

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

Regular meeting of the board of directors of Empire Electric Association, Inc. was held Friday, July 13, 2018 with the following directors present: Kent Lindsay, Bill Mollenkopf, John Porter, and David Sitton. Others present: General Manager Josh Dellinger, Attorney Barry Spear, Finance Manager Ginny Johnson, Operations Manager Ken Tarr, System Engineer Clint Rapiet, Corporate Operations Manager Chris Snyder, Human Resources Representative Shawna McLaughlin, and Executive Secretary Denise Rosenbaugh. Absent: Director McWilliams

Others Present: Ernie Allsup, Richard Patch, Scott Magness, and Drew Pearson

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 Sitton to approve the consent items. Motion seconded by Mollenkopf and carried.

Membership Input:

Member Ernie Allsup, owner of Priest Gulch Campground, visited with the board regarding outages he has experienced over the past few months. He noted he would like for EEA to provide updates during outages as he has customers who need to know when the power will be restored. He also encouraged EEA to consider moving the line closer to the road so that outages will be easier to find and fix.

Donation Request: Richard Patch and Scott Magness requested donations for the Cortez Summer Fest which is put on by the American Legion with the Knights of Columbus and the City of Cortez. It is an event meant to provide an opportunity for fund raising and advertisements for non-profits.

Donation Request: Drew Pearson, Assistant Principal/Athletic Director of the Cortez Middle School reported that the middle school is rebranding and will join the high school as orange and black Panthers. Expenses will include new signage, uniforms, resurfacing of basketball courts, etc. Information regarding this was in the written packet. Pearson asked the board to consider providing financial assistance to this effort.

Motion by Fetterman to donate \$100 to the Cortez Fest. Motion seconded by Mollenkopf and carried.

The board revisited the donation request from the school district. After considerable discussion, the board opted to not donate to this cause.

Correspondence

Thank you from:

- The Bridge Emergency Shelter for Empire's annual donation
- The Rotary Club for Empire's continued donation to the Imagination Library Program
- Energy Outreach Colorado for Empire's matching donation
- Justin Purkat for scholarship he was awarded for the electrical lineman program
- Destination Imagination team for the donation to send them to nationals
- Shelly Curtis who attended the teacher conference sponsored by Tri-State
- Scottie Sword who was selected as the student to go on the Washington Youth tour
- Kristen Dellinger for the flowers sent when daughter was born
- Zane Wilson & Roan Russell for scholarship

- Ute Mountain Rodeo Committee for Empire's annual support
- Students at the Children's Kiva for Empire's donation to their building fund

Additional Correspondence:

We continue to get restitution on the theft case – this check was for \$125.00

Donation Requests: referenced above

Policy Review/Action:

Policy 28 – Scholarship Program: Sitton presented the revamped scholarship policy and said the biggest change was to increase value of scholarships that we give for the lineman school from \$500 to \$1,000 to promote our industry. He briefly discussed the “vocational scholarships” and noted that we hardly have any participants, and last year we refocused it to be related to trades for benefit to Empire Electric. Discussion followed. Motion by Mollenkopf to approve amended Policy 28. Motion seconded by Lindsay and carried.

Policy 31: Jury & Subpoenaed Witness Duty: Dellinger noted that this policy defines what happens for jury duty and we have guidelines in the union contract, so we could eliminate the policy and when non-bargaining unit employee gets called, they would go by the language in the union contract. Sitton said that although he would love to see us eliminate policies, in a union environment there needs to be a separation between bargaining unit and non-bargaining unit employees as far as policies and practices. Dellinger agreed with Sitton's comments but noted that he thought that jury and witness duty for non-bargaining unit employees could be dealt with through an administrative policy and did not need to be in board policy. Motion by Mollenkopf to eliminate Policy 31 as a board policy and consider it an administrative policy. Motion seconded by Sitton and carried. Dellinger was asked about other personnel related policies that could be considered for elimination as well. He said he will consider this as we go through our normal policy review.

General Manager Report:

Dellinger discussed the revamped plan for idle services as included in the written packet. The plan states Empire's overall goals and several options (attached). It is staff recommendation to implement Option 2 as it best balances staff's goals. It will likely cause the least amount of member controversy and give us parameters for addressing idle services. Discussion held regarding how to handle certain cases. Dellinger noted that we could be flexible with the 12-month time limit if there are extenuating circumstances. Dellinger plans to engage in a strong communication effort so that members understand what we are doing and why and what their options are. The communication push will start in fall and the 12-month clock will start next summer. Consensus of the board that the Option 2 plan be implemented.

