



## MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS

August 23, 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, August 23, 2016.

### Regular Board Session

**I. Call Meeting to Order.** At 3:04 p.m., the Board convened and the meeting was called to order.

**Directors Present:** President Bill Patterson (via telephone), Vice-President Mark Eckhart, Secretary/Treasurer Brad Harding, Assistant Secretary/Treasurer Marshall Collins, John Gavan, Jim Elder, Tony Prendergast, Terry Brown, Kyle Martinez

**Staff Present:** Jasen Bronec, Steve Metheny, Jim Thate, Corey Thurlow, Kent Davenport, Amy Gavell, Virginia Harman, Doug Cox

**Others Present:** Jeffrey Hurd-General Counsel

**II. Pledge of Allegiance** was led by Director Brown.

**III. Opening Meeting Prayer** was led by Director Harding.

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

**V. Approval of Agenda.** The Board unanimously approved the agenda with the following amendments: Section VII(B)(1) Vote on Bylaw Changes regarding Capital Credits will be deferred until the next regular board meeting in September.

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

#### **During their regular meeting, the Directors:**

1. Adopted the July 2016 membership report and the July 2016 regular meeting minutes.
2. Adopted Board Policy 23 regarding Capital Credits with minor revisions.
3. Approved updates to Board Policy 4 concerning Capital Credits.
4. Rescinded the 2010 equity management plan.
5. Adopted a line of credit and promissory note agreement with DMEAUS.
6. Adopted an Amended and Restated Operating Agreement for DMEAUS.
7. Approved updates to Board Policy 2, Section 2 as presented.
8. Approved updates to Board Policy 2, Section 6 as presented.
9. Approved updates to Board Policy 2, Section 10 as presented.
10. Approved updates to Board Policy 2, Section 12 as presented.
11. Approved the July 2016 Financial Report.
12. Approved the July 2016 Safety, Training, and Regulatory Compliance Report.
13. Accepted the August 23, 2016 CEO Report.
14. Received a legal report from the General Counsel.

## VII. General Business.

A. **Consent Agenda.** Upon motion from Director Martinez, seconded by Director Gavan, the Board unanimously approved the July 2016 membership report as well as the July 2016 regular meeting minutes as presented.

### B. Board Committees.

1. **Finance – Audit – Rate Committee.** Director Collins reported that the F/A/R committee met on August 17 to discuss DMEA board policies regarding capital credits, along with associated revisions to the DMEA Bylaws. The F/A/R committee also discussed 2017 rates, and a line of credit agreement and promissory note with DMEA Utilities Services, LLC (DMEAUS).

Director Collins noted that potential bylaw changes addressing capital credits will be put before the Board for a vote at the next regular board meeting in September so that the membership can first be informed of the proposed changes (via the DMEA website and other notifications). Vice President of Finance, Thurlow, then reviewed key aspects of a new Board Policy 23 with the Board; Director Gavan suggested slight modifications to the policy. The Board also discussed revisions to Board Policy 4 relating to capital credits, and discussed rescinding the 2010 equity management plan with the idea of having a new plan developed for a future review and vote. Thurlow then reviewed the line of credit with DMEA and associated promissory note, with Thurlow noting that DMEAUS would have to separately approve the agreement before it becomes effective. The Board then moved to a discussion of certain proposed rate changes for 2017.

Upon motion from Director Harding, seconded by Director Gavan, the Board unanimously adopted a resolution (1) approving Board Policy 23, with minor revisions, (2) approving certain revisions to Board Policy 4 concerning capital credits, and (3) rescinding the 2010 equity management plan.

Upon motion from Director Collins, seconded by Director Prendergast, the Board unanimously approved a resolution authorizing DMEA to enter into a line of credit and promissory note agreement with DMEAUS.

2. **Engineering – Construction – Renewable Energy Committee.** Director Gavan reported that the E/C/R committee had not met since the last regular board meeting. The next meeting is scheduled for September 20 at the Montrose office, with topics to include a presentation on the Rocky Mountain Institute "Shine" Program, and a non-site specific construction work plan amendment for committee review and possible Board recommendation.
3. **Member Relations – Energy Services Committee.** Director Prendergast reported that the Member Relations committee did not meet in August. Director Prendergast and Vice President of Member Relations and Human Resources, Harman, updated the Board on an upcoming member survey as well as upcoming member forums in Cedaredge and Montrose. The next committee meeting is scheduled for September 14 at the Read Service Center.
4. **Executive Committee.** Vice-President Eckhart asked CEO Bronec to provide an update on the Executive Committee meeting. Bronec reported that the Executive Committee met on August 16 to review and discuss an amended Operating Agreement for DMEAUS, proposed updates to Board Policy 2, Sections 2, 6, 10, and 12, the outline and agenda for the Board's upcoming strategy execution refresh meeting, and the donation policy for unclaimed capital credits. Bronec reviewed some of the major changes in the DMEAUS Operating Agreement amendment, noting that he has voluntarily agreed not to serve as an Operating Manager for DMEAUS going forward. There was additional discussion by the Board on Board Policy 2, Sections 6 and 12 with staff and General Counsel Hurd.

Upon motion from Director Martinez, seconded by Director Prendergast, the Board unanimously adopted a resolution approving an Amended and Restated Operating Agreement for DMEAUS.

