

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

Regular meeting of the board of directors of Empire Electric Association, Inc. was held Friday, January 13, 2017 with the following directors present: Bill Bauer, Jerry Fetterman, J. Kent Lindsay, William Mollenkopf, Sue McWilliams (teleconference), and David Sitton. Others present: General Manager Josh Dellinger, Attorney Shay Denning, Operations Manager Ken Tarr, System Engineer Clint Rapier, Corporate Operations Manager Mary Thiesing, and Executive Secretary Denise Rosenbaugh. Directors absent: John Porter

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. Discussion was held regarding the minutes and modifying the report on FastTrack. Motion by Mollenkopf to approve the consent items, including the minutes with the changes noted. Motion seconded by Sitton and carried.

Membership Input:

Ken Havens, Kinder Morgan's VP of Source and Transportation, gave a presentation to the board. Discussion was held regarding the concern Empire has should Kinder Morgan not be able to pay their power bill. Havens reassured the board that Kinder Morgan is financially strong and will pay the bill. The board appreciated the presentation.

Donation Requests:

Peggy and Lee Cloy, owners of Willowtail Springs Nature Preserve and Education Center, requested a \$6,000 donation to their Arts and Sciences Scholarship fund. Chelsea Jones also attended this portion of the board meeting. Board consensus was that Empire not donate to this cause.

Jeannie and Joe Becker attended the board on behalf of the Galloping Goose. Ms. Becker thanked Empire for its support in the past and asked for continued support. After discussion, motion by Sitton to donate \$1,000 to this cause out of unclaimed capital credits. Motion seconded by Mollenkopf and carried.

Dellinger noted the updates in the packet from Club 20 and Four Corners School of Outdoor Education. Both of these are in budget.

Dellinger noted the letter from the Cortez Cultural Center in the written packet and indicated that Empire had supported this in the past but has not for the past few years. Board asked that the donation policy be sent to them. The board will consider the request after the appropriate forms are completed and returned.

Correspondence:

Thank you from:

- Joshua Maloney who received a scholarship - he is studying engineering in college and is a senior this year
- The Bridge for Empire's continued support
- Crow Canyon for Empire's continued support

Other correspondence:

- Annual notice from Montezuma Valley Irrigation Company. Empire does not submit a proxy

- Member equity statement from Federated Rural Electric Insurance and a check for \$7,543.00 for Empire's 2008 equity distribution

Policy Review/Action:

Policy 54: Immediate Shut off Regulations and Policy 56 – Interconnection of Distributed Resources were reviewed and no changes were made.

General Manager Report:

**Action Item:** Dellinger presented the composition of board district analysis required under Empire's bylaws. After discussion, motion by Mollenkopf that equality of representation exists and no action is necessary to re-delineate districts. Motion seconded by Lindsay and carried. A copy of the analysis is attached to these minutes.

**Action Item:** The 2017 consumer deposit interest rate calculation was presented and reviewed. After discussion, motion by Sitton that the 2017 consumer deposit rate be set at .0517%. Motion seconded by Fetterman and carried.

The selection of annual meeting judges was discussed. Consensus of the board that we select Elena Prickett, Cookie Pickens and Ruby Gonzales (they have served for Empire for the past few years) to serve as election judges for the annual meeting in June.

**Action Item:** Delegate to the NRECA, NRTC, and CFC Annual Meetings was discussed. Motion by Lindsay to appoint Sitton as delegate with no alternate selected. Motion seconded by Mollenkopf and carried.

**Action Item:** Discussion held on the delegate to CREA's Annual Meeting. Motion by Lindsay to appoint Fetterman as the delegate and Porter as alternate. Motion seconded by Mollenkopf and carried.

Dellinger noted the annual report on identity theft protection included in the packet. Dellinger commented on a few of the measures Empire takes to prevent identity theft.

Thiesing reported on Empire's financials. Overall, things look good. We had a loss in November due to increased depreciation for metering system and expect December to be a loss as well, as people were trying to finish up projects before the end of the year, but Thiesing anticipates we will be close to budget at year end. Kinder Morgan reconciliation will be done in the next couple of weeks.

