

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

NOVEMBER 21, 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 November 21, 2024, at 10:00 a.m. The meeting was held on 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 all seven Directors were present, Robert H. Gardner, Kristen N. Bertuglia, David C. Munk, Adam Quinton, Keith E. Klesner, 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, and Betsey Seymour. No others were on the web meeting.

Agenda Item 2: Adjourn Previous Board Meeting. Chair Munk adjourned the meeting of the Board of Directors originally convened on November 6, 2024, and then continued to today’s meeting. [10:00]

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 or on the web. [10:00]

Agenda Item 4: Employee Recognition.
August Service Recognition:

Jeff Hauer, Senior Meter Technician, is celebrating 30 years of service.

Recent New Hires, Promotions and Departures:

Humberto Estrada Quinone, Apprentice Lineworker II in Vail, departed Holy Cross.

Martin Verveja Munoz has been promoted to Facilities Maintenance Tech II.

Brittany Roberts has been promoted to Operations Tech Support Analyst. [10:05]

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 October 23, 2024, Regular Meeting
- b. Minutes of November 6, 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. [10:29]

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. [11:17]

Agenda Item 7: Old Business.

- a. None. [11:17]

Agenda Item 8: New Business.

- a. Annual Meeting Date and Location. After a written and verbal presentation by Vice President Weatherred, upon motion duly made, seconded, and unanimously carried, it was **RESOLVED**, that the 2025 Annual Meeting of the Members be held at Buttermilk Mountain Lodge, Base of Buttermilk, 38700 CO-82, Aspen, CO 81611, on Thursday, June 5, 2025. [11:21]
- b. Appointment of Election Committee. Section 2.3 of Holy Cross Corporate Policy 4.6, Voting and Elections, provides that the Board of Directors shall take two specific actions related to the election of Directors not less than 90 days prior to any Annual Meeting where an election may occur:
 - 1. Appoint an election management firm to establish a secure and verifiable electronic transmission system through which a member may apply for, receive, and return a ballot in an election and to receive, prepare and secure any paper return envelopes containing ballots, and at the appropriate time, tabulate ballots and report voting results to the Board; and
 - 2. Appoint an Election Supervisory Committee consisting of three members to oversee the election and voting process (typically Holy Cross's Legal Counsel, a representative of the election management firm, and a member of Holy Cross's management Staff).

Vice President Weatherred gave a verbal and written presentation to the Board. A motion was made, seconded, and unanimously carried that it was **RESOLVED**, that the Board of Directors authorizes Holy Cross's Staff to contract with Survey and Ballot Systems to manage the 2025 Election of Holy Cross Directors; and **FURTHER RESOLVED**, that an Election Supervisory Committee be appointed to oversee the 2023 Election of Holy Cross Directors consisting of the following members:

 - Holy Cross's General Legal Counsel [TBD];
 - A representative from Survey and Ballot Systems [Matt Fiala]; and
 - A member of Holy Cross's management Staff, Vice President Jenna Weatherred. [11:24]
- c. Amendments to Bylaws. 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 unanimously carried that it was **RESOLVED**, that the consideration of the Bylaw amendments be tabled until the December 18, 2024, Board meeting. [12:03] A break was taken. Director DeGolia was absent. [12:03 to 12:51]

- d. Long Term Financial Forecast. Vice President Whelan presented a long-term projection of Holy Cross's financial trajectory. During the discussion Director DeGolia returned to the meeting. Holy Cross's Staff developed a long-term financial plan, based on input from the various Holy Cross Departments on their expected future operating and capital needs. As in prior years, Holy Cross's Staff developed a long-term financial plan, based on input from the various Holy Cross Departments on the expected future operating and capital needs.

The current Long Term Financial Plan has a Base Case with the following assumptions:

- 1,341 GWh sales in 2024, then an average increase of 0.83% per year through 2034
- Power supply costs assume EVCE PPA termination; Guzman, NextEra, Hunter, AES, and Ameresco deals: PSCo wholesale contract as backstop.
- Labor expenses increase at 5% in 2025, 3% per year thereafter
- Non-labor expenses increase at 3% per year through 2034
- Capital Expenses follow 10-year draft plans presented in October from Construction Engineering, Fiber, Cybersecurity, and IT infrastructure
- Interest rate for future borrowing estimated at 5.5% through 2034
- Includes reduction of CFC patronage allocation
- Margins determined at 5.25%: 25-year rotation for capital credits
- Includes latest C3 production forecast through 2029
- Includes higher transmission costs tied to Colorado Power Pathway
- Assumes no deferred revenue being utilized; use \$7MM to manage increased TIE expense for Colorado Power Pathway

These assumptions result in a Long-Term Financial Plan with:

- HCE's rates projected to grow 2.2%/yr. over the next decade
- 5.2%/yr. rate increases projected over the next 3 years

With respect to Financial Ratios (important for lenders' estimate of our credit risk):

- > 40% equity goal projected to be sustained through 2034
- Equity growth comes from capital credit rotation cycle and increased margins
- Debt Service Coverage remains strong

Vice President Whelan provided a detailed briefing on the expected 2025 Operating Budget and the Long Term Financial Plan and addressed questions from Board members. [13:14]

- e. Draft 2025 Work Plan Initiatives. Staff sought Board review and comment on the proposed 2025 work plan initiatives and their alignment with the Holy Cross Strategic Plan. In November of each year, Holy Cross Staff develops work plans to guide its activities intended for the following year. These work plan initiatives have been organized in alignment with the goals and objectives of the Strategic Plan. During the presentation Director DeGolia left the meeting.

