

EMPIRE ELECTRIC ASSOCIATION, INC.
MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
February 10, 2017

Regular meeting of the board of directors of Empire Electric Association, Inc. was held Friday, February 10, 2017 with the following directors present: Bill Bauer, Jerry Fetterman, J. Kent Lindsay, William Mollenkopf, Sue McWilliams, John Porter and David Sitton. Others present: General Manager Josh Dellinger, Attorney Barry Spear, Operations Manager Ken Tarr, System Engineer Clint Rapier, Corporate Operations Manager Mary Thiesing, and Executive Secretary Denise Rosenbaugh.

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

Donation Requests:

Donetta Jones, representing Manaugh School, spoke on behalf of the request from the Montezuma School to Farm Project. Dannyel Mezzanalto and Michael McMillan presented a powerpoint regarding this donation request. Jones, Mezzanalto and McMillan then left the meeting. Discussion was held regarding funding this project. Motion by Sitton to donate \$2,000 out of unclaimed capital credits for educational purposes. Motion seconded by Porter. It was suggested that we contact them and mention the concern of the shed being potentially vandalized which could reflect negatively on Empire if a vandalized shed has Empire's name on it. We will contact them and ask them if they have any plans in place for keeping it from being vandalized. After discussion, motion carried.

Dellinger noted the request from 12 hours of Mesa Verde in packet. A donation to this event is already included in the budget.

Correspondence:

Thank you from:

- Dove Creek and San Juan County libraries for Empire's annual donation
- Monticello Parks and Beautification Committee for Empire's sponsorship of their Christmas Light awards
- Four Corners Child Advocacy for Empire's donation to their silent auction
- Workers Compensation Coalition for Empire's annual contribution
- Energy Outreach Colorado for matching donations
- Crow Canyon for Empire's annual donation
- United Way for Empire's donations to the silent auction for A Taste of the Seasons

Other correspondence:

- Patricia Richmond who recently wrote a letter making sure the Empire board was considering health effects of smart meters and LED lights contacted Dellinger to suggest to the board that Empire should publicize rate increases a bit more. We published notices in the local newspapers and the CCL. Ms. Richmond suggested we send out notice as bill inserts as well. Empire's policy gives us the choice to either publish in local newspapers or mail notices to members. Nothing in the policy precludes us from doing both. Consensus of the board was that notices should be given through bill inserts as well.

Policy Review/Action:

Policy 3: AMI Relocation & Opt Out: This is a proposed new policy that describes options for members who do not wish to have an AMI meter installed on their home or building. One option is for the meter to be removed from the home and installed on the pole and the second option is to have a non-AMI meter installed, but at a cost. Discussion was held regarding the fees. It was noted that the board would like to have an annual review on these fees (like the annual review on what is paid for deposits). This policy will be brought back to the next board meeting with language that states the board will approve the meter reading fee annually.

General Manager Report:

Thiesing passed out financials and indicated that these year-end financials are preliminary. The Kinder Morgan reconciliation was discussed. Thiesing reported that the auditors will be here next week so next month we will have audited financials for 2016. She doesn't see any problems meeting all financial ratios. She mentioned that we were aggressive on the depreciation of the meters slated to be replaced. She also noted that we don't have a firm number for the allocation from Tri-State but their preliminary allocation was a bit less than we received in the past.

Dellinger noted several items from his written report:

We have a signed purchase-sale agreement from Mr. Howard and we are working on release from lenders. We do not have a proper legal description of the property but we hope that does not hold up the lien release process. We plan to quit claim both of our property deeds to Mr. Howard.

We have someone interested in the Totten Lake property who is looking at turning it into a couple of residences. However, there are concerns with our lease with the Colorado Fish and Game regarding the boat ramp and restroom facilities which was executed in the 60s. Our files have an agreement that we signed and we have letter from them saying they were waiting for something signed for MVI but there is nothing recorded. The Game and Fish are looking for the contract. Clint is still working on potential solar project on other side of the road. He met with Planning & Zoning last night and things went well. The RFPs from interested vendors are due next week. Discussion was held regarding whether Totten Lake property is one parcel with county or two separate pieces. We presently have it for sale as two parcels, but it may not have been properly subdivided yet.

CDOT wants Empire to narrow the driveway entrance curb cut on our old warehouse property from 75 to 35 feet. City will not give us permit until we get CDOT approval. It was noted that during construction, CDOT fixed the Kinder Morgan yard entrance and installed additional curbing, but it did not fix the office side. Spear will work with Dellinger to write a letter that will contest CDOT's request.

Dellinger reported on the meeting held with the Ute Mountain Ute Tribe and the fact that they were not happy with the recent outage. Empire staff apologized and explained to them that they are fed from a radial system. Since they are fed radially, there is the possibility of extended outages from single element failure. Dellinger also noted that this entire episode caused us to recognize our need to reevaluate backfeed options throughout our entire system. Also discussed at this meeting was their proposed solar project and their request for a letter of support. Dellinger noted that the support letter we sent was included in the packet and thanked the board for providing input prior to the board meeting.

