

EMPIRE ELECTRIC ASSOCIATION, INC  
MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
October 14, 2016

Regular meeting of the board of directors of Empire Electric Association, Inc. was held Friday, October 14, 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, System Engineer Clint Rapier, 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. Mollenkopf noted an error in the September 2016 meeting minutes. The minutes say that Tri-State will recognize an additional \$30 million of deferred revenue in 2017, but that figure should be \$40 million. Motion by Sitton to approve the consent agenda with the change noted. Motion seconded by McWilliams and carried. The September 2016 minutes will be corrected.

Membership Input: None

Ryan Robison gave an overview of Greater Dolores Action. This organization puts on the Dolores River Festival. He asked the board to increase Empire's annual sponsorship from the present \$250 to \$2000.

Correspondence:

Thank you from:

- United Way for Empire's support
- Landon Young for Empire's purchase of his lamb at the county fair this year
- Elmer & Renee Hall for Empire repairing their service in Mancos. They appreciated the excellent and professions service provided by Empire's crew. This crew was Steve Harris, Shad Bellmire, Terrel Wells and Tyler Berry.
- Dolores Mountain Quilters for the use of Empire's raffle tumbler
- Member for the services provided by Kris Miller during an outage. He was out of town during the outage and appreciated the communication. He said he was glad to be part of Empire.

Other correspondence:

- CFC Semi-annual interest earned by Empire in the mount of \$17,415.87
- CFC Patronage Capital allocation of \$19,958.97
- CFC Patronage Capital Retirement of \$9,979.49

Donation Requests

Request from Backdrop America Pictures for funding to help create a Pioneering Power film as included in the packet. McWilliams reported that Tri-State and CREA has contributed and mentioned it might be appropriate to show at the next annual meeting. Consensus that no funds be donated but it was noted that we are contributing through our affiliation with both Tri-State and CREA.

SW Colorado concerts requested Empire increase their budgeted amount from \$500 to \$540. Motion by Fetterman to approve this slight increase to \$540. Motion seconded by Mollenkopf and carried.

Donation request from the Angel Tree Program in Dove Creek. Motion by Mollenkopf to donate \$500 for this cause. Motion seconded by McWilliams and carried.

Donation request from Greater Dolores Action was revisited. Consensus of the board we leave it at the present budgeted amount of \$250.00

Policy Review/Action:

Policy No 32 (Paid Time Off) and 32A (PTO Conversion) were presented. Dellinger revisited the Policy 32 and reported that he added an additional accrual schedule for new hires as requested last month. Dellinger stated that moving to PTO should be mutually beneficial to the cooperative and the staff. It will benefit the cooperative financially and the staff will have more flexibility in their leave. After discussion, motion by Porter to approve Policy 32 as presented. Motion seconded by Mollenkopf and carried. Companion policy 32A was discussed and motion by Sitton to approve Policy 32A (Conversion). Motion seconded by Porter and carried. A copy of these policies are attached hereto and made part of the minutes.

General Manager Report:

**Action Item:** Dellinger reported that Empire is ready to sign the 115 kV asset transfer agreement with Tri-State. We didn't get all the language we wanted in the agreement, but we believe it will work for Empire. We will focus on transferring the retail system and the portion of the CO2 loop from Cahone to Anasazi first and then more forward with the remainder of the CO2 loop. Dellinger asked for permission from the board to sign the agreement. Motion by Sitton to authorize Dellinger to sign the 115 kV asset transfer agreement. Motion seconded by Lindsay and carried. Mollenkopf abstained.

Discussion was held regarding the preliminary budget that had been sent to the board on Thursday. Dellinger noted that he was proud of the staff for working hard to cut expenses in order to get the proposed budget to the position it is currently. There was discussion about specific items in the budget, what our financial ratios would look like, and what the proposed budget would require from our rates. Thiesing has additional work to do to determine how much the old AMI system write-off will affect the budget and whether or not Empire will need a rate increase. It was noted that the revenue estimate includes an increased PCA charge, which is a pass-through of the Tri-State rate increase. It was also noted that the cost of service study was updated and shows that our Grid Access Charge needs to be increased slightly from \$30.73 to around \$32 to stay in line with being cost-based.

