

EMPIRE ELECTRIC ASSOCIATION, INC.  
MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
February 9, 2018

Regular meeting of the board of directors of Empire Electric Association, Inc. was held Friday, February 9, 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, System Engineer Clint Rapier, and Executive Secretary Denise Rosenbaugh.

Others Present: Members Heidi Brugger, Gala Pock, Ellen Foster, Sonja Horoshko, Read Brugger, Betty Kolner, Gail Lavey, and Michael Lavey

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 the safety summary and reported that an employee was stepping up into a house to help an electrician and as he stepped up, he hurt his knee. He has been diagnosed with a torn meniscus and will have surgery, which will result in a lost time accident. Also discussed was a gentleman who caught a guy wire with a skid steer resulting in pulling our wire down. He got out of the skid steer and the line was still energized. Thankfully, no one was hurt. Empire advertises the dangers of downed power lines, but sometimes people are not thinking of all our publications when these things happen. Motion by McWilliams to approve the consent items. Motion seconded by Fetterman and carried.

Membership Input:

Heidi Brugger asked about Empire's solar garden production and whether Empire has achieved record levels. System Engineer Rapier said our peak is 21 kW and we had a day where it produced 20.9. We have had a couple of failures in monitoring but not in production. Brugger also asked if Empire has a new contractor for its solar installation at Totten Lake and Dellinger replied that Empire has not signed anything. We are still evaluating the project and we are cautiously optimistic the project will continue even with the solar tariffs. Discussion of the solar project being looked at by both the Ute Mountain Ute Tribe and the City of Cortez.

The question was asked regarding individual people putting up solar system on their homes and if there would be any collaboration with Empire on allowing members to purchase panels in conjunction with Empire to possibly get a discount on purchasing a large volume at one time. Dellinger replied that Empire has not bought anything from anyone yet, so there is no opportunity for that right now; and, Empire may not be the one purchasing the panels if we set up a PPA. If we do not do a PPA, we could ask the contractor to see what they think about this. McWilliams noted that Western United Electric (WUE) had a solar panel supplier that we could buy from, but that company has gone out of business. WUE is presently looking for another supplier. Rapier mentioned the Solar Barn Raising group as a possibility for getting volume discounts on solar panels.

Correspondence

Thank you from:

- Pinon Project for Empire's donation to the 2017 Christmas for Kids Program – this donation was from both the employees and Empire as a cooperative
- DARE for Empire's annual donation to their D.A.R.E. program which enables them to buy t-shirts for all students in the program
- Pleasant View Elementary School for Empire's donation of door prizes to their fundraiser
- Energy Outreach Colorado for Empire's matching funds to their program

- Four Corners Child Advocacy Center for Empire's annual support
- Hospice of Montezuma for Empire's annual donation

Other correspondence:

Dellinger noted several pieces of correspondence from the written report:

- National Endangered Species Act Reform Coalition thank you and update
- Water Information Program thank you and update
- Letter of appreciation from a member who lived in another state and moved here and appreciates customer service received from Empire and its employees
- Formal application for Ute Mountain Ute Tribe for their proposed solar project

Brief discussion regarding a letter to the editor on the CRC call center recently implemented by Empire. Dellinger noted that Empire is not shipping jobs out of the area – no one is getting laid off or demoted and that this decision was made to provide better services to our members during non-working hours. The letter was not written by a member and there was misinformation in the letter.

Donation Requests:

Read Brugger discussed the Cortez Community Gardens project where they are asking for \$500.00 payable to the Good Samaritan Center to purchase a drip irrigation system for the expanded garden space at the Cortez Recreation Center. The City will provide the land and water and fencing. Cliff Rose will design the system and provide materials at less than retail. Slavens is providing lumber for raised beds. Colorado Hydroponics donated 20 bags of soil amendments to it. Mike Lavey presented a letter of support from Dean Palmquist, Director of Parks and Recreation for the City of Cortez. Gail Lavey (representing the Good Samaritan Center) spoke in favor of this project and noted that they are partnering with SW FarmFresh.

