

A Regular Meeting of the Board of Directors of Delta-Montrose Electric Association was held on July 24, 2007 at Montrose Headquarters Office and was called to order by President Les Renfrow at 5:01 pm.

Directors Present

Les Renfrow, President
Nancy Hovde
Ed Marston
Tony Prendergast
Marshall L. Collins
Brent Hines, Ass't. Secretary/Treasurer
Gary Richardson, Secretary/Treasurer
Ken Norris, Vice President
Mike Sramek

Directors Absent

Staff Present

Dan McClendon, General Manager
Steve Metheny, Chief Operating Manager
Virginia Allen, Administrative Services Manager
Phil Zimmer, Key Accounts Supervisor
Tom Polikalas, Communications/PR Supervisor
Cindy Bischak, Administrative Assistant

Guests

Larry Beckner, Association Attorney
Al Hrubes, member
Bill & Kathy Mahoney, member
Mike & Becky Curtis
Chris & Olivia Martinez, member
Debby & Charles Ingram, member
Chuck Finch, member

Member issues-

Michael Curtis introduced himself and thanked Ed Marston for speaking with him on the East Montrose Extension Project and for suggesting he come speak before the entire board on this issue. He stated that his comments are based on his own perception but are very similar to other property owners who are affected by the projected line placements. He recapped his time line for notifications and stated that he felt the time has been too short for any of them to properly prepare. He stated that since the beltway is no longer a viable project by the county perhaps DMEA could reevaluate their line placements to BLM property. Other property owners viewed similar opinions on the line placement and stated that it would be less costly overall to move the line to BLM land. It was requested that we keep them informed during the process.

Dan stated that DMEA needs to take care of the growth and that it needs to be done in a timely fashion. He also stated that the county wanted a single, formulated plan. Dan confirmed that at the official hearing everyone should state his or her opinions. The 70 responses DMEA received will be taken into consideration for our final recommendation. Dan stated that during our process we go above and beyond

what is required. Les thanked the members and guests for their attendance and comments. Nancy also made a request that we continually update the board on the project with dates and community input as well as the property owners affected. She also stated that the Delta Transmission Line Project did make adjustments and DMEA could review that project to see what they could further learn from those adjustments.

Membership Report–

The membership report was accepted as presented. A motion was made by Gary and seconded by Tony. Motion was passed unanimously.

Policy Deviations– none

Approval of Minutes–

Gary made a motion to accept the June 26, 2007 minutes and Marshall seconded the motion. Motion was passed unanimously.

Finance/Budget/Audit – Board Committee Action Items–

Les stated that the board had reviewed management's response to the Auditor's Management letter and Gary made a motion for the staff to make recommendation in October to the board on the Patronage Capital Issue. Brent seconded the motion and the motion passed unanimously. Gary stated that staff reviewed the other two items from the Auditors Management Letter at the Committee meeting on July 17th.

Engineering & Construction –none

The Board broke for dinner at 6:30 PM and reconvened at 7:10 PM

Policy–

Larry Beckner attended the meeting to report on several issues. He stated that the board assessments are done yearly with the results being compiled and he is now able to discuss those results with the board. Larry also discussed the Fiduciary Responsibilities of the directors. He reviewed NRECA Director Duties and Standard of Conducts and then reviewed his document on Director's Fiduciary Duties and asked the directors to become familiar with it. He also reviewed the rules that apply to cooperatives.

Marshall read the resolution to change Bylaw Article 3, Sec. 4, for Petitions of Candidacy, clarifying election procedures in regards to residency time frames. Marshall made a motion to accept the resolution as written. Brent seconded the motion and motion passed unanimously.

Marshall read the resolution to approve changes to Policy 17, Sec. 1-3, Offers to Acquire All or Substantially All of DMEA's Assets. The policy was discussed and reviewed with Mr. Beckner recommendations. Marshall made a motion to accept the resolution as written with the proposed changes discussed. Brent seconded the motion and motion passed unanimously.

Marshall read the resolution to approve committee appointments/ representative elections; Policy 2 Section 9 clarified fiduciary responsibilities. After discussion with the attorney's input, Gary made a motion to accept the resolution as amended. Marshall seconded the motion and motion passed unanimously.

Marshall read the resolution to approve the Policy 2, Sec. 4 on Director Compensation to reimburse Directors for the mileage to and from meetings. Marshall made a motion to accept the resolution as written. Ed seconded the motion and motion passed unanimously.

