

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

DECEMBER 18, 2024

A regular meeting of the Board of Directors of Holy Cross Electric Association, Inc., a/k/a Holy Cross Energy (hereinafter called “Holy Cross”), a Colorado cooperative association, was held at the main office at 3799 Highway 82 in Garfield County, Glenwood Springs, CO, on December 18, 2024, at 9:00 a.m. The meeting was held by WebEx with Board members and staff appearing electronically. Notice of the meeting was given in accordance with Colorado law and the bylaws of Holy Cross.

Agenda Item 1: Roll Call. Chair David C. Munk called the meeting to order and reported that six of seven Directors were present in person on WebEx, Robert H. Gardner, Kristen N. Bertuglia, David C. Munk, Adam Quinton, Keith E. Klesner [absent—will join later], Alexander DeGolia, and Linn Brooks. Staff attending included Bryan J. Hannegan, President and Chief Executive Officer; David Bleakley, Vice President – Engineering; Cody O’Neil, Vice President—Operations; Sam Whelan, Vice President—Finance; Jenna Weatherred, Vice President—Member and Community Relations; and Trina Zagar-Brown, Vice President—Business Services. Also attending was General Legal Counsel Randolph W. Starr, Jonathan Rosales Perez, Kristina Johnson, and Betsey Seymour.

Agenda Item 2: Adjourn Previous Board Meeting. Chair Munk adjourned the meeting of the Board of Directors originally convened on December 5, 2024, and then continued to today’s meeting. [09:00]

Agenda Item 3: Public Comment. Chair Munk asked for comments from members of the public present. No members of the public were present in person. [09:00]

Agenda Item 4: Employee Recognition.
November Service Recognition:

Kyle Bartlett, Facilities Maintenance Tech II is celebrating 5 years of service.

Recent New Hires, Promotions and Departures:

Rob Rittner has been promoted to Infrastructure Field Tech II, effective December 9, 2024.

Kristina Johnson completed the NRECA Certified Communicator program.

Attorney Starr was recognized for his long service to Holy Cross as its legal counsel.

[09:15]

Agenda Item 5: Consent Calendar. The following informational items were presented to the Board in the form of written reports and memoranda:

- a. Minutes of November 21, 2024 Regular Meeting
- b. Minutes of December 5, 2024 Special Meeting
- c. Treasurer’s Report
- d. Safety Committee Minutes
- e. Cyber and Physical Security Committee Minutes
- f. Diversity, Equity, and Inclusion Committee Minutes
- g. Power Supply and Programs Report

- h. System Reliability Report
- i. Community Energy Systems Report
- j. Member Participation Report
- k. Legislative and Regulatory Report
- l. Attorney's Report
- m. Board Committee Reports
- n. Directors' Reports

Questions posed by Board members were answered by staff members. Upon motion duly made, seconded, put to a vote and unanimously carried, it was

RESOLVED, that the items on the Consent Calendar be approved as presented. [09:46] Attorney Karl Kumli joined the meeting.

Agenda Item 6: Staff Reports. The Staff Reports were delivered to the Board members prior to the meeting. Questions from Board members were answered by staff members. Director Klesner joined the meeting. [10:04]

Agenda Item 7: Old Business.

- a. Amendment to Rates and Tariffs – Process for Proposed Changes. President and CEO Hanegan presented proposed amendments to Holy Cross Energy's electric service tariffs, rules, and regulations to the Board for approval and to present public comments in response thereto. Section 5110A of the Holy Cross Tariffs, Rules and Regulations provides that: "Tariffs are subject to revision by the Board of Directors of Holy Cross upon 30 days' notice to consumers." In practice, the process for making changes to the Tariffs involved the following steps:
 - 1. Board vote to approve / disapprove the proposed change
 - 2. Provide the required 30 days' notice
 - 3. Collect public comments (if any)
 - 4. Implement the tariff change (unless the Board decided to reconsider it based on public comments)

