

EMPIRE ELECTRIC ASSOCIATION, INC.  
MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
November 09, 2018

Regular meeting of the board of directors of Empire Electric Association, Inc. was held Friday, November 09, 2018 with the following directors present: Bill Bauer, Bill Mollenkopf, Jerry Fetterman, Kent Lindsay, John Porter, and David Sitton. Director Sue McWilliams attended by teleconference. 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, Executive Secretary / HR Rep Shawna McLaughlin.

Others Present: Member Eric Gold

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

Approve Consent Agenda:

**Action Item:** Mollenkopf moved to approve the consent agenda and seconded by Lindsay. Motion carried.

Membership Input: none

Cyber Security presentation by IT Manager, Heather Romero: Romero introduced Jaclynn Fallon, Empire Electric's IT / GIS Technician. Romero gave a presentation regarding Cyber Security, Spoofed Emails, Ransomware and Passwords.

Correspondence:

Thank you from:

CFC for our contribution to the Cooperative System Integrity Fund

Energy Outreach Colorado for our matching donation

CARE auction committee for donation

Pleasant View Elementary for donating items for their harvest auction fundraiser

Dolores County Fair Board, the Junior Rodeo participants and Madison Thornburg for our sponsorship

Ashley, Tuff and Cameron Adair for purchasing their livestock at the San Juan County Fair.

Other Correspondences:

CarlsonSV, LLC Audit Engagement Letter

CFC's one card program cash back for credit card rebate for August 31, 2018.

Donation Requests:

Community Connections Inc., Festival of Trees – They are asking for a \$500.00 sponsorship for their Festival of Trees. This event is held in Durango, but they maintain an office in Cortez and the sponsorship does help Montezuma County. We do give them a \$2000 scholarship as a budget item each year. Mollenkopf moved to donate \$500, Porter second. Motion carried.

The 4Core donation requested in October's meeting. Dellinger stated that staff researched their Energy Smart Colorado program and determined it is very comparable to the programs that we already offer. Consensus of the board was that we deny their donation request, but we should send a letter to them explaining our reasoning. Dellinger will send a letter to that effect.

Policy Review/Action:

Policy 38: Inactive Employee Benefits – Not suggesting any changes.

**Action Item:** Policy 39: Affirmative Action – recommending elimination since we are no longer RUS borrowers. RUS required its borrowers to have such a policy. The policy is unnecessary since we are already bound by anti-discrimination and equal employment opportunity laws. Lindsay moved to eliminate Policy 39, Bauer seconded. Fetterman would like to show in the record that though a policy is unnecessary we support Equal Employment Opportunity. The rest of the board agreed that Empire strongly supports Equal Employment and that the board is fully in support of Empire's efforts to provide equal opportunities. Motion carried.

General Manager Report:

**Action Item:** Final Budget approval, including CO2 Budget: Johnson stated that we added these items to the final budget: the Totten Solar Project, taxes on the CARE donation, the increased revenue for KM and CPC and the fee for SMTP that was an oversight in the preliminary budget. Mollenkopf questioned the total expenses on page 55 saying that the numbers don't add up. Ginny stated that it could be a formula problem within the purchase power and she will correct it. Mollenkopf asked about allocations from Tri-State, Johnson stated that this is an average and the actual allocation could be different than the budget. Mollenkopf also had questions regarding our financial goals and how the revenue requirements are set. Johnson explained how these numbers are obtained. Discussion continued on how our projections are set and our rate structure and when we should make increases or decreases. Sitton asked when the appropriate time was to have the conversation regarding rate changes. Mollenkopf recommended we do this at our strategic planning session. The Board agreed that this conversation needs to be part of the strategic planning session. Bauer moved to approve the budget as presented, Lindsay seconded, and motion carried.

**Action Item:** Consider 2019 Tariff Changes: There are no proposed rate changes to our retail tariffs, but there are a few proposed language changes. Discussed changing from average monthly demand to equipment capacity as the delineating factor for determining which rate class a service should be in. This change is meant to eliminate some of the ambiguity associated with average monthly demand and to better align our rates with cost-based rate principles. Mollenkopf asked about our cost of service study, and Ginny stated that she plans on bringing that to the strategic planning session. Sitton voiced concerns that there still may be some ambiguity and gray areas using equipment capacity as the delineating factor. Dellinger stated that this is true because it is hard to develop simple language that eliminates all the gray areas. He noted that there will likely still be cases where staff will have to make judgement calls on what rate class to place a service in, but he hopes those cases will be fewer with the updated language. Porter asked if services with oversized equipment will automatically get a rate increase. Dellinger responded that they would not. We plan to leave existing services as-is. If we determine that we need to replace an oversized transformer with one more appropriately sized, then we will have a conversation with the member at that time. If the member agrees, then they will stay on their current rate schedule; if they want to keep the oversized transformer then they will be moved to a different rate class at that time. Denning stated that we have flexibility in our rules and regulations to allow this change. Dellinger went through each retail tariff and showed verbiage changes. Mollenkopf moved to accept the tariff changes, Lindsay seconded, and motion carried.

**Action Item:** SCS1 Tariff – Recommending changing the customer charge on Sheet 10H to \$97,533. Sheet 10BB was changed based on the load forecast that was provided by Kinder Morgan. Bauer moved to approve, Fetterman seconded. Motion carried.

Dellinger explained that we are working with Kinder Morgan to revamp and change the entire tariff within the next several months to clean it up.

