staff recommends approval of Resolution 11-10 reaffirming the authority of the General Manager to execute the power supply agreements. Additionally, if all four Mayors are present at the August Board of Directors' meeting the Organic Contract will be executed.

Director Janonis moved to approve Resolution No. 11-10 – Authorizing Execution of the Power Supply Agreements. Director Gutierrez seconded. Motion passed 5-0.

Mayor Gutierrez stated that the approval process left a lot to be desired and is hopeful for a more collaborative process in the future.

**(7) Legislative and Regulatory Report.** The General Manager reported on recent developments at the national level.

**Federal.** Last week, Senate Majority Leader Harry Reid announced the Senate would not pursue a cap-and-trade style bill at this time. It appears that serious climate legislation is on hold at this time. This week Senator Reid released a new bill dealing with the Gulf oil spill, electric vehicles, and other issues that appear to have minimal impacts on Platte River, if any.

An APPA group has begun a proactive approach to working with Congress next year on climate legislation that takes consumers and environmental issues into account. The intent of the group effort is to be proactive rather than just react to bills. The group also hopes to promote climate legislation more palatable to public power and their consumers. Earlier today, the General Manager participated via conference call in the first meeting of this group.

With regard to federal regulation, the Environmental Protection Agency (EPA) continues moving toward regulating greenhouse gases and trying to define best available control technology (BACT) for CO<sub>2</sub> emissions.

The coal ash rule, released just prior to the May meeting, continues to receive public comment from various groups.

The CAIR rule—now called the transport rule—requires additional NO<sub>x</sub> and SO<sub>2</sub> pollution requirements. The rule applies to eastern and mid-western states (Colorado is excluded).

The Rockefeller bill may postpone Environmental Protection Agency actions regulating greenhouse gases from stationary sources for two years. It is uncertain at this time if the Rockefeller bill will advance.

Director Roiniotis expressed concern that other utilities may need to develop new generation resources, and the current uncertainty may not only affect those utilities but may also impact the stability of the grid.

The General Manager agreed that many utilities are concerned, especially those that have invested a great deal of capital in upgrading coal units and face uncertainty regarding how long that resource will be allowed to remain in service.

John Bleem also stated that Platte River could be significantly impacted by Colorado regional haze rules, at the Craig Station in particular. Coal ash rules could also have a significant impact on Platte River operations.

Staff will continue to monitor legislative and regulatory developments and keep the Board informed.

**(8) May and June Financial Report.** The Chief Financial Officer reported on the May and June financial results.

**Net income** for the month of May was \$0.9 million. This represents a \$0.1 million above-budget variance resulting from below-budget operating expenses partially offset by below-budget operating revenues. For the month of June, net income reflects a loss of \$1.1 million. This represents a \$2.2 million below-budget variance resulting from below-budget operating revenues and above-budget operating expenses. Maintenance issues at Rawhide and the Craig Units primarily caused the variances during the month. A year-to-date loss of \$0.8 million is \$1.5 million below budget.

**Operating revenues** totaled \$14.2 million during May and were \$0.6 million below budget. Municipal sales were \$0.1 million below budget with energy deliveries 3.5 percent below budget offset by 1.1 percent above-budget billing demand. Short-term surplus sales were

\$0.5 million below budget due to a 25.7 percent lower-than-projected average selling price even though surplus MWh sold were 14.3 percent above budget. Contract sales to Tri-State were right at budget. Operating revenues totaled \$14.6 million during June and were \$0.8 million below budget. Municipal sales were \$0.1 million above budget with energy deliveries 2.3 percent and billing demand 0.2 percent above budget. Short-term surplus sales were \$0.9 million below budget due to lower MWh sales resulting from the lower generation from the thermal units. Surplus sales prices continues to be below budget.

**Interest and other income** was \$0.1 million below budget in May due to low interest rates. In June, Interest and other income was \$0.1 million below budget due to lower-than-budgeted interest rates on investments.

**Operating expenses** excluding depreciation in May totaled \$9.9 million and were \$0.7 million below budget. Production expense was the largest variance at \$0.4 million below budget primarily due to a lag in expenses for the Craig scheduled maintenance outage in March. All other operating expense categories were a total of \$0.3 million below budget for the month. In June, Operating expenses excluding depreciation totaled \$12.6 million and were \$1.5 million above budget. Purchased power, fuel, and production expenses were above budget \$0.9 million, \$0.4 million, and \$0.3 million, respectively. Replacement power required during the outages created the above-budget variances for purchased power and fuel. The production variance was a result of recording additional expenses for the Craig Unit 2 maintenance outage. Transmission and administrative and general expenses were \$0.1 million below budget.

**Debt expense** of \$2.6 million was right at budget for the month of May. Debt service coverage for the month was 1.70 times versus a budget of 1.66 times. And in June, Debt expense of \$2.3 million was right at budget for the month. Debt service coverage was 0.96 times versus the budget of 1.93 times.

