



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

January 24, 2017

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 a regular board meeting at the office of the cooperative in Montrose, Colorado, on Tuesday January 24, 2017.

### Regular Board Session

- I. Call Meeting to Order.** At 3:00 p.m., the Board convened and the meeting was called to order.

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

**Directors Absent:** Secretary/Treasurer Brad Harding

**Staff Present:** Jasen Bronec, Corey Thurlow, Steve Metheny, Andy Penfield, Jim Thate, Jim Heneghan, Amy Gavell

**Others Present:** General Counsel Jeffrey Hurd, Solar Energy International (SEI) representatives Kristopher Sutton, Marla Korpar, Gerald Espinosa, and Kathryn Swartz

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

- III. Opening Meeting Prayer** was led by Director Elder.

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

- V. Approval of Agenda.** Upon motion from Director Martinez, seconded by Director Gavan, the Board unanimously approved the agenda with one amendment: under agenda item X (Executive Session), the Tri-State Contractual Discussion will be moved to the last discussion item.

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

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

1. Adopted the December 2016 membership report and regular meeting minutes.
2. Adopted revisions to Board Policy 4 (Financial Management).
3. Approved the December 2016 Safety, Training, and Regulatory Compliance Report.
4. Approved the November 2016 financial report.
5. Accepted the January 24, 2017 CEO Report.
6. Received a legal update.
7. Approved DMEA's membership in Club 20.
8. Reviewed a presentation from Solar Energy International and request for information.
9. Reviewed a member's request to review the Cost of Service Study.
10. Approved a resolution authorizing the CEO to negotiate an exit from Tri-State.

## VII. General Business.

**A. Consent Agenda.** After inquiring about membership levels, Director Elder moved to approve the December 2016 membership report and December 2016 regular meeting minutes as presented. Director Gavan seconded the motion, and it carried unanimously.

### **B. Board Committees.**

1. **Finance – Audit – Rate Committee.** Director Collins reported the F/A/R committee did not meet in January but noted that Vice-President of Finance, Thurlow, had revised Board Policy 4 (Financial Management) to implement the Directors' previous request to have budgets prepared for initial Board review by each October.

Upon motion from Director Collins, seconded by Director Eckhart, the Board unanimously approved the revisions to Board Policy 4 as presented.

2. **Engineering – Construction – Renewable Energy Committee.** Director Gavan reported that the E/C/R committee did not meet in January. The committee's February meeting is slated to include a vegetation management update, a battery storage initiative discussion, and a tour of the Bullock/North Mesa substation.

As part of the E/C/R report, Director Gavan asked Heneghan, DMEA's Renewable Energy Engineer, to provide a 2016 year-end update on renewable projects. Heneghan highlighted generation at South Canal Hydro Units 1 and 3, including performance compared to previous years. Heneghan also addressed South Canal Hydro Unit 5, as well as the Community Solar Arrays (at the Montrose Headquarters and Read Service Center) along with the Income Qualified Community Solar Array.

3. **Member Relations – Energy Services Committee.** Director Prendergast reported that the Member Relations committee had met on January 10 to discuss, among other topics, the annual meeting location options and format. The committee ultimately settled on Hotchkiss High School in Hotchkiss, with a planned format similar to that of the 2016 annual meeting. The committee also reviewed communication efforts regarding the recent rate increase, as well as upcoming 2017 communication plans and member outreach events, with staff noting the shift to attendance at more self-hosted events by DMEA/Elevate. Finally, the committee discussed the unclaimed capital credit balance per Board Policy 16, noting that the Executive Committee plans to review and outline future donation parameters.
4. **Executive Committee.** President Patterson reported that the Executive Committee did not meet in January but anticipates meeting in February to discuss developing a written policy governing donations from the unclaimed capital credit fund.

**C. Safety, Training, and Regulatory Compliance Report.** Safety, Training and Compliance Director, Thate, presented the December 2016 Safety, Training, and Regulatory Compliance Report. Among other items, Thate highlighted the decline in year-end accidents in 2016 compared to 2015. One result is that DMEA's workers compensation experience modifier dropped, resulting in a 25% savings. Thate also addressed vehicle accidents in 2016, with only two minor incidents in the pool vehicle lot and zero citations. Director Prendergast commended Thate and all DMEA employees for the continued emphasis on safety.

