



MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS

April 26, 2016

Location: Montrose Headquarters Building

11925 6300 Rd, Montrose CO 81401

3:00 P.M.

The Board of Directors of Delta-Montrose Electric Association met for its regular board meeting at the office of the Cooperative, Montrose, Colorado, on Tuesday, April 26, 2016.

Regular Board Session

- I. **Call Meeting to Order.** At 3:03 p.m., the Board convened and the meeting was called to order.

Directors Present: President Bill Patterson, Vice President Tony Prendergast, Secretary/Treasurer Olen Lund, Assistant Secretary/Treasurer Kyle Martinez, Marshall Collins, Terry Brown, Mark Eckhart, John Gavan and Jim Elder

Staff Present: Jasen Bronec, Steve Metheny, Virginia Harman, Kent Davenport, Corey Thurlow, Jim Thate, John Monday, Amy Gavell

Others Present: Jeff Hurd, General Counsel; Randy Robins of Bollinger, Segars, Gilbert, and Moss, L.L.P. (via conference call); Tom Turner-Executive Director, Darcy Arnold-Board Member, and Mike Schottelkotte-Board President, of Community Options; Michelle Featheringill, Director of Development from Tri-County Health Network; Tom Vogenthaler, Board President of Sharing Ministries.

- II. **Pledge of Allegiance** was led by Director Martinez.

- III. **Opening Meeting Prayer** was led by President Patterson.

- IV. **Determination of Quorum.** President Patterson announced there was a quorum present.

- V. **Approval of Agenda.** Upon motion from Director Collins, seconded by Director Elder, the Board unanimously approved the agenda as presented.

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

During their regular meeting, the Directors:

1. Adopted the March 2016 membership report and March 2016 regular meeting minutes.
2. Approved revisions to Board Policy 6.
3. Adopted a resolution approving the 2015 Consolidated Financial Audit.
4. Adopted an updated logo for DMEA.
5. Approved revisions to Board Policy 2, Section 5 and Board Policy 2, Section 8.
6. Approved the March 2016 Financial Report.
7. Approved the March 2016 Safety and Regulatory Compliance Report.
8. Accepted the April 26, 2016 CEO Report.
9. Declined to join Tri-State in requesting a PURPA purchase obligation waiver from FERC.
10. Approved an in-kind donation request from Community Options in the amount of \$12,756.18 for the cost of electrical service installation, along with \$5,000.00 from the Unclaimed Capital Credit fund.
11. Approved an in-kind donation request from Sharing Ministries for \$26,000.00.
12. Delegated to management a request from Rocky Mountain Health Plans for memorandum of understanding.
13. Presented and honored the student recipients of the 2016 DMEA-associated scholarships.

- VII. **General Business.**

A. **Consent Agenda.** Upon motion from Director Collins, seconded by Director Gavan, the Board unanimously voted to approve the March 2016 membership report and the March regular meeting minutes as presented.

B. **Board Committees.**

1. **Finance – Audit – Rate Committee.** Director Collins reported that the F/A/R committee had reviewed and drafted proposed revisions to Board Policy 5 (investments and subsidiary-related issues) and Board Policy 6 (Audit). These policy changes had been brought to the committee by CFO Thurlow and were reviewed by General Counsel Hurd.

The Board began by reviewing a redline of proposed changes to Board Policy 5, which included the F/A/R committee's changes as well as additional substantive changes recommended by the CFO and General Counsel. Given that the CFO and General Counsel had made additional changes relating to important subsidiary corporate governance matters, DMEA staff recommended that the DMEA Board review those additional changes and delay adoption of a revised Board Policy 5.

The Board then turned to the proposed changes to audit procedures outlined in Board Policy 6. Upon motion from Director Collins, seconded by Director Prendergast, the Board unanimously approved the recommended changes to Board Policy 6 as presented.

Randy Robins from Bollinger, Segars, Gilbert & Moss, L.L.P., then presented the Board with DMEA's 2015 Consolidated Financial Audit and summary. Robins noted that the report encompassed DMEA Utilities Services, LLC, and that the consolidated report was an "unmodified/clean opinion." Robins then led the Board through key portions of the audit and addressed various questions. Robins reported that the E/C/R committee had met with his firm prior to the final report to receive a general outline and summary of the audit at that point in time. The balance sheet, consolidated statement of income and patronage capital, and the consolidated statement of cash flows were reviewed, along with all the major footnotes. Robins then discussed the summary letter. He concluded the report by noting that DMEA's records were in good condition and that staff was helpful, transparent, and informative.

