

EMPIRE ELECTRIC ASSOCIATION, INC.
MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
July 14, 2017

Regular meeting of the board of directors of Empire Electric Association, Inc. was held Friday, July 14, 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 Barry Spear, Corporate Operations Manager Mary Thiesing, and Executive Secretary Denise Rosenbaugh.

Others Present: Members Sam Brukley and Heidi Brugger

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 Empire had an employee that was involved in a traffic accident on Highway 491. No one was hurt but he wanted to bring it to the board's attention. After discussion, motion by McWilliams to approve the consent items. Motion seconded by Sitton and carried.

Membership Input:

Sam Brukley told the board he attended and appreciated the annual meeting. He wanted to attend this meeting as a member.

Heidi Brugger said she was in attendance to observe how the board works and to understand the issues and noted that she has an interest in the 5% generation allotment in Empire's Tri-State contract.

Larry Conrads and Fred Boshardt (representing Agape) requested donation for the Rhythm and Soul Festival as included in the written packet. They distributed information to the board and outlined their purpose.

Correspondence:

Thank you from:

- Ute Mountain Rodeo committee for Empire's annual donation
- Jessalyn Bay-Voit for the scholarship given to her by Empire Electric.
- Pinon project for the effort made by Empire to apply for the CoBank Sharing Success donation

Other correspondence:

- Sympathy Card for Leon Bowler family, long time manager in Utah who recently passed away
- NRECA Director Gold certificate to Jerry Fetterman
- CFC will be holding financial workshop in Vail for directors (included in board packet)
- Patronage Capital from NRTC (included in board packet)
- CFC Board Report (included in packet)

Donation Requests:

- Mancos Cattleman's Ranch Rodeo as included in the packet. Consensus of the board that no funds be donated.
- Sponsorship request from Jan Gardner to participate in the Walk to End Alzheimer's as included in the written packet. Consensus of the board that no funds be donated.
- City of Cortez for the Youthworks Program as included in the packet. Discussion was held regarding a program for local kids. Consensus of board that no funds be donated.
- Rhythm and Soul: to be discussed later in the meeting.

Policy Review/Action:

Policy 9: New Director Orientation: Dellinger reported on the suggested edits as noted in the board packet. He removed the information that was no longer applicable (such as fax machine furnished to the board) and cleaned up wording. Also taken out was the tour of the CO2 substation. After discussion, motion by Porter to approve Policy 9 as amended. Motion seconded by Lindsay and carried.

Policy 10 – Board of Directors – General Manager Relationship: Attorney Spear outlined the changes and indicated they were mostly structural as well as adding “perform reasonable requests” from the board under General Manager's responsibilities. Motion by McWilliams to approve Policy 10 as amended. 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:

Action Item: Southeastern Data Cooperative (SEDC) acquired ATS (our billing, mapping and financial software company). We can become members of SEDC for a \$100 membership fee. As members, we will have governance rights and will receive capital credits. This change does not mean new conversion of CIS but we will likely convert to Futura mapping at no cost to us. Futura was acquired by SEDC a few years ago and is more capable than ATS mapping. We will also consider converting to Futura's staking package. Motion by Lindsay to join SEDC as a member. Motion seconded by Sitton and carried.

Action Item: The NRECA Region VII meeting will be in Denver Oct 16 thru Oct 18. Motion by Mollenkopf for McWilliams to be Empire's delegate, with Sitton as alternate. Motion seconded by Porter and carried.

The Montezuma County Fair is Aug 5th and Porter and Mollenkopf will be the buyers. The San Juan County fair is August 12th and Porter, Bauer and Fetterman will attend on behalf of Empire.

Board of Director Disclosure Statements were addressed and submitted.

Thiesing reported on the financials: Year to date, we are behind on operating margins. Our purchased power is up primarily due to CO2 production, which we do not make much margin on. Our retail demand charges also are more than what was budgeted. Our load factor was lower this month and we are investigating why. Even with lower than budgeted operating margins our ratios still look OK.

Thiesing reported that Empire was recently contacted by a firm that is doing a property tax review and they believe they have found something that would provide significant savings to our coop. Thiesing passed it on for attorney review. It could be an opportunity to reduce our property taxes. The deadline for protesting our property taxes is Monday, so we will have to move quickly if we decide to protest.

