

EMPIRE ELECTRIC ASSOCIATION, INC.  
MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
March 17, 2017

Regular meeting of the board of directors of Empire Electric Association, Inc. was held Friday, March 17, 2017 with the following directors present: Bill Bauer, 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. Directors Absent: Jerry Fetterman

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 Lindsay to approve the consent items. Motion seconded by Lindsay and carried.

Membership Input: none

Donation Requests:

SCYC: Angela Horvath requested a donation on behalf of the School Community Youth Collaborative for their High School Leadership program as outlined in the written packet. Motion by Porter to donate \$500 out of unclaimed capital credits. Motion seconded by Mollenkopf and carried.

CoBank is once again offering its Sharing Success program in which it will match Empire's donation to a charity. Last year Empire applied for and received a \$3000 match for Imagination Library. This year CoBank will allow us to apply for more than one organization, with a maximum limit of \$5000. Dellinger noted that if we once again apply for \$3000 to go toward Imagination Library we would have \$2000 that could go to another organization or two. This can be put on the agenda for the next board meeting and all were encouraged to consider other candidates for the matching funds. Motion by McWilliams to donate \$3,000 to the Imagination Library with matching funds from Cobank. Motion seconded by Lindsay and carried. Dellinger will send out list of donations and amounts for the board to consider what entity to submit to CoBank for the additional \$2,000.

Rene Farias from Dolores Schools Destination Imagination program requested \$200.00 for two teams selected to participate in the state STEM competition. Half of the team registration has been paid for and this donation would pay for the other half. Motion by Lindsay to donate \$200.00 to this endeavor. Motion seconded by McWilliams and carried. Funds will be taken out of educational funds from unclaimed capital credits.

Correspondence:

Thank you from:

- 12 hours of Mesa Verde for Empire's annual donation
- Cortez Fire Protection District for Empire's annual donation
- Southwest Memorial Hospital foundation for Empire's donation to the Montelores Cancer Case Assistance program
- Dolores County Fair & Fairgrounds for Empire's continued support of the Dolores County Jr Rodeo, Fair and 4-H programs.

Other correspondence:

- Received Better Business Bureau and Facebook complaint from a renter who was not on the account. Once member services called the person, she was pleased and gave us a 4-star rating on Facebook.
- CFC annual ownership statement included in written packet
- Western United check for \$55,837.19 representing 2010 fiscal year patronage capital

Policy Review/Action:

Dellinger presented the new 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. This policy incorporates changes suggested at the last board meeting. If a member decides to opt out, then a meter reading fee will apply. Discussion was also held regarding the annual review for the meter reading fee. Spear noted that La Plata Electric went through this and this language compares with what LPEA is doing. Motion by Mollenkopf to approve policy and the \$54.80 meter reading fee. Motion seconded by Sitton and carried. A copy of the meter reading fee proposal and Policy 3 are attached to and made part of these minutes.

General Manager Report:

**Action Item:** Dellinger directed everyone to the 2017-meter tampering fee proposal as included in the board packet. The meter tampering fee is currently \$50 and doesn't come close to recovering our cost to deal with tampering events. Dellinger noted that changing the fee may have to be approved by the Utah PSC. The proposal is attached to these minutes. There was discussion about making the fee a round number. After discussion, motion by Sitton to set the meter tampering fee at \$250.00. Motion seconded by Mollenkopf and carried.

**Action Item:** Tarr presented the 2017 Vehicle Bid analysis to replace two (2) one ton pickups. Truck one is for a metering truck and Vehicle2 is a cab and chassis for the maintenance crew. Motion by McWilliams to accept the recommended bids for both vehicles. Motion seconded by Mollenkopf and carried. A copy of the bid analysis is attached to and made part of these minutes.

Discussion was held regarding the Totten Lake property offer and solar project proposals. We received an offer to purchase the east parcel of our Totten Lake property at the listed price. System Engineer Rapiet has been working on the solar proposals and presented a summary presentation. Rapiet believes there is a strong desire by Montezuma County and others for a large solar project and believes we are looking at a twenty-year income with little capital investment and risk. Preliminary analysis shows potential financial value of about \$800,000. Discussion held of having the solar farm and subdividing the property to sell a smaller portion if buyer is still interested.

Discussion was held regarding the Tri-State 115 policy (will be looked into by Mollenkopf) and the fact that it could change, which could heavily impact the economics of a solar project. Discussion regarding making sure Empire is protected. It was noted that protections will be specified in contract negotiations and attorneys will be involved. Discussion regarding paying realtor commission because she provide us an offer for the property's listed amount. Discussion about opening the door to our competition. It was noted that we could be opening door, but that we also could use this as an opportunity to stay ahead of competition and provide an alternative to rooftop solar by making it a community garden and leasing output.

Dellinger reported that the acceptance deadline for property offer is Monday so a decision needs to be made if we want to sell property or do solar. The board noted that we could get more long term benefit from the solar than selling the property. Suggestion was made that we take a serious look at subdividing the portion that will not be used for the solar farm. Motion by Sitton to pay the realtor the commission and to proceed with the solar project and enter into new realtor contract so that it is clearly understood Empire plans to pursue the solar farm. Motion seconded by Porter and carried. Rapier will send the top RFPs to the board with recommendation. Staff will visit with Tri-State more about Policy 115. Staff will also investigate subdividing property.

