**MINUTES OF REGULAR BOARD MEETING**

**OF**

 **HOLY CROSS ENERGY**

**MARCH 19, 2025**

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 March 19, 2025, at 9:00 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; Trina Zagar-Brown, Vice President—Business Services. Also attending was General Legal Counsel Karl K. Kumli, III, Jonathan Rosales Perez, Mallorie Meier, and Betsey Seymour. No others were on the web meeting.

Agenda Item 2: Adjourn Previous Board Meeting. Chair Munk adjourned the special meeting of the Board of Directors originally convened on March 6, 2025, and then continued to today’s meeting.

Agenda Item 3: Public Comment. Chair Munk asked for comments from members of the public present. Mr. Hannegan noted that no members of the public were present currently, but that one member of the public is expected to join the meeting later.

Agenda Item 4: Employee Recognition.

March Service Recognition:

Trenton Jole, Journey Lineworker is celebrating 10 years of service.

Recent New Hires, Promotions and Departures:

Carmen Morrie, has been promoted to Front Office MSRII, effective March 1, 2025.

Tyler McMillan has been promoted to Mechanic, effective March 1, 2025

Alex Revilla Serrano has been promoted to Generation Operations Specialist, effective March 1, 2025

Holiday Heart thank you, Sara Sims, Executive Director with Mountain Valley Developmental Services sent a thank you note thanking Holy Cross and Joanna Whiting for their generosity for the 50 holiday dinners delivered to participants in independent-living homes.

Agenda Item 3: Public Comment. Noting the arrival of a member of the public, Chair Munk again asked for comments from members of the public present. Member John Richards appeared virtually before the Board to express concern about the level of the customer charge for his well service. Chair Munk thanked Mr. Richards for his comments.

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

* 1. Minutes of Regular Meeting of January 15, 2025
	2. Minutes of Regular Meeting of February 19, 2025
	3. Minutes of Special Meeting of March 6, 2025
	4. Treasurer’s Report
	5. Safety Committee Minutes
	6. Cyber and Physical Security Committee Minutes
	7. Diversity, Equity, and Inclusion Committee Minutes
	8. Power Supply and Programs Report
	9. System Reliability Report
	10. Community Energy Systems Report
	11. Member Participation Report
	12. Legislative and Regulatory Report
	13. Attorney’s Report
	14. Board Committee Reports
	15. Directors’ Reports

Questions posed by Directors were answered by staff. Given further concern expressed by Directors about the Board and Committee meeting minutes, upon motion duly made, seconded, put to a vote and unanimously carried, it was

**RESOLVED**, that items 5a, 5b, 5c, and 5n of the Consent Calendar be removed and tabled to a future meeting; and

**FURTHER RESOLVED**, that the remainder of the Consent Calendar be approved as presented.

Mallorie Meier left the meeting.

Agenda Item 6: Staff Reports. Staff reports were delivered to Directors prior to the meeting. Questions from Directors were answered by staff.

Trina Zagar-Brown left the meeting.

Agenda Item 7: Old Business. None.

Agenda Item 8: New Business.

1. Member Equity Distribution.

Mr. Whelan presented a recommendation for distribution of accrued and unpaid capital credits to Holy Cross Energy members. Historically, the Board meeting in March to review the capital credit cycle. This is in accordance with the Articles of Incorporation, Bylaws and Corporate Policies of Holy Cross, e.g. Holy Cross Energy Bylaws, Article VII, Section 2, state that all Operating Margins must be allocated to the members as capital credits (member equity). Other Non-Operating Margins may be allocated to the members or used by HCE as permanent, non-allocated capital.

Corporate Policy 5.1 allows up to 50% of the previous year’s allocated margins to be refunded on a Net Present Value (NPV) basis. Staff recommends refunding the maximum 50% of 2024 Operating Margins on a NPV basis.

In addition, in 2017, the Board approved a change to use HCE’s weighted average cost of capital (WACC) for discounting capital credits for the prior year margin and estate retirements. Year-end 2024 calculations (to be used in 2025) for WACC is 4.65% vs 2023 year-end at 4.29%. In March 2018 the Board approved a lengthened capital credit rotation cycle to 25 years. Consistent with this rotation cycle, staff recommends also refunding 1/25th of historical allocated balances during 2025.

The table shows the estimated member equity proposed to be paid out in 2025 incorporating the above requirements, past Board decisions and staff recommendations.

**2025 Member Equity Distribution**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   |   |   |   |   |
| 2024 Operating Margin |   | $10,169,427 |
| 50% of 2024 Operating Margin |   |   |   | $5,084,713 |
| **Discounted @ 4.65% WACC** |  | **(a)** |  | **$1,708,145** |
|  **1/25th of Outstanding Balance to be Refunded** |  | **(b)** |  |  **$2,917,769** |
| **Total Member Equity to be Paid in 2025** |  | **(a) + (b)**  |  | **$4,625,915** |

For comparison, total member equity paid out in 2024 was $4,583,858.

Following discussion by Directors and questions asked of staff, upon motion duly made, seconded, put to a vote and unanimously carried, the following resolutions were adopted:

**RESOLVED**, that Holy Cross shall allocate, for 2024 only, Operating Margins of $10,169,427 to member equity accounts; and

**FURTHER RESOLVED,** that 50% of the 2024-member equity allocations on a discounted net present value basis, in the approximate amount of $1,708,145, be refunded to members in May 2025; and

**FURTHER RESOLVED,** that 1/25th of the allocated margins balance from 2008 to 2024, of approximately $2,917,769, shall be refunded to members on a first-in first-out basis in December 2025.