Dellinger then noted the support letter Fast Track asked us to write in support of their response to the RFP for the county fiber project. Consensus of the board that President Bauer can sign this letter of support.

Dellinger reported on his working with consultant of Colorado Energy Office for putting together report of solar projects throughout the state. Ours is functioning well.

Empire hired new energy management advisor, Andy Carter, who is a local from Pleasant View. Dellinger noted that Empire recognizes that this is a key position for reaching our energy experts goal.

Staff has been reviewing the latest edition on Colorado PUC rules and looking at those to make sure we are in compliance with all specifics that apply to us.

Director Roundtable: Thank you from John Porter for get well card.

Attorney:

Spear reported on the RUS release for the PV property sale to Mr. Howard. The legal description is the primary issue. His firm worked with Clint and Josh on joint use agreements and in doing so, reminded the board that it is not a right but a privilege to be on poles. Spear also noted that the FERC response to Tri-State's Policy 101 request may now take even longer because of replacements on the commission.

Tri-State:

Mollenkopf reported on the Tri-State meeting. A settlement was reached on the Tres Lagunas fire and Tri-State was fully released. There are three separate damage trials in the Los Conchas fire case, the first to start Monday and is scheduled to take three weeks. Jemez has settled and they were liable for 75% but TS's attorney is not yet allowed to tell Tri-State how much the settlement was. TS's liability is 20% of whatever the jury decides upon. Mollenkopf also reported on Tri-State's upcoming member survey. They will survey Tri-State board members, the managers, and member systems' boards. Tri-State's annual meeting will be held April 5 and 6th – there are no bylaw changes suggested. Year-end financials turned out better than expected. Discussion held regarding the judgement of FERC fining Tucson Electric for a Springerville plant performance deficiency. Tri-State worked it out with FERC and split the money between each. Other matters discussed: Financial ratios fine, pros and cons about equipment leasing, variable rate exposure and the risk attached to it, energy risk management presentation, Western US snowpack (we are at 168%). There was also discussion regarding rate stabilization, but some do not want to trade reliability for rate stabilization. There were also discussions regarding the Southwest Power pool and several solar projects. Mollenkopf noted that Tri-State staff have offered to present on organized markets presentation to member systems' boards. Consensus of the board was that they would like such a presentation. Dellinger will set it up.

Mollenkopf also discussed the Rate Committee where two rates (SE3 and EX7) being combined into one and the committee is also looking at the standby rate.

Sitton mentioned the Dolores water shed – DWARF - Dolores Water and Resilience Group. The local forest service rep seems eager to work with utilities regarding right-of-way and doing all we can to reduce the risk of forest fires. It was suggested to have Tri-State contact this forest service rep if they need to clear right-of-way on forest service lands.

McWilliams reported on the Contract Committee meeting. Discussions were held regarding capital credits and how Tri-State allocates and pays capital credit. There was a poll taken and conversation held at the meeting as to whether Tri-State should borrow money to pay capital credits and in doing so have to pay higher rates and poll showed no. Tri-State will be reducing the retirement amount. During a polling session, the committee voted overwhelming leave FIFO methodology like it is now. Also discussed was partial requirements/subscriptive contracts vs all requirements contracts. There was a presentation from attorney that handles these partial or subscriptive requirements. In polling, 65% wanted to stay with a postage stamp rate and 88% said the Tri-State should not be on the cutting edge of technology implementation. It looks like there will be two more meetings – May and July then should be done.

CREA: McWilliams highlighted several issues from the January CREA board meeting notes. She attended this meeting in Porter's absence. Hickenlooper wants to have broadband to rural communities

by 2020. CREA wants new safety person in place by April 1st and board elections stayed the same. Everyone sent best wishes to Porter. There is proposed legislation that requires coops to have a distributed resources plan in place where you must have studies for your system that have to go to PUC and be approved. Dellinger said that it might be overly burdensome for electric coops and recommends voting against this legislation.

Western United: McWilliams reported on the Western United meeting. Discussion was held at that meeting regarding the bonuses paid to employees and the need to make sure they are calculated fairly. Mike Prom presented on how Western United allocates and determines capital patronage and that they are giving back 40% of what each member is purchasing. Voted to do another refund that will bring retirements up to 2010. After McWilliams reporting, discussion was held regarding the cost of the material being so high because of the 40% patronage capital.

Utah Rural Electric Cooperative Association: no report

Committees:

Scholarship meeting scheduled for Monday Feb 20th 3:00 p.m.

Executive Session:

Motion by Porter to go into executive session to discuss FastTrack and building committee issues. Motion seconded by McWilliams and carried. The board went into executive session at 11:10 a.m. The board came out of executive session at 11:29 a.m.

FastTrack:

Discussed in executive session.

Adjournment:

Meeting adjourned at 11:30 a.m.

Bill Bauer, President

Jerry Fetterman, Secretary/Treasurer