

EMPIRE ELECTRIC ASSOCIATION, INC.
MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
January 12, 2018

Regular meeting of the board of directors of Empire Electric Association, Inc. was held Friday, January 12, 2018 with the following directors present: Bill Bauer, Sue McWilliams, Bill Mollenkopf, and John Porter. Director Fetterman attended by teleconference. Others present: General Manager Josh Dellinger, Attorney Shay Denning, Corporate Operations Manager Mary Thiesing, System Engineer Clint Rapiet, Operations Manager Ken Tarr, Member Services Manager Bobbe Jones and Executive Secretary Denise Rosenbaugh. Absent: Kent Lindsay and David Sitton.

Others Present: Members Heidi Brugger, Gala Pock, Ellen Foster and Laurie Dickson, representative from 4CORE

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. Motion by McWilliams to approve the consent items. Motion seconded by Porter and carried.

Membership Input:

Laurie Dickson, Executive Director of 4CORE gave an overview of the Refuel Colorado program that is sponsored by the Colorado Energy Office which oversees the Charge Ahead grants. She distributed and discussed this program. They are developing mapping structure where electric vehicle charging stations are. She would like to see Empire Electric be a part of this program.

Heidi Brugger asked if we got any response regarding Empire's approach to legislative representatives opposing the tariffs on solar panels. This was discussed at last month's board meeting and the action Empire took at that time was to approach Colorado Rural Electric Association (CREA) with her concerns. CREA discussed this and decided to remain neutral. It was also noted that Tri-State had a discussion regarding this as well. It was noted that this was a presidential and not a congressional decision.

Correspondence

Dellinger noted several pieces of correspondence from the written report: CFC board report; Federated Insurance's equity statement and distribution from 2009 of \$8,528.00; Federated board report; update from Club 20; update from the Water Information Program; and letter from a member about the warehouse property with Dellinger's response.

Thank you from:

- Taste of Seasons for Empire's support of United Way

Other correspondence:

- \$100 restitution from embezzlement case for a total of \$595 received so far
- CARE and ACRE packets for anyone who is wanting to become a member

Donation Requests:

none

Policy Review/Action:

Policy 38 – Inactive Employee Benefits and Policy 42 – Employee Retirement are out of the review order schedule, but staff discovered a conflict regarding how long Empire will pay medical insurance after an employee separates. One policy said age 65 and the other said Medicare eligible. We assumed the intent of age 65 language was to mean Medicare eligible. There is potential for conflict as some employees can be inactive and retired at the same time. Policy 38 has minor changes and clarifies that inactive employees will receive HRA benefits according to the provisions of this policy only. Policy 42 was edited to say that Empire will pay a portion of medical insurance until the retiree becomes Medicare eligible, and a sentence was added noting that sick leave would be converted to an HRA per the union contract. Attorney Denning made the recommended edit to say “for affected employees” at the end of the sick leave sentence to clarify that it applied to union employees. After discussion, motion by Mollenkopf to approve Policy 38 and 42 as amended. Motion seconded by McWilliams and carried. A copy of these policies is attached hereto and made part of these minutes.

General Manager Report:

Action Item: Dellinger presented the composition of board district analysis required under Empire’s bylaws. Discussion held regarding the fact that the average is 1813 members per district and highest and lowest is within less than ten percent of the average. Attorney Denning said she thinks since there is less than ten percent deviation from the average she feels comfortable with the equal representation of districts. Discussion was also held regarding Dove Creek, Monticello and Ute Mountain Ute Tribe representation. Motion by Mollenkopf that equality of representation exists and no action is necessary to re-delineate districts. Motion seconded by McWilliams and carried. A copy of the analysis is attached to these minutes.

Discussion was held regarding CFC partnering with NCB to provide distribution cooperative members the ability to provide loans for solar installations. Staff looked into the program and one of the requirements was that we cannot offer or advertise any other competing loan program if we use this one. The consequence would be if we offered this and a local bank offered something similar, we could not work with the local bank. Presently, there are no entities that offer this type of loan in our territory. Attorney Denning noted that 1st Southwest Bank has partnered with La Plata Electric Association (LPEA) to provide an On-Bill Financing Program, but due to the maximum loan amount in the program, it is unclear whether this would be considered a competing program if Empire were to do something similar to LPEA. Discussion followed. Consensus is that we don’t like exclusivity clause in contract, but we’d like to be able to offer the program to members since nothing else is presently offered. McWilliams asked staff to check with CFC/NCB on exclusivity and come back to next meeting with more information. Denning and Thiesing will research 1st Southwest Bank’s offering to see if it would qualify as a competing program.

