

EMPIRE ELECTRIC ASSOCIATION, INC.
MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
April 13, 2018

Regular meeting of the board of directors of Empire Electric Association, Inc. was held Friday, April 13, 2018 with the following directors present: Bill Bauer, Jerry Fetterman, Kent Lindsay, Sue McWilliams, Bill Mollenkopf, John Porter, and David Sitton. Others present: General Manager Josh Dellinger, Attorney Barry Spear, Corporate Operations Manager Mary Thiesing, Finance Manager Ginny Johnson, and Executive Secretary Denise Rosenbaugh.

Others Present: Members Gala Pock and representing Cortez Celtic Fair - Kellie Willis and Randy McKnight

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

Approve Consent Agenda:

Action Item: Bauer called for approval of the consent agenda. Motion by Lindsay to approve the consent items. Motion seconded by McWilliams and carried.

Membership Input:

Randy McKnight discussed the upcoming Cortez Celtic Fair and requested a donation from Empire of \$500. The event will be a fundraiser for the Pinon Project. Motion by Lindsay to donate \$500 to this event. Motion seconded by McWilliams and carried.

Action Item: Margo Rosen & Brittany Story from CarlsonSV LLP presented the 2017 audit by video conference. After discussion, motion by Sitton to go into executive session for further discussion. Motion seconded by McWilliams and carried. Board went into executive session at 9:25 and came out of executive session at 9:40. Motion by Mollenkopf to accept the audit for 2017. Motion seconded by Porter and carried.

Correspondence

Thank you from:

- Colorado Women's task force for Empire's donation to their annual auction
- Cortez FFA for Empire's donation to their scholarship dinner
- Durango Power House Science Center for Empire's continued support
- Canyon Country Discovery Center for Empire's annual donation

Other correspondence:

- CFC Semi-annual interest payment of \$17,3698.17
- Federated Member Allocation (\$57,064 for 2017) and Distribution (\$18,071)
- CoBank 2017 patronage allocation and distribution
- MCCEDA is having their regional economic summit on April 25 and donated to Empire an all-day ticket as well as a ticket to the VIP reception at Four Seasons

Donation Requests:

Cortez Celtic Fair – already discussed.

Policy Review/Action:

Policy 23 – Financial goals. Dellinger noted that the edits reflect that we are no longer RUS borrowers. Recommend eliminating goals associated with RUS requirements and adding goals associated with CoBank and

CFC requirements. The DSC goals are set a bit above our loan requirements. The total equity goal remains at 30% which allows Empire to retire capital credits without any restriction. We also recommend adding a capital credit retirement cycle goal of 20 years to reflect the Board's recent direction and a distribution equity goal of 20%. Motion by Mollenkopf to accept amended Policy 23. Motion seconded by Sitton and carried.

Policy 24: Savings Program. Dellinger said there were a handful of wording edits and one clarification regarding which employees can participate in the 457(b) plan. Motion by Porter to accept amended Policy 24 as recommended by staff. Motion seconded by Lindsay and carried.

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

General Manager Report:

Action Item: Dellinger noted the two proposed resolutions included in the packet. Both concern Empire representatives who are authorized to sign financial transactions. One adds Ginny Johnson as an authorized signatory effective immediately, and the other removes Mary Thiesing as a signatory effective May 25th. Motion by Lindsay to approve the following resolutions:

Resolution 2 - 2018

RESOLVED, That the following officers and employees of this Association be, and they hereby are authorized, in the name of this Association and as authorized by board policies, to collect, discount, negotiate, endorse and assign all checks, drafts, notes and other negotiable or non-negotiable instruments payable to this Association, or in which this Association has an interest, and to draw, sign and deliver, in the name of this Association, checks or drafts against the funds of this Association.

President	William C. Bauer
Vice President	David W. Sitton
Secretary/Treasurer	Jerry Fetterman
General Manager	Joshua Dellinger
Corporate Operations Manager	Mary L. Thiesing
Finance Manager	Virginia A. Johnson
Accountant	Keslie Kidd

FURTHER RESOLVED, That for the purpose of deposit in the accounts of this Association, any officer or employee of this Association listed above may endorse, sign or deliver on behalf of this Association, any checks, orders or other evidence of indebtedness for the payment of moneys payable to the order of this Association;

FURTHER RESOLVED, That the authority of the aforesaid officers and employees to perform each and all of the powers conferred by the foregoing resolution shall continue until notice, in writing, terminating such authority, shall be served upon each Bank, and shall be noted upon the certified copy of such resolution delivered to Bank. This resolution supersedes all prior resolutions, which are hereby canceled.

and

Resolution 3- 2018

WHEREAS, Corporate Operations Manager Mary L. Thiesing will retire effective May 25th, 2018 and new signature cards are necessary to delete her from all accounts, effective May 25th, 2018;

RESOLVED, That the following officers and employees of this Association be, and they hereby are authorized, in the name of this Association and as authorized by board policies, to collect, discount, negotiate, endorse and assign all checks, drafts, notes and other negotiable or non-negotiable instruments payable to this Association, or in which

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Motion seconded by Porter and carried.

Action Item: After discussion, motion by McWilliams to appoint Bill Bauer to vote all of Empire’s votes at the Fast Track Annual Shareholder’s Meeting scheduled for April 13, 2018, with John Porter as alternate. Motion seconded by Sitton and carried.