Delegates to the NRECA Region VII meeting will be Bill Mollenkopf as delegate with Sitton as alternate

Livestock buyers chosen for the county fairs are: Montezuma County: Mollenkopf, Porter. San Juan County: Porter and Bauer.

The board turned in their annual disclosure statements.

Johnson presented the financials. She noted in the Statistical report that irrigation increased 100% from 2017 and 2018. There is a negative amount in Non-Operating Margins – Other on the Statement of Operations which is due to expenses for the dark fiber network. Empire passed a portion of these expenses on to LPEA who will likely pass them on to FastTrack. Johnson discussed the financial goals, comparing May's actual results to the financial goals policy and loan covenants. The modified debt service coverage calculated by CFC is going up as expected. Last

month there was discussion about using accrued debt service billing instead of actual debt service billing in order to smooth out this ratio. Johnson is not comfortable using accrued debt service to calculate this ratio and added MDSC to the 12-month rolling report as highlighted in the packet. The 12-month rolling ratio is low due to 2017 year-end activity but at end-of-year 2018 should be around 1.92. Johnson discussed the budget variance in revenue and purchased power. KM is below budget. Retail costs and revenue are below budget, but costs are more below budget than revenue. The primary driver for this is retail demand being more below budget than retail energy. Since our retail rates are set up to recover demand costs through the energy component, our revenue is not as far below budget as our costs. The months of January, February and March were mild. Demand is hard to predict so we could get closer to budget as the year progresses.

Johnson reported on the CFC Key ratio trends and said there was nothing surprising or out of ordinary. A lot of our ratios are driven by Kinder Morgan.

Brief discussion was held regarding the graph in the written packet on heating degree days.

Johnson noted that although staff recommended staying with Wells Fargo for Empire's banking needs, Wells Fargo is closing their Monticello branch; thus, Empire will be moving to Vectra Bank for its banking needs. Dellinger noted that Johnson did a great job negotiating with Vectra to get their proposal in line with Wells Fargo's rates and fees so that it will not be a much greater expense to bank with Vectra.

Johnson reported that Empire engaged Steepleton to dispute this year's property tax valuation. We break out KM and retail and both are valued separately. The total assessed value of the two entities should never be more than the value of the whole. The state agreed and there was a formal hearing, but Johnson has not heard the outcome. She expects tax savings to be around \$40,000 to KM. Discussion was held regarding whether retail side is too high and whether we need to look deeper. It was noted that we are state assessed, not county.

Dellinger noted that Included in the written packet was the consumer survey summary for 2017. We are working to revamp this report and have an initiative to follow-up on these surveys. Although comments are generally very positive, we will follow up and find out information if any concerns are noted. This summary will be provided to the board once a year.

Dellinger reported on the CDOT land sale south of town where they accepted the counter offer made by the board last month. Documents have been sent to Denning. We have lease agreement with the folks that own the communications tower and that agreement will need to be terminated. Empire will need to give them termination notice and then CDOT will be responsible for dealing with that. Discussion was held regarding making sure Empire will have access to its meter at the communications tower.

The conversation with Mr. Allsup above was revisited. Tarr noted that he talked with Allsup after he left the board meeting. He provided him with phone numbers to call for information during an outage. It was noted there are fire risks with the dry conditions, so Empire has tightened breaker settings and reduced the number of operations prior to lockout. We may have more and outages because of this, but it will hopefully offer better protection against fires. Dellinger noted that we have an initiative to be more pro-active in outage communication and are looking at methods to contact people to give updates on outages, before they call in. We have also talked about developing a key accounts program to offer extra communications to key accounts. Discussion followed.

#### Director Roundtable:

Fetterman mentioned his concern regarding Tri-State and how they dealt with our solar project extension request. He wondered if Empire should start looking at supporting roof top solar that is not part of the 5%. It was also noted that instead of focusing our messaging on what is required we should make sure we send the signal that

we want to be a partner with our members in these endeavors. Staff was asked to come back to the board with an advertising/marketing plan.

Mollenkopf noticed there are survey markers at Totten Lake on the East side and was curious about it. No one knew but it could be landmark for surveying the other side of the road to set a baseline. He also noted that it appears people have been trespassing on the property. Clint will look into repairing fencing on the property.

