



MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS

May 23, 2017

Location: Montrose Headquarters Building
11925 6300 Rd, Montrose CO 81401

3:00 P.M.

Regular Board Session. The Board of Directors of the Delta-Montrose Electric Association met for its regular board meeting at the office of the cooperative in Montrose, Colorado, on Tuesday, May 23, 2017.

During their regular meeting, the Directors:
1. Approved the April membership report, the April regular meeting minutes, and the May special meeting minutes as presented.
2. Approved a “solar in schools” proposal directing \$150,000 from the unclaimed capital credit to five service area school solar projects.
3. Approved the development of a new strategic initiative for Emergency Response Communication.
4. Approved an on-bill financing program for energy efficiency projects using \$50,000 from the unclaimed capital credit fund.
5. Approved the April 2017 Safety and Occupational Health Report and safety improvement plan as presented.
6. Approved the April 2017 financials.
7. Adopted the May 23, 2017 CEO Report and April 2017 SAIDI figure.
8. Received a legal update
9. Approved an updated legal engagement letter with Jeffrey Hurd, at the law firm of Ireland Stapleton Pryor & Pascoe, P.C.
10. Approved an NRECA RS and 401(k) Plans Restatement resolution.
11. Approved updated signatories for cooperative financial documents.
12. Approved a resolution authorizing CEO Bronec to continue to negotiate terms of a potential acquisition of certain telecommunications companies.

I. Call Meeting to Order. At 3:01 p.m., the Board convened and the meeting was called to order.

- **Directors Present:** Bill Patterson (*President*), Mark Eckhart (*Vice-President*), Brad Harding (*Secretary/Treasurer*), Marshall Collins (*Assistant Secretary/Treasurer*), Kyle Martinez (by phone), Jim Elder, Terry Brown, John Gavan, Tony Prendergast (in at 3:07 p.m.)
- **DMEA Staff Present:** Jim Thate, Doug Cox, Steve Metheny, Amy Gavell, Jasen Bronec, Corey Thurlow, Virginia Harman, Kent Davenport
- **Others Present:** Jeffrey Hurd (*General Counsel*); Damon Lockhart (*member & director-elect*), Kathy Schwartz and Beata Ramza (*representatives from Solar Energy International (SEI)*), Ben Graves (*Delta County School District*), Bill Kane (*outside litigation legal counsel*), Stu Mondschein (*outside litigation legal counsel*) (by phone)

II. Pledge of Allegiance was led by Director Harding.

III. Opening Meeting Prayer was led by President Patterson.

IV. Determination of Quorum. President Patterson announced the presence of a quorum.

V. Approval of Agenda. The Board approved the meeting agenda with an amendment reordering the First Executive Session based on timing matters, and an amendment adding an action item after the second Executive Session.

VI. Introductions. Those in attendance other than Board members were introduced.

VII. General Business.

A. Consent Agenda. Upon motion from Director Collins, seconded by Director Harding, the Board approved the April 2017 membership report, the April 2017 regular meeting minutes, and the May special meeting minutes as presented.

B. Board Committees.

1. Finance – Audit – Rate Committee. Committee Chair Collins reported that the F/A/R committee did not meet in May. At the request of Director Prendergast, staff provided—and the Board reviewed—a report of bad debt write-offs. Vice-President of Finance,

Thurlow, reviewed the document and answered questions from the Board, with CEO Bronec providing additional information. Thurlow noted Key Ratio Trend Analysis (KRTA) as a means of comparing bad debt within DMEA to that of peer cooperatives.

2. Engineering – Construction – Renewable Energy Committee.

Committee Chair Gavan reported that the E/C/R Committee met on May 17 to: discuss potential updates to Board Policy 18 regarding net metering, review information on a hosting capacity study, and receive a presentation on a proposed solar in schools program.

Gavan also led the Board through a discussion on DMEA's rooftop solar strategic initiative, particularly regarding the hosting capacity study. After discussion and additional staff input, the Board decided to pause further action at this time on the rooftop solar matter and on the hosting capacity study.

Gavan then reviewed key points from a "solar in schools" initiative that had been presented by Renewable Energy Engineer, Heneghan, and reported that the E/C/R Committee recommended adoption. At this point, representatives from Solar Energy International (SEI) spoke briefly on the relationship between them and the school districts on solar initiatives.

