

EMPIRE ELECTRIC ASSOCIATION, INC.
MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
June 9, 2017

Regular meeting of the board of directors of Empire Electric Association, Inc. was held Friday, June 9, 2017 with the following directors present: Bill Bauer, Jerry Fetterman, J. Kent Lindsay, Sue McWilliams, William Mollenkopf, John Porter and David Sitton. Others present: General Manager Josh Dellinger, Attorney Shay Denning, Operations Manager Ken Tarr, System Engineer Clint Rapier, Accounting Supervisor Keslie Kidd, 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 Sitton to approve the consent items. Motion seconded by Mollenkopf and carried.

Membership Input:

Mike Conne, a property owner adjacent to Empire's Totten Lake property, addressed the board concerning his opposition to the proposed solar farm on Empire's Totten Lake property. He does not want any development of the property due to his concerns for wildlife and aesthetics. He mentioned there was no notice of development in the Colorado Country Life or on the electric bill.

Bill Teetzel discussed his interest and vision for the old warehouse property. He mentioned that he is not interested in the entire property – just the upfront buildings that could be used as makerspaces for artists. He also noted that he would be interested in partnering with others who are interested in the property to share the facilities. President Bauer said that Empire has been working through the process just to be able to sell it and hopes to begin the process of advertising it soon.

Correspondence:

Thank you from:

- Hospice of Montezuma for our annual donation
- William Broughton for the scholarship Empire awarded him

Other correspondence:

- Tri-State is sending down the Touchstone Energy Balloon for the Cortez Balloon Rally and there are six spots to fly in it. We are letting Denise Moore have one of the spots, so there are five left. Andy is helping out with ground crew. Let Denise R. know if you'd like one of the remaining rides.

Donation Requests: Dellinger noted the updates in the board packet from the Ute Mountain Rodeo and from Crow Canyon. Both of these are in the budget so no action is necessary. There was a request from Escalante Days Mountain Bike Race. Empire donates \$500 for Escalante Days but this is a specific request for the Bike Race. Consensus of the board that no donation be given to the Bike Race.

McWilliams noted that Shane Hale with the City asked her to be sure to tell everyone thank you for sponsoring the Imagination Library.

Policy Review/Action:

Policy 7 - Safety and Health: Dellinger reported that there were several cleanup items and clarifications as noted in the packet. Motion by Sitton to approve Policy 7 as amended. Motion seconded by Mollenkopf and carried.

Policy 8 - Security of Protected Health Information: Dellinger noted the suggested edits to this policy, including specifying the HR Coordinator as the privacy officer and security manager and removing the definition of protected health information since PHI is defined by HIPPA. Motion by Porter to approve amended Policy 8. Motion seconded by Mollenkopf and carried.

A copy of both amended copies of these policies are attached to and made part of the minutes.

General Manager Report:

Dellinger updated the board on Strategic Planning as included in the written packet. He highlighted the AMI project, cost of service study training, communications efforts, succession planning efforts, and the updated safety improvement plan.

Action Item: Dellinger reported that CFC is again requesting donations to their integrity fund. Last year we donated five percent of our CFC patronage capital refund for territorial disputes. After discussion, motion by Lindsay to again donate five percent of our refund to be used for territorial disputes only, and to continue with annual review of this. Motion seconded by Sitton and carried.

Action Item: The Capital Credit discount rate was discussed. Dellinger said that the Capital credit committee exchanged emails about whether we should decrease from a 25 to 20-year cycle for calculating discounted capital credits. This would match our present normal retirement cycle of 20 years. Motion by Mollenkopf to move from a 25-year cycle to a 20-year cycle for discounting capital credits for early retirements. Motion seconded by McWilliams and carried.

Financials were reviewed. Kidd noted that she had nothing additional to add to the information in the packet.

Dellinger reported that the Tri-State asset transfer is moving along. We have just submitted the partial release of lien to our lenders for the retail and Cahone to Anasazi assets. The first closing will hopefully be in August and the remainder of the assets will hopefully be transferred by end of this year or early 2018.