1. Bylaw Amendment – Member Equity. Vice President Whelan presented proposed amendments to the Holy Cross Energy Bylaws to clarify the treatment and discounting of capital credits, as recommended by HCE’s external auditor.

Each year, the HCE Board of Directors approves the general retirement amounts of Capital Credits. Generally, this action by the Board includes retiring the previous year’s margin at a discounted value. According to HCE’s external auditor, using the Member Income Test under Section 501(c)(12) of the Internal Revenue Code, such discounted amount can potentially be considered non-member income and become subject to taxation.

However, when the discounted portion is transferred to an equity account in the name of the member, to be held until the liquidation of dissolution of the cooperative, the IRS has ruled that the discount is not considered income. These equity accounts:

* Do not accrue interest or dividends
* Do not confer additional voting rights to the member
* Are payable only upon the cooperative’s liquidation or dissolution

HCE currently follows the practice of recording all discounted retirements in member-specific equity accounts. To ensure alignment with these established practices and provide transparency to members and the public, staff recommends amending the specific section of the HCE Bylaws related to capital credits to explicitly recommend this approach.

Pursuant to Article XII of the HCE Bylaws, the recommended Bylaw amendment from staff was properly noticed with the agenda for this Board meeting, and a copy of the proposed changes was provided prior to the meeting for review.

Directors engaged in discussion and asked questions of staff. Upon motion duly made, seconded, put to a vote and approved by a vote of 6-1, it was

**RESOLVED,** that the proposed amendment to Article VII, Section 2 of the Holy Cross Energy Bylaws by further amended by, in the second sentence, striking the word “discount” and replacing it with “discounted equity”; and

**FURTHER RESOLVED**, that the proposed amendment to Article VII, Section 2 of the Holy Cross Energy Bylaws by further amended by, in the second sentence, striking the word “and” and replacing it with “with”.

Following further discussion, upon motion duly made, seconded, put to a vote and unanimously carried, it was

**RESOLVED**, that the Board of Directors approve the amendment to the Article VII, Section 2 of the Holy Cross Energy Bylaws, as properly noticed with the agenda of this meeting, as further amended.

1. Wildfire Risk Mitigation Plan Review. Mr. O’Neil provided a written update to Directors on current and planned future activities intended to reduce the risk of wildfire ignition from HCE’s electric distribution system, and to improve the resilience of HCE’s electric distribution system to impacts from potential wildfires.

Over the past several years, HCE has undertaken several specific activities to mitigate the risk of wildfires to the HCE system and to the areas we serve, including:
* Publication of a Wildfire Mitigation Plan
* Use of technology in vegetation management
* Regular visual and infrared system inspection
* Pole testing
* Substation testing
* Monthly/Annual substation inspection
* Smart meters
* Investigation of all temporary faults on mail feeders
* Automatic Vehicle Location (AVL) to improve response time
* Fire protection system setting that reduce the likelihood of fuse expulsions
* Implementation of multiple SCADA control switching points
* Transmission expansions for resilience, such as the Avon-Gilman project
* Fire retardant wrapping of transmission structures
* Non-expulsion fuse replacements
* Installation of smart reclosers and sectionalizing
* Additional hardware maintenance
* Drone inspections of overhead line
* Right of way inspection through satellite imagery
* Installed 3 wildfire detection cameras at communications high sites

These activities are part of an effective and industry-leading wildfire risk mitigation strategy supported by day-to-day operational practices that carry out that strategy. HCE has many circuit ties on the system and HCE’s material stock is in very good condition should we experience equipment failure in a fire. HCE is in the process of hiring a Wildfire Mitigation Specialist, which will add to its ability to remain an industry leader in this space.

For 2025, the Wildfire Risk Mitigation Work Plan includes 3 specific tasks related to wildfire mitigation activities. These include a covered conductor proof of concept project, the development of a Public Safety Power Shutoff program, and the engineering work related to the DOE WARN grant.

Questions were asked by Directors and answered by staff regarding certain elements of the 2025 Wildfire Risk Mitigation Plan.

A break was taken.

1. Director Compensation Review. Mr. Hannegan introduced the topic by noting that Section 2.2.4 of Corporate Policy 4.5, “Director Compensation and Expenses” provides that “(d)irector fees and expenses for the prior year shall be reviewed during the first quarter of each calendar year by the full Board at a regular meeting of the Board of Directors.” Mr. Hannegan pointed Directors to the materials provided prior to the meeting in Call to Order, including a report on Directors’ 2024 expenses, Corporate Policy 4.5, and the latest CREA Directors Compensation Survey.

Following further discussion among Directors, upon motion duly made, seconded, put to a vote and unanimously carried, it was

**RESOLVED**, that the Governance Committee of the HCE Board of Directors be directed to review current Director compensation levels and report back to the Board with its findings.

 Agenda Item 9: Executive Session. None.

Agenda Item 10: Items for Future Agendas. Discussion about the items on the list ensued, resulting in changes to the allocation of subjects on future Board meeting agendas.

Agenda Item 11: Continuation of Board Meeting. Chair Munk continued the meeting at 11:44 am until **Tuesday, April 22, 2025, at 9:00 a.m**. The next meeting will be held by WebEx at Holy Cross’ main office at 3799 Highway 82 in Garfield County, Glenwood Springs, CO.

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Secretary – Alexander DeGolia

APPROVED:

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Chair – David C. Munk

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| **2025 Holy Cross REA Board Meeting Schedule**[Third Wednesday of each month] |
| April 22, 2025—WebEx **NOTE NEW DATE** |
| 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 |