

EMPIRE ELECTRIC ASSOCIATION, INC.
MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
April 14, 2017

Regular meeting of the board of directors of Empire Electric Association, Inc. was held Friday, April 14, 2017 with the following directors present: Bill Bauer, Jerry Fetterman, J. Kent Lindsay, Sue McWilliams, and John Porter. Others present: General Manager Josh Dellinger, Attorney Barry Spear, Operations Manager Ken Tarr, System Engineer Clint Rapiet, Corporate Operations Manager Mary Thiesing, and Executive Secretary Denise Rosenbaugh. Directors Absent: David Sitton and William Mollenkopf

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: none

Correspondence:

Thank you from:

- MCHS for donation to media publications department
- Hospice of Montezuma for Empire's annual donation
- Kate Treinen for the scholarship Empire awarded her
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Other correspondence:

- Semi-annual interest payment on CFC Investments
- Federated member equity statement in the packet
- Federated MOD report in the packet
- Cobank patronage distribution in the packet
- Cobank financial info and CoBank's annual report
- Resolutions from Basin Electric
- Correspondence from Sheriff's office regarding water draining off on to landowner property
- Member Services Manager Jones received two awards from Colorado Rural Electric Association: first place for best story on community program and first place for best explanation of an industry situation. The board asked Dellinger to give her their congratulations.

Donation Requests:

Request from Students Tackling Unhealthy Decisions was discussed. This is already in the budget and we will send them their donation for this year.

Donation request from San Juan County Farm Bureau as included in the packet was considered. This request affects Monticello and Dove Creek students. After discussion, motion by Fetterman to donate \$200.00 to this cause. Motion seconded by McWilliams and carried. This will be taken out of unclaimed capital credits.

Action Item: Sharing Success program from CoBank was revisited. Empire can still apply for up to \$2000 of matching funds. After discussion, motion by Fetterman to apply on behalf of the Pinon Project for a \$1,000 match and motion by McWilliams to apply on behalf of the Child Advocacy Center for the other \$1,000 match. Both motions were seconded by Lindsay and carried. Thiesing mentioned that in order to submit their names, we need to get some information from them.

Representatives from Carlson Highland & Company presented the audit by audio conference. After their presentation, Thiesing presented and discussed our equity and debt ratios. Thiesing noted that she believes Empire can take on additional debt financing.

Tri-State: Jennifer Goss, Brad Nebergall and Joel Bladow from Tri-State G & T, gave an overview of organized markets. They noted that joining an organized market appears to be a way to reduce costs for Tri-State.

Tri-State staff were also asked about the new administration's effect on Tri-State, fiber optic lines, and their Kansas power plant. Discussion followed on each of these topics.

Action Item: Motion by McWilliams to accept the audit for 2016. Motion seconded by Lindsay and carried.

Policy Review/Action:

Policy 1 - Code of Ethics: Dellinger outlined the minor edits of the policy in the written board packet. There was discussion about removing directors from this policy because director duties and ethics are addressed in a separate policy. After discussion, motion by Porter to approve Policy 1 as discussed. Motion seconded by McWilliams and carried.

Policy 2 – Whistleblower: Dellinger noted that there are very minor edits to this policy. Porter suggested spelling out “violations of safety rules” under II.A. Motion by Porter to approve Policy 2 as amended with the addition of “violations of safety rules”. Motion seconded by McWilliams and carried.

General Manager Report:

Action Item: Dellinger reported that FastTrack Communications annual meeting will be April 19th and they asked that Empire complete the Shareholder's Proxy as included in the written packet. Motion by McWilliams to appoint William C. Bauer as its attorney and agent to act on behalf of Empire Electric. Motion seconded by Porter and carried.

Capital Credit Retirement: Thiesing noted a couple of scenarios that were included in the packet. After discussion, Fetterman moved to go with scenario 2 which includes retiring the remaining balance from 1994 and 1995. This leaves 20 years of allocations on the books. Motion seconded by McWilliams and carried. A copy of both scenarios are attached to and made part of these minutes. It was noted that the board needs to revisit the discounted rate term.

Thiesing reported on the February 2017 financials. Revenues are up largely due to KM. Distribution operations is above budget because of metering expenses and the AMI projects. Variances with customer service are due to video messaging as billing for this came at beginning of year. We are in the process of

repurposing loan funds from transmission to distribution and will draw loan funds down. She noted that Empire will not be using some of the available loan funds because they cannot be repurposed.

Director Roundtable: McWilliams noted that she received her Director Gold Certificate and lapel pin from NRECA, but these items were sent to Western United.

Attorney: Spear reported that he worked with Dellinger on two contracts to sell the Totten Lake property. He reviewed the CDOT offer which will be reviewed in executive session. The 115 kV transfer is moving forward. We hope to sign the acknowledgement agreement with Kinder Morgan soon. The Howard transaction closed. MBSS reviewed an operations agreement proposed by the Forest Service agreement.

Tri-State: Mollenkopf was not present at the meeting, no report.

CREA: Porter discussed several items noted at the most recent CREA board meeting, including coops receiving requests from law enforcement to be able to identify marijuana growth (there was agreement by the CREA board that member privacy should not be sacrificed), electric vehicle charging stations, retail choice efforts, Gunnison's AMI project, and a group in LPEA's territory that is urging LPEA to leave Tri-State. Porter asked if any help was needed to get ready for the CREA meeting in May. Dellinger said he believed we were good but do need to figure out how to get everyone out to the field trip at KM facility.

Western United: McWilliams said they did not have a meeting but financials were included in the packet. Empire is the only cooperative that is not a part of the inventory control.

Utah Rural Electric Cooperative Association: no report

Committees:

Building Committee: Discussed in executive session

Executive Session:

Motion by McWilliams to go into executive session to discuss Building committee issues, property offers, solar RFPs and issues with Tri-State over the Nuchu delivery point. Motion seconded by Lindsay and carried. The board went into executive session at 11:55 a.m. The board came out of executive session at 12: 35 p.m.

FastTrack:

No meeting

Action Item: Motion by McWilliams to accept the offer for the west side of the Totten Lake property subject to legal review; and have the new owners deal with Division of Parks and Wildlife. This would include Empire rejecting a proposed easement agreement provided to them by the Colorado Department of Natural Resources, Division of Parks and Wildlife. Motion seconded by Fetterman and carried.

Action Item: Motion by Porter to counter offer on east side of the Totten Lake property in accordance with directions from the board stated in executive session and also subject to attorney review. Motion seconded by McWilliams and carried.

Action Item: Discussion was held regarding the solar RFPs – staff recommends issuing a letter of intent for one candidate, then negotiating a contract to be brought back to board for final approval. There are

two entities in the running. Motion by McWilliams to move forward with the solar project with candidate as selected by staff and bring back final contract to board. Motion seconded by Lindsay and carried.

Adjournment:

Meeting adjourned at 12:36 p.m.

Bill Bauer, President

Jerry Fetterman, Secretary/Treasurer