Discussion was held regarding going to CFC to refinance our FFB debt. They have sent attractive preliminary proposals. The prepayment penalty is going down as interest rates go up. We have two notes with FFB and Thiesing believes both notes will need to be combined. Consensus of the board was that this be further investigated. Thiesing will continue to pursue this.

Action Item: Per discussion above regarding reviewing property taxes, motion by Lindsay to give authority to staff to protest property taxes if staff decide that such a protest will be in Empire's best interest. Motion seconded by Fetterman and carried.

Discussion was held regarding the purchase of a large monitor for the board room instead of the projector currently used. Thiesing reported on the three sizes and prices. After discussion, consensus of board to have Thiesing pursue the two bigger sized options and Thiesing noted we may push this purchase off to next year's budget.

Dellinger noted that there is an all employee meeting schedule the afternoon of September 8, which is also a board meeting day. He invited the board to lunch and to attend the meeting which will be safety focused.

Dellinger reported there was a recent brush fire north of Nuchu sub that caused a four-hour outage. He re-emphasized our need to have good backfeed for Nuchu through Blue Door Substation. At the last meeting with the Tribe, they noted their appreciation of Empire's efforts for the backfeed.

Dellinger reported that the 115 kV asset transfer is moving along. We have received approval from our lenders for partial lien release. TS is still putting together final documents and the first closing is scheduled for August. Next closing will be for the CO2 loop assets.

Dellinger also said that we reached an impasse with Tri-State regarding the Nuchu transformer losses. Tri-State will not assume the losses, but they offered us \$90,000 to assume ownership of the meter and allow it to stay where it currently is, which is the low-side of the transformer. Empire will accept that offer.

The sale of the lakeside portion of the Totten Lake property is almost done. We received the partial release from lenders and closing on that property is scheduled for Monday.

The Ute Mountain Ute Tribe received matching grant on their solar farm so we are working with them on that project. They are still deciding if they want it to be a stand-alone 115 project or put behind the meter.

We received approval from Tri-State for the two solar projects that we applied for. We have had opposition to the Totten solar project from immediate neighbors who want no development on that land. We have received multiple letters of support from other members.

Dellinger reported an issue regarding the capital credit allocations – 2400 paperless-bill members did not get their notices due to errors from EEA and our bill printing vendor. We discovered the error in mid-June and the allocations for these members were sent out in late June. We are working to establish controls on our end and their end to guard against this happening again.

Dellinger updated the board on the metering upgrade. Net metering meters will be replaced but are not being replaced right now as they have different programs in them. Those meters will be replaced by Empire and this will be done during the annual true-up.

Roundtable: Mollenkopf reported on the CoBank director conference in Colo Springs (he went representing Tri-State).

Fetterman left the meeting at 10:20 a.m.

Attorney: Spear reported on the issues his firm has been working on: Totten Lake property, purchased power agreement review, bid packet for warehouse.

Tri-State:

Mollenkopf reported on the Tri-State meeting. Executive meeting focused on strategic planning. One goal is rate stabilization. Litigation committee heard reports on the Los Conchas fire in New Mexico. Finance and Audit committee discussed financials for May. There was an Energy Risk Management presentation that showed natural gas prices flat. A new vice-president, secretary, and treasure were elected. The standby rate recommended by the rate design committee was approved. There was a presentation on cyber security and an overview of next year's budget. DSR is likely to be driver of rates for next year. McInnes presented on cost reductions and revenue enhancements. E & O committee presented ten 115/117 renewable projects of which two were Empire's. All were approved. Mollenkopf said he thought a slide showed that Empire was now at 59% of its 5% limit after these two projects. Dellinger replied that he did not think our percentage was that high but he will investigate. Mollenkopf also reported on the contract committee. Recommendation from committee to board was to not change the wholesale electric service contracts at this time and reconvene the committee in two years.