Upon motion from Director Collins, seconded by Director Gavan, the Board unanimously adopted a resolution approving the 2015 Consolidated Financial Audit as presented.

2. **Engineering – Construction – Renewable Energy Committee.** Director Gavan reported that the E/C/R committee had not met in April but was slated to meet on Friday, May 20 to discuss a slate of agenda items. The Board was updated on a tour given to several Directors at the Oxbow Coal Bed Methane Plant. Director Gavan reported on a ground breaking for a 10kw solar project at Paonia High School that had been funded by DMEA through unclaimed capital credits. There will also be a ground breaking for the Grid Alternatives Community Solar Array in June.
3. **Member Relations – Energy Services Committee.** Director Prendergast reported the Member Relations committee did not meet in April but that plans for the upcoming Annual Meeting continue apace. Director Prendergast outlined the agenda for the meeting and staff updated the Board on verified candidates for the Board. The last two Morning Buzz events of the year occurred the previous week in Olathe and Cedaredge, and both were well attended.

Director Prendergast reported he had met with the marketing staff last week to discuss a possible logo refresh for DMEA in conjunction with a new logo for the broadband business. Manager of Member Relations and Human Resources Harman presented the Board with the logo options and the Board discussed the alternatives at length.

Upon motion from Director Gavan, seconded by Director Lund, the Board adopted the first of three logo options as DMEA's new logo. Director Elder dissented and asked that the minutes reflect his dissenting vote.

4. **Executive Committee.** President Patterson reported that the Executive Committee had met on March 24. Agenda items at the meeting included proposed updates to Board Policy 2, Section 5 (Director Duties) and Board Policy 2, Section 8 (Conflicts of Interest), CEO goals and evaluation, the status of Fiber-to-the-Premise (FTTP) agreements; video content for FTTP; an award to DMEA on safety from CREA; and irrigation tariff language.

The General Counsel briefly reviewed the proposed changes to Board Policy 2, Section 5 and noted that the Executive Committee unanimously recommended their adoption. Upon motion from Director Prendergast, seconded by Director Gavan, the Board unanimously approved the updates to Board Policy 2, Section 5 as presented.

The General Counsel then briefly reviewed the proposed updates to Board Policy 2, Section 8 and noted that the Executive Committee unanimously recommended their adoption. Upon motion from Director Prendergast, seconded by Director Lund, the Board unanimously approved the updates to Board Policy 2, Section 8 as presented.

- C. **Financial Report.** CFO Thurlow reviewed the March 2016 financial report and highlighted various key figures on the Statement of Operations. Thurlow noted that South Canal generation started on March 30, 2016, earlier than anticipated, and its generation coincided with the Tri-State member coincident peak; as a result, DMEA was able to shave its demand costs in April. Thurlow noted that with the refreshed financial graphs introduced in January, budget line items such a labor expense and outside services are now highlighted on a year to date basis. He noted that the budget for outside services year to date was \$2.5 million, with actual cost currently at \$2.46 million. Labor was budgeted at \$764,000.00, with actual labor costs at \$729,000.00.

Upon motion from Director Collins, seconded by Director Gavan, the Board unanimously accepted the March 2016 Financial Report as presented.

- D. **Safety and Occupational Health Report.** Safety, Training and Compliance Director, Thate, presented his March 2016 Safety and Occupational Health Report. There was an incident report where an employee was in Hotchkiss and backed into another vehicle after pulling over to check paperwork, causing minor damage. Thate also reported a near miss when a contractor hit an irrigation line west of Olathe while doing work. In addition, there was an incident where a member was trimming trees on his own property within DMEA's right-of-way and hit a ground wire; but did not trip the oil circuit recloser but should have. No injuries were reported. Thate provided an update on workers' compensation insurance renewals, training, and insurance for the broadband business. CEO Bronec did note several damage claims currently with Federated for processing, totaling approximately \$100,000.

Upon motion from Director Prendergast, seconded by Director Gavan, the Board unanimously approved the March 2016 Safety and Regulatory Compliance Report.

- E. **CEO Report.** CEO Bronec then presented his monthly CEO report, touching on various management, operations, and engineering issues. Bronec then turned to the SAIDI report and noted the SAIDI numbers are on par with last year through this date. A major wind storm on April 23, however, resulted in several outages (though none major) when trees fell into electric lines in various locations.

