

EMPIRE ELECTRIC ASSOCIATION, INC  
MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
November 11, 2016

Regular meeting of the board of directors of Empire Electric Association, Inc. was held Friday, November 11, 2016 with the following directors present: Bill Bauer, Jerry Fetterman, J. Kent Lindsay, John Porter, William Mollenkopf, Sue McWilliams, and David Sitton. Others present: General Manager Josh Dellinger, Attorney Barry Spear, Operations Manager Ken Tarr, Corporate Operations Manager Mary Thiesing, and Executive Secretary Denise Rosenbaugh.

President Bauer called the meeting to order at 8:35 a.m.

Approve Consent Agenda:

**Action Item:** President Bauer called for approval of the consent agenda. Motion by McWilliams to approve the consent agenda as presented. Motion seconded by Mollenkopf and carried.

Correspondence:

Thank you from:

- Montezuma Land Conservancy for Empire's annual donation
- Colorado Energy Outreach for Empire's matching funds
- CARE for Empire's donation to their annual auction
- Dolores County Fair Board for Empire's annual donation

Other correspondence:

- Notice from Federated explaining membership valuation
- Email from a member that was "scammed" and reply from our member services department
- Letter from member Patricia Richmond asking board to seriously evaluate smart meters and LED lights. Discussion followed. We will respond to her letter.
- Check from CFC for a cash rebate of \$2,092 for being a participant in their One Card program

Membership Input: Ann McCoy Harold, who works for Senator Cory Gardner in Durango visited the board. She encouraged all to contact her if anyone has any concerns or suggestions. She indicated that she appreciated cooperatives and what they stand for.

Donation Requests

- 12 Hours of Mesa Verde resubmitted their request and Dellinger noted this is budgeted
- Four Corners Advocacy Center (formerly known as The Nest) resubmitted their annual request and it is already in the budget
- Montezuma Cortez High School journalism class requested \$500 to help them attend a journalism convention, After discussion, motion by Sitton to donate \$500 to this cause. Motion seconded by Mollenkopf and carried.

Policy Review/Action:

Policy 49: Economic and Community Development: Dellinger noted staff and legal have reviewed and suggest a few grammatical edits. He then referred to the questions that were noted in the draft policy included in the board packet. After discussion, consensus to remove paragraph H altogether and to remove "and see that economic development is included as part of the system's strategic plan" from the

Responsibilities section. Motion by Mollenkopf to approve amended Policy 49 with the changes noted above. Motion seconded by Fetterman and carried.

Policy 50: Dellinger noted a few grammatical edits are suggested but no substantive changes. Discussion was held regarding the clause that says “attend one affiliated business meeting from each of the following” and it was suggested to strike out “each” and replacing with “one”. It was also noted that attending these meetings does not require pre-approval from the board but the board member should notify the board president. Motion by Sitton to approve Policy 50 as amended. Motion seconded by Porter and carried.

#### General Manager Report:

**Action Item:** The 2017 final budget was presented. Sitton noted that he is opposed to raising the Grid Access Charges based on accounting rule changes. He said that accounting rule changes should not be the basis of raising rates. Thiesing noted that the cost of service shows we should raise the Grid Access Charges. Mollenkopf mentioned that he believes the Grid Access Charge increase matches up to cost of service and Thiesing again noted that she would recommend the increase due to the cost of service information even if accounting rules had not changed. Fetterman reiterated he does not want to fund the Mountain States Legal Foundation. There was a suggestion to review Mountain State’s Form 990 before next year’s budget meeting. Motion by McWilliams to approve the 2017 budget as proposed including Power Cost Adjustments (PCA), Grid Access Charge increases to the Residential Single-Phase, General Service Single-phase and Irrigation Single-phase tariffs, and the Kinder Morgan SCS-1 tariff. Motion seconded by Mollenkopf, and carried with Fetterman and Sitton opposed.

Thiesing reviewed the financials. Gross margins are below budget, but overall we are still performing well. Next month’s financials will have a portion of the write-off of the existing Turtle system, but Thiesing does not anticipate any real differences from what was presented in the pro forma 2016 data included in the 2017 budget. The one unknown for 2016 is the true up of Kinder Morgan, but won’t know what that will be until after December. McWilliams asked about the ongoing dialogue with Kinder Morgan regarding our accounts receivable concern. Dellinger replied that Kinder Morgan still sees itself as non-risk and is not interested in a deposit, prepaying, or obtaining a bank letter of credit. That leaves accounts receivable insurance as an option. Kinder Morgan recognizes that accounts receivable insurance is a business decision that Empire has the right to make and they would pay their portion of that premium, but not the entire amount. The quotes we received for this insurance are reasonable. Dellinger noted that we have a bank letter of credit from the windfarm and Air Products but there are a handful of other loads that have monthly bills around \$100,000 that may be included in this insurance. Consensus of the board that this insurance be considered. Dellinger will get details on specifics of the policy to the board.

