

EMPIRE ELECTRIC ASSOCIATION, INC.
MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
December 1, 2017

Regular meeting of the board of directors of Empire Electric Association, Inc. was held Friday, December 1, 2017 with the following directors present: Bill Bauer, Jerry Fetterman, J. Kent Lindsay, Sue McWilliams, Bill Mollenkopf, John Porter and David Sitton. Others present: General Manager Josh Dellinger, Attorney Shay Denning, Corporate Operations Manager Mary Thiesing, System Engineer Clint Rapier, Operations Manager Ken Tarr and Executive Secretary Denise Rosenbaugh.

Others Present: Members Heidi Brugger, Gala Pock, Ellen Foster, Matthew & Debra Sheldon

President Bauer called the meeting to order at 8:30 a.m.

Approve Consent Agenda:

Action Item: President Bauer called for approval of the consent agenda. Motion by McWilliams to approve the consent items. Motion seconded by Lindsay and carried.

Membership Input:

Heidi Brugger addressed the board regarding potential tariffs on imported solar panels. She asked the board to contact our congressmen, on behalf of Empire members, and urge them to oppose the tariff. She also indicated she is excited with Empire's two large solar installations being pursued and is excited regarding the direction Empire is headed.

Ellen Foster also supports Empire's plan to build a solar farm and is concerned that the scarcity of solar panels will derail this project. She mentioned that the tariffs on solar cells being considered by the government has affected her personal plans for a solar system at her property. She asked the board to write a letter to our representatives opposing the tariffs on solar cells. She also hopes the board will negotiate with Tri-State to allow Empire to provide a higher percentage of renewable energy.

Rapier updated the board on what he knows about the price and availability of solar panels.

Matthew Sheldon said that these projects are facts and feelings – fact is solar is here to stay and more people are asking for it. He discussed the solar barn raisings he has been a part of but they are running into problems where the components are not available.

Bauer replied that the board will try to do what we can and will have our representative with Colorado Rural Electric Association bring it up to them and McWilliams will bring it to the CARE committee.

Correspondence

Thank you from:

- KRTZ radio station for Empire's support

Other correspondence:

- Clyde Howard, who bought the Pleasant View property, visited with Dellinger and reports he is satisfied with the transaction as there was value from the gravel, steel structure, fencing, etc. He asked Dellinger if Empire could amend the quitclaim deed to take off the acreage, which Empire did. He is still a friend of Empire.

Donation Requests:

2018 Donation request from the Galloping Goose. Empire donated \$500 in 2014 and 2015 and \$1000 in 2017. Discussion was held regarding whether Empire should make a 2018 donation. Motion by Sitton to donate \$500 to the Galloping Goose. Motion seconded by Fetterman and carried.

Dellinger updated the board on the request from The Nature Center at Butler Corner (from last month's meeting). The San Juan Resource Conservation and Development Council was the umbrella organization she was under, but that is no longer the case. She is trying to develop her organizational status so we are holding off on that donation. Consensus of the board to let management make the determination once we hear from her.

Policy Review/Action: will be discussed in executive session

General Manager Report:

Action Item: The 2018 consumer deposit interest rate calculation was presented and reviewed. After discussion, motion by McWilliams that the 2018 consumer deposit rate be set at .0367%. Motion seconded by Sitton and carried.

Dellinger presented the quarterly strategic planning update as included in the written report. Highlights are: AMI project – nearly completed on residential and are working on commercial, industrial and net meters, (Rapier mentioned that there are around 382 residential meters not complete because of locked gates, etc. and we don't have exact date for the net meters); accounts receivable risk mitigation - Empire has obtained AR insurance and will renew this year for large loads; communications goals - seeing results in internal communications with weekly updates, board and staff meeting summaries and employees are feeling like channels are more open; external communications – enhanced website, videos, promoting energy experts. Question asked regarding traffic on website and Jones will get that info to the board; succession planning and knowledge transfer - knowledge transfer plans are done and completing the plans is nearly complete; safety goals - completed another survey and Jules is finishing up that report.

CDOT has still not contacted Empire regarding the land south of town.

Thiesing reported on the financials. Non-operating margin is higher than budget due to sale of properties. In the past we have allocated non-operating margins on a per member basis as most of this revenue typically comes from interest earnings. However, this year a large portion is going to come from the sales of long term assets (Totten land and Nuchu meter), so we may want to consider allocating these margins differently. Question was asked if there was a way to apply property sales to debt for Operations Center. Thiesing replied that we could take cash and pay down the variable note with CoBank but recommended that we consider whether there is a financial benefit to paying down the loan. Plus, we still have to allocate the margins regardless of what we do with the actual cash. It would likely be good for the capital credit committee to meet and discuss this. Question was asked regarding if Empire will see any property tax change in Totten Lake? Thiesing replied that we will and there will also be a decrease for transmission assets to Tri-State. We will not realize those until 2019 because of how property taxes work. It was noted that if there is an increase in taxes due to installing the solar farm, Empire could go to the County Commissioners and ask them to decrease the taxes to align with their goal of promoting solar in the county. Distribution O & M under budget and expect this to be case at year's end. Pre-capitalized labor for new meter system was higher and joint use audit was lower than budgeted. Tree trimming is under budget. A & G under budget. There were less annual meeting costs due to no election. Consumer accounts is underbudget because of labor as we have one less person upfront than was budgeted. At end of day, higher margins than budgeted and Empire is doing well.