Following the proposal of tariff changes and rate restructuring in January 2023, Holy Cross received feedback from stakeholders that the above-described process did not allow sufficient opportunity for public comment to be considered in the Board's final decision. In particular, the act by the Board to approve or disapprove or amend the proposed change was deemed by many stakeholders to be a "final decision" that would not be changed by public comment. To address these stakeholder concerns, the Board Communications Committee met to consider a change in the tariff change process to allow for public comments *prior* to any Board action to approve, disapprove or change a proposed tariff charge. As discussed at the Committee meeting, the revised tariff change process would proceed as follows:

- 1. Board vote to *notice* the proposed change
- 2. Provide the required 30 days' notice
- 3. Collect public comments (if any)
- 4. Board vote on whether to approve/disapprove the tariff change (taking public comments into account)

Although the proposed new process would require two Board votes rather than one, the Communications Committee felt that moving to a standard "notice and comment" approach typical of most government processes would provide transparency and value to members worth the extra process steps and Director and staff time and resources.

Questions from Board members were answered by staff members. Upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the proposed changes to the Tariffs, Rules and Regulations of Holy Cross regarding Section 5110 - Tariff Selection and Changes be approved. [10:06] The text of the adopted changes to the Tariffs, Rules and Regulations is included in these minutes as Attachment A.

- b. Amendment to Bylaws – Director and Officer Terms of Office. President and CEO Hannegan presented proposed amendments to the Bylaws making changes to the terms of office for Board Directors and Board officers, and to establish a regular review of district boundaries. At the request of individual Directors, several topics related to Board governance were considered at the September 11, 2024, meeting of the Board Governance Committee:
 1. Director Representation: Article IV, Section 3 of the Bylaws specifies the boundaries of three Director districts served by the Association. During the Governance Committee meeting, Directors correctly noted that there exists no formal requirement to re-evaluate the boundaries of these districts to ensure proportionate representation of members on the Holy Cross Board. Staff was directed to draft a proposed amendment to the Bylaws establishing a regular district boundary review process at least once every five years.
 2. Director Terms: Article IV, Section 4 of the Bylaws specifies the Term of Office for Directors, currently four years on a staggered rotation with no limit on the number of terms an individual Director may serve so long as they meet the qualifications of Article IV, Section 2. Following considerable discussion, Staff was directed to draft a proposed amendment to the Bylaws establishing a limit of three terms for any Director.
 3. Board Officer Terms: Article VI, Section 2 of the Bylaws describes the process for election and the terms of office for the Chair, Vice Chair, Secretary and Treasurer, with no limit on the number of terms an officer may serve. Following extensive discussion, Staff was directed to draft a proposed amendment to the Bylaws establishing a limit of three one-year terms for any specific Director to serve in a specific officer position (the officer could serve another three terms in another officer position).

The text of the proposed Bylaw revisions was properly noticed with the agenda of the meeting. After discussion among the Board members and questions from Board members were answered, a motion was made, seconded, and carried that it was

RESOLVED, that the proposed amendments to the Bylaws as properly noticed with the agenda of this meeting be adopted on three separate votes as follows:

a. Director Districts. [unanimous]

b. Director Term Limits. [unanimous]

c. Officer Term Limits. [unanimous, as amended during the meeting] [10:40]

The text of the adopted changes to the Bylaws is included in these minutes as Attachment B.

A break was taken. [10:40 to 10:57]

Agenda Item 8: New Business.

- a. President and CEO Hannegan recommended the selection of the Association's next General Counsel, and to provide an engagement letter for Board review and approval. Corporate Policy 4.9, "Legal Representation and Use of Attorneys", sets forth guidelines for the relationship Holy Cross Energy, and any attorney that represents it. Specifically, Section 2.2 of that Corporate Policy (included in Call to Order) provides for a General Counsel that provides general legal services to the Association, to include without limitation:

- Attending, and drafting or reviewing minutes of all meetings of the Board and all annual and special meetings of Holy Cross members;
- Negotiating, drafting, and reviewing contracts, at the request of the President and CEO (“CEO”) or designee;
- Providing legal services for the disposition or acquisition of real property and interests in real property;
- Providing legal services for the borrowing or lending of money; and
- Providing legal services regarding general business, employment, legislative, cooperative, tax, litigation, and electric utility law.