Action Item: Dellinger discussed the CoBank Sharing Success program where they match Empire’s donations to nonprofits. He described how Empire has participated in this program in the past and noted that Empire can apply on behalf of up to three entities. There was discussion regarding which entities we should apply for this year. Names of five entities were put in a hat and these three were drawn: Four Corners Child Advocacy for \$2,000, \$1,500 for the Bridge Shelter, and \$1,500 for the Southwest Memorial Hospital Foundation. Motion by McWilliams to send these recommendations to CoBank. Motion seconded by Mollenkopf and carried.

Action Item: Dellinger discussed the Bid Analysis for two vehicles. Dellinger noted that it is Empire’s practice to replace trucks with high mileage. He also noted that replacing these two vehicles was included in this year’s budget. Motion by Porter to go with the lower bid from Keesee for each vehicle (bid sheet attached). Motion seconded by McWilliams and carried.

Dellinger reported that the consideration for the Totten Lake Solar PPA item on the agenda was a placeholder in case the PPA was ready for approval, but Empire is still working on this. Dellinger noted that the commercial operation date from Tri-State is firm and the economics fall apart if that date is not achieved. The vendor is confident it can make the date but would like a grace period in case it runs into an unforeseen obstacle. The vendor does not think it can find financiers if we cannot give them a grace period. It was asked if there was some way to ask Tri-State to consider working with Empire if we had a PPA signed and in place. Dellinger noted that Rapier has asked Tri-State and their response was that it had to be 100 percent functioning on that date. Mollenkopf said that this consideration would have to go to finance committee and then to entire board and if that’s what Empire wants to do, he suggests to do that now instead of waiting. The board directed Dellinger to write a letter to Tri-State to see if this could be a consideration. Mollenkopf will visit with Brad Nebergall ahead of time and Dellinger will send the letter.

Director Lindsay left the meeting at 10:40 a.m.

Finance Manager Johnson reported on the financials. Kinder Morgan revenue and therefore purchased power is down but did not affect margins. Residential revenue is under budget due to weather, purchased power variance is driven by Kinder Morgan, property expenses over budget as Kinder Morgan tax bill was double from 2017 to 2018. Selling Tri-State assets will also affect tax bill. Regarding distribution expense, insurance and property tax are switched in the budget and are trending over budget, and the reconditioning of the mobile sub is a timing difference. Property tax difference is all Kinder Morgan so we will be made whole at end of year.

Discussion was held regarding Kinder Morgan and the fact that usage is down with oil products going up. Dellinger showed the board the Kinder Morgan load forecast that is given to us every year around October and noted that it is fairly steady this year.

CREA is holding a joint manager and board legislative meeting at end of this month and information was included in the packet. Anyone that has any input was encouraged to let Porter and Dellinger know so they can bring those concerns to the meeting.

All parties are continuing to discuss dark fiber network agreement and Dellinger reported that he believes this to be moving in a positive direction. The main concern is allocation of the cost.

Dellinger reported on a national forest management brainstorm meeting in Durango he attended earlier this week. He said it was a diverse group and interesting session. Everyone agrees there are forest issues and agrees that the forests need to be cleaned up, but no one has a good idea about how to do what needs to be done. Discussion on Empire's roll regarding biomass generation followed.

Roundtable:

McWilliams reported on the legislative conference she attended in Washington DC.

Attorney:

Spear highlighted several issues Shay Denning has been working on: solar project PPA was reviewed; nothing new in FERC petition; second phase of the 115-kV transfer; and there is some progress with joint use agreement with Tribe and contract with Century Link is moving along.

Dellinger mentioned that we will be coming back with an idle services proposal at a future board meeting.

Tri-State:

Mollenkopf reported on the Tri-State meeting. Net margins are two million dollars ahead of projections as member sales were higher than budget. All financial ratios are in excess of requirements. Finance and audit committee had no action items. The Southwest Power Pool negotiations continue to progress. There was no legal report. No news on fire settlement issues. Annual meeting was quiet – just reports and membership meetings. Each VP brought up to date on year-end review. Mark Kelly was the speaker and had an excellent presentation.

CREA:

Porter reported on the CREA meeting as included in the packet. Discussion was held regarding net metering. He asked about Empire's near miss program and said that CREA has a data base on their near misses. It was noted that Federated Insurance also has a database for reporting and reviewing near misses. He highlighted several issues reported in the written packet from other cooperatives.

Western United:

McWilliams reported there was no meeting, but again, Western United is well ahead of budget. They are interviewing for the CEO position and do have some internal candidates.

Utah Rural Electric Cooperative

Dellinger attended the last meeting to let them know how much Empire appreciated their help in getting the bill passed to exempt cooperatives from PSC regulation when only a small portion is in Utah territory (this bill was signed by the Governor and is effective 5/8/2018). They changed their bylaws to make it easier for non-coop members to join and then voted on the South Utah Valley District's membership. They also added a conflict of interest section and director removal language to the bylaws. We have secured two nights at the Grist Bed & Breakfast and two tickets to Canyon Country Discovery Center and two 18-hole golf tickets for auctioning off at their annual meeting.

Committees:

None

Mollenkopf mentioned that Springer and Southwest in New Mexico are working on a merger.

FastTrack:

Discussed in executive session

Executive Session:

Motion by McWilliams to go into executive session to discuss FastTrack. Motion seconded by Porter and carried. The board went into executive session at 11:45 a.m. The board came out of executive session at 11:59 a.m.

Adjournment:

Meeting adjourned at noon.

Bill Bauer, President

Jerry Fetterman, Secretary/Treasurer