

EMPIRE ELECTRIC ASSOCIATION, INC.  
MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
August 10, 2018

Regular meeting of the board of directors of Empire Electric Association, Inc. was held Friday, August 10, 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 Shay Denning, Finance Manager Ginny Johnson, Operations Manager Ken Tarr, System Engineer Clint Rapier, Corporate Operations Manager Chris Snyder, Human Resources Representative Shawna McLaughlin.

Others Present: Gala Pock, Heidi Brugger, and John Huber. Youth Group - Ashley Cole, Donna Cole, Emily Cole, Britton Brewer, Jens Brewer, Madilyn Hankins and Kale Hall

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

Approve Consent Agenda:

**Action Item:** McWilliams noted that in July 2018 minutes she is listed as present and then she is also listed as absent. She was absent. Minutes will be amended. Sitton called for approval of the consent agenda. Motion by Mollenkopf to approve the consent items. Seconded by Lindsey and carried.

Membership Input: Joel Huber asked if he could to do a presentation in October regarding concerns to Policy 3 AMI Relocation and Opt Out policy. He would like to be put on the October Agenda as this would give time to allow others with the same concerns to come to that meeting. He also asked that Empire send out a notification that this will be happening. Attorney Denning stated that Mr. Huber's request would best be handled through Empire's complaint policy to ensure that Empire complies with its policies. Mr. Huber should work with staff before addressing the board. He will need to submit a letter to Dellinger addressing the issues that he has and allow Dellinger to address his concerns. Dellinger gave him a copy of the complaint resolution policy.

Correspondence:

Thank you from:

- Thank you from Community Connections
- Thank you from Thomas Anderson and Nathan Larson for the scholarship
- Thank you from United way for \$50 gift certificate
- Thank you from Emily Cole and Britton Brewer for Youth Leadership Camp
- Thank you from member for the heads up regarding maintenance on the transformer prior to the outage

Other Correspondences:

- CREA Workman's Comp Retention Update from Federated
- NRTC Memory Equity Summary and Information
- Notification from the San Juan Foundation inquiring about becoming a member of our coop
- Audit letter from the IRS.

Donation Requests: none

Policy Review/Action:

Policy 32 – Paid Time Off (PTO): Recommendations were to limit eligibility for the 8-hour PTO bonus to people that have been employed a complete calendar year and to add a provision regarding how to transition an employee

from a bargaining unit to a non-bargaining unit position. McWilliams moved to approve with the recommended changes and Porter seconded. Motion carried. Copy of Policy 21 attached hereto and made part of these minutes.

Policy 32a: PTO Conversion: Recommended eliminating this policy since the mass conversion has been completed. Motion by Bauer to eliminate policy and Fetterman seconded. Motion carried.

CREA Youth Tour Presentation:

Kale Hall, Britton Brewer, Emily Cole and Madilyn Hankins gave a presentation and a slide show of pictures from their time at the Youth Leadership Camp.

General Manager Report:

CREA Delegate & Alternative for the CREA Fall Meeting – Dellinger noted that we don't need a delegate or an alternate for this meeting since no business is conducted. McWilliams and Porter will be attending.

Basin Electric Power Cooperative Delegate and Alternative – No one from the board will be attending.

The board considered two resolutions and an agreement dealing with changing banking services to Vectra.

**Action Item:** Resolution 5-2018 set forth who can sign banking documents. Mollenkopf moved to approve Resolution 5-2018, McWilliams seconded, and motion carried. Resolution 5-2018 is as follows:

**RESOLUTION 5-2018**

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	David W. Sitton
Vice President	John Porter
Secretary/Treasurer	Jerry Fetterman
General Manager	Joshua Dellinger
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.

**Action Item:** The board considered Resolution 6-2018 which establishes the ability to use facsimile signatures with Vectra. Bauer moved to approve Resolution 6-2018, McWilliams seconded, and motion carried. Resolution 6-2018 is as follows:

**CORPORATE RESOLUTION  
FOR USE OF FACSIMILE SIGNATURES  
Resolution 6-2018**

Resolved, that Vectra Bank, be, and it hereby is, authorized and directed to honor as genuine and authorized instruments of this Corporation any and all checks, drafts of other orders for the payment of money drawn in the name of the Corporation and signed with the facsimile signature of the following:

Facsimile Impression	Genuine Signature
Facsimile Impression	Genuine Signature

Further resolved, that this Corporation assumes entire responsibility for the use of actual or purported facsimile signature (s) of any person or persons named in the foregoing resolution appearing on checks, drafts, or orders of this Corporation drawn on Vectra Bank, and for payments made by said institution in reliance thereon, which payments may be charged to this Corporation, regardless of by whom or by what means the actual or purported facsimile signature(s) are affixed, if they resemble the facsimile specimen(s) duly certified to or filed with Vectra Bank, by the secretary or other officer of this Corporation.