Upon motion from Director Elder, seconded by Director Gavan, the Board unanimously approved the April 2016 CEO Report.

- F. **Legal Report.** General Counsel, Hurd, provided a brief legal report. On April 25, DMEA filed an answer to Tri-State's answer before FERC and noted that DMEA received 123 letters of support before the Commission.

- G. **Representative Board Reports.** Directors then presented the representative board reports.

1. **Tri State Report.** Director Gavan provided a brief update on his attendance at the Tri-State Annual Meeting, which President Patterson and Director Eckhart attended as well. There was a brief discussion on the PURPA waiver that Tri-State is asking its member cooperatives to review and approve.

After discussion, upon motion from Director Prendergast, seconded by Director Eckhart, the Board unanimously determined that DMEA would not participate in a PURPA purchase obligation waiver request with Tri-State before FERC. A letter will on behalf of the Board to inform Tri-State of the Board's decision.

2. **WUES Report.** Director Elder reported that the next WUES meeting will be on April 28.
3. **CREA Report.** Director Lund noted that he is regularly forwarding informational updates to the DMEA board regarding CREA activities.

H. Informational Item: Other Business.

1. **Future Business.** None.

VIII. Member Comments.

- A. **Donation Request from Community Options.** Tom Turner, Darcy Arnold, and Mike Schottelkotte from Community Options then addressed the Board regarding both an in-kind donation request and a cash donation request relating to a facilities project expansion for Community Options. The Board made various inquiries regarding other funding mechanisms and streams for Community Options. After discussing the application request, upon motion from Director Lund, seconded by Director Elder, the Board voted to provide an in-kind donation of \$12,756.18 for the cost of the electric installation at the new facilities, as well as an additional \$5,000.00 cash donation from the Unclaimed Capital Credit fund. The Board further directed staff to apply for a matching \$5,000.00 donation from Co-Bank on behalf of Community Options. Director Martinez recused himself from the boardroom at the outset of the presentation, and did not participate any discussion or board vote because of a potential conflict of interest relating to his personal business, Touch of Care.
- B. **Sharing Ministries Request.** Tom Vogenthaler, Board President from Sharing Ministries, addressed the Board and requested an in-kind donation for \$26,000.00 to cover the majority of the electric service work and upgrades to a new Sharing Ministries facility. Upon motion from Director Eckhart, seconded by Director Lund, the Board unanimously approved the requested in-kind donation.
- C. **Letter of Support Request/MOU with Rocky Mountain Health Plans.** Michelle Featheringill, Director of Development from Tri-County Health Network, discussed a health-care oriented partnership opportunity with Rocky Mountain Health Plans called the "Accountable Health Community Model." Featheringill reviewed the pilot program for this endeavor and noted that its intent was to ultimately reduce health care costs in the region by addressing the whole spectrum of issues facing at-risk individuals, including problems with utility disconnections and inability to pay utility bills. Rocky Mountain Health Plans is requesting that DMEA enter the program by signing a memorandum of understanding. The Board discussed the scope of participation in the program and CEO Bronec noted that the program could integrate with various assistance and emergency programs already utilized by DMEA for its members. The Board by acclamation directed CEO Bronec to determine how DMEA's existing programs might integrate with the Rocky Mountain Health Plans endeavor. Director Martinez recused himself from the boardroom at the outset of the presentation, and did not participate any discussion of the issue because of a potential conflict of interest relating to his personal business, Touch of Care.
- D. **Scholarship Presentation.** The Board moved to DMEA's multipurpose room for a presentation of college scholarships to students in DMEA's service territory. Following the scholarship presentation, the Board broke for dinner.

IX. Future Meetings. The next regular board meeting will be May 24, 2016 at 3:00 p.m.

- X. **Executive Session.** At 7:13 p.m., Director Gavan moved to enter executive session to discuss legal issues relating to the business structure of DMEA's broadband business enterprise. Director Lund seconded the motion, and it passed unanimously. At 8:16 p.m., upon motion of Director Lund, seconded by Director Gavan, the Board unanimously voted to exit executive session.

XI. Vote on DMEA/DMEA-US Business Structure. The Board did not take any action.

XII. Adjournment. The regular board meeting was adjourned at 8:28 p.m.

A handwritten signature in cursive script, appearing to read "Olen Lund".

Olen Lund, Secretary/Treasurer