Consider Totten Lake PPA: Dellinger stated that this is on hold again. Dellinger explained why this has been so difficult to complete. It is once again in RES's court. Discussion continued regarding different options that could possibly get the project moving again.

Select Director / Alternate for Western United – McWilliams is presently the primary Empire director for the Western United board and the alternate director for the CREA board. Since she is moving out of our service territory she will resign her Empire seat as well as her Western United and CREA seats. An election was held via secret ballot to select the Western United director. Fetterman and Porter were nominated and Porter was elected as the Director. Lindsay moved for Fetterman to be the alternative, Bauer seconded. Motion carried.

Select Alternate for CREA – Fetterman volunteered. Lindsay moved to select Fetterman as alternate, Porter seconded, and motion carried.

Financials: Johnson went over the financials. We will have a better than budgeted margin. Johnson addressed Mollenkopf's concerns regarding cash on hand. Mollenkopf questioned some of the items on the financial report and Johnson explained the way the last years totals and this year's totals are compared. She will look at the rolling 12-month totals for the G&T capital credit allocation to see why the number is missing.

Miscellaneous: Highway 160 property sale has been completed.

Dellinger is working on updating rules and regulations and is hoping to have a draft to the board first quarter of 2019.

Southwest Memorial Hospital is getting a substantial rebate for their lighting upgrades. They would like to do a check presentation. Dellinger asked Bauer if he would like to do the presentation since it's in his district. If Bauer isn't here, then Lindsay will do the presentation.

#### Director Roundtable

Fetterman introduced Eric Gold. Fetterman shared a brochure with the board that Gold had authored regarding solar that he would like for us to make available to our members. Dellinger stated that we have information available on our website, an article was placed in the Colorado Country Life, and we hold Power To presentations regarding solar. The board discussed several options to advertise solar projects including a bill stuffer, brochures, advertising in the newspaper and what the marketing materials would need to contain. A conversation regarding putting a list of vendors in it as well. It was determined that Empire shouldn't list vendors, since we want to make sure that we are getting information regarding solar out there without endorsing anyone. It was mentioned that there may be some non-profit organization that would be willing to provide the list of vendors. It was decided that bill stuffers aren't the proper way to market this information. Sitton asked that staff be directed to look at different marketing strategies and report back to the board. Gold mentioned that he volunteers for the Solar Barn Raising and he would be available to help address any concerns that the board may have.

Porter reported that Empire got three awards at the CREA Energy Summit. We received the Recognizing Safety Accreditation, Commitment to Zero Contacts and Recognizing the CARE Champions. Porter would like to thank the staff for their dedication to making Empire a safe workplace.

#### Attorney:

Nothing new on FERC.

Continuing to watch the DMEA complaint. Tri-State is deliberating next Monday to make recommendations to the Tri-State Board. If DMEA isn't satisfied the next step will be a lawsuit.

Nothing new to report on the Ute Mountain Tribe joint use contract.

Century Link agreement is still being looked at.

Totten Lake project is now waiting on RES.

The Wheeler lawsuit in Dove Creek - Empire has been named in the lawsuit due to the easement on the property. We need to make sure that Empire's easement is protected no matter the outcome of the lawsuit. Denning is working on this.

Denning attended the CREA Energy Summit.

Tri-State: Tri-State meeting will be held next week.

CREA: Porter reported that he attended the Energy Summit and attended the CREA Board Meeting. He discussed there were about 25 applications for linemen to go to Guatemala.

Joint manager meeting will be held on December 7, 2018.

A conversation began about taking Rural out of Colorado Rural Electric because communities aren't so rural anymore.

They discussed potential legislation changes.

Discussion on political issues and how CREA gets involved in the political process and questions regarding how to protect cooperatives from negative legislation. The consensus was that we need to construct a political goal on how we promote our issues. Best way for us to communicate is on action.coop.

Discussion on retail wheeling in Texas. Porter asked if we have had issues with marijuana grow operations. Rapier stated that we have had a few issues of people burning up the transformers.

Dellinger stated that Steve Collier that presented at CREA would be willing to come here and do a presentation for the board. He works with Milsoft and he is a futurist. Porter would encourage Empire to have him come up and do an hour presentation along with some Q&A that would be beneficial to us. Rapier suggested that we have him come out prior to our strategic planning to give us some guidelines as to what we should be planning. We could do a Power To presentation with him as the key note speaker. Denning noted that the CREA presentations are posted on their website. Board will look at the CREA website and view his presentation and decide if we want to invite him to present in person.

Western United: McWilliams gave her notice that she will no longer be on their board. They will fill the Presidents position.

Financials look good and they are ahead of budget.

The Board replacement for McWilliams will be effective as of January 1, 2019.

Utah Rural Electric Cooperative: no updates.

Committees: Denise Moore has taken over the scholarships and the applications look good.

Bauer discussed that it looks like the SWCOG is beginning to fall apart. Both Mancos and Durango have pulled out and it looks like it may not have much funding.

Executive Session: Bauer moved to go into executive session to discuss FastTrack, Union Negotiations and the Board Vacancy, Fetterman seconded. Motion carried. Went into executive session at 11:36 a.m. Came out of executive session at 11:54 a.m.

FastTrack:

Discussed in executive session.

**Adjournment:** Meeting adjourned at 11:54 a.m.

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David Sitton, President

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Jerry Fetterman, Secretary/Treasurer