Upon motion from Director Prendergast, seconded by Director Eckhart, the Board unanimously approved the "solar in schools" initiative, along with a donation of \$150,000 from the unclaimed capital credit fund, to be divided among five different schools as provided in the initiative.

Vice President of Power Supply & Management Services, Metheny, then discussed possible initiatives for increased member communications in power outage situations. The issue came to the fore following recent severe weather-related outages, which were reviewed in detail with the Board—including the scope of the outages, causes, updated SAIDI figures from May, and DMEA's response to those outages. Upon motion from Director Harding, seconded by Director Elder, the Board unanimously directed that a strategic initiative for Emergency Response Communication be established. The Member Relations Committee will be tasked with outlining the initiative.

3. Member Relations – Energy Services Committee. Committee Chair Prendergast reported that the Member Relations-Energy Services Committee met on May 17 to review results from the latest TSE member survey, to receive an annual meeting planning update (including the pre-meeting workshops); to review upcoming events through the summer; and to receive information on a proposed on-bill financing program that will assist members in financing commercial and residential energy efficiency. This is a strategic initiative for DMEA, and the Energy Services department has the ability to take lead the project. The report concluded with Vice-President of Member Relations and Human Resources, Harman, presenting a member concern that staff had received via e-mail. Following discussion, President Patterson agreed to follow up with the member.

Upon motion from Director Prendergast, seconded by Director Collins, the Board unanimously approved the development of an on-bill financing program for energy efficiency projects, with parameters to be developed by staff, and an initial \$50,000 funding allocation from unclaimed capital credits. The status of the program will be reviewed in January 2018.

4. Executive Committee. Committee Chair Patterson reported that the committee had not met since the last regular board meeting. There will be an Executive Committee meeting on June 8 to discuss power supply matters.

C. Safety and Occupational Health Report. Safety, Training, and Compliance Director, Thate, presented his April 2017 report. Thate discussed an incident where a serviceman received small second-degree burns to the nose, left cheek, and left ear while reconnecting a 3-phase meter that had an electrical fault. The Board discussed the incident in detail and was provided additional information, including the objects and equipment directly related to the incident, the potential dangerousness of the activity, the relevant safety protocols in place at the time, potential adjustments to future safety protocols, and the status of the employee involved in the incident.

Thate also reviewed the updated safety improvement plan with the Board, which is a three-year plan developed in response to the last RESAP audit.

Upon motion from Director Prendergast, seconded by Director Gavan, the Board unanimously approved the April 2017 Safety and Occupational Health report and the updated safety improvement plan as presented.

D. Financial Report. Vice-President of Finance, Thurlow, presented DMEA's April 2017 financial report and highlighted various key financial indicators. Overall DMEA is tracking its budget, with total year-to-date operating margins of \$178,000. Distribution maintenance expenses are under budget primarily because of tree-trimming expenditures, but those are expected to be on-budget by year end. Consulting expenses are under budget and expected fees for IT database work have not yet been invoiced. Thurlow also addressed matters regarding the timing of closing work orders within Elevate, and how that impacts the budget.

Thurlow highlighted trends within the different rate classes. The residential rate class is trending below budget as of April 2017, primarily due to the lack of inclement weather earlier this year prior to May 2017. The industrial rate class is trending close to its projected usage. South Canal Hydro drops 1 and 3 are running at capacity, resulting in an \$182,000 credit on the Tri-State power bill, which was higher than budgeted. Drop 5 missed the MCP peak on April 4, however. There was a brief discussion on projected but unrealized additional income within dispatch services.

Upon motion from Director Gavan, seconded by Director Eckhart, the Board unanimously approved the April 2017 Financial Report as presented.

VIII. First Executive Session. At 4:09 p.m., Director Harding moved to enter the first executive session of the regular board meeting to receive a privileged litigation update from outside legal counsel. Director Collins seconded the motion, and it carried unanimously. Upon motion from Director Gavan, seconded by Director Harding, the Board unanimously exited the first executive session of the regular board meeting at 6:20 p.m.

The Board broke for dinner at 6:20 p.m. The meeting resumed at 6:55 p.m.

IX. General Business (continued)

A. CEO Report. CEO Bronec highlighted various items contained in the May 2017 CEO Report. Power supply matters will be discussed at the upcoming Executive Committee meeting. Design jobs are increasing in the system design department. Bronec also addressed a list of upcoming

events, the current Facebook presence for DMEA, and encouraged the Board to subscribe to the new DMEA YouTube channel. He concluded with a brief discussion on phone call live answer statistics for April.

