

EMPIRE ELECTRIC ASSOCIATION, INC.
MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
October 13, 2017

Regular meeting of the board of directors of Empire Electric Association, Inc. was held Friday, October 13, 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 Barry Spear, Corporate Operations Manager Mary Thiesing, System Engineer Clint Rapier, Operations Manager Ken Tarr and Executive Secretary Denise Rosenbaugh.

Others Present: Members Heidi Brugger and Gala Pock.

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. Dellinger noted that the monthly safety summary as included in the packet was inaccurate due to a change the safety committee made earlier this week. In July we had employee who hurt her knee while stepping off a chair and employee didn't come in the next day. Employee is doing well now. There was some confusion regarding the criteria to use for a lost time accident as Federated Insurance and OSHA have different criteria. OSHA is most the stringent and after this was investigated, this accident was classified as a lost time accident. Tarr noted that the committee wanted to investigate this thoroughly and we want to encourage people to report any issues, even seemingly small issues, and to not hide things. Tarr apologized for not making the decision quicker but it was important that we are reporting the correct way. Motion by McWilliams to approve the consent items. Motion seconded by Lindsay and carried.

Membership Input:

Members Brugger and Pock noted that they support renewables and support moving away from coal.

Monica Colvig and Charles Bisantz requested a donation for the Teen Tiospaye Leadership program. They hope to put this program in place the early part of summer of 2018. They highlighted several goals from the request in the written packet. After discussion, Colvig and Bisantz left the meeting.

Correspondence

Thank you from:

- Levi Bramwell for Empire purchasing his hog at the 4H County Fair
- Cy Lanier for Empire purchasing his steer at the 4H County Fair

Other correspondence:

- CFC semi-annual interest in the amount of \$17,463.60
- Received a call from a member in Monticello who was concerned about grid access charge. She owns a small rental/vacation home and thinks the charge is too high and it hurts low income folks. Dellinger explained the reasoning behind the Grid Access charge but she asked him to let the board know of her concerns. Discussion followed.
- Member Patricia Richmond contacted us regarding our scholarship program and plans to send a letter to the schools that would encourage the schools to encourage their students to apply for our scholarships
- Dellinger reported on the metering changeouts and mentioned there were a few issues discovered that were good to get corrected. Issues included wrong multipliers, meter calibrated improperly, etc. that resulted in incorrect billings. Some had been going on for several years. These can be difficult issues as

we collect lost revenue for past two years. We forgive lost revenue beyond two years, but trying to collect from members due to mistakes we have made can be difficult. We try to let affected members know of the situation and let them know that we are trying to be as fair as possible. Out of 10,000 changeouts we discovered only a handful of such issues. Discussion followed.

Donation Requests:

The board considered the annual request from DARE for the DARE t-shirts. Dellinger noted that \$2500 is in budget but they only request \$1,995. Consensus of the board that the \$1,995.00 request is what should be paid.

Dolores Fire Dept. is requesting additional monies for support of the National Fire Safety Council. Consensus of the board no additional donation be made. Empire donates \$500 each year to the fire departments and they can use that \$500 for what they see fit.

Donation Request from Reaching Out to Community and Kids (ROCK). Empire has given to this cause for the past three years. Motion by Fetterman to donate \$500 again this year and to make this an annual donation in the budget. Motion seconded by McWilliams and carried.

The board revisited last month's request from the Four Corners Rifle and Pistol Club request. The board elected to not fund this request.

The board revisited the earlier request from Teen Tiospaye Leadership where they were asking for \$3,000 for their program. After discussion regarding most of the people to benefit from this program is in the LaPlata County area, the board decided to not fund this program but did suggest that they come back to the board next year with a request and update on the program.

Policy Review/Action:

Policy 14 - Cooperative's General Legal Counsel: Dellinger reported that there were a handful of suggested edits. In the past, there was a flat fee per day for regular monthly meetings but after discussion with the board in 2015, a memorandum was agreed to with the board regarding hourly rate for all work and meeting attendance. It is also suggested that the attorney relationship could be defined through a written contract or simply through a memorandum as it is now. Motion by Porter to approve Policy 14 as amended. Motion seconded by Mollenkopf and carried.

Policy 15 - Compensation and Expenses of Board Members: Dellinger reported there were a handful of typos or space corrections, and one clarification. Motion by Sitton to approve Policy 15 as amended. Motion seconded by Lindsay and carried.

A copy of both policies is hereby attached and made part of the minutes.

