

EMPIRE ELECTRIC ASSOCIATION, INC.  
MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
January 13, 2023

Regular meeting of the board of directors of Empire Electric Association, Inc. was held Friday, January 13, 2023, with the following directors present: David Sitton, Kent Lindsay, Bob Barry, Larry Archibeque, Norman Butler, and Corey Robinson. Others present: General Manager Josh Dellinger, Attorney Tyler Denning, Executive Secretary / HR Representative Shawna McLaughlin, Financial Manager Ginny Johnson, Operation and Engineering Manager Ken Tarr, and System Engineer Dalton Randolph. Attending by web conference: Director Jerry Fetterman and Business Service Manager Chris Snyder.

Others present by web conference: Members Heidi Brugger, Ken Curtis, and Emiko South.

President Sitton called the meeting to order at 8:30 a.m.

Approve Consent Agenda:

**Action Item:** Robinson moved to approve the consent agenda as presented, seconded by Lindsay. Motion carried.

Membership Input: No membership input.

Monthly Safety Report: Dellinger mentioned that we had a strong 2022 with no OSHA reportable accidents and only one minor injury when an employee twisted his knee. He reported that there was an accident last week involving one of our employees. He was programming the garage door while on a scissor lift. The garage door opened, hitting the scissor lift, causing the lift to fall over. It landed on another employees vehicle. The employee received a chin laceration that required stitches. There were minor damages done to the car, the lift, and the fire suppression system. Tarr explained what plans are being made to keep from having this type of accident happen again.

Correspondence:

NISC 2022 Patronage Capital Credit Summary  
Western United's Patronage Retirement  
Federated Member Update for December 2022  
Federated Report from the Board  
CRC Report from the Boardroom

Thank you from:

The Galloping Goose for the annual donation  
Camrianna and Nathaniel Richardson for the add-ons at the San Juan County Fair  
Mancos Elementary Fourth Graders for the safety demonstrations and the rides in the bucket truck

Policy Review/Action:

Policy 27: Service Award (11-13-2020): Dellinger explained that both staff and legal reviewed and no edits are suggested.

Policy 28 – Scholarship Program (12-11-2020): Dellinger stated that staff and legal reviewed and no edits are suggested. Fetterman said that the scholarship committee will meet to review this policy in the future.

General Manager Report:

Select Delegate and Alternate for NRECA Annual Meeting: Dellinger stated that the NRECA Annual Meeting will be held March 3<sup>rd</sup> – 8<sup>th</sup> in Nashville, TN. Voting delegates must appear in person. None of the Board members will be attending, therefore no delegate is needed.

**Action Item:** Select Delegate and Alternate for CREA Annual Meeting: The CREA Annual Meeting will be held February 22<sup>nd</sup> – February 25<sup>th</sup>. Lindsay moved to appoint Archibeque as the voting delegate and Barry as the alternate, seconded by Robinson. Motion carried.

**Action Item:** Select Delegate and Alternate for the Western United Annual Meeting: The Western United Annual Meeting is in conjunction with the CREA event and will occur February 23<sup>rd</sup>. Archibeque moved to appoint Barry as the voting delegate and Archibeque as the alternate, seconded by Lindsay. Motion carried.

Annual Review of Conflict of Interest Disclosure Statements: Dellinger explained that the Board and Key Staff recently filled out their annual conflict of interest disclosure statements. These statements are in the packet for review. Board reviewed them and there were no concerns.

Annual Review of Board of Directors Expenses and Compensation per Policy 15: Dellinger explained that Policy 15 requires the Board to annually review director expenses. The summary of expenses is in the packet for review. Board reviewed and there were no concerns. Barry mentioned that he spoke with FastTrack about staying the night in Durango during the winter to attend their board meetings. FastTrack has suggested that Empire Electric pay for his night stay in Durango. The consensus of the EEA board is that it is FastTrack's board meeting that he is attending so it is their responsibility to pay the expenses.

Annual Review of Deferred Revenue Plan: Dellinger explained that we deferred revenue in 2020 and the Board is required to periodically review our plan for recognizing that revenue. Staff does not recommend any changes to the deferred revenue plan at this time. The plan does allow for us to use some of the revenue in 2023, but the budget currently does not call for us to recognize any deferred revenue this year. Rather than changing the plan now, we recommend waiting until the end of the year to see if our budget holds. If it does and we do not need to use any deferred revenue this year, then we can update our plan at that time.

Review Annual Identity Theft Protection Measures per Policy 45: Dellinger explained that Policy 45 calls for the Board to do an annual review of our identity theft protection measures. The report is in the packet for the Board to review. Snyder noted that there was a breach of security at another cooperative and that we were able to learn from this event and have added some additional backup abilities and the capability to be able to respond if any breaches would happen here. He also spoke about some other additional security measures that we have put in place. The Board reviewed and a discussion was had on our risk, how we would respond if a breach happened and what our liability would be. Dellinger mentioned that in 2023, we will be sending out monthly cyber security trainings to our employees. This will help keep cyber security at the forefront. He asked the board if they would like these trainings as well. The Board agreed that these would be very beneficial to them. Dellinger will have the IT department start sending those trainings to the Board.