Upon motion from Director Prendergast, seconded by Director Martinez, the Board unanimously approved the December 2016 Safety, Training, and Regulatory Compliance Report.

**D. Financial Report.** Vice-President of Finance, Thurlow, reviewed the November 2016 financial report, highlighting various line items and important financial indicators. (As the regular board meeting in December was earlier than normally scheduled, approval of the financial reports for that month will be delayed until the February 2017 regular board meeting.) As December 2016 financials have yet to be closed out, Thurlow presented a brief summary of the estimated year-end DMEA financial position—including estimated year-end

operating margins and revenue available for potential deferral. Thurlow also discussed DMEA's 2016 cash position and debt balances, DMEA's payment on long-term debt principal, DMEA construction work in progress, and other matters. 2016 power requirements from Tri-State and South Canal Hydro Units Drops 1, 3, and 5 were also touched upon, along with corresponding incentive payments for Drop 1 and 3.

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

- E. CEO Report.** CEO Bronec presented his monthly CEO report to the Board, touching on only key items contained in the detailed summaries provided by each department. Among other topics, Bronec highlighted live-phone answering statistics along with upcoming sponsorships as well as youths attending the NRECA youth camp and the trip to Washington, D.C. Bronec also discussed his recent attendance at the Tri-State managers' meeting, and provided a brief synopsis on the information he received. Additional CEO updates were deferred to executive session.

The SAIDI figure for December was then discussed. Bronec addressed the high degree of adverse weather in the service territory in December and how that negatively impacted the year-end SAIDI number.

Upon motion from Director Prendergast, seconded by Director Gavan, the Board unanimously approved the January 2017 CEO Report and the December 2016 SAIDI report.

- F. Legal Report.** General Counsel Hurd provided a brief non-privileged legal report on the various matters billed to DMEA over the previous month. Hurd then deferred 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 provided an update to the full Board on his attendance at the last Tri-State Board meeting, highlighting certain items provided in his written report. Non-confidential highlights from the recent strategic planning session were also noted. The Board inquired as to the status of the Tri-State long range financial forecast, which is currently several months past due.
2. **WUES Report.** Director Brown reported there had not been a WUES Board meeting since the last regular DMEA Board meeting. The next WUES Director meeting will be on January 27. WUES is considering adjusting the frequency with which they meet.
3. **CREA Report.** Director Martinez noted that while the next CREA meeting would not be until January 27, he had spoken with Kent Singer for purposes of providing a written update. Martinez compiled key points from this conversation into a written report sent out to the Board via e-mail.

- H. Action Item: Other Business.**

1. **Club 20 Membership.** The Board discussed DMEA's membership in Club 20, which DMEA had discontinued in 2016. In light of changing circumstances, DMEA staff recommends that the Board reconsider its membership and the ways in which Club 20 membership could advance DMEA's interests. Following discussion and upon motion from Director Elder, seconded by Director Gavan, the Board unanimously approved re-joining Club 20.

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

## **VIII. Member Comments.**

- A. SEI Rooftop/Utility Scale Solar Information.** Solar Energy International (SEI) representatives Kristopher Sutton, Marla Korpar, Gerald Espinosa, and Kathryn Swartz

attended the regular Board meeting to address an SEI request for information and to present to the DMEA Board on upcoming endeavors and opportunities for collaboration. Upon completion of the presentation, the groups discussed DMEA's forthcoming Hosting Capacity Study and how pertinent that would be for SEI's needs.

Upon motion from Director Gavan, seconded by Director Martinez, the Board unanimously voted to decline SEI's existing request for information with the understanding that more useful information would be contained in the Hosting Capacity Study, and that SEI will be informed once the results of that study are finalized.

**B. Discuss Member Request for Cost of Service Study Review.** Thurlow presented a verbal request on behalf of a member to review the Cost of Service Study. The Board voted to defer reviewing the request until the next regular Board meeting so that the member has an opportunity to complete a Member Request for Information pursuant to Board Policy 10.

**IX. Future Meetings.** The next regular board meeting will be February 28, 2017 at 3:00 p.m. The next E/C/R committee meeting will be February 24, with an F/A/R committee meeting to follow.

The Board then broke for dinner at 5:55 p.m.

**X. Executive Session.** At 6:27 p.m., Director Elder moved to enter executive session for a legal update, discussion on strategy execution, discussion on Region 10, and to address the Uncompahgre