Dellinger noted the Annual Meeting agenda was in the packet and asked if there were questions or concerns. The annual meeting will be next Thursday, June 15th. In the past we gave one solar panel away to one person. We have three unsubscribed panels, so this year we plan to give away all three -- three different members will each get one panel.

Discussion was held on the Totten lake solar project. The project has decreased in size from the original 4 MW to 2 MW due to the wetlands area extending further than anticipated. Dellinger showed and discussed a diagram of the project. He will respond to Mr. Conne that our board takes its member input seriously but Empire plans to continue the project as it is looking out for our entire membership. The most recent financial analysis estimates the project to generate an average revenue stream of about \$27,000 per year which results in a net present value of about \$300,000 over twenty years. We will continue with contract development and will bring final contract to board. We will submit applications to Tri-State next week to get under present pricing.

Dellinger also mentioned that Affordable Solar has contacted Rob Pope about leasing a portion of his land near our Cortez substation to build a 2.5 megawatt solar project. Empire would buy power under the Tri-State policy. Present financial analysis estimates an average revenue stream of \$21,000 a year which results in a net present value of about \$235,000 over 20 years. We would still be within Tri-State's 5% with both of these solar projects and the Tribe's proposed solar project.

Roundtable:

Mollenkopf attended the LPEA annual meeting and reported on the meeting and mentioned that there were no questions from the audience.

Brief discussion held on the CREA meeting that Empire hosted.

Attorney:

Denning reported Dellinger already covered a lot of what the firm has done. They have worked on PSAs and lien releases for the Totten Lake property sales. They have also helped with drafting a PPA with Affordable Solar for the Totten Solar project. Trump has nominated candidates for FERC so hopefully that can get moving again. The lien release was sent to our lenders regarding the 115 kV transfer.

Tri-State:

Mollenkopf reported on the monthly Tri-State meeting. There was a strategic planning session with an abbreviated board meeting and no committee meetings. The strategic planning session included discussion about the most important issues facing Tri-State. The most important issues were rates and rate stabilization, financial strength, wholesale power contracts, organized markets, and maintaining a close hand on cost management. The Tri-State board discussed member communication and member retention and saw a presentation on rate stability. Analysis shows that a 6.8 percent rate increase would be ideal for next year, but they are hoping to get that down to a five percent increase. They should have more info on the Holcomb project by end of year. Board succession was discussed. They discussed right of way clearing and noted that the Forest Service is becoming more receptive to removing danger trees that are fire risks.

Fetterman mentioned that a member said that Empire does not remove trees that are under the lines. Tarr responded that Empire does remove trees if a member asks.

CREA: Porter briefly discussed the CREA meeting that took place at Empire. He commended Dellinger for the opening statements regarding Empire and believed they were well received. CREA is going to sponsor a marijuana conference at Tri-State Monday, September 11th. President Trump is proposing to sell the federal PMAs. NRECA is strongly opposing that as PMAs provide a significant amount of power to cooperatives. Coops are being blamed for high pole attachment fees. A hail storm in Denver damaged CREA headquarters. Several coops are installing charging stations. A spring snowstorm did a lot of damage and killed many cattle in eastern Colorado.

Western United: Western United did not have a meeting, financials are good, and they are expanding into Utah.

Utah Rural Electric Cooperative Association: no report but Jeff Peterson will be here at our Annual Meeting.

Committees: Building Committee information will be discussed in executive session.

Executive Session:

Motion by Mollenkopf to go into executive session to discuss Fast Track and Building Committee issues. Motion seconded by McWilliams and carried. The board went into executive session at 10:40 a.m. The board came out of executive session at 11:25 p.m. Bauer did not participate in the Building Committee discussion in executive session due to a potential conflict of interest.

FastTrack:

Reported in executive session

Adjournment:

Meeting adjourned at 11:26 a.m.

Bill Bauer, President

Jerry Fetterman, Secretary/Treasurer