Dellinger reported that we do not have any new information on the Tribe's proposed solar project.

Discussion held on accounts receivable insurance to mitigate risk that we have with larger accounts. Thiesing presented the information included in the written packet.

Dellinger updated the board on strategic planning progress. He used the written report included in the board packet.

Brief discussion of safety program and how it is the most important of the strategic planning goals.

Thiesing reported on the January 2017 financials. Kinder Morgan has increased their production a bit so revenues are ahead of budget. Purchase power is also up due to the increased sales to Kinder Morgan. All other categories are over forecast. Most of this is a result of timing difference as the model we use spreads some costs evenly throughout the year. Benefits were up overall and Thiesing noted that this was a result of our vacation, sick and PTO accruals repriced as a result of the union wage increase effective January 1.

Accounting is working on the final form 7 filing to RUS for year end 2016 and will email it out to the board when it is complete. The auditors will be presenting the audited financials next month. Board consensus was to have the presentation done by video conference.

We are planning on Tri-State being here in April to give an organized markets presentation.

#### Director Roundtable:

McWilliams reported on the CREA Annual meeting. She and Fetterman attended the Evolution of Electric Power Supply course on Sunday. Legislative briefing was good with a visit to the capitol, but she didn't believe there was a lot of new information at this annual meeting. Western United had no action to be taken, CREA talked about legislative happenings. Dellinger mentioned

the Managers had a good roundtable and there was quite a bit of discussion regarding marijuana grow facilities and dealing with large amounts of cash. Another big topic at the roundtable was community solar projects.

Sitton reported on the NRECA meeting and the resolutions which were passed. One was the support for the Dakota Pipeline and Intermountain was the only cooperative that stood up in opposition of it to say NRECA should not be involved. One of the biggest topics was on broadband and coops being involved in community broadband. Rate setting was a good session. A lot of talk regarding the cooperative being a part of the community with an obligation to serve the community.

Mollenkopf asked what was happening with broadband and Dellinger replied that the surveys are out and the county has selected the FastTrack/Data Safe proposal. Bauer mentioned that he doesn't believe there are any contracts signed yet. Additional discussion followed.

Attorney:

Spear reported there is no new update on FERC proceedings. Dellinger and Denning are working on the Kinder Morgan and Cortez Pipeline acknowledgements for the 115 kV transfer. Empire is in negotiation with CDOT regarding their curb cut requirements for subdividing the old warehouse property. Spear's firm is working on the sale of the old Pleasant View substation to Clyde Howard. Denning is working with Dellinger on his question regarding whether the board should formally name legal officers of the cooperative.

Tri-State:

Mollenkopf reported on the Tri-State board meeting. Executive committee met and litigation committee did not meet. Most was routine, there was discussion on the upcoming annual meeting and speaker is Colorado Attorney General Cynthia Coffman. He reported on the finance committee – they still have deferred revenue of \$41 million. January was a good month and member sales were above budget. He passed around the second filing with the SEC annual form and the audit report from Ernst and Young. The internal controls have had a dramatic improvement. Membership survey has been done and they have sent out follow up survey and then individual boards will do a survey. ScottMadden will then do a work product for strategic planning in June. Other noteworthy items: There was a ribbon cutting on solar project at Columbus, New Mexico; Tri-State was recognized as top solar G & T at NRECA; there was an education session from executive committee about ratings agencies. Mike McInnis has had another request for buyout number. The requesting coop says they are just doing their fiduciary duty and likely will not actually want to get out. Cost of providing exit number for Kit Carson was \$800,000 to \$850,000. Tri-State cannot keep doing the calculations for free, so they plan to start charging a fee to initiate the calculations. Proposed initial fee is \$250,000. They use a mark to market calculation to develop the buy-out number.

CREA: Porter mentioned there was a lot of talk about the retail choice (deregulation) legislation. CREA's board meeting will be here at Empire Electric in May. CREA hired a new safety loss control person – Dale Kishbaugh who was previously in charge of the Arizona statewide safety program.

Western United: didn't have meeting and the next meeting will be in April - everything going well.

Utah Rural Electric Cooperative Association: no report

Committees:

Building Committee: nothing new

Scholarship: Sitton reported the proposed scholarship recipients were included in board packet. He also reported on the committee's discussion regarding updating the policy. The committee is considering how to give more opportunity for those pursuing education in fields related to our industry. Committee will come back with recommendations on policy changes. Motion by McWilliams to approve the scholarship recipients as proposed by the committee. Motion seconded by Mollenkopf and carried.

Executive Session:

Motion by Porter to go into executive session to discuss FastTrack. Motion seconded by McWilliams and carried. The board went into executive session at 11:55 a.m. The board came out of executive session at 12:11 p.m.

FastTrack:

Discussed in executive session.

**Adjournment:**

Meeting adjourned at 12:12 p.m.

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Bill Bauer, President

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Jerry Fetterman, Secretary/Treasurer