Earlier this year, Holy Cross’s current General Counsel, Starr & Westbrook P.C., announced their intention to terminate their long-time relationship as Holy Cross’s General Counsel at the end of 2024, upon the retirement of partner Randy Starr. The members of Holy Cross, and specifically the Board and management team of Holy Cross, have benefited greatly from Randy’s wise counsel and sparkling wit over his many years of distinguished service, and we wish him well in his continued travels.

On September 19, 2024, Holy Cross posted an RFP seeking proposals for an outside General Counsel to serve the Association beginning in 2025. The RFP was posted on the Holy Cross web site, and distributed to the CREA Attorneys Group, the Colorado Bar Association listserv, and emailed directly to a list of candidate firms identified from Public Utilities Commission filings and recommendations from Starr & Westbrook P.C. A 30-day period was given for responses to the RFP, and nine responses were received by Holy Cross prior to the October 18, 2024, deadline.

The Board of Directors met in Executive Session at a Regular Meeting of the Board of Directors on October 23, 2024, to review the nine responses and select three finalists for in-person interview. Those finalists were interviewed by the Board of Directors and selected Senior Staff on December 5, 2024, at a Special Meeting of the Board of Directors held in Executive Session for that purpose. Following the interviews, an offer was extended to the candidate firm recommended for approval by the Board today.

The proposed selectee, Dietze and Davis, P.C., is a Boulder-based law firm with extensive experience in Colorado electric utility matters, including practice before the Colorado Public Utilities Commission, the Federal Energy Regulatory Commission, and courts and agencies across the State of Colorado. The firm provides a wide range of general legal services that matches well with the requirements of Holy Cross for its General Counsel.

The terms of engagement between Holy Cross and Dietze and Davis, P.C. are outlined in a proposed December 10, 2024 “Agreement for Legal Services” sent by Karl F. Kumli, III on behalf of the firm. This proposed Agreement is provided separately in Call to Order. Staff and current General Counsel have reviewed the proposed Agreement and recommend it to the Board for approval today, with services to begin once signed, subject to the following conditions:

1. Mr. Kumli understands that the Holy Cross Board intends to review the performance of Dietze and Davis, P.C. at the end of the first year of engagement, consistent with the provisions of Corporate Policy 4.9 that call for regular review of General Counsel by the Board not less than every three years.
2. Counselor Starr has offered to continue support of Holy Cross as Special Counsel on certain ongoing legal matters to their completion into early 2025 as may be necessary subject to approval by the President and CEO. Dietze and Davis, P.C. representatives will be copied in all correspondence and consulted where deemed appropriate.

3. Counselor Starr has offered to work with Mr. Kumli to provide for an orderly transition of all documents, records, and information regarding Holy Cross's legal matters past and present, including reasonable support as needed following January 1, 2025 (to be billed by Starr & Westbrook to Holy Cross).

After discussion among the Board members and questions from Board members were answered, a motion was made, seconded, and unanimously carried that it was

RESOLVED, that the proposed Agreement for Legal Services with Dietze and Davis, P.C. be approved, subject to the conditions described in the staff memorandum. [11:05]

Agenda Item 9: Fiscal Year 2025 Planning.

- a. Key Performance Indicators. President and CEO Hannegan engaged the Board in development of a set of Key Performance Indicators (KPIs) for the upcoming 2025 calendar year and sought approval of those KPIs. As described in the Holy Cross Strategic Plan, the Board uses specific and measurable KPIs to regularly evaluate progress towards meeting Holy Cross's strategic goals and objectives, as follows:

- On a monthly basis, the Board reviews progress against the current year's KPIs using the table provided in each month's Staff Reports (available in Call to Order).
- At the end of each calendar year, the Board reviews the list of KPIs and sets new targets for each for the coming year with the input of Holy Cross's staff.

In general, Holy Cross uses KPIs that are in broad use across the industry, allowing for benchmarking against other utilities.