General Manager Report:

Action Item: Discussion held regarding an additional resolution RUS is requiring that will rescind any unadvanced funds. After discussion, motion by Lindsay to approve the following resolution:

RESOLUTION 5 – 2017

WHEREAS, the Board of Directors has, after full study and consideration, determined that it is in the best interest of Empire and its membership, that it prepay all its RUS Guaranteed FFB notes at a discounted present value at the earliest practicable date, as authorized in 7 CFR Part 1786; and

WHEREAS, the Board has requested RUS enter into a prepayment agreement with Empire providing for the prepayment of all its RUS Guaranteed FFB notes; and

WHEREAS, RUS has requested a board resolution to rescind any unadvanced funds, these funds to be rescinded PRIOR to payoff.

NOW THEREFORE BE IT RESOLVED, that Empire authorizes the rescinding of any unadvanced loan funds with RUS.

Motion seconded by Sitton and carried. Thiesing noted that we are scheduled to close on the loan October 20th.

Action Item: The CREA delegate and alternate for the fall meeting has not been appointed. Motion by McWilliams to select John Porter as delegate and Bill Bauer as alternate. Motion seconded by Sitton and carried

Action Item: The board considered the vehicle bid replacement as included in the written packet. This is to replace Unit 69 -System Engineer's vehicle which has had considerable issues in the last couple of years. After discussion, motion by Mollenkopf to accept the low bid of Martin's Dove Creek at \$39,438.00. Motion seconded by Porter and carried.

Dellinger reported that he has not heard from CDOT regarding the land along Hwy 160 that has been discussed at previous meetings. This will continue to be an action item on the agenda until resolved.

Thiesing reviewed the Preliminary budget that had been previously sent out to the board by email. Discussion and questions followed. It was noted that this budget meets our ratios and no rate increase will be necessary, although we may have a handful of word changes in our tariffs. The final budget will be approved at next month's meeting.

Thiesing reported on the financials. We are in line with the budget. Long term debt is under budget as we did not take an advance and depreciation is under budget regarding the accelerated depreciation on the turtle metering system. Non-operating margins for this month is due to \$90,000 payment from Tri-State for Nuchu metering. Money from the Totten Lake sale will be used to pay down RUS debt before refinancing.

Dellinger noted that Empire is now offering marathon water heaters from Western United. There will be information on our website and in the Colorado Country Life.

Dellinger reported on the periodic status meeting held with Ute Mountain Ute Tribe. They plan to start solar project soon; all funding is in place. They are also looking into 1.4 to 2.2 hydro project on Towaoc Canal. They are presently considering a PPA with Tri-State for the hydro project. They will also work with the Dolores Water Conservancy District on this project. Also discussed at this meeting was a right-of-way issues across Indian trust lands. BIA says our agreement with the Tribe is not sufficient across those trust lands and we need to get ROW from BIA as well across those lands. Attorneys are looking into what our requirements are.

Discussion of the tour of Air Products as requested by the board. Board consensus was to try to schedule the tour for Tuesday, November 7th in the afternoon.

Roundtable:

McWilliams asked that the December board meeting be changed as she and Porter will both be gone. Consensus of the board that the board meeting be held Friday, December 1st.

Attorney:

Spear reported that he has been working with Staff on negotiating the PPA for the Totten Lake solar project and noted they won't start until 2018. Denning is working on finalizing the CFC loan. The firm also has been investigating the BIA Right of way issues and working on the master services agreement for Futura.

Tri-State:

Mollenkopf reported on Tri-State's meeting. Litigation committee did not meet, nothing new on legal issues, executive committee was short, finance and audit committee discussed approaches on capital credits and financial goals. One item took three hours. Finance and audit is reviewing a series of different objectives that will play well together. The Tri-State board meeting was straight forward. Ongoing discussion of joining RTO – will be having series of meetings regarding this. Financials are good. Operations said wind didn't blow and sun didn't shine so all renewables performed poorly which resulted in decrease in revenues and increase in expense from natural gas.

Director Lindsay left the meeting at 11:25 a.m.

CREA:

Porter reported there was no meeting.

Western United:

McWilliams reported there was no meeting. Financials are in packet. Western United extended an invitation to Tarr to look at their glove testing facility. Discussion of Western United's backlog.

Utah Rural Electric Cooperative Association:

Action Item: After discussion, motion by Fetterman to appoint Dellinger as alternate to the URECA meetings. Motion seconded by McWilliams and carried.

Committees:

Dellinger reminded the board that if there are any issues that need to be clarified or put on the ballot for next annual meeting, a bylaw committee meeting needs to be scheduled. Consensus of the board that no meeting needs to be held and no bylaw ballot questions are necessary for the next annual meeting in June.

Executive Session:

Motion by Sitton to go into executive session to discuss FastTrack report. Seconded by Mollenkopf and carried. The board went into executive session at 11:33 a.m. The board came out of executive session at 11:46 a.m.

FastTrack:

Discussed in executive session.

Adjournment:

Meeting adjourned at 11: 47 a.m.

Bill Bauer, President

Jerry Fetterman, Secretary/Treasurer