Dellinger passed around the drawings of the winners of the Coloring Contest. First place winner was submitted by Easton Hartsoe, second place by Trace Hartsoe and third place was submitted by Joshua Yarbrough.

Dellinger referred to his report in the packet on the asset transfer to Tri-State. Accounting is working on separating assets to be transferred.

Dellinger also mentioned the sale of the Pleasant View Substation and that there are issues with the original property deeds, but we are working on it with our attorney.

Dellinger also reported that Empire is working with the broadband group to distribute the broadband survey that was discussed at previous meetings. We expect to begin distribution in February.

Staff is working on an RFP for a potential solar project on our Totten Property. The lowest price PPA will likely be the primary driver, but we will consider their willingness to use local labor if all else is equal.

Ute Mountain Ute Tribe has asked Empire to support a solar project. A meeting has been set for next week. They want to have a community solar project for low income members of the tribe.

Dellinger reported on the planned outage at Nuchu that was longer than anticipated. It was planned for two hours and ended up being eight hours because of issues with the mobile substation. We are thankful that everything went safely, no one got hurt, no equipment was damaged and power came back on. Dellinger said that we hate to have things like that happen where our members are out for longer than anticipated, but at the same time we recognized a few issues with the mobile sub and it's good to realize these things in a non-emergency situation.

Mollenkopf asked about the asset transfer and if Empire had a crystal ball for when it would be completed. Dellinger replied that we have sent the acknowledgment points to Kinder Morgan and he also had a good visit with Ken Havens. Kinder Morgan still wants to pursue the transfer. We are working on breaking out net book value for individual equipment and we hope to have that done in the spring. Dellinger is not sure where Tri-State is regarding their due diligence reviews. We still hope to have the first closing done by end of summer.

Mollenkopf asked where we are at on the broadband RFP and Dellinger replied that they are asking for proposals by February 14<sup>th</sup>. He is not sure where they go from there, but he thinks their path forward will depend on the responses to the RFP and from the survey responses.

Director Roundtable: none

Attorney:

Denning said her firm has been working on the Pleasant View land sale and will be looking at boundary issues. Empire should try to clear it up for good. Dellinger gave the buyer an estimate on costs and this might change as we deal with the boundary issues. Denning will work with Dellinger to see what costs are. Denning discussed the memorandum written by Attorney Spear regarding Empire's bylaws where no changes are recommended. The firm answered questions on discontinuing service, how to handle disconnect and idle services, and the joint use agreement with Ute Mountain Ute Tribe that needs to be updated.

Tri-State:

Mollenkopf reported on the Tri-State meetings. Regular standing committee meetings were not held. Litigation committee met on Monday but there was nothing new or changed. Strategic Planning session was held for a day and a half with topics of Contract and Rate Committees updates, post-election picture, Basin negotiations, organized market update, disruptive utility model, battery project, member survey and rate stabilization. He also discussed the Rate Committee meeting and McWilliams reported on the contract committee. Mollenkopf also noted that the Mountain West Transmission Group is exploring participation in a regional transmission organization. He briefly discussed financials and reported that the board authorized recognition of adequate deferred revenue to meet a 1.165 DSR requirement.

CREA: no report

Western United: did not have a meeting since last Empire meeting. Financials were in packet.

UREA: no report

Committees:

Youth Trip committee met and selected the following juniors:

- Montezuma Cortez HS – Katelynn Sweat (Leadership Camp)
- Dolores HS – No Applications Received
- Dove Creek HS – Faith Johnson (Leadership Camp)
- Mancos HS – Ashley Cole (Washington, D.C.)
  - Jake McKie (Leadership Camp)
- Monticello HS – Brayson Wilcox (Leadership Camp)

Executive Session:

Motion by Mollenkopf to go into executive session to discuss FastTrack and any building committee issues. Motion seconded by Lindsay 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.

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Bill Bauer, President

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Jerry Fetterman, Secretary/Treasurer