Policy Review/Action:

Policy 19 - Local Vendor Preference policy: Dellinger noted there were a handful of edits that clarify the intent of the policy to give preferential treatment on pricing to local vendors, but still allow other factors to be considered when evaluating bids. No suggested changes to pricing scale. Motion by Porter to accept amended Policy 19. Motion seconded by Sitton and carried.

Policy 20 - Rate Design: Dellinger went over the suggested edits to this policy. Most edits are non-substantial edits meant to add clarity. After discussion, motion by Lindsay to approve Policy 20 as amended. Motion seconded by Porter and carried.

Copies of both policies are attached hereto and made part of these minutes.

General Manager Report:

**Action Item:** CFC/NCB solar loans was revisited from last month's board meeting. If we agree to offer the CFC/NCB program, we will not be able to offer or advertise any other competing programs per an exclusivity provision in the contract. Presently, no local banks offer any competing program; however, 1<sup>st</sup> SW Bank in Durango works with LPEA to offer an energy efficiency program that could be considered competition and the Cortez branch could likely easily offer the same. NCB would be willing to do a very specific carve out in the contract for this specific program, but any future competing programs would not be allowed. Discussion followed. After discussion, motion by Fetterman to move forward in offering the CFC/NCB program to our customers for solar electric projects with caveat that we send RFQs to local banks to see if they are interested in doing the same thing. Motion seconded by Porter. Discussion followed. It was noted that the NCB program will require minimal effort from EEA and the 1<sup>st</sup> SW Bank program requires more effort from LPEA. Spear mentioned that if you send an RFQ and a bank responds, then you violate the NCB exclusivity clause. After considerable discussion, Fetterman

amended his motion to take the “caveat out” and move forward with CFC/NCB. Porter agreed with the amended motion. It was noted that we have had no requests from consumers regarding this. Upon a call for the vote, the motion passed four ayes and two no’s – Sitton and Mollenkopf.

**Action Item:** The RUS Prepayment Penalty discussed at last month’s board meeting was revisited. Thiesing included Empire’s year end financials with both the pre-payment penalty being recognized this year and it being amortized for the life of the loan. Since we are no longer an RUS borrower, we have options to account for this transaction. Recognizing it this year will make operating margins negative, but bottom line will still be positive. We will not meet our financial goals policy, but we would not violate any of our loan covenants. Both CFC and CoBank covenants consider multi-year debt service coverage averages. The past two years have been strong years, so as long as we have decent years for the next two years, we should not be in any danger of violating our covenants. If we chose to amortize, we will have to consider the penalty in our rate base and it will put upward pressure on rates for the term of the amortization. The Auditors are okay with both treatments and both are acceptable under GAAP. Thiesing recommends recognizing the pre-payment penalty in one year as the better decision for our members since it will not cause upward rate pressure. It was reiterated that the penalty is \$2.8million but the overall savings was above that, so refinancing saved us money overall. Motion by Sitton to recognize the pre-payment penalty in 2017. Motion seconded by Mollenkopf and carried.

Thiesing reported on Empire’s financials. We have had a few changes from the estimates in the packet, including a higher than anticipated capital credit allocation from Tri-State and tax adjustments. There will be some corrections related to Kinder Morgan and that will be taken care of in the reconciliation. That is the biggest unknown right now. In retail revenue, there was a decrease of about \$40,000 mostly due to the loss of load at Western Excelsior and decreases in residential usage.

Porter thanked staff for adding the graphs on pole replacements and miles of lines – discussion followed. Consensus of the board that it would be nice to have histograms of last 24 months.

No large power subdivision agreements for this month.

Dellinger reported that Empire closed on the warehouse property on Wednesday.

Dellinger also noted that Empire is no longer doing disconnects for non-pay (DNP) reconnects in the middle of the night. We will do connects up to nine at night. Our rules and regulations say we have 12 hours to reconnect once bad debt is paid. Staff has concluded that members have ample opportunity to pay bill before being turned off, so we should not compromise safety or subsidize DNPs by doing reconnects at night. The member has about 46 days from the first billing notice until they finally get turned off. Multiple calls and mailing notices are given during these 46 days. It was noted that our present \$45 reconnect fee doesn’t come close to covering actual costs and it is safer to send personnel to do reconnects in the daylight hours. It was also noted that with new metering system, automatic reconnects should take care of vast majority of DNP reconnects.