**Capital expenditures** totaled \$6.1 million for the month of May. This is \$0.6 million higher than budget with above-budget transmission additions partially offset by below-budget production and general additions. Capital additions totaled \$3.8 million in June. The \$2.3 million below-budget variance is due to delays and cancellations in the production area and rescheduling of transmission projects.

**Resource output** from the thermal units during May was 0.9 percent above budget. Rawhide Unit 1 reported excellent operations with a net plant capacity factor of 94.9 percent. The Craig units suffered multiple minor maintenance incidents during the month and reported a combined net capacity factor of 88.5 percent. Wind generation produced 5,049 MWh and the peaking units generated 1,247 MWh in May. In June, resource output from the thermal units was 24 percent below budget. Rawhide Unit 1 suffered a tube leak on June 8 and was out of service for four days with a second tube leak on June 24 lasting five days. The net plant capacity factor was 66.1 percent for the month. The Craig units suffered multiple maintenance outages during the month. The largest was a Unit 2 tube leak lasting six days. The net capacity factors for Craig Units 1 and 2 were 88.1 percent and 66.7 percent, respectively. The peaking

units generated 24,243 MWh to meet loads during the outages. Wind generated 3,673 MWh during June.

**(9) Windy Gap Firming Project Update.** Senior Project Engineer Bill Emslie gave a brief update on the Windy Gap Firming Project (WGFP) and sought Board approval of the Fourth Amendment to the Fourth Interim Agreement.

The firming project continues to slowly progress. This project will better enable Platte River to meet requirements outlined in the "Reuse Agreement" with the City of Fort Collins and Water Supply and Storage Company. The "Reuse Agreement" provides effluent that is used for cooling at Rawhide. Platte River subscribed to 12,000 acre-feet of storage in the WGFP that will firm approximately 4,620 acre-feet of water under best-case conditions and 4,200 under worst-case conditions. Platte River's cost to firm the 12,000 acre-feet is estimated at \$37.5 million. To date \$1.9 million has been spent on the project. The project is estimated to be online in the spring of 2016. The Environmental Impact Statement (EIS) is nearing completion and a Record of Decision is expected sometime in early 2011.

Currently, the U.S. Bureau of Reclamation (USBR) has indicated its intent to issue a final draft of the EIS in September or October of this year. A Record of Decision for the WGFP will follow the final draft. The Carriage Contract with the U.S. Bureau of Reclamation that provides transport of Windy Gap water in the Colorado-Big Thompson (C-BT) system will need to be modified.

In addition to completion of the EIS and Carriage Contract, the Municipal Subdistrict, Northern Colorado Water Conservancy District (MS-NCWCD) is negotiating with affected parties on the west slope in order to provide mitigation and enhancements to address the impacts of the Windy Gap Firming Project. These entities include Grand County, the Colorado River Water Conservation District (River District), Middle Park Water Conservancy District (Middle Park) and the Northwest Council of Governments (NWCOG). When the process is complete, it should culminate with an intergovernmental agreement (IGA) among the parties.

The overall project schedule estimates permitting to be completed by the end of 2010. Design and engineering work would start in early 2011 and be completed in 2012. Bidding for the construction work would occur during 2012-13. Construction would start in 2013 and be completed in 2016. The new reservoir(s) will be ready to fill in the spring of 2016.

The possibility of a spill in the C-BT system this year appears to be subsiding with water levels in Granby receding. Nonetheless, there is a possibility of losing Windy Gap water stored in Granby during wet seasons and given the current level in Granby reservoir, a spill of Windy Gap water stored in Granby in the spring of 2011; therefore, having another storage location for the water is essential.

Staff recommends approval of Resolution 12-10 authorizing the execution of the Fourth Amendment to the Fourth Interim Agreement. The current cost estimate for the entire firming



project, based on an estimate from the Municipal Subdistrict, Northern Colorado Water Conservancy District (MS-NCWCD) and Boyle Engineering is \$273 million. The previous estimate was \$272 million. The cost increase is necessary to accommodate additional time and analysis needed for completion of the EIS. Platte River's 13.92 percent share of the amendment to the project is estimated at \$137,646.

Director Hutchinson inquired about mitigation measures for this project.

Mitigation measures are those measures required by the EIS. Enhancements are additional measures being offered and include stream flow, water quality, and aquatic habitat.

Director Roiniotis moved to approve Resolution No. 12-10—Fourth Amendment to the Fourth Interim Agreement between the Municipal Subdistrict, Northern Colorado Water Conservancy District and Platte River; Director Gutierrez seconded. Motion passed 5-0.

**(10) Wholesale Rate Structure Review.** John Bleem, Customer & Environmental Services Division Manager, spoke about recent developments in assessing possible new rate design options.