Mollenkopf asked if CoBank restricts pre-payment and Thiesing replied that there are no restrictions on variable rate loans, but fixed rate loans have pre-payment penalties. Variable loan rate is presently about 2.6 percent.

Dellinger noted that WAPA is starting to require specific meters and communications to net meters installations that are 150 kW or above. WAPA is the Balancing Authority, as defined by NERC, in our area. They have agreements with Tri-State and Tri-State has the relationship with us, so they are attempting to impose these requirements through Tri-State. This could add significant costs to these net metering installations. Staff has many questions about these new requirements and we hope to have a meeting with Tri-State soon to discuss.

Dellinger reported on a conference call with Tri-State, Empire, Delta-Montrose, San Miguel and La Plata Electric regarding the dark fiber network agreement. The agreement for the New Mexico portion runs out in 2018, so the parties need to decide whether or not to renew. There could be considerable costs to renew as some easements across tribal lands will need to be renewed. Tri-State staff expects to have a recommendation to its board in December and a face-to-face meeting with all the cooperatives to discuss has been scheduled for early January.

Dellinger let the board know that registration is open for NRECA Annual Meeting that will be in Nashville in February. Please let Denise know if you plan on attending. Please also let Denise know regarding the CREA annual meeting in Denver.

Roundtable:

Sitton discussed a subcommittee of the DWARF Collaborative related to the timber industry. He noted that there is an effort to pass legislation that would give biomass energy the same amount of credits as wind and solar. He also noted that there is interest in building a biomass generating station in Empire's service territory.

McWilliams reminded everyone that CARE dues for 2018 are due in January and we should be receiving the pledge forms soon.

Lindsay asked about the red rock by the Calvin Denton room. He noted that when the public uses the Calvin Denton room, kids attending are tempted to throw the rocks and he has seen a number of rocks on top of Empire's buildings. He asked if we could replace that rock with something else. Discussion followed.

Fetterman reported he is buying a Tesla and wondered if the cooperative would be interested in buying his old electric vehicle. Discussion followed about charging stations.

Mollenkopf reported on his continuing broadband search for his personal use.

Attorney:

Denning reported that her firm is still working on finalizing the joint use agreement with Century Link and she will work with Clink Rapier to develop a modified master agreement so that all joint users will be under the same terms. She has also been working on property releases from RUS and is waiting on additional info from the title company. Once that is finalized, Empire can close on the sale of the warehouse. An addendum was signed with the new owners so that he can get the buildings ready for winter in the meantime. Denning is still working on the BIA easement question. FERC is ramping up full speed, but still no word on when it will decide Tri-State's Motion for Rehearing.

Tri-State:

Mollenkopf reported on the Tri-State financials and gave a Southwest Power Pool update. He also presented and discussed a PowerPoint presentation summarizing the September Tri-State Finance Committee, Long Term Financial Forecast, and Renewable Energy percent forecast.

CREA:

CREA's meeting is next week.

Western United:

No meeting. Tarr reported on his visit to the rubber goods testing facility at Western United. He felt like the meeting went well. He indicated that Empire had been waiting for Western United to get their feet under them regarding the glove testing and he feels like they are there. The big concern in the past was whether Western United could meet our turnaround requirements for testing our goods and getting them back to us. Western United has assured Empire that they can exceed our requirements, so Empire will try it out first quarter of next year. This will also save us money on shipping as our rubber goods as the goods can be shipped on the WUE trucks during their normal deliveries.

Utah Rural Electric Cooperative Association:

Dellinger reported that UREA is still working on getting Empire an exemption from the Utah Public Service Commission.

Committees:

none

Executive Session:

Motion by Sitton to go into executive session to discuss Policy changes. Motion seconded by McWilliams and carried. The board went into executive session at 10:50 a.m. The board came out of executive session at 11:35 a.m.

Action Item: Motion by Lindsay to approve Policy 15 (Compensation and Expenses of Board Members) and Policy 29 (Insurance Program) as amended. Motion seconded by McWilliams and carried. A copy of both policies is attached to and made a part of these minutes.

FastTrack:

No meeting

Adjournment:

Meeting adjourned at 11: 47 a.m.

Bill Bauer, President

Jerry Fetterman, Secretary/Treasurer