#### Attorney:

Spear reported nothing new on FERC petition. Denning has been working with Dellinger on the partial release for the Tri-State transfer and there is only one more phase to go. The firm is still working on the Ute Mountain Ute Tribe joint use agreement. He thinks we have resolved the issues so should have that before next meeting. Discussion regarding the DMEA complaint with Tri-State where they filed policy 316 complaint and are seeking basis for the number that Kit Carson paid to get out of system. Mollenkopf reported that the Tri-State board will answer next month. Other issues the firm worked on were the Jordan complaint that will be discussed in executive session, and Denning has been working with Denise on an independent contractor worker's compensation agreement and record retention policy.

#### Tri-State:

Mollenkopf reported on the Tri-State meeting. The Tri-State board welcomed three new directors to the board from Socorro, Gunnison and LaPlata Electric. He reported on the financials and that all ratios are good. Operations report was that natural gas prices are lower and power markets are trending slowly upward. Renewables doing well. The board began budget process with overviews of department heads. Policy 316 complaint took a lot of time. DMEA made their presentation as discussed earlier and there was no discussion after presentation. Motion by Mollenkopf to go into executive session to discuss DMEA's Policy 316 complaint, seconded by Lindsay and carried. The board went into executive session at 11:25 a.m. and came out of executive session at 11:45 a.m. Other issues discussed: the Los Conchas fire is settled and insurance paid 100%; Nucla-Cahone transmission line was approved; there have been no damages to Tri-State with all the fires but they have been de-energizing lines; PG&E has an inverse condemnation liability for a fire in their territory. Mollenkopf mentioned that McWilliams will be sitting on the Policy 115 Committee. Member assessment is happening again in 2018. A consulting firm will interview managers and each director and then the full board. The goal is to be forward looking and to determine how can we do better down the road.

#### CREA:

Porter reported on the CREA meeting which was a webinar meeting. He mentioned the annual RESAP and that he understood Empire Electric did well. Tarr said it went very well and that Empire had the best marks we have ever had. Dale is very thorough. Colorado Statewide met with Oklahoma for linemen going to Guatemala. He mentioned the annual audit and that CREA has surplus of revenue and financials look good. Some in Arizona want a 50% by 2030 renewable energy requirement. Energy Innovation Summit was set for October 29. CARE will be interviewing candidates they may support soon. The youth tour in Steamboat and Washington DC was successful.

Western United: McWilliams was not at the meeting so no report.

#### Utah Rural Electric Cooperative:

No report but Dellinger mentioned that the Department of Interior has initiative to consolidate various land entities into regional offices to streamline projects, etc.

#### Committees:

Scholarship Committee: Sitton discussed the scholarships for continuing education and the work it takes to screen the recipients. Discussion followed regarding the intent to provide additional money to more applicants than more money to less applicants. Motion by Porter to award the following scholarships for Continuing Education:

Bay-Voit, Jessalyn	Bowie, Kayleen Bowring, Easton
Brewer, Ryan Jens	Cashner, Cortney
Finley, Cassie	Guynes, Corissa
Guynes, Jessica	Ha, Judy
Haley, Randy	Hartle, Zachary
Kibel, Nichole	Lunnon, Danika
Reynolds, Colton	Umberger, Larissa

Motion seconded by Lindsay and carried.

Executive Session:

Motion by Sitton to go into executive session to discuss FastTrack and insurance claim. Motion seconded by Porter and carried. The board went into executive session at 12:01 p.m. The board came out of executive session at 12:35 p.m.

FastTrack:

Discussed in executive session.

**Board Officer Election:**

President Bauer turned the meeting over to Attorney Spear to conduct board officer and board representative elections. Spear said that elections could be done by either using a secret ballot and vote or by acclamation (a motion and vote). Board consensus was to conduct President and Vice President by secret nomination and secret vote.

Attorney Spear called for nominations for President. Bauer and Sitton were nominated by secret ballot. Bauer declined the nomination. Motion by Lindsay that Sitton be elected by acclamation. Motion seconded by Porter and carried.

Spear called for nominations for Vice-President. Porter and Bauer were nominated. After a vote, Porter was elected Vice-President.

Motion by Mollenkopf to re-elect Fetterman as Secretary/Treasurer and all delegates and alternates to remain the same. Motion seconded by Lindsay and carried.

Board Committees will be assigned at next month's meeting by President Sitton.

**Adjournment:**

Meeting adjourned at 12:45 p.m.

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David Sitton, President

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Jerry Fetterman, Secretary/Treasurer