Staff is exploring potential changes to Platte River's wholesale rate structure (Tariff 1). In order to ensure that appropriate financial benefits accrue to retail customers, the Municipalities and Platte River, the price signal from the wholesale rate should accurately reflect avoided electric supply costs. The current wholesale rate structure does not meet this objective.

General goals for ratemaking include meeting revenue requirements, keeping the price signal simple and equitable while maintaining stability, ensuring ease of implementation (feasible metering and billing), and meeting the Municipalities' needs.

To assist in the rate study, a consultant has been retained (Utility Financial Solutions or UFS). A joint planning team, consisting of Platte River staff and staff from each of the Municipalities was formed to coordinate between wholesale and retail ratemaking efforts and provide critical input in the planning process. The team has met during the last few months to discuss this issue in detail. UFS has participated in some of these meetings and provided some initial recommendations.

With the current rate, savings on the retail side do not necessarily equate to savings on the generation side. Every megawatt clipped on the retail side reduces wholesale revenues by approximately \$150,000, but costs are only reduced by about \$40,000. If all the Municipalities clipped peak by five percent each month, Municipal revenues to Platte River would be reduced about \$4 million per year, requiring increased wholesale rates to recover the lost revenue. A disparity also exists between long-run future avoided costs (for peaking resources) and the current rate structure.

UFS recommends sending wholesale price signals that are more in line with long-term marginal costs. UFS suggests recovering a portion of fixed costs in the energy rate, for generation that is used to meet Municipal load most of the time. They also suggest considering multiple demand charges and including time-of-use pricing enhancements to reflect seasonal and daily cost trends. Coal resources are utilized for base load generation every hour of every year and UFS suggests recovering the fixed costs for these resources when they are utilized.

City rate staffs have provided initial input on the new rate options, including concern over potential impacts to high load factor customers, possible stranded investments made by retail customers to clip peak, and interest in rate continuity over time. Allocation of fixed costs needed to be explored further and the rate staff would like to see stronger price signals in the future. If the Board decides to change the rate structure, the Municipalities will need time to resolve implementation challenges. Other utilities are facing similar challenges and Platte River staff is reaching out to these entities to determine if anything can be learned from their experience in this area.

Staff has updated wholesale rate assumptions, gathered input from the rates consultant and city staffs, and is working on a rate analysis model for Platte River. Staff will continue to finalize rate design alternatives and seek Board review and direction in the coming months. If a new rate structure is approved, it would be implemented no sooner than early 2012.

Director Gutierrez inquired about possible discussions with Municipal utility boards or commissions.

Staff felt the study was still preliminary and not yet ready for discussion at that level.

Director Hutchinson inquired about the prospect of coordinating this effort at a retail level since their city is considering tiered electric rates.

One of the challenges is that there is a single wholesale rate, used to develop multiple retail rates. Retail rate design is different in each Municipality. Coordination is ongoing via the joint rate planning team.

Director Roiniotis expressed concern in having incentive rate structuring at the wholesale level and still being able to maintain simplicity. He thought that the wholesale rate should actually reflect the cost structure and incentive based rates should be employed at the retail level.

Director Bergsten indicated that he would also like to see more detail on how costs are allocated to demand and energy rates.

**(11) Renewable Energy Supply Update.** John Bleem, Customer & Environmental Services Division Manager, provided an update on Platte River's renewable energy supply.

There is not a national renewable energy standard yet, but approximately thirty states have different renewable energy standards. The Colorado renewable energy standard requires that 30 percent of energy come from renewable sources by 2020 for IOUs, ten percent by 2020 for all REAs, and ten percent by 2020 for municipalities serving 40,000 or more customers. The standard has changed multiple times since initial implementation in 2004.

Meeting the 40,000-customer threshold of ten percent is spread out over a twelve-year period, starting with 1 percent the first year and increasing to 20 percent after twelve years. Each of the Municipalities has its own unique approach to renewable energy policy and all allow customers to participate in voluntary programs as well.

Platte River's Renewable Supply Policy, approved by the Board in 2006 and updated in 2007, establishes an aggregated portfolio of resources with one premium rate. The policy contains a forecast of Municipal requirements, defines qualified sources, provides new resource acquisition guidelines, and outlines renewable source tariff directives. One key directive is the timing of when to add new generation resources to meet the Colorado standard. According to current projections, additional resources will need to be added before 2014.

When new resource options are evaluated, some of the criteria include access to transmission, future site expansion potential, environmental impacts, local landowner interests, capital costs, and generation potential. Several years ago, staff considered the Maxwell Ranch and determined that it was not an optimal wind generation location. Transmission and other infrastructure were not readily available and wind speeds were modest, making the project less desirable compared to other locations.