In reviewing these work plan initiatives, the Board should keep in mind that most day-to-day activities of the Holy Cross's Staff are operational in nature and focused on fulfilling our ongoing commitment to safely provide reliable, affordable, and increasingly sustainable energy and services to Holy Cross members and their communities. The Key Performance Indicators established each year at the Board's December meeting are the most appropriate way for the Board to exercise oversight into those operational and ongoing activities.

The proposed work plan initiatives reflect the Holy Cross Staff's additional commitment to activities that are more strategic in nature, and directly aligned with the goals and objectives of the Holy Cross Strategic Plan. As such, these work plan initiatives are appropriate for Board oversight on a regular basis through the review of monthly Staff reports that will be provided at each Board meeting.

Staff described each of the work plan initiatives, identified how they are aligned with one or more Strategic Plan strategic goals and objectives, and defined the tasks and deliverable outcomes associated with each initiative. After each work plan initiative was presented, Board members had an opportunity for comment and suggestions for refinement. In reviewing the draft work plan initiatives, Board members considered the following questions:

1. Is the work plan initiative clearly defined?
2. Is the work plan initiative directly aligned with our Strategic Plan?
3. Are the planned deliverables achievable and of value?
4. Is there sufficient stakeholder and/or community engagement?
5. How might the proposed work plan initiative be improved?

Based on feedback from the Board and further work by Staff, these work plan initiatives will be finalized and presented to the Board in December along with the 2025 budget request for review and approval. [14:42]

- f. Vice President Whelan presented a draft of the 2025 Operating Budget that sets total operating revenue at \$169.1 million (before use of the ECA or deferred revenue) and total cost of service at \$158.1 million. Operating margin is forecast to be \$11.0 million in 2025 with the total margin (including non-operating revenues) forecast to be \$12.5 million. During the presentation Director DeGolia entered the Board meeting.

The target operating margin is \$11.4 million, and 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 Subsection 2.5. The variance between the target operating margin and the projected operating margin is proposed to be resolved through a year-end deferred revenue entry, described in greater detail the memo given to the Board.

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.

The Operating Budget includes:

- A \$9.9 million increase in operating revenues due to increases in:
 - Electric sales revenue of \$9.8 million
 - 1.7% increase in projected kWh sales, ECA reset to zero (was large negative at the end of 2024)
 - Guzman revenue of \$1.8 million
 - \$2.7 million increase in Comanche 3 (C3) revenue due to less expected C3 maintenance, offsetting a forecasted \$0.9 million decrease in Bronco Plains II (BP II) wind revenue
 - Other and deferred revenue decrease of \$1.7 million
 - No deferred revenue in budget
 - No carbon offsets sale in 2025
- A \$1.8 million increase in power supply expenses, due to:
 - Increased C3 production due to less projected maintenance
 - EVCE contract termination savings fully offset by increased power purchases from PSCo at a higher projected cost
- A \$2.1 million increase in labor expenses, due to:
 - 5.0% wage pool adjustment (\$1.0 million)
 - 7 new headcounts (\$1.0 million)
 - Pay equity adjustments (\$0.13 million)
- A \$4.9 million increase in non-labor operating expenses, including:
 - \$1.2 million increase in depreciation and interest expense from capital projects
 - \$2.0 million increase in transmission expense
 - \$1.7 million increase due to 2023 TIE true-up lowering 2024 actual expense
 - \$1.4 million increase due to PSCo adding \$600 million in transmission investment in 2025
 - \$1.0 million decrease in 2025 transmission expense due to the forecasted 2024 TIE true-up
 - \$0.9 million increase in WeCARE expense, setting the expense budget even with projected WeCARE revenue
 - \$0.9 million increase A&G expenses due to work plan expenses, increases in software and insurance expenses, and additional events and promotion expense

Deferred Revenue and the ECA:

Staff proposed leaving the budgeted operating margin at \$10.9 million, below the target operating margin of \$11.4 million. This proposal will allow Staff to set the ECA at 0.0 ¢/kWh and utilize a single deferred revenue entry to hit the target operating margin. The deferred revenue entry would be approved by the Board during the February 2026 Board meeting as a part of the 2025 year-end financial review. This process would eliminate the need for multiple deferred revenue entries and multiple budget amendments typically see in a year.

Additionally, Staff proposed creating a floor and ceiling approach to the ECA for 2025 given our considerable deferred revenue balance of (\$7 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 proposed setting an ECA floor of -0.50 ¢/kWh. This proposal 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. Directors' views were sought on this approach. The final 2025 operating and capital budgets will be presented for approval at the December Board meeting. Discussion ensued, and questions by Board members were addressed by Staff. No action was taken. [15:40]

- g. Board Conflict of Interest Discussion. Chair Munk introduced the subject of board conflict of interest disclosures. Several board members have recently disclosed information about possible conflicts of interest. Discussion ensued among the board members. No action was taken. [15:58]

Agenda Item 9: Executive Session. None. [15:58]

Agenda Item 10: Items for Future Agendas. Discussion about the items on the list ensued. [16:06]

Agenda Item 11: Continuation of Board Meeting. Chair Munk continued the meeting until a Special Board Meeting on Thursday, December 5, 2024, at 8:00 a.m. in the Avon Training Facility, and then to the Regular Board Meeting on **Wednesday, December 18, 2024, at 9:00 a.m.** The next meeting will be held at the main office at 3799 Highway 82 in Garfield County, Glenwood Springs, CO. [16:06]

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Secretary – Alexander DeGolia

APPROVED:

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Chair – David C. Munk

2024 and 2025 Holy Cross REA Board Meeting Schedule [Third Wednesday of each month]
December 18, 2024—Glenwood Springs
January 15, 2025—WebEx
February 19, 2025—Gypsum
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—Gypsum
November 19, 2025—WebEx
December 17, 2025—Glenwood Springs