Consensus of the board was to hold an additional meeting to further discuss the budget. A meeting was set for November 9<sup>th</sup> at 3:00. Staff asked if board was OK with including a new human resources coordinator in the 2017 budget. If so, we would like to post the position soon. Consensus of the board was that it is fine to include the human resources coordinator position in the budget.

Thiesing reviewed the financials. Kinder Morgan is shifting about 5 MW to the off-peak period to reduce their monthly demand charge. Our margins are still healthy, but we will be completing some expense items before the end of the year.

Dellinger reminded the board of the joint broadband meeting November 15<sup>th</sup> in evening in the Calvin Denton Room.

Dellinger reported we will be closing on the Monticello property soon.

Dellinger briefly revisited the issue regarding Muscanell discussed at the last board meeting. They no longer want a tapped transformer. We've asked them to please contact us if they have any additional questions.

Dellinger discussed the issue with Tri-State not considering Air Products as a delivery point even though they approved our delivery point application. They have agreed to treat Air Products as a delivery point as long as we continue to make progress on the 115 kV asset transfer. Air Products load will be removed from the transmission operations bill and the losses will be removed from our power bill.

Dellinger also noted we had an interesting number of IT threats – 57,000 threats were noted by our HQ firewall and 46,000 by the E & O firewall.

Empire has been approached by CDOT regarding road widening project south of town – we own around ½ acre between a communications site and highway 491 and CDOT may want to purchase a sliver from Empire.

Dellinger distributed the 2017 communications plan, which is designed to help meet our strategic goals of developing an external communications plan and becoming electrical energy experts for our members. Fetterman noted that he appreciates the plan and wants us to make sure that we make efforts to find out what our members needs are.

#### Roundtable

McWilliams reported on several recent meetings she attended. Topics included solar, battery technology, the changing energy landscape, drones, distributed generation, and NRTC. She also passed around the policy resolutions that were proposed and passed at the NRECA Region VII meeting.

McWilliams also reported on the Tri-State contract committee meeting. She asked the board to send her any comments they have regarding our existing contract. Dellinger will send the contract out to the board.

Mollenkopf mentioned he attended Dan Archibeque retirement party and thought it was well attended, low key, and noted that he will be missed.

#### Attorney:

Spear noted that nothing has happened yet regarding Tri-State's request of FERC to reconsider its ruling on Tri-State's Policy 101. Denning worked with Dellinger on the asset transfer with Tri-State and believes the biggest concerns were addressed. They also worked with Rapier on a few other agreements. They are on standby to help if needed with the North Broadway subdivision and the Monticello property closing.

#### Tri-State:

Mollenkopf reported on the last Tri-State board meeting. Highlights: year-to-date margins are 42.5 million and financial ratios are in good shape. He discussed the finance committee, passed around the audit committee presentation, highlighted a few budget items, and briefly reported on highlights of the contract committee and rate committee, as well as cyber security and legal issues.

CREA: Did not meet

Western United: Did not meet but financials were included in the packet

UREA: Dellinger attended the September meeting. He noted there is an effort to exempt cooperatives headquartered outside of Utah from having to comply with Utah statutes and PSC rules as long as they are compliant in their home state. Empire will support this effort. The statewide also changed its name to the Utah Rural Electric Cooperatives Association (URECA).

Committees:

Building: We are waiting on CDOT permit – hope to have it done by first of the year.

Bylaw Committee: Dellinger noted that it was put it on the agenda as a reminder that there is a time frame to get everything on the ballot for the annual meeting should anyone want to change anything in the bylaws or articles.

Executive Session:

Motion by Sitton to go into executive session to discuss FastTrack, facilities, and personnel issues. Motion seconded by McWilliams and carried. Board went into executive session at 11:20 a.m.

The board came out of executive session at 11:56 a.m. No decisions or actions were taken.

FastTrack:

Discussed in executive session.

**Adjournment:**

Meeting adjourned at 11:58 a.m.

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Bill Bauer, President

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Jerry Fetterman, Secretary/Treasurer