A table of proposed KPIs, along with previous and current year actuals for each, is included on the following page. The table shows Holy Cross's actual performance for calendar years 2022 and 2023, as well as performance year-to-date in 2024 against the previously approved KPIs.

In 2023, the Board agreed to establish three levels of KPI:

- Threshold: the minimum acceptable level of performance
- Target: reasonable continuous improvement towards the Strategic Goal
- Stretch: the maximum realistic level of achievement

For most metrics, the Target levels remain determined by taking the mean average of the previous five years' performance and adjusting it to reflect our desire for continued improvement. In general, the Threshold and the Stretch levels are then calculated as "one standard deviation" either side of the mean average or reflect the "best" (Stretch) or "worst" (Threshold) performance in the five previous years for which the KPI was calculated.

Board members reviewed and discussed the proposed KPI levels at the Board meeting. Staff explained the proposed KPIs and how the Threshold, Target, and Stretch levels were determined for each. After discussion among the Board members and questions from Board members were answered, a motion was made, seconded, and unanimously carried that it was **RESOLVED**, that the table of Key Performance Indicators (KPIs) for 2025 be adopted. [11:48]

- c. Wage and Compensation Adjustment. Mr. Rowley made a verbal and visual presentation to the Board of the appropriate adjustment to be applied to the salary and wage ranges and overall wage increase pool for Holy Cross Employees in 2025. The following survey data was presented; Consumer Price Index (CPI; inflation), Employment Cost Index, and salary information and projections based on national and industry data. This year, the Employer's Council HR Metrics survey was delayed and not available so the state and regional data we typically present is not included. Preliminary national data was included. The projected salary

increase data presented ranges from 3.7%- 4.5%. Accordingly, Staff recommend a Wage Range adjustment of 4.0% and an overall wage increase pool amount of 5.0% for 2025. The wage range adjustment would apply to all Salary Grades and Wage Ranges as defined in the Holy Cross Compensation Plan. These values will also be the basis for the Merit Matrix used to determine individual employee compensation adjustments considering the employee's position within the wage range and the employee's performance during the previous calendar year¹. The additional wage pool amount will allow for an expanded merit matrix to recognize higher performing employees. No separate action is required by the Board of Directors on this item, as it is incorporated into the Operating Budget proposed for 2025 (Agenda Item 9d). Questions from Board members were asked and answered by staff. [12:10] A break was taken. [12:10 to 13:02]

- d. Operating and Capital Budgets. Vice President Whelan gave a presentation about the 2025 Budget and Capital Plan. The proposed 2024 Operating Budget sets total operating revenue at \$169.1 million (before ECA and deferred revenue) and total cost of service at \$157.5 million. Operating margin is forecast to be \$11.6 million in 2025 with the total margin (including non-operating revenues) forecast to be \$13.1 million. The operating margin is set consistent with a 5.25% rate of return on rate base, the middle of the range outlined in Corporate Policy 5.2, Financial Planning and Management, at Section 2.5. The rate base calculation has been updated to include projected year-end 2024 plant balances, plus forecasted capital expenditures in 2025, aligning the year-end margin with the projected year-end rate base. Mr. Whelan presented to the Directors a proposal to create a floor and ceiling approach to the ECA for 2025 given Holy Cross's considerable deferred revenue balance of (\$9+ million). As proposed, the ECA would not be allowed to go above 0.0 ¢/kWh in 2025 as any negative operating margin variance could be handled by deferred revenue utilization at year-end. Although the 2025 Operating Budget is more aggressive compared to past years (increased sales projected, plus a projected TIE true-up), staff also propose to set an ECA floor of -0.50 ¢/kWh. This would allow unexpected savings to be passed back to members but would limit the potential swing of the ECA in 2026, ensuring stable rates for members through utilization of the existing deferred revenue balance. Mr. Whelan then provided Directors with the proposed 2025 Capital Budget at \$22.5 million for 2025, plus an additional \$15.0 million in carried over capital budget allocated but unspent in 2023 and 2024, \$4.1 million in capital spending associated with the "TIE Agreement" with Xcel – Colorado, and \$3.5 million in capital spending associated with the dedicated USDA Rural Energy Savings Loan Program funds Holy Cross is utilizing for our Power+ program.