I further certify that there is no provision in the Charter or By-laws of said Corporation limiting the power of the Board of Directors to pass the foregoing resolution and that the same is in conformity with said Charter and By-laws.

**Action Item:** The board considered and agreement for using Facsimiles with Vectra. Fetterman moved to approve the agreement and authorize execution of the same, McWilliams seconded, and motion carried.

**Action Item:** The board considered Resolution 4-2018 for authorization to borrow from CoBank on behalf of the Cooperative. McWilliams moved to approve Resolution 4-2018, seconded by Mollenkopf, and motion carried. Resolution 4-2018 is as follows:

**RESOLUTION 4-2018 OF THE BOARD OF DIRECTORS**

WHEREAS, the above-named entity (the "Borrower"), under its articles of incorporation, bylaws, or other organizational documents (the "Organizational Documents"), has full power and authority to borrow money, to secure the same with its own property and property delivered to it for marketing or otherwise and to perform all obligations associated therewith.

WHEREAS, the Board of Directors of the Borrower (the "Board") has determined that it is in the best interest of the Borrower to become a member of CoBank, ACB ("Lender") and to enter into the transactions described in this Resolution.

WHEREAS, all prerequisite acts and proceedings preliminary to the adoption of this Resolution have been taken and done in due and proper form, time and manner, with the Board having full power and authority under the Organizational Documents to adopt this Resolution and legally bind the Borrower to the terms hereof.

NOW, THEREFORE, BE IT RESOLVED, that each of the following persons or positions President, Vice President, Secretary/Treasurer, General Manager, Finance Manager (the "Authorized Signatories") of the Borrower are hereby jointly and severally authorized and empowered to obtain for and on behalf of the Borrower from time to time, from Lender, a loan or loans or other financial accommodations (including, without limitation, interest rate swaps, hedges, caps, collars or similar arrangements designed to protect against fluctuations in interest rates (the "Hedging Transactions"), letters of credit, note purchase agreements and bankers acceptances) (each, a "Loan") and for such purposes: (1) to execute and deliver such application or applications (including exhibits, amendments or notes thereto)

as may be required for such Loan and all borrowings thereunder; (2) to obligate the Borrower to repay all amounts borrowed and pay such rate or rates of interest as the Authorized Signatories so acting shall deem proper, and in connection therewith to purchase such interest rate risk management products as may be offered from time to time by Lender; (3) to obligate the Borrower to such other terms and conditions as the Authorized Signatories so acting shall deem proper; (4) to cause the Borrower to become a member of Lender and to obligate the Borrower to make such investments in Lender as required by Lender; (5) to execute and deliver to Lender or its nominee all such written loan agreements, interest rate swap, hedge, cap, collar or similar agreement, including any master agreement published by the International Swap and Derivatives Association, Inc. and such other documents and instruments as may be required by Lender in regard to or as evidence of any Loan made or Hedging Transaction entered into pursuant to the terms of this Resolution; (6) to pledge, grant a security interest or lien in, or assign property of the Borrower or property of others on which it is entitled to borrow, of any kind and in any amount as security for any or all obligations (past, present and/or future) of the Borrower to Lender, and to execute and deliver to Lender or its nominee all such security agreements, pledges, mortgages, deeds of trust, financing statements and other documents as may be required by Lender in connection therewith; (7) from time to time to extend, amend, renew or refinance any such Loan and to execute and deliver all agreements, notes, instruments and other documents as may be required in connection therewith; (8) to reborrow from time to time all or any part of the amounts repaid to Lender on any Loan made pursuant hereto (whether for the same or a different purpose); (9) to execute and deliver to Lender such agreements, addenda, documents or instruments as may be required by Lender in the event that the Borrower elects to use Lender's electronic banking system (the "System"); (10) to execute and deliver to Lender any agreements, addenda, authorization forms and other documents or instruments as may be required by Lender in the event that the Borrower elects to use any services or products related to a Loan that are offered by Lender now or in the future, including without limitation an automated clearing house (ACH) service; (11) to direct and delegate to designated employees of the Borrower the authority to direct, by written or telephonic instructions or electronically, if the Borrower has agreed to use the System for such purpose, the disposition of the proceeds of any Loan authorized herein, and to direct Lender to deliver any property of the Borrower at any time held by Lender; and (12) to delegate to designated employees of the Borrower the authority to request by telephonic or written means or electronically, if the Borrower has agreed to use the System for such purpose, loan advances and/or other financial accommodations, and in connection therewith, to fix rates and agree to pay fees and to direct the proceeds of advances to authorized accounts. In the absence of any direction or delegation authorized in (11) or (12) above, all existing directions and/or delegations shall remain in full force and effect and shall be applicable to any Loan authorized herein.