The April 2017 SAIDI figure was presented and discussed.

Upon motion from Director Collins, seconded by Director Prendergast, the Board unanimously approved the May CEO report and the April 2017 SAIDI number.

B. Legal Report. General Counsel Hurd provided a brief non-privileged legal update on a situation in Delta County regarding extension of service, line expenses, and possible changes to DMEA's line extension policy. Hurd noted he was not requesting action from the Board at this time but wanted to notify them for future discussion. CEO Bronec addressed a matter where there are several sections of three-phase power lines in Paonia which Bowie Mines would like DMEA to assume; no action is requested on that matter at this time. There was some additional discussion, and Director Harding disclosed that a portion of those lines crosses his property. Hurd deferred the remainder of his legal report to executive session.

1. Vote on Updated Legal Engagement Letter. As Hurd previously announced, effective May 15 he joined the law firm of Ireland Stapleton Pryor & Pascoe, P.C. Due to the merger, a new legal engagement letter needs to be authorized with General Counsel Hurd under his new firm's name. Upon motion from Director Harding, seconded by Director Gavan, the Board unanimously approved the updated legal engagement letter as presented.

C. Representative Board Reports. Directors then presented their representative board reports.

1. Tri-State Report. Director Gavan reported to the Board that he attended the Tri-State Contract Committee meeting on behalf of Director Collins. Gavan also highlighted portions of his attendance at the regular Tri-State Board meeting, noting discussions on the 5% renewable energy cap, patronage capital, long term financial forecasting, activism, and RTOs. CEO Bronec reported the response he received from Tri-State on a previously filed Policy 316 concern.

2. **WUES Report.** Director Brown e-mailed his meeting minutes out to the Board prior to the regular meeting.
3. **CREA Report.** Director Martinez highlighted certain portions of his written report on the April CREA board meeting, including legislation regarding an economic development rate, a presentation by Tony Neil-Graves, and information on broadband legislation. Director Patterson will attend the May CREA Board meeting in Director Martinez's place, as Director Martinez is attending the Mountain Connect Conference.

D. Action Item: Other Business.

1. **Vote on NRECA RS and 401(k) Plans Restatement Resolution.** Harman reviewed with the Board the need to pass a resolution regarding NRECA RS and 401(k) plans to meet ongoing regulatory requirements for human resources.

Upon motion from Director Prendergast, seconded by Director Gavan, the Board unanimously approved the NRECA RS and 401(k) Plans Restatement Resolution as presented.

2. **Vote on Banking Signatories Resolution Update.** Bronec noted that with Thurlow's resignation as of June 1, 2017, signatories for financial documents with the finance and accounting department need to be temporarily updated to continue day-to-day business.

Upon motion from Director Prendergast, seconded by Director Collins, the Board unanimously approved the updated Banking Signatories Resolution as presented.

E. Informational Items. There were no additional informational items.

X. Member Comments. There were no member comments presented.

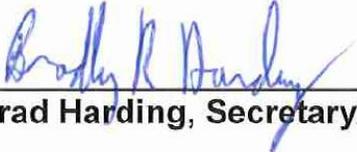
XI. Future Meetings. The Annual Meeting will be June 15, 2017, at 4:30 p.m. at Hotchkiss High School. There will be a DMEA Regular/Organizational meeting on June 19, 2017 at 8:30 a.m.

XII. Second Executive Session. At 8:20 p.m., Director Collins moved to enter the second executive session of the regular board meeting to discuss a

potential acquisition and to review certain broadband matters. Review of the DMEA strategic initiatives will be deferred to the June regular meeting. Director Eckhart seconded the motion, and it carried unanimously. Upon motion from Director Prendergast, seconded by Director Gavan, the Board unanimously exited executive session at 9:38 p.m.

Action Following Executive Session. Upon motion from Director Prendergast, seconded by Director Gavan, the Board approved a resolution authorizing CEO Bronec to negotiate the terms of a possible telecommunications acquisition, with Board approval required before any final signatures. Directors Elder, Martinez, and Brown abstained from voting. Director Harding cast a dissenting vote.

XIII. Adjournment. The regular board meeting was adjourned at 9:40 p.m.



Brad Harding, Secretary/Treasurer