**Action Item:** Consider Capital Credit Retirement Proposal: Dellinger stated that the proposal is to retire 1/20<sup>th</sup> of the COOP capital credit balance in accordance with board policy #23. This proposal will retire 66% of the 2002 COOP capital credits balance. We also received a retirement from Tri-State that will retire 96% of the remaining 2000 G&T capital credits. Upon board approval we plan to process the retirement event around March 1st so that

members will begin receiving checks around the middle of March. Archibeque moved to approve the Capital Credit Retirement proposal as presented, seconded by Robinson. Motion carried.

**Financials:** Johnson reported on the financials for November. November continued on trend. Operating margin was above budget. We had more sales than expected due to having more services than projected. She explained budget variances for 2022. Kinder Morgan's usage has been higher than we expected. She stated that we will likely have enough money to do another deferral of revenue. We have not made some expenditures that were called for in the 2022 budget, which has led to us higher than expected margins. She explained that we would like to defer this revenue to a future time when we have the expenditures. Once 2022 financials have been completed, Johnson will determine how much revenue can be deferred and she will bring those figures to the Board for approval. Preliminarily, it looks like we may be able to defer \$600,000 and still be able to meet our financial goals and loan covenants. Board agrees with staff recommendations.

**Miscellaneous:** Dellinger mentioned that we are working with the City of Cortez on the franchise agreement that expires the end of the year.

Staff has been considering moving our 401(k) retirement plan from the NRECA to John Hancock/Edward Jones. This is still in the beginning stages but will need to be approved by the board if that is the direction we go.

Dellinger gave an update on the solar projects: Totten Lake was energized on December 19<sup>th</sup>, was tested and commissioned, and then began commercial production on December 28. Rocky Ford and Montezuma projects are still progressing. Rocky Ford is scheduled to come online in late February and Montezuma is scheduled for early-April.

Dellinger mentioned some strategic planning updates: Money was budgeted in 2023 to hire an architectural firm to start the remodel of the E&O facility to allow for a combined campus. Dellinger asked the board when the building committee would like to become involved. The board agrees that the committee should be involved from the beginning. Another strategic goal was to determine best practice for load growth. Dellinger explained that staff has been working on an online estimator tool that members can use to estimate their project cost. This tool allows a member to calculate a ballpark figure on what a service will cost them without having to wait for an Engineering Tech. Then if that figure is within their budget, they can pay the deposit and get their project started. This will streamline the process and allow the Engineering Techs to be more efficient with their time.

Robinson asked about the situation on EC-5 and what technical constraints are limiting the amount of distributed generation on that circuit. Dellinger explained that we are currently well-above industry standard guidelines for distributed generation penetration on that circuit. This is new territory for the industry, and we want to get some operational experience with a high-penetration circuit before allowing more to connect. We are also concerned about invertors not tripping immediately if there is a fault while crews are working the line hot. Randolph explained why it is necessary to put a temporary hold on that section. Discussion was had on the safety issues that could be caused by the back feed from the invertors. Discussion was also had on the ability for EEA to control distributed generators and shut them off when they are working the lines hot. EEA currently does not have this capability.

Director Roundtable: Sitton mentioned that someone has counterfeited his companies business checks and they are passing them around. The bank has been able to catch them all, but he wanted to make us aware that it was happening. Ginny mentioned that we use positive pay which protects us from this happening.

Attorney: Denning provided a written report. He stated that it was a quiet month, and he has nothing to add to his report.

Tri-State: Fetterman reported on the Tri-State meeting. This was a virtual meeting. He discussed the budget and the power supply usage. He talked about the Oracle project. Tri-State signed a contract for the Rifle plant

demolition. Next month will be strategic planning. Dellinger discussed the rate committee meeting. The rate committee took a poll on the various components of the packet. He showed the overall proposed packet and how the poll went on the different components of the packet. Consensus from the board is that Dellinger's votes on the poll were in the right direction.

CREA: Archibeque stated that there was not a meeting this month. Next meeting is on January 22, 2023.

Western United: Barry reported on the Western United meeting. He stated that the report was in the packet, and he doesn't have any additional information. They continue to be in a strong financial position, and EEA is continuing to get the supplies that are ordered.


Utah Rural Electric Cooperatives Association: Barry reported on the URECA meeting. A new CEO has been hired. Barry was part of the hiring process. There were seven candidates and Nathaniel Johnson was hired for this position. He will take over in February. Utah legislation will start the middle of the month. He will go up in February to participate in this.

FastTrack: Report will be in executive session.

Committees: There will be a building committee meeting coming soon. The scholarship committee will be meeting the end of February.

Executive Session: Robinson moved to go into executive session for discussion of FastTrack, seconded by Barry. Motion carried. Went into executive session at 11:35 a.m. Came out of executive session at 11:58 a.m.

**Adjournment:** Meeting adjourned at 11:58 a.m.



Jerry Fetterman, Secretary/Treasurer



David Sitton, President