The Municipalities have agreed to twenty-year commitments under the Renewable Supply Policy so that Platte River can plan for new resources; all the Municipalities have requested renewables in excess of the state standard.

Current resources at the Medicine Bow Wind Project are producing near expectations. Expansion potential may be limited due to transmission, but there is transmission availability for existing turbines to 2024. The land lease does not expire until 2038. Other than increasing O&M costs, the resources continue to perform well. The Vestas turbines have performed very near the estimated generation levels for the units. The Clipper turbine had numerous problems when it was first brought online, but after amending the contract and working with Clipper's operations staff, the unit has performed well above budget for the last few years.

The Silver Sage Project, located west of Cheyenne, came online last year and is performing well. Platte River has a PPA with a Duke Energy subsidiary for twelve megawatts of the forty-two megawatt project. The PPA extends to 2029 and allows for first rights to ownership after fifteen years. Wind generation at the site is running at eighty-nine percent of budget on average for the first several months.

The current portfolio consists of forty-two percent plant and fifty-eight percent Renewable Energy Credits, but future projections call for a reduction in RECs and an increase in plant over time. The mix is projected to be approximately eighty-six percent plant and fourteen percent RECs by 2020, assuming transmission and integration resources can be acquired.

Platte River purchases Renewable Energy Credits (RECs) from Arkansas River Power Authority, Oklahoma Municipal Power Authority, and the EDF Trading. WAPA is also beginning to manage hydro RECs and Platte River is working with WAPA to ensure our interests are represented in that process.

New wind development prices are trending upward according to NREL studies. The annual cost per turbine for maintenance contracts also continues to trend upward.

Renewable tariff premiums decreased between 2004 and 2010 with the purchase of Renewable Energy Credits, but have gone back up with the addition of Silver Sage (energy and RECs). Staff does not currently anticipate a premium increase in 2011 or 2012.

**(12) Rawhide Forced Outages.** Power Production Division Manager, Jason Frisbie introduced Engineering Services Manager, Rocky Knutson to speak about the recent forced outages at Rawhide.

On June 8, operations staff identified a major tube leak in the pendant section of the boiler and the unit was taken offline for ninety-six hours to make repairs. Again on June 24, staff identified a second major tube leak in the superheat pendant section of the boiler and the unit was taken offline 118 hours for repairs.

The failed tube bend and additional tube samples were sent to Structural Integrity's metallurgical lab in Austin, Texas. Structural Integrity's analysis of the tube concluded that the failure occurred as a result of long-term overheating of the tube metal, not erosion. They concluded that a higher stress level was present at the intrados of the hairpin bend. There was some collateral damage downstream of the leak and crews ended up replacing over 100 feet of tubing. After visual inspections of the remaining pendants concluded, the unit was returned to service.

Another tube failure occurred on June 24 in the same bend, different pendant. Collateral damage was minimized due to quicker shutdown of the unit. Crews recommended that all twenty remaining bends be replaced with an upgraded material. The General Manager determined that it would be beneficial to remain offline longer and allow staff to make the recommended repairs in order to mitigate risk of another leak in the near future. In total, crews replaced sixty-two feet of tubing. Samples were again sent to Structural Integrity's lab with the same result. Structural Integrity stated that the decision to replace all of the bends was prudent as additional failures were likely to have occurred.

Staff anticipates that Structural Integrity's recommendation will be to replace all of the existing material on the front inlet pendant of the secondary superheater with upgraded material. If this is the case, staff proposes replacement be done during the 2015 outage. Currently, staff estimates replacement of 13,500 feet of tubing at an estimated cost of \$1.5 million.

**(13) Executive Session.** Director Janonis moved that the Board of Directors go into Executive Session for the purposes of considering the possible purchase of property adjacent to the Rawhide Energy Station and the bid price to be offered.

The General Counsel advised that an Executive Session is authorized in this instance pursuant to Colorado Revised Statutes, Section 24-6-402, subsection (4)(a); provided that, no formal action will be taken during the Executive Session. Director Roiniotis seconded the motion. Motion passed 5-0.

The Board went into Executive Session at 11:40 a.m.  
Regular Session reconvened at 11:55 a.m.

The General Manager stated that based on information gained in the executive session, staff requests Board approval of the land bid resolution authorizing negotiations and possible acquisition of land adjacent to the Rawhide Energy Station.

Director Gutierrez moved to approve Resolution No. 13-10—Adjoining Land Bid Authorization for Rawhide Energy Station; Director Janonis seconded. Motion passed 5-0.

**(14) Management Report.** The General Manager did not have any additional items to report.

**Board Member Comments.** The Board gave staff numerous accolades for their work during the forced outages.

**Adjournment.** With no further business, the meeting adjourned at 11:57 a.m. The next regular Board meeting is scheduled for Thursday, August 26, 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 31 day of August, 2010.

  
Assistant Secretary