Per Empire’s Policy 45 Identity Theft Protection, Dellinger gave an update to the board regarding Empire’s identity theft prevention efforts. Information on Empire’s efforts was included in the board packet and Dellinger described these efforts.

The selection of annual meeting judges was discussed. Consensus of the board that we select Elena Prickett, Cookie Pickens and Ruby Gonzales (they have served for Empire for the past few years) to serve as election judges for the annual meeting in June. An alternate will be selected from the following members at the time of the annual meeting, if needed: Lloyd Doerfer, Rebecca Samulski and Lillie Gallegos.

CREA and WUE Annual Meeting Delegate and Alternate were selected. John Porter will serve as the delegate with William Bauer as alternate.

Thiesing reported on the financials. Empire continues to have a strong year – operating margins are up largely due to pre-capitalized labor for the AMI project. Although there is an unknown with the Kinder Morgan true-up,

we don't anticipate significant change in operating margins. We are hoping to get December closed first week of February. All in all, Thiesing expects strong financials at year end. All ratios are in good shape.

Dellinger raised the question of whether to continue to include subdivision and large power agreements in the consent approval or just report on those during the General Manager's report. He noted that oftentimes these agreements need to be signed prior to board meetings so that the projects can move forward. He also noted that for the vast majority of these agreements we use a standard contract that has been approved by our attorney. Consensus of the board was to remove these from the consent approval section and have Dellinger report them in his manager's report. Denning noted that we need to check the delegation of authority policy to ensure Dellinger has the authority to sign these agreements, and if not, the policy would be brought to the board at the next meeting to clarify this authority.

Dellinger asked the board if they wanted the auditors to present the audit report in person or by teleconference. Consensus of the board that teleconference is fine.

Dellinger reported that the CSRs have been engaging members to find out what they are interested in and those results are included in the written packet. Also included in the packet were the statistics about website activity and the note that the personal video messaging was costing too much per message so that program was eliminated.

Dellinger noted that Empire will start charging an engineering deposit. We did an analysis and found that 9.5 percent of the staking technicians' total work hours is going towards projects that get cancelled. We think that is a significant enough percentage to warrant a deposit. We will continue to do the initial site visit and give a rough estimate for free; but if the member wants a formal quote and detailed design, then we will charge a deposit at that time. That deposit will go towards the cost of the project so costs are not increasing, they will just be paying a deposit upfront. These deposits will vary per rate class: \$500 for residential, \$600 for single-phase general and irrigation, \$900 for three-phase general and irrigation, and \$2000 for large power. If a job gets cancelled, we will do a true-up and refund any of the deposit amount that has not been spent.

Dellinger reminded the board that when we updated the net metering tariff, we changed the true-up from December to April. Since that is a transition, for this true-up cycle this year we are allowing the member to choose to true-up in December or April.

Dellinger asked the board to look at the material provided in the board packet and let him know if there is anything in packet they would like changed – any information not useful that can be eliminated, or additional information they would like to see. Porter mentioned that the month to month comparison of service order and system improvement data is not really helpful. He'd like to see this data in a graph that compares multiple years.

Brief discussion was held regarding the tree trimmers and if the cycles are adequate.

Roundtable:

Mollenkopf reported he attended an LPEA board meeting and that was entertaining. Discussion of accuracy of information regarding Tri-State at those board meetings. Member Heidi Brugger asked if there is a possibility of looking at Empire's strategic plan as she doesn't believe it's easily available. The board noted that we should be able to get her a copy of it. Denning mentioned that she will like to review that strategic plan before it's made available to members to make sure we do not need to redact any confidential information, such as member information or attorney-client privilege communications, before providing the report.

McWilliams said she would like to attend the Legislative conference in April as she is president of CARE and believes it's a good conference to attend.

