

EMPIRE ELECTRIC ASSOCIATION, INC.
MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
June 8, 2018

Regular meeting of the board of directors of Empire Electric Association, Inc. was held Friday, June 8, 2018 with the following directors present: 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, and Executive Secretary Denise Rosenbaugh. Absent: Director Bauer (arrived at 9:37 a.m.) & Director Fetterman

Others Present: Member Heidi Brugger

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

Approve Consent Agenda:

Action Item: Sitton called for approval of the consent agenda. Motion by Mollenkopf to approve the consent items. Motion seconded by Porter and carried.

Membership Input:

none

Correspondence

Thank you from:

- SW Rural Philanthropy Days for Empire's donation
- San Juan County Library for Empire's annual donation
- Trystan Henderson, Geri Montoya and Ashley Cole for scholarships awarded to them
- J Stark from Dolores High School for Empire's scholarship program

Donation Requests:

The request from the Omni Institute as included in the written packet was discussed. They were requesting \$1,000 for a regional event to be held in SW Colorado. Omni is a leadership training organization based out of Denver. After discussion, consensus of the board that it might be able to support an individual who wanted to attend (from Empire's area), but not to donate to this request as there is no guarantee the training would be in Empire's territory.

Donation request from the Cortez Junior Golf Foundation for the Jack Click Junior Golf Tournament as included in an email sent to the board. They are requesting \$250 to support that tournament and all proceeds go to junior golf program. Motion by Lindsay to donate \$250 to the Junior Golf Program, not the tournament with funds to be taken out of the board discretionary fund. Motion seconded by McWilliams and carried

Policy Review/Action:

Policy 27 – Service Award & Policy 30: Funeral Leave were presented. There was no suggested edit for each and both policies will be marked as reviewed.

Dellinger also noted that Policy 29 – Insurance Program was reviewed this past December, so we are passing over it at this time and Policy 28 – Scholarship Program will be reviewed after the scholarship committee meets. Fetterman has been out of the country and once he returns, a scholarship meeting will be set up.

General Manager Report:

Heather Romero presented IT information. She discussed forwarding the Board's email to their personal emails and would like to remove forwarding from Empire to personal emails as it makes the board's personal emails at risk for spam and viruses. Denning mentioned that their personal email account could be discoverable in a court case if their Empire email is forwarded to personal email. She also reminded the board that patches are important. Empire's practice is to change our wireless password regularly and she will be changing the password before next board meeting. She asked the board to arrive early at the next meeting, so she can add the password. Each board member was encouraged to make an appointment with Romero to properly configure their emails and to address any other IT issues they may have.

The board discussed issues they were having with the new website login and felt like it was not intuitive. Romero will see that they have a "shortcut" on their home page.

Dellinger commented on the quarterly strategic planning update that was included in the written packet. He noted the following:

- 1) We have about 300 more Turtle changeouts to complete the AMI conversion. We are still fighting integration issues;
- 2) The long term financial forecast is done, and the plan is to have the inhouse cost of service by end of year;
- 3) We improved our auto attendant language that was cumbersome and are exploring methods to communicate outage info to members;
- 4) We discussed internal communications at our employee meeting last week and general feedback is that we have improved greatly in this area. We still have room for further improvement but have made significant strides. Our succession planning efforts are being tested with recent and upcoming retirements and we seem to be weathering the changes well. We are glad to have capable staff stepping up to new rolls;
- 5) Regarding safety, we had our RESAP inspection this week. Overall it went well. The RESAP team was impressed and complimentary of practices and employees. They made a handful of suggestions that we will work towards implementing.

Dellinger asked if the board would like to hold a strategic planning session in 2019. The board was in favor of doing this. Staff will begin planning and budgeting for this.

Dellinger discussed the Totten Solar Project and noted that Empire made an extension request to Tri-State and that request was denied. The project is suspended unless RES can commit to having it done by February 1, 2019, which is unlikely given previous conversations. Mollenkopf and Rapier reported on the discussion at the Tri-State board. Mike McInnes said it's not a financial decision, it's a precedent setting decision, so he recommended the extension request be denied.

President Bauer arrived at the meeting at 9:37 a.m.