At a high level, the 2025 Capital Budget request includes:

- \$0.4 million for Comanche 3
- \$1.9 million for system improvement projects (reliability)
- \$7.6 million for general maintenance (replacement)
- \$0.9 million for smart grid improvement
- \$2.5 million for fire mitigation efforts
- \$1.5 million for resiliency work (AABC microgrid and Glenwood campus batteries)
- \$4.1 million for transmission relays and substation upgrades
- \$5.1 million for fiber network expansion
- \$0.9 million for IT Infrastructure and Cyber Security
- \$4.2 million for replacement of vehicles and boom trucks
- \$2.8 million for other general plant (paving, backup generator replacements, apartment upgrades, physical security upgrades, office repairs and upgrades)
- \$4.4 million for Power Supply/Programs (Power+, control software, CEC purchase)

- \$0.5 million for special projects (mortgage assistance, safety trailer)

A summary of the proposed Capital Budget for 2025 was provided to the Board prior to the meeting. A list of items that could be adjusted in the Operating and Capital Budgets to reduce spending and long-term upward rate pressure is included separately. Directors discussed the various options and asked staff to make amendments.

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

RESOLVED, that the draft 2025 Operating and Capital Budgets be approved as amended. [14:30]

Agenda Item 10: Executive Session. Upon motion duly made, seconded, put to a vote and unanimously carried, the following resolution was adopted:

RESOLVED that the Board enter executive session to consider documents or testimony given in confidence generally relating to litigation and contract negotiations. All staff members remained in the Board room. Director Brooks left the meeting for the discussion on one potential litigation matter.

No action was taken by the Board to make final policy decisions or adopt or approve any resolution, rule, regulation, or formal action, any contract, or any action calling for the payment of money. Direction was given to negotiators.

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

RESOLVED that the Board exit executive session. [14:44]

Agenda Item 11: Items for Future Agendas. Discussion about the items on the list ensued. [14:49]

Agenda Item 12: Continuation of Board Meeting. Chair Munk continued the meeting until **Wednesday, January 15, 2025, at 9:00 a.m.** The next meeting will be held by Webex. [14:49]

✍

Secretary – Alexander DeGolia

APPROVED:

✍

Chair – David C. Munk

<p align="center">2025 Holy Cross Energy Board Meeting Schedule</p> <p align="center">[Third Wednesday of each month]</p>
January 15, 2025—Webex
February 19, 2025—in person at Cooley Mesa
March 19, 2025—Webex
April 16, 2025—Webex
May 21, 2025—Webex
The Annual Meeting of Members will be held on June 5, 2025, at Buttermilk Mountain Lodge, Base of Buttermilk, 38700 CO-82, Aspen, CO 81611
June 18, 2025—in person
July 16, 2025—Webex
August 20, 2025 (strategic planning)—in person TBD
September 17, 2025—Webex
October 15, 2025—in person at Cooley Mesa
November 19, 2025—Webex
December 17, 2025—in person at Glenwood

Attachment A

Modifications to
Holy Cross Energy
Electric Service Tariffs, Rules and Regulations

Adopted by the Holy Cross Energy Board of Directors
at its December 18, 2024 Regular Meeting

(deletions ~~struck through~~; additions in *italics*)

5110 TARIFF SELECTION AND CHANGES

A. DEFINITION

Tariffs are the rates charged for electric energy and services. Tariffs are subject to revision by the Board of Directors of HCE ~~upon 30 days notice to consumers~~ *at any time provided that:*

1. *Such proposed tariff revisions have been duly noticed to consumers and the public not less than 30 days in advance of the proposed revisions date;*
2. *Consumers and the public are provided opportunity for public comment on the proposed tariff revisions during the 30-day notice period; and*
3. *When considering the proposed tariff revisions, the Board shall review all public comments received during the 30-day notice period.*

Attachment B

Modifications to
Bylaws
Holy Cross Electric Association, Inc. / Holy Cross Energy

Adopted by the Holy Cross Energy Board of Directors
at its December 18, 2024 Regular Meeting

(upon proper notice pursuant to Article XII of such Bylaws)

(deletions ~~struck through~~; additions in *italics*)

ARTICLE IV DIRECTORS

SECTION 3. Director Districts. Except as provided herein, the Holy Cross Board of Directors shall consist of seven Directors, who shall be elected from specified geographic districts.