Porter asked about the benefit of scanning work orders and it was noted that it makes it much easier to search these documents electronically.

Attorney:

Denning said she would like to discuss the dark fiber agreement update in executive session. Rapier and she had a meeting with CenturyLink and believes we are close to getting the updated pole attachment agreement. With respect to the tribe, we continue to remind them and ask them where they are at on their review of the joint use agreement. Denning reported we still have not heard from RUS regarding the release of property and hope to hear soon so that the warehouse property sale can be completed. She will discuss the BIA ROW question with Dellinger after the board meeting. She reported that FERC still has not made any decisions regarding the Tri-State question.

The board asked if Attorney Spear is now retired and Denning replied that his official title is “of counsel” and he plans to continue working through 2018. He and Denning will try to split the board meetings like last year. She noted that they will coordinate on projects but only bill one person’s time for such coordination.

Tri-State:

Mollenkopf reported on the Tri-State meeting. First day was litigation and next day and half was strategic planning session. Topics included: discussion and breakout session on green ambitions, distributed energy resources, organized markets, CEO succession, awareness and affordability (member relations), Holcomb plant, renewable RFPs, financial goals. Mollenkopf reported that Carol McDuff retired after 41 years at Tri-State. Tri-State’s financials look good. He handed out the Priorities and Initiatives information, and there was discussion regarding Kit Carson and how they are getting their renewables and other cooperatives are exploring how that works.

CREA:

Porter mentioned he asked CREA to take up the solar tariff discussion and CREA believed their comments would not be effective on international trade dispute. CREA prefers to lobby on issues where they think they can make a direct difference in the outcome. Potential legislation to edit the renewable energy standard is being considered. No recommendation of net metering rule changes. Guest speaker said we will be dealing with endangered species act for a long time. The loss control person from CREA, Dale Kishbaugh, gave a good presentation and he thinks RESAP program is good. Porter highlighted several issues from the directors forum: United is putting in big battery storage; San Luis Valley has cash security issues from the marijuana industry; Morgan County gave two million dollars in capital credits; Intermountain has a lot of growth in their area; DMEA has over 3,000 signed up for broadband; SMPA is implementing its first rate increase in 6 years; Holy Cross is doing cost of service after AMI got off ground.

Discussion was held regarding CREA’s JT&S program. Tarr believes Empire spends a good deal of money for that program and it seems like what we get may not be worth the money. They come four times a year for a week at a time, but because of travel, they typically only spend two days of that week on site.

Western United:

McWilliams said there was not a meeting in December, but the newsletter and financials were sent out by email. Western United is up \$16 million over last year and 30% ahead of budget. They have expanded into Utah and are doing well.

Utah Rural Electric Cooperative

Dellinger attended the board meeting via teleconference. URECA received clarification from the state that the capital credit statute only applies to cooperatives headquartered in Utah. This is how we were interpreting the statute, but it is nice to have that confirmation. URECA hopes to support a bill this year in the legislature that will

exempt out of state cooperatives from having to comply with PSC regulation as long as they comply with their home state's regulation. This will allow us to treat all our members equally.

Committees:

McWilliams reported on the Youth Tour Committee and noted the winners were listed in the written packet. She said the committee was disappointed in the number of applications.

FastTrack:

To be discussed in executive session.

Executive Session:

Motion by McWilliams to go into executive session to discuss Fast Track, Dark Fiber, and the accounting of the RUS pre-payment penalty. Motion seconded by Mollenkopf and carried. The board went into executive session at 11:20 a.m. The board came out of executive session at 12:15 p.m.

Consensus of the board that we not entertain the idea of a charging station at Empire Electric's headquarters but the idea and promotion of a charging station is a good idea.

Consensus of the board that recognizing the pre-payment penalty in one year seems to be a good idea. Thiesing will bring additional information to discuss in general session at next month's board meeting.

Motion by Mollenkopf to go back into executive session to discuss General Manager performance review. Motion seconded by McWilliams and carried. The board went into executive session at 12:20 p.m. The board came out of executive session at 12:30 p.m.

Adjournment:

Meeting adjourned at 12:31 p.m.

Bill Bauer, President

Jerry Fetterman, Secretary/Treasurer