CREA: Porter said the meeting this month was a phone conference. The meeting in Cortez was successful and CREA thanked Empire for hosting and thanked Josh for the tour. They discussed the audit and the damage to the CREA headquarters from the hail storm, which is estimated at \$161,000. There was discussion regarding the president's budget proposal that included selling PMAs. Forest service is recognizing vegetation management is an issue. Pedal the Plains fundraising was successful. The youth tour was successful and included 1400 kids.

Western United: McWilliams reported that she is Vice President with Formwalt as President. Financials were good. The board supports moving to four meetings a year instead of six. This will require a bylaw change and will be presented to the members for a vote early next year. The annual fish fry is in August.

Utah Rural Electric Cooperative Association: no report.

Committees:

Action Item: Building Committee: The committee met and developed a bid packet for the sale of the warehouse property. Dellinger asked for approval to publish public notice and distribute bid packet to interested bidders. Public notice will also go on the website and Dellinger will individually contact those that have expressed interest. Discussion regarding the CDOT permit. We are disclosing the permit and will let the bidders determine how it will affect them. Empire will take bids until August 31st and bids will be considered at the September board meeting. The board does not have to select a bidder if it does not want to. Building committee will meet prior to the September board meeting to develop a recommendation. Dellinger will send an invite out. Motion by McWilliams to approve bid packet as presented. Motion seconded by Porter and carried.

Action Item: Scholarship Committee: Empire gives 15 continuing education scholarships, we received 27 applications. After discussion, motion by Mollenkopf to accept the recommendation of the scholarship committee and award the following people scholarships:

Theresa Berger
Ryan Jens Brewer
Ellen Davis
Logan Dean
Corissa Guynes
Jessica Guynes
Randy Haley
Zachary Hartle

Jaci Jordan
Nichole Kibel
Robert Ower
Colton Reynolds
Damiond Smith
Austin Wilcox
Jessica Willburn

Motion seconded McWilliams and carried. Brief discussion was held regarding what several other cooperatives do for lineman education.

Executive Session:

Motion by Sitton to go into executive session to discuss FastTrack and Totten Lake property sale. Seconded by Mollenkopf and carried. The board went into executive session at 11:20 a.m. The board came out of executive session at 11: 55

Action Item: Motion by Sitton to terminate the contract for the east side Totten Lake property with the Bacas based on Mr. Baca's breach of contract and to refund their earnest money. Seconded by Porter and carried with one no vote from McWilliams.

The board revisited the request for the Rhythm and Rhyme donation request. After discussion, consensus of the board that no funds be donated.

FastTrack:

Reported in executive session

Board Officer Election:

President Bauer turned the meeting over to Attorney Spear to conduct board officer and board representative elections. Spear said that elections could be done by either using a secret ballot and vote or by acclamation (a motion and vote). Board consensus was to conduct elections by secret nomination and secret vote.

Attorney Spear called for nominations for President. Bauer and Sitton were nominated by secret ballot. Sitton decline the nomination. Motion by Porter that Bauer be elected by acclamation. Motion seconded by McWilliams and carried.

Spear called for nominations for Vice-President. Sitton was only one nominated. Motion by Porter that Sitton be elected by acclamation. Motion seconded by McWilliams and carried.

Spear called for nominations for Secretary/Treasurer. Fetterman was only one nominated. Motion by Mollenkopf that Fetterman be elected by acclamation. Motion seconded by McWilliams and carried.

Board Representatives Election:

Action Item: Spear called for elections for board director representatives.

- Tri-State: Mollenkopf was only director nominated. Motion by Lindsay that Mollenkopf be elected by acclamation. Motion seconded by McWilliams and carried.
- CREA: Porter was only director nominated. Motion by McWilliams that Porter be elected by acclamation. Motion seconded by Lindsay and carried
- Western United: McWilliams and Bauer were nominated. Bauer declined. Motion by Sitton that McWilliams be elected by acclamation. Motion seconded by Lindsay and carried
- McWilliams and Porter will be alternate delegates for each other for Western United and CREA
- Fast Track: Bauer and Fetterman nominated. Bauer won by secret ballot.
- UREA: Fetterman, Sitton and Dellinger nominated. Fetterman won by secret ballot.

Adjournment:

Meeting adjourned at 12:20 p.m.

Bill Bauer, President

Jerry Fetterman, Secretary/Treasurer