Dellinger directed the board to the idle services proposal in the written packet and discussed those options. There is still data clean up to be done. Discussion followed. It was noted that irrigation services may need to be treated differently than other idle services. Dellinger will revisit this topic at the next board meeting and will bring back an edited proposal regarding the irrigation accounts.

Johnson reported on the financials. The ratios reported on page 2 of the Form 7 have been changed to align with our financial goals policy. Equities as a percentage of assets was 57% at the end of the month. Distribution equity was 32.9%, the financial goal is 20%. The modified debt service ratio as calculated by CFC was 1.5, the financial goal is 1.4. This ratio calculation uses "billed debt service" and CFC payments are billed and due quarterly at the

beginning of the quarter. As a result, this ratio decreased significantly over the prior month but will recover by the end of the quarter. Sitton asked why we don't accrue the debt service in order to smooth this ratio. Johnson stated that the ratio is defined as "billed debt service" and that there is a difference between accrued debt service and billed debt service, so this is technically correct. The debt service coverage ratio as calculated by CoBank was 1.9 and the goal is 1.3. Mollenkopf suggested that the loan covenant requirements and financial goals be included with these ratios. Johnson will modify the financial report to include this information.

Johnson reported on the banking RFPs sent to local banks. We only received two back from seven – Vectra and Wells Fargo and chose to continue with Well Fargo.

Dellinger reported that the second closing for the Tri-State Asset transfer is next week, with the third closing scheduled for the end of the year.

All were reminded that the Annual Meeting is next Thursday and is scheduled to begin at 5:30 p.m. The expanded agenda was included in the board packet. Tri-State's Joel Bladow will be in attendance as well as Myles Jensen.

Director Roundtable:

Discussion held regarding Kit Carson's 2017 Form 7 appears to indicate that they are not doing well financially after leaving Tri-State.

Roundtable:

none

Attorney:

Denning reported we are in a holding pattern on the Tri-State FERC issues, Totten Lake and Ute Mountain Joint Use Agreement. She has been working on easements for Kinder Morgan stations that will allow us to give Tri-State licenses at these substations. The firm has also been researching the extent of how we do notifications regarding idle services. This could be more challenging in Utah because Utah will not release property owner names. Brief discussion regarding La Plata Electric reorganization after the last election.

Tri-State:

Mollenkopf reported on the Tri-State meeting. Two full days were strategic planning. Along with several other topics, they were given a cyber-security update, talked about approaching battery-storage policy 115 changes, and considerable discussion regarding other issues surrounding policy 115. Ken Reif talked about the current Wholesale Electric Service Contract, where we are and where we may go from here, there was a presentation by Barbara Walz about Tri-State political contributions policy, organized markets and, CEO succession issues. DMEA requested a buyout number for withdrawal and says it's not equitable. They have filed under TS Policy 316 for a hearing – a non-rate related dispute resolution. The one-day Board meeting addressed the following: TS's Renewables Resources were reported to be way in exceedance of what is required/mandated, but TS continues to explore additional renewable resources, as they believe it's the responsible thing to do to keep rates affordable while not affecting reliability. They are currently sending out RFP for renewables only. Financials are in excellent shape.

A Motion to adopt what TS staff had proposed for board policy 115 was made. That motion was amended to adopt everything except for battery storage part – and bring back for discussion in December after review of committee, the Vote on the amended motion failed. The original motion was then voted on and passed. Possible further changes will be studied thoroughly by a new committee and will hopefully be back to the board in December.

CREA:

Porter reported on the CREA meeting which was held in Sterling. He highlighted several issues from the report in the written packet.

Western United:

McWilliams is acting President since the LPEA member, who was the president, is no longer on the WUE board. No meeting, financials are good, searching for CEO replacement.

Lindsay left the meeting at 11:35 a.m.

Utah Rural Electric Cooperative:

No report

Committees:

None

FastTrack:

Discussed in executive session.

Executive Session:

Motion by Mollenkopf to go into executive session to discuss FastTrack and insurance claim letter. Motion seconded by Porter and carried. The board went into executive session at 11:40 a.m. The board came out of executive session at 12:18 p.m.

Adjournment:

Meeting adjourned at 12:19 p.m.

Bill Bauer, President

Jerry Fetterman, Secretary/Treasurer