RESOLVED FURTHER, that each of the Authorized Signatories is hereby jointly and severally authorized to: (1) establish a Cash Investment Services Account with Lender; (2) make such investments therein as any Authorized Signatory shall deem proper; (3) direct by written or telephonic instructions or electronically, if the Borrower has agreed to use the System for such purposes, the disposition of the proceeds therein; (4) delegate to designated employees of the Borrower the authority set forth in (2) and (3) above; and (5) execute and deliver all documents and agreements necessary to carry out this authority.

RESOLVED FURTHER, that each of the Authorized Signatories is hereby jointly and severally authorized and directed to do or cause to be done, from time to time, all things which may be necessary or proper to carry out the terms and intent of this Resolution.

RESOLVED FURTHER, that every act and action of any person heretofore executing any document or instrument delivered to Lender or its designee or required to create, make, enter into, perform, amend or confirm any obligation of the Borrower to or in favor of Lender, is hereby ratified, approved, adopted and confirmed as if it had been validly and lawfully authorized upon and as of the date of such act or action, notwithstanding any invalidity, defect or insufficiency that may exist or may have existed in the power or authority of such person then executing such document or instrument, and

every such person and each of the Authorized Signatories are hereby jointly and delegated all necessary power and authority to effect the foregoing.

RESOLVED FURTHER, that any of the Authorized Signatories are hereby authorized and directed to cast the ballot of the Borrower in any and all proceedings in which the Borrower is entitled to vote for the selection of a member of Lender's board of directors or for any other purpose.

RESOLVED FURTHER, that this Resolution shall remain in full force and effect until a certified copy of a duly adopted resolution effecting a revocation or amendment, as the case may be, shall have been received by Lender; provided that no such revocation or amendment shall affect the validity of any action or actions made or taken in reliance on such resolution(s) prior to the effective date of revocation. In addition, all authorities herein granted shall apply with equal force and effect to the successors in office of the Authorized Signatories herein named.

RESOLVED FURTHER, that effective on the date when this Resolution is delivered to Lender, any and all prior resolutions authorizing and empowering Authorized Signatories of the Borrower to take actions as described herein are hereby revoked; provided that no such revocation shall affect the validity of any action or actions made or taken by Lender prior to the effective date of revocation.

RESOLVED FURTHER, that the Secretary or any Assistant Secretary of the Borrower is hereby authorized and directed to certify to Lender a copy of this Resolution, the names and specimen signatures of the Authorized Signatories, and if and when any change is made in the personnel of any Authorized Signatories, the fact of such change and the name and specimen signatures of the new Authorized Signatories. Lender shall be entitled to rely on any such certification until a new certification is actually received by Lender.

Financials were reported on by Johnson. Johnson attended the Tax, Finance and Accounting Conference for Cooperatives and reported that cyber security was one of the major themes. She noted that the rate consultant who presented the rate structure class noted that a lot of cooperatives are struggling with getting the data required for more complex rate designs. Johnson also reported that RUS is reorganizing and that there hasn't been an administrator for a while. Johnson stated that the final property tax valuations didn't change from the preliminary valuation although the state agreed with our concerns in the appeals process. The IRS audit will be a major focus during the next 30 days. A graph was added to the packet illustrating the change in KW demand. The budget variance in the 2018 gross margin is largely due to demand. Johnson noted that the decrease in gross margin over the prior month was due to a correction in the Kinder Morgan customer charge. Johnson explained that the customer charge is recalculated every December, but we didn't update the billing spreadsheet, so we were billing at 2017 levels. Lindsay stated that irrigation is going to start going down.

Dellinger reported that staff is evaluating what it would take to replace Cannon meters with L&G meters. The initial plan was just to replace the Turtle meters, but we have discovered that the Cannon system is not capable of providing us with the data we need to do a thorough rate analysis. Meters can capture the data, but the communications system cannot bring the larger data set back. Discussion ensued.

Dellinger discussed strategic planning and noted that CFC's schedule is filling up and it would be good to go ahead and get on their calendar. Dellinger proposed dates and consensus was to schedule strategic planning for April 16 and 17, 2019.

Dellinger reported on flooding that occurred at the headquarters building on July 17, 2018 due to a heavy rainstorm that overloaded our drainage systems. We submitted a claim to our insurance, but it was denied because our policy does not cover this type of flooding. It cost around \$4,000 to clean everything up.

Dellinger reported on continuing efforts to establish a delivery point for Monticello at the Pinto substation. A preliminary estimate is \$3 to \$4 million for this project. We are presently getting more refined estimates. Tri-State has said they will contribute a portion to the costs.

Rapier stated that the fencing around northern property at Totten lake will cost around \$6,000 to \$8,000. Once we secure the area, we may want to clean it up. It has become a dumping ground.

Dellinger discussed distributing generation messaging. We looked at previous messaging and the tone was a bit rigid. We tried to change it to a warmer, friendlier tone for our next messaging cycle.

Tri-State has asked us to complete a survey similar to the one we completed last year. Dellinger asked if the board would like for him to email it to them or if they would like to work on it together. The board would like to do it independently. Dellinger will email it out and the board will need to return it by next Friday.

#### Director Roundtable:

McWilliams stated Rick Gordan asked her if she would serve on the Policy 115 committee. Tri state is looking at this policy to see what changes need to be addressed. There were several presentations from other co-ops. There will be another meeting on August 23, 2018. Polling shows that the majority is against subsidization. The committee is also discussing whether battery storage should be in this policy or a standalone policy. Attorney Denning asked McWilliams whether the committee has discussed anything regarding FERC. McWilliams stated they did not address that, but she will mention it at the next meeting. Discussion ensued.

Porter reported on the Montezuma County Fair. He provided a chart of amounts that livestock were selling for information purposes for next year. We purchased 8 animals. They went \$52 over budget. Tomorrow is San Juan County's fair that Porter and Bauer will be attending.

#### Attorney:

Denning stated that Spear is retiring officially in December. He will attend his last meeting in October for the board. Independent Contractors Agreements is being revamped. Joint use agreement with the Tribe is still pending. Spear has contacted the Tribe to get this completed. Century Link agreement has been completed and will be signed once they agree that we are off their poles. Updated that we still have no word from FERC regarding the Tri-State case and they are watching what happens with Policy 115 committee very closely. Denning attended DMEA's Policy 316 complaint hearing at Tri-State and reported on this event.

#### Tri-State:

Mollenkopf reported that they reviewed Policy 115 applications. The E&O committee approved nine Policy 115 contracts. The new table is coming out so there is a rush to get these contracts approved. Went through O&M budget and rate review. Each Vice president got up and presented their portion of the budget along with a strong emphasis on cost reductions. Rates will remain unchanged for next year. Forecast a .9% increase for 2022. Set all time member load for peak of 3037 megawatts. This was set on July 10<sup>th</sup>. It was a 4% growth from previous peak. In the month of June 33% of the member sales were generated by renewables. Margin estimate is such as Tri-State should have \$100 million in deferred revenues at year end. 120 RFP's were submitted for review regarding renewables. Financials are in good shape.

#### CREA:

Porter discussed CREA's meeting as included in the written packet.

#### Western United:

McWilliams reported that there was no meeting, but financials were sent out. Record breaking year. Sales were above projections. Two internal candidates were interviewed to replace the CEO when he retires. Greg Mordini and Dan the COO in the Brighton office are the candidates.

#### Utah Rural Electric Cooperative:

Dellinger applied for exemption from the PSC in the State of Utah under the legislation that was passed earlier this Spring and we were approved for that exemption.

Committees:

Board Committee Selection – Sitton recommended changes to the Board Committees.

**COMMITTEES  
as of August 2018**

**By-Law / Articles Committee**

John Porter  
David Sitton, ex officio  
Sue McWilliams  
Bill Mollenkopf  
Bill Bauer, Chairman

**Scholarship Committee:**

Sue McWilliams  
Kent Lindsay  
John Porter, Chairman  
Jerry Fetterman  
David Sitton, ex officio

**Building Committee:**

John Porter  
Bill Bauer  
David Sitton  
Ken Tarr, Chairman  
Josh Dellinger  
Chris Snyder  
Kent Lindsay

**Youth Camp Committee:**

Kent Lindsay  
Sue McWilliams  
Shawna McLaughlin  
Denise Moore  
Bobbe Jones, Chairman  
David Sitton, ex officio

**Capital Credit Improvement Committee:**

Jerry Fetterman  
Bill Mollenkopf  
Josh Dellinger, Chairman  
Ginny Johnson  
Bill Bauer  
David Sitton, ex officio

**Survey Committee:**

John Porter, Chairman  
Sue McWilliams  
Josh Dellinger  
Jerry Fetterman  
Bill Mollenkopf  
Chris Snyder  
David Sitton, ex officio

Executive Session: Bauer moved to go into executive session to discuss FastTrack, insurance claim complaint, and Tri-State. McWilliams second and motion carried. The board went into executive session at 10:56 p.m. The board came out of executive session at 11:31 a.m.

FastTrack:

Discussed in executive session.

**Adjournment:**

Meeting adjourned at 11:32 a.m.

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David Sitton, President

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Jerry Fetterman, Secretary/Treasurer