The following shall constitute the three Director districts served by the Association, to wit:

A. The Western District shall be defined as and include Townships 6, 7, and 8 South, Ranges 90 through 96 West, generally described as the New Castle to Parachute area, and Townships 6 through 12 South, Ranges 87, 88 and 89 West, lying westerly of the Eagle County/Garfield County line extended to the south, generally described as the Glenwood Springs to Marble area. The Western District shall be represented by one Director.

B. The Northern District shall be defined as and include Townships 2 through 5 South, Ranges 87 and 88 West and Townships 2 through 6 South, Ranges 79 through 86 West, generally described as the Gypsum to Vail area. The Northern District shall be represented by four Directors.

C. The Southern District shall be defined as and include Townships 7 through 12 South, Ranges 82 through 87 West, lying easterly of the Eagle County/Garfield County line extended to the south, generally described as the Basalt to Aspen area. The Southern District shall be represented by two Directors.

The number and geographic boundaries of Director districts and the number of Directors accorded to each district shall be reviewed by the Board at least once every five years to ensure equitable representation for all members of the Association.

ARTICLE IV DIRECTORS

SECTION 4. Term of Office. Directors shall be elected annually, and the date of the election shall be determined by the Board of Directors on any day that is not later than July 1 of each calendar year, in the manner and numbers herein set out, by and from the membership, to serve for the periods hereinafter set out.

Directors shall be elected to fill vacancies caused by expiration of terms of office, for a term to expire at the annual election of Directors after the expiration of terms of the respective Director position or until their successors shall have been elected and shall have qualified.

The following Director seats, representing the following districts, shall be elected for terms as follows:

One Director seat in the Northern District shall be elected as of the date of the annual election of Directors in 2010 and every three years thereafter until 2022, and then every four years thereafter.

One Director seat in the Southern District shall be elected as of the date of the annual election of Directors in 2010 and every three years thereafter until 2022, and then every four years thereafter.

One Director seat in the Northern District shall be elected as of the date of the annual election of Directors in 2011 and every three years thereafter until 2023, and then every four years thereafter.

One Director seat in the Western District shall be elected as of the date of the annual election of Directors in 2011 and every three years thereafter until 2023, and then every four years thereafter.

One Director seat in the Southern District shall be elected as of the date of the annual election of Directors in 2012 and every three years thereafter until 2021, and then every four years thereafter.

One Director seat in the Northern District shall be elected as of the date of the annual election of Directors in 2012 and every three years thereafter until 2021, and then every four years thereafter.

One Director seat in the Northern District shall be elected as of the date of the annual election of Directors in 2012 and every three years thereafter until 2024, and then every four years thereafter.

No Director who is elected or appointed after January 1, 2025 shall be eligible to serve more than three terms. A Director elected or appointed prior to January 1, 2025 who has served three or more terms as of January 1, 2025 shall be eligible to serve one additional term following the expiration of that Director's current term. This limit on the term of office of a Director shall not include any of the time served as a Director filling any unexpired portion of a term that resulted from a vacancy occurring in the Board for any reason other than expiration of term.

ARTICLE VI OFFICERS

SECTION 2. Election and Term of Office. The Chair, Vice Chair, Secretary and Treasurer shall be elected annually by and from the Board at the meeting of the Board held immediately after the annual meeting of the members. If the election of these officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient. *Effective January 1, 2025, no Director may serve more than four times consecutively in any one officer position (Chair, Vice Chair, Secretary or Treasurer), not including partial terms resulting from a vacancy.* Each of these officers shall hold office until the first meeting of the Board following the next succeeding annual meeting of the members or until his/her successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board for the unexpired portion of the term. The appointment of an officer does not itself create contract rights.