

EMPIRE ELECTRIC ASSOCIATION, INC.  
MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
September 14, 2018

Regular meeting of the board of directors of Empire Electric Association, Inc. was held Friday, September 14, 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 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: Gala Pock and Heidi Brugger

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

Approve Consent Agenda:

**Action Item:** Motioned by McWilliams to approve consent agenda and seconded by Lindsey. Motion carried.

Membership Input: none

Correspondence:

Thank you from:

- Thank you from CARE for the donation to membership account.
- Thank you from Jens Brewer, Sidnie Majors and Larissa Umberger for scholarships.
- Thank you from Amedeo Martinez, Curtis Bunker and CJ Wright for purchasing their livestock at the Fair.

Other Correspondences:

- The Celtic Fair organizers sent an invitation to attend a sponsor appreciation event.
- Southwest Concert Season Passes were given to Empire for our sponsorship.
- Montezuma Historical Society sent a flyer with information for a new museum.
- CFC Capital Patronage Information.
- Western United Patronage information.

Donation Requests: none

Policy Review/Action:

Policy 34 – Compensation Administration: Dellinger stated this policy could be eliminated if the board desired. Attorney Denning agreed with Dellinger. Mollenkopf moved to remove Policy 34 and McWilliams seconded. Motion carried.

Policy 35: Regular Meeting Date: Dellinger mentioned making the meetings after hours to make it more convenient for the members to attend. Bauer stated that this has come up a few times in the past and would like to leave it the same unless we have a request to change it from members. No changes made to Policy 35.

General Manager Report:

Strategic Planning Update: Dellinger went over the strategic plan. Discussion ensued regarding what has been completed and explanations as to why some items have not been completed. We are scheduled for next spring to do our next strategic planning. Bauer complimented Dellinger on his follow up on the strategic plan and making sure that it has gotten done.

Consider Annual Meeting Date: June 20, 2019. 3<sup>rd</sup> Thursday in June. Board agreed on this date.

**Action Item:** Approval of Resolution 7-2018 thanking Bill Bauer for 21 years as President of the Board. Sitton presented the resolution. Motioned by Porter to approve, Seconded by McWilliams. Motioned carried.

### **RESOLUTION 7-2018**

**WHEREAS,** William C. Bauer (Bill) has served as the President of Empire Electric for 21 years; and

**WHEREAS,** Bill has unselfishly dedicated his time to the members and employees of Empire Electric; and

**WHEREAS,** Bill has maintained a high level of regard for issues and policy involving Empire Electric.

**NOW THEREFORE BE IT RESOLVED** that the Board of Directors of Empire Electric hereby recognizes and sincerely appreciates Bill's dedication and service as President of Empire Electric for twenty-one years; and

**BE IT FURTHER RESOLVED** that the Board of Directors extends sincere appreciation and thanks for the contribution of time and knowledge which Bill so willingly gave in his duty as President of the Board.

Financials: Johnson reported on financials. Since we have done an idle service audit, we now have an accurate count to report on the Form 7. Overall, we are still trending ahead of budget. Mollenkopf noted the load factor looks lower than normal; Johnson will look into this. Mollenkopf also asked about the low year to date budgeted operating margin. Johnson stated that this is accurate. The budgeted operating margin is low due to how the budget was modeled. Many expenses were budgeted to occur earlier in the year and the model predicted making up margin in the latter part of the year. Johnson noted that the modified debt service and CFC debt service ratios are low due to semiannual expenses that occurred in July. We expect these ratios to recover by the end of the year.

The 2019 preliminary budget will be presented in October.

The bank conversion has been put on hold due to the hurricane and limited ATS support. We are currently still using Wells Fargo for some services but hopefully will have one bank shortly.

Johnson gave an update on the IRS Audit. The auditor has stated that Empire owes taxes on the CARE donation unless Empire restricted the use of funds. McWilliams mentioned that other coops that she has spoken with are unaware that taxes must be paid on the contributions to CARE. Johnson will have another IRS phone call on Sept. 20, 2018.

Johnson reported that there will be a restitution hearing for a damage billable claim on September 18, 2018. This is for a pole that was hit by a vehicle earlier this year.

### Miscellaneous:

The third phase of the Tri-State asset transfer is set to close on September 28, 2018.

We are working on updating the SCS-1 Tariff with Kinder Morgan. This tariff has not been revised since the 1980s and there are several items that can be cleaned up. The major material change that is being discussed is going from a calculated margin that produces a 3.0 TIER to a flat margin.

We are still waiting on CDOT for a closing date on property south of town.

RES re-approached us regarding the Totten Solar Project. They believe they can offer pricing that would work for us, so we have restarted PPA negotiations.

Clint received some bids for fencing for the Totten Lake property. Both are local business and quotes are very close. Clint's recommendation would be to go with the Fence Whispers. Board agreed with the recommendation and agreed to go with the lower bid for Fence Whispers.

### Director Roundtable:

Fetterman inquired as to why we would be spending \$4 million dollars to build a backup feed for Monticello that will rarely get used. He wonders if there is perhaps a battery solution that would be more cost effective. Rapier responded that he is looking at other options. Discussion followed.

### Attorney:

Denning received a notice of proposed rulemaking from the Colorado PUC related to battery storage. She passed out hard copies of the document and discussed. She asked the board to look over it to see if there are any concerns. After a cursory glance, she doesn't see anything that will directly affect the coops but will do a more thorough review. If Empire would like to submit any comments, we will need to have a special meeting. There will be a hearing on Oct 23, 2018 and oral comments can be made at that hearing.

They are reviewing the RES PPA for Totten project.

They are reviewing the Kinder Morgan substation easement agreement and will send suggestions to Rapier and Dellinger.

No new information regarding Tri-State FERC case.

### Tri-State:

Mollenkopf reported that the Tri-State board considered the 2019 budget and noted some of the highlights. No rate increases again this year.

Mollenkopf passed around information regarding the EPA affordable clean energy rule.

He noted the long-term financial forecast will be presented next month.

The Tri-State board received a presentation from Dorsey and Whitney.

Tri-State is in the process of evaluating RFP's for additional renewable generation projects.

McWilliams reported on the Policy 115 committee meeting. McWilliams distributed a hand-out that noted the goal of the committee and also included a presentation from LPEA. She noted that it was made very clear that

this committee is not going to discuss the 5% limit. This committee is only going to discuss administering the 5% limit. NewGen is planning to present at the October committee meeting.

CREA:

Porter reported on CREA discussing Proposition 112 regarding oil and gas setbacks. It would really limit oil and gas. Unanimous decision to oppose that proposition.

Justin Talbot gave a presentation on the 416 fire.

Colorado Country Life received 7 awards for the magazine.

Porter will make sure that the board is getting the CREA news updates via email.

Western United:

McWilliams reported that they had their annual fish fry and it was very well attended.

Financials are already ahead of the budget. Fiscal year started in July.

Utah facility is up and going very efficiently.

The Western United board voted to hire Greg Mordini as the next CEO. He was currently the CFO.

Utah Rural Electric Cooperative:

Dellinger attended the meeting and his notes were included in the board packet.

Committees: none

Executive Session: McWilliams moved to go into executive session to discuss FastTrack and Tri-State Policy 101, Bauer seconded. Motion carried. Went into executive session at 10:44. Mollenkopf recused himself at 10:54 for the Tri State Policy 101 discussion. Came out of executive session at 11:06.

FastTrack:

Discussed in executive session.

**Adjournment:** Meeting adjourned at 11:07.

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David Sitton, President

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Jerry Fetterman, Secretary/Treasurer