Upon motion from President Patterson, seconded by Director Martinez, the Board unanimously approved the updates to Board Policy 2, Section 2 as presented. After a brief discussion, Director Prendergast moved to approve the updates to Board Policy 2, Section 6 as presented. Director Gavan seconded the motion, and it passed unanimously. Upon motion from Director Harding, seconded by Director Gavan, the Board unanimously approved the revisions to Board Policy 2, Section 10 as presented. The Board then discussed the proposed updates to Board Policy 2, Section 12 in detail—focusing on the role that incumbent directors may have in DMEA Board elections. Director Prendergast moved to adopt the changes to Board Policy 2, Section 12 as presented; Director Gavan seconded the motion. After additional discussion, Director Collins moved to table the motion to approve the board policy to allow for further discussion at the committee level. The motion to table was seconded by Director Elder, but failed—with Directors Elder, Martinez, Eckhart, and Collins in favor, and Directors Brown, Gavan, Patterson, Prendergast, and Harding voting against. Returning to the original motion to approve the updates to Board Policy 2, Section 12 as presented, the Board then adopted the revised policy. Directors Martinez, Collins, Elder, and Eckhart opposed the motion, while Directors Patterson, Brown, Gavan, Prendergast, and Harding were in favor.

- C. Financial Report.** Vice-President of Finance, Thurlow, reviewed the July 2016 financial report, highlighting various line items and important financial indicators. Among other matters, the Board discussed the shift in power revenue to the residential and small commercial loads as a result of several large commercial loads decreasing or diminishing capacity entirely. The shift was reflected in the July financials.

The financial report also noted the initiative payment received last month from the Department of Energy, as well as the revenue generated from South Canal Drops 1 and 3. Overall, South Canal has generated energy as projected for July and thus far into August. There was also a discussion on the South Canal's performance in relation to the member coincident peak. There was then a brief discussion raised by questions from President Patterson on director travel and outside service expenses.

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

- D. Safety, Training, and Regulatory Compliance Report.** Safety, Training and Compliance Director, Thate, presented his June 2016 Safety, Training, and Regulatory Compliance Report. Thate summarized an incident he previously addressed at the July board meeting regarding an underground electrical connection circuit with mislabeled elbows in a sectionalizing cabinet. No injuries occurred, and the elbows have since been correctly labeled. Thate then reported on a July 8 near-miss incident at the North Mesa substation involving a Tri-State lowside disconnect that sustained damage from an insulation flash after contact with birds. In the process of responding, DMEA substation technicians performed certain work beyond the DMEA/Tri-State demarcation line without waiting on Tri-State substation technicians to arrive and without obtaining a formal Tri-State source-of-power clearance. No injuries were sustained and the only damage resulted from the bird contacts. Operations has since discussed the matter with Tri-State to ensure it is appropriately handled in the future.

Upon motion from Director Collins, seconded by Director Gavan, the Board unanimously approved the July 2016 Safety, Training, and Regulatory Compliance Report.

- E. CEO Report.** CEO Bronec then gave his monthly CEO report. He highlighted the work being conducted in several departments, including marketing efforts at local festivals in the service territory, and the work being done to expand DMEA's dispatch services to other compatible cooperatives/clients as an additional revenue source. Bronec highlighted progress of day-to-day activities in the Operations and Engineering departments. He noted the amount of work

being provided by Human Resources to hire several positions for both DMEA and Elevate. Human Resources is also handling matters with the union regarding both DMEA and Elevate employment-related matters. There was also a brief discussion on Poudre Valley Electric Cooperative's request to DMEA (and other Tri-State cooperatives) for a letter of support regarding Poudre Valley's concerns about rate increases.

Bronec concluded his report by addressing the SAIDI number for July. As noted in Thate's safety report, there was a substation-related outage which increased the SAIDI number slightly. However, DMEA is still performing well overall and should be back on track as the year progresses.

Upon motion from Director Martinez, seconded by Director Collins, the Board unanimously approved the July 2016 CEO Report.

**F. Legal Report.** General Counsel Hurd provided a brief, non-privileged report to the Board on matters relating to the *City of Delta* litigation, Tri-State's request for a rehearing with FERC, and the *Webb Dairy* litigation. Hurd then requested to defer the remainder of his legal report to executive session.

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

1. **Tri State Report.** Director Gavan reviewed key points from the report he had previously distributed to the Board. He highlighted some aspects of the recent Tri-State Board meeting, including an update on the rate increase and deferred revenue, Basin Electric, and Policy 101. Director Collins noted he will meet with the Tri-State Rate Committee again on September 13. Bronec will attend the Contract Committee Meeting in September as well.
2. **WUES Report.** Director Brown stated the first representative meeting he will attend will be September 1.
3. **CREA Report.** Director Martinez stated the first Board meeting he will attend in person will be September 1. He noted he will briefly address the Tri-State/FERC matter as well as the *City of Delta* litigation.

**H. Action Item: Other Business.** None.

**I. Informational Item.** There were no additional informational items.

**VIII. Member Comments.** There were no members present during the member comment period.

**IX. Future Meetings.** The next regular board meeting will be September 27, 2016 at 3:00 p.m. at the Montrose Headquarters. There will be a Member Relations Committee meeting on September 14 at the DMEA Read Service Center. There will be an E/C/R Committee meeting on September 20 at the Montrose Headquarters. There will be an F/A/R committee meeting in September either following the Member Relations Committee meeting or the E/C/R Committee meeting. Bronec asked to tentatively move the regular board meeting in October from Tuesday October 25, 2016 to Thursday October 27, 2016 to allow for his attendance at a Calix Conference.

**X. Executive Session.** Director Martinez moved to enter executive session to receive a legal update and discuss municipal utility competition. Director Collins seconded the motion, and it carried unanimously. At 5:33 p.m., the Board exited executive session.

**XI. Adjournment.** The regular board meeting was adjourned at 5:33 p.m.

  
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Brad Harding, Secretary/Treasurer