Ken Havens has offered to attend the December or January board meeting to give the board an update on Kinder Morgan.

60 members stopped by for Member Appreciation Day.

Spear’s firm has been in contact with the newest PUC commissioner Frances Koncilja (replaced Pam Patton) and she has offered to come and meet with LPEA and EEA. Dellinger plans to go to that meeting and he will email the date to the board.

The board was reminded of the joint broadband meeting next Tuesday, November 15<sup>th</sup> at 5:30 in the Calvin Denton Room. The City will provide dinner. They have given Empire a letter to discuss

potential ways they believe Empire can contribute to the project – surveying members, pole attachment, perfecting easements and funding through USDA are a few things they have mentioned.

Dellinger reported that he had a meeting with Kelly at Fast Track and they have responded to the County's broadband RFI with a proposed wireless solution that would cover most of Cortez, Dolores and Mancos from three towers and would offer speeds of 50 Mbps. Discussion was held whether Empire is opposed and it was noted that Empire needs to know what their proposal is and that skeptical may be a better term. It was noted that Empire needs to be kept whole if it participates.

Dellinger discussed the email regarding the interest in the Totten Lake property he sent to all board members. There are several solar developers interested in putting an array on the property. Preliminary analysis shows that Empire could make a substantial profit over the next 20 to 30 years by locking in a PPA with a developer and locking in a BP 115 contract with Tri-State. The Montezuma Land Conservancy is also interested. The Conservancy may be able to raise funds to purchase the property for up to 70% of the appraised value through GOCO. Dellinger said he was looking for direction from the board regarding whether or not to pursue any options further. Consensus of the board was to look at all options.

Attorney:

Spear reported on the Tri-State (TS) asset transfer. We are still working through developing an acknowledgement form that can be presented to Kinder Morgan. Spear's firm has been reviewing the RUS release and what we need to do on the properties that will be transferred. They have also reviewed joint use agreements. He indicated that Empire has attempted to make all joint use agreements the same and these have been sent to all entities. Empire has only received responses from three entities thus far. The Tribe had a lot of changes including, stating sovereign immunity in the contract, and he will be working with the Tribe on their suggestions. Charter and Century Link have sent red-lined versions also. Denning is working with Scott Ehmke on wetland deed for E & O building. There has been no movement on FERC petition regarding Tri-State's request for reconsideration of FERC's ruling on Policy 101. An eastern Kentucky cooperative filed to join that case.

Question was asked of Spear regarding his working with Empire and Spear replied that he will go to of-counsel next year and hopes to continue working with Empire Electric.

Tri-State:

Mollenkopf reported on the last Tri-State board meeting. Revenue was below budget; however, all ratios are well above requirements. He also reported on the Los Conchas Fire and the trial has been moved to Feb 13<sup>th</sup>. The Tres Lagunas Fire trial will probably be scheduled in 2018. He mentioned they had a session on Fiduciary Duty and he distributed and discussed information on organized markets. Mollenkopf reported on the rate committee meeting and distributed and discussed the information gleaned from the meeting including the stand by rate. DMEA is pursuing information to withdraw from Tri-State.

McWilliams reported on the contract committee highlighting items in her handout. She discussed the costs and challenges of adding more member generation. She also discussed Tri-State's Renewable Generation practices and legal issues with adding more generation from members. They are doing research on coal plant closure impacts.

CREA: Porter highlighted items from the written report in the packet. He mentioned attendance was down for the energy summit but felt like it was a good quality meeting. Budget and Finance Committee

recommended becoming a member of CoBank with a \$100,000 line of credit. A benefit of CoBank membership is access to their donation matching program. He briefly discussed the accident at Mountain Parks where they were replacing a pole. He noted the straps they were using were meant to be used for pipes and not electrical poles. Tarr noted that Empire uses non-conductive straps. KC is losing 25% of irrigation due to closing wells. Porter also reported on activities at other Colorado cooperatives.. He noted that CREA is hosting summer meeting at Empire and Dellinger mentioned that we have been in contact with them regarding hotels and restaurants and will set up an activity.

Western United: McWilliams reported that Western United is ahead of last year's budget and mentioned their backlog. She asked Tarr why Empire has not bought into the glove testing and Tarr said he just has not had time to look into that.

UREA: no report

Committees: nothing to report

Executive Session: none

FastTrack: President Bauer was not able to attend the meeting. Dellinger mentioned that he met with Kelly from FastTrack and briefly reported on FastTrack's effort to bring fiber to the rooftop in central Durango.

**Adjournment:**

Meeting adjourned at 11:05 a.m.

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Bill Bauer, President

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Jerry Fetterman, Secretary/Treasurer