Marshall read the resolution to approve NRECA's sponsored Retirement Security & 401k Pension Plan Restatements. The resolution is required to follow IRS requirements that restate DMEA pension plans and allows for the General Manager to sign all documents. Marshall made a motion to accept the resolution as written. Nancy seconded the motion and motion passed unanimously.

Nancy made a motion to go into executive session at 8:05 pm for consideration of documents in testimony and contractual issues. Ed seconded the motion and the motion passed unanimously. The executive session ended at 9:20 pm and the board returned to the regular agenda.

Marketing—none

Horizon Committee —none

Safety & Occupational Health Report—

Dan presented the Safety & Occupational Health Report for June 2007. There were no incidents reported.

Cooperative Report—

Dan reported that his Tri State report involved the items discussed in the executive session,

Deleted: TS (Da

Dan reported that a company has been selected to study hydro projects as well as other renewable options such as solar and that a comprehensive report will be presented to the Board in October.

Dan presented the financials for June. Energy sales haven't quite kept up with demand for the month so there is a slight drop in load factor, which is down from 72.1% to 70.2%. Losses continue to trend at 4.8% and this is a good number compared to most other cooperative. Idle services are within a normal range as well but may have gone up because of our \$20 minimum billing changes.. The most significant number in terms of trends under year-to-date variance actual to budget is the revenue variance of \$871,976 as compared to \$1.5 million purchased power variance. The two numbers should be much closer together. The reason could be in the accrual formula and staff will continue to watch. Dan also reported that interest expense is up slightly as borrowing is a bit quicker than expected. On the balance sheet, Dan pointed out that almost \$40 million was written off in overall depreciation. Dan explained for the new directors the procedure behind retiring capital credits and that it is generated by allocation of profit at the end of a year. Credits are given to a member's account or checks are mailed out. If the monies are not claimed within a three-year period after retirement we utilize them for education and charitable purposes. Les said there is a considerable sum being carried over to this fund and that we might use it for renewable projects.

Dan stated that the rate increase hearing is slated for October 23, 2007 at the Regular Board Meeting. He confirmed that the process should be similar to the rate increase process in 2006.

Dan asked the board if they wanted to start posting the approved Regular Board Meeting minutes to DMEA's website. They board approved.

Dan explained that this years Employee Day focus would be on community service projects out in the service territory. The employees will be divide into various groups and will also get back together to discuss the day's events. Some of the employees will work on a solar project to the Passage Charter School with funds coming out of R&D.

Representative Reports-

Nancy's Tri-State report was given at the committee meeting on July 17th as well as being posted to the board web page. Nancy reported that Holcomb 1 plant does not have their air permit as yet. Nancy also reported that she attend DMEA's MAC luncheon where she updated the members on Tri-State.

CREA- Ed presented his report for the Colorado Rural Electric Association at the committee meeting as well as posting it to the board's web page. Les stated that there was a housekeeping issue from the June 26, 2007 meeting on the CREA representative resolution. Brent made a motion to elect Gary by acclamation to serve as the Association's duly elected alternate representative. Nancy seconded the motion and the motion passed unanimously.

WUES-

Ed presented his report for the Western United Electrical Supply at the committee meeting as well as posting it to the board's web page. Les stated that there was a housekeeping issue from the June 26, 2007 meeting on the WUES representative resolution. Nancy made a motion to elect Gary by acclamation to serve as the Association's duly elected representative. Brent seconded the motion and the motion passed unanimously.

Other Business-

Larry reported that the Public Utility Regulatory Policy Act (PURPA) standards as set by DMEA's hearing on May 22, 2007 were presented to the board in the Findings and Conclusion documents handed out at the July 17th committee meeting. Nancy made motion to accept the Findings and Conclusions on the hearing. Ed seconded the motion and the motion passed unanimously. Larry stated that the standards could change again in five to seven years as they have historically changed periodically.

Directors Comments-

Les offered the board's congratulations to Dan for being appointed by Governor Ritter to his Renewable Resource Generation Development Task Force. Les also reported that Marshall, Dan and Nancy would attend the Montrose County Fair livestock auction on July 28 and have a budget of \$3400. \$500 has also been donated to the 4-H County Fair Program in Montrose County. Les also reported that Brent and Tony would attend the Delta County livestock auction and have a budget of \$3800.00 to purchase animals.

Les reminded the board that the Tri-State's Member Meeting is August 8th and that their Generation Meeting is August 27th.

Marshall made a made a motion to adjourn the meeting at 9:50 pm and Nancy seconded the motion. The motion was passed unanimously.

Gary Richardson, Secretary