Dellinger noted the Tri-State asset transfer is moving along. Now that we have received the all property lien release from RUS, we hope to do the second closing in next month and the third and final closing by end of year.

Discussion was held regarding charging stations (as discussed at last month’s board meeting) and Dellinger noted that he included a summary in the written board packet and highlighted a few things from the summary.

Dellinger informed the board that we hired a new staff secretary, Lauren Ralstin to replace Chris Hill who is retiring.

Question was asked if it is possible to get “data dumps” on net metering to make available to the public. Thiesing replied that we do get hourly data on L & G but not the Cannon meters, but she will look into it.

#### Roundtable:

The donation request for the Cortez Community Garden was revisited. Motion by Mollenkopf to donate \$500 to the Good Samaritan Center for this cause. Motion seconded by Porter and carried. It was noted that the board would like to receive a status report on the community garden.

#### Attorney:

Spear updated the board on the FERC petition and noted they have filled the commission, so they should start reviewing cases again. We don't know when the Tri-State case will be reviewed. Denning has been working with Clint on Joint use agreement with CenturyLink and it is near completion. Negotiations are happening on the Joint Use agreement with the Ute Mountain Ute Tribe but Empire still has two more years on the existing contract. Dellinger and Denning have been working on the BIA right of way issues, and Denning worked with Denise on workman's comp forms to make sure independent contractors are properly treated under workman's comp. There will be an update on FastTrack and Pathnet Fiber in executive session.

#### Tri-State:

Mollenkopf reported on the Tri-State meeting. Annual meeting is scheduled for April 4 and 5<sup>th</sup>, and the guest speaker will be Mark Kelly who is retired astronaut. He also reported on the finances: yearend unaudited, ends up with \$68 million in net margins – budget was \$75 million. He noted that \$6.7 million will be put in deferred revenue to help with rate stabilization. Financial goals have all been met. Tri-State is completely out of San Juan Station now. Mollenkopf went over a PowerPoint which discussed the financial issues: scenarios regarding deferred revenue, write off of Holcomb and debt maturing in 2019. He also discussed Debt Service projections and the results. He gave an Energy Risk Management Update for residential electric cost to median household income and December Operational Highlights, including the Craig 3 forced outage.

#### CREA:

Porter discussed CREA's meeting as included in the written packet. A FERC representative discussed her perspective and she had noted NRECA has been very helpful to her. Renewable portfolio mandate is expected to be a big issue in the legislature soon. San Luis Valley has over 2000 broadband members; United proceeding with batteries; Gunnison sales are down because of no winter and sage grouse issue is an issue for them; LPEA formed a sub-committee to develop their strategic plan with a report due to the LPEA board in three months; Southeast has new solar project in the works and full fiber to all members.

#### Western United:

McWilliams reported on the strategic planning with the board. Biggest issue is replacement of Mike when he retires in 2019. Executive committee will start getting the questions and interviewing of internal candidates and have new candidate work alongside of Mike. Financials are 30% ahead of budget and last year. Biggest sales are in St George area and for United Power.

#### Utah Rural Electric Cooperative

Dellinger noted he sent out an email regarding the legislation that was introduced which would exempt smaller out-of-state cooperatives who serve a small portion of Utah from PSC regulation. In the full house, the vote was 69 to 0 and is now in the senate.

#### Committees:

Scholarship Committee meeting will be Feb 20<sup>th</sup> at 3:00 in the afternoon.

#### FastTrack:

To be discussed in executive session.

Executive Session:

Motion by Porter to go into executive session to discuss Fast Track, Dark Fiber, City of Cortez Solar Project and personnel issues. Motion seconded by Lindsay and carried. The board went into executive session at 11:20 a.m. The board came out of executive session at 11:44 a.m.

**Adjournment:**

Meeting adjourned at 11:45 a.m.

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Bill Bauer, President

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Jerry Fetterman, Secretary/Treasurer