

EMPIRE ELECTRIC ASSOCIATION, INC
MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
December 9, 2016

Regular meeting of the board of directors of Empire Electric Association, Inc. was held Friday, December 9, 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, Member Services Manager Bobbe Jones, and Executive Secretary Denise Rosenbaugh.

Others Present: Member Clyde Howard

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. Dellinger noted that the IT security audit listed on the agenda under Manager's section should be held in executive session. Sitton noted the four recordable incidents for the year on the monthly safety summary and asked if there should be a concern. Tarr replied that any incident is concerning and part of Empire's SIP plan is to look for trends and focus our training accordingly. Three of these incidents for 2016 were slip, trips and falls and we discuss these at safety meetings. If you look at our history, you will note that our incidents have dropped significantly. Motion by McWilliams to approve the consent agenda as presented. Motion seconded by Lindsay and carried.

Membership Input:

Clyde Howard is interested in the 2.2 acre tract of land that housed the old Pleasant View substation. The property borders his land. Mr. Howard told that when he bought his property in the 1980s and had it surveyed, it was discovered that the substation was built partially on his land. He and Empire swapped small parcels of land so that the substation would be entirely on Empire property. Mr. Howard noted that the land still has some undesirable features such as support structures, concrete foundations and a ground grid, but is agreeable to take land as is. The structure on the property could be turned into a hay barn. He sent a letter to the board (included in the board packet) offering what he feels is fair. It was noted that Empire discussed what a fair price is with a realtor. Spear asked if this is a lot that would have to be approved by the county to become a legal subdivision. Howard did not know. Zoning was also discussed as he would want to have it in the farm schedule. Howard then left the meeting.

Correspondence:

Thank you from:

- Pleasant View Elementary School for Empire's contribution to their fundraiser
- CARE for Empire's donation to their 527 account
- Empire's award of Best Electrician in the Cortez Journal

Other correspondence:

- Western United patronage for 2009
- Water Information program information
- CoBanks's "No barriers USA" program. It was noted that John Schriener with the American Legion or Rick Torres at the County might know someone to nominate. Consensus of the board that this be pursued.

Donation Requests

none

Policy Review/Action:

Policy 51 – Information Disclosure: Dellinger said that staff and legal have reviewed and there are minor grammatical corrections suggested as included in the board packet. Motion by Mollenkopf to approve Policy 51 as amended. Motion seconded by Sitton and carried.

Policy 53: Regulation Governing Change of Tariffs: Dellinger reported that staff and legal have also reviewed and there are only minor grammatical corrections as suggested in the board packet. Motion by Sitton to approve Policy 53 as amended. Motion seconded by Porter and carried.

A copy of both policies is attached to and made part of these minutes.

General Manager Report:

Dellinger reminded the board of the discussion at the joint broadband meeting where they requested us to send a survey out to members. We can distribute the survey as a one-page bill stuffer. It was suggested to have a question in the survey regarding what people would be willing to pay for internet. Dellinger will get that information back to the people that are doing the survey. It will cost us printing – which should be less than \$1,000. McWilliams was concerned about the survey title having Empire in it. The consensus of the board was that we do not want ownership of the survey. Dellinger noted that he would work with the broadband group to ensure that the survey properly notes that it is not an Empire survey but Empire is distributing it on behalf of the broadband effort. There was additional discussion regarding how much Empire should be involved. It was noted that no plan has been presented so we do not yet have an order of magnitude for what our costs should be. Bauer noted that FastTrack responded to the county's RFI. Consensus was that Empire should assist with the survey and consider the FastTrack proposal before discussing how much further to be involved in the project.

Dellinger noted that Empire needs to make changes to our NRECA health reimbursement arrangement (HRA) and adoption agreement. Presently, we have two separate plans, one for current non-bargaining unit employees that are insured by NRECA and one for retirees which will not be affected by the changes. With the move to PTO, we need to make some changes to the NRECA HRA to accommodate funding the HRA with the excess sick and vacation at the time of conversion. We are also removing the \$2500 limit on the HRA, as well as adding a vesting provision so that the HRA can be used after the employee retires or leaves Empire. The existing retirement HRA for the bargaining unit employees does not change.

The changes to the NRECA HRA are:

- The maximum balance limit of \$2,500 has been removed to enable the deposits for the PTO conversion
- The maximum benefit per coverage period was changed from \$800 to “Is Determined by the Plan Administrator” to allow the one time PTO conversion deposit (for the employees that are with Empire today) and the \$800 annual contribution to help our employees with the \$1300 deductible.
- It adds the words “medical insurance premiums (only if you are not considered an active employee)”. This is for those employees leaving Empire that may want to use their HRA funds for medical premiums. This cannot be done unless you are no longer employed by Empire.

- It also adds that retirees and terminated employees “can continue to be eligible for reimbursement of any remaining balances until funds are exhausted (when they leave Empire) instead of forfeiting any monies once you leave.

Action Item: Motion by Mollenkopf to authorize and direct the General Manager or Corporate Operations Manager to execute all necessary amendments to the Health Reimbursement Arrangement for the NRECA HRA as discussed and set forth in this meeting. Motion seconded by Sitton and carried.

Dellinger updated the board on the cooperative’s progress in reaching the board’s strategic planning goals. He went through the updates that were included in the board packet. Sitton asked several questions about the safety survey results. His main concern is that we do not get complacent. Tarr noted that we are always looking for ways to improve our safety culture. Dellinger noted that the survey showed that the employees feel that we have a strong safety culture and we want that to continue. We plan to use these results to develop more focused questions for our next survey.

Action Item: The request from Mr. Howard was revisited. Dellinger showed information received from a realtor on what land is selling for in the Pleasant View area. Dellinger noted that it was difficult to get good comparisons since there are not many tracts for sale in the area and the ones that are for sale are typically considerably larger than our 2.2 acres. The realtor recommended an initial asking price of between \$10,000 and \$15,000, so Dellinger told Howard that our asking price was \$12,500. Spear noted that RUS requires fair market value and actual fair market value is what someone is willing to give you for it. It was noted the Pleasant View Fire Department was at one time interested but is not now. A question was asked about the soil and Dellinger and Tarr confirmed that the soil has been tested and is clean. After discussion, motion by Porter to accept Mr. Howard’s offer with the stipulation that Mr. Howard pay any additional closing costs. Motion seconded by Mollenkopf and carried. Attorney Spear will work on the contract. Dellinger asked if we should do a public notice about the sale and the board decided that it was not necessary in this case.

Thiesing reported on financials. Distribution operations were under budget for month due to pre-capitalization of meters that we bought from Holy Cross and never received invoice. Depreciation for turtle meters was also discussed but overall still in good shape financially. People are spending money due to bills coming in for end of the year. Thiesing does not anticipate any surprises. She noted Kinder Morgan’s rolling 12 months was flat – we forecasted them higher and next year we forecasted them flat. Kinder Morgan provides us with a forecast once a year.

Discussion was held on the joint use contracts and who has signed these in the past. The board consensus was to have that be the Manager’s responsibility. Tree trimming, weed abatement, and pole testing contracts were also discussed. It was noted that those items are in the budget. The board prefers the manager to sign those also. Attorney Spear said the cooperative is bound regardless of who signs.

Western United has started offering solar kits and has been selling Marathon water heaters for a while. Dellinger asked the board what they thought about Empire offering these products to our members. He emphasized that we would not stock the items but our members would be able to order them through us. We would still need to work through the details. We would not install or service the products. Question was asked if we would be competing with local companies. Dellinger responded that it would be competition with those who offer solar panels, but no one local offers the Marathon water heaters. Fetterman asked about providing our members with loans for solar systems. Spear responded that there is a law that says electric cooperatives cannot be bankers. Dellinger thinks we can offer the solar kits and water heaters as a service to our members with little effort and little administrative issue. Consensus of the board was to offer solar kits and Marathon water heaters through Western United.

Our energy management advisor has moved to the vacant apprentice meterman position which leaves an opening in member services. Dellinger noted this is a key position for reaching our energy experts goal and wanted to hear the board's thoughts about this position. Discussion followed. It was noted that the person who fills this position needs to be strong technically and have good people skills.

Director Roundtable:

McWilliams reported that at the Western United roundtable it was noted that DMEA does not have the participation levels they were anticipating for their internet program.

Attorney:

Spear noted that the Tri-State FERC petition is still under review. Regarding the 115 kV transfer, the contract is signed and we are still working on acknowledgements to present to Kinder Morgan and Cortez Pipeline. His firm will be working on the RUS release of property as closings occur. His firm has also been working with joint use agreements. We plan to make them all uniform but at least three users have requested changes to the form contract. Spear also worked with Dellinger on a facilities management agreement with Tri-State.

Tri-State:

Mollenkopf reported on the Tri-State Board meeting. There were no meetings for rate committee or contracts committee. Mollenkopf distributed and discussed material given at the meeting regarding estimated margin budget vs forecast, October operational highlights, renewable generation, and active US drilling rigs. Tri-State is still exceeding financial requirements. He reported that Tucson Electric sent a check for \$15.5 million dealing with its operations of the Springerville plant. Capital credit refund is \$10 million – brings Tri-State to about 18 years. H said there was a good presentation from two people that are head of Trumps transition team for energy - Mike McKenna and Tom Pyle. Mollenkopf also passed around a Tri-State investor presentation.

CREA:

Porter reported that cooperative magazines go to 27 million readers nationwide. United Power is having an increase in economy as they are building a lot of houses in their territory. Gunnison announced that Hinsdale County has lowest per capita electric vehicle charging station in the nation. Porter noted that there was much discussion about the recent electrical contact at Mountain Parks. If crew that was with the injured employee didn't know how to use an AED and perform CPR, he likely would have died

Western United:

McWilliams reported that Western United is ahead of budget. New Mexico branch is doing almost half of the sales. St. George and City of Farmington are buying a lot. The patronage check received for 2009 was in addition to the patronage received earlier in the year.

UREA: no report

Committees: nothing to report

Bylaws: Spear will review by the end of the year and Dellinger will send out to the board. The board does not have any suggested changes off-hand

FastTrack:

Bauer reported that they are still evaluating the central Durango fiber to the premise project.. They are also working on a strategic plan and are installing a new computer system. Financials look good.

Executive Session:

Motion by Mollenkopf to go into executive session to discuss the IT audit. Motion seconded by McWilliams and carried. The board went into executive session at 11:20 a.m. The board came out of executive session at 11:29 a.m.

Adjournment:

Meeting adjourned at 11:30 a.m.

Bill Bauer, President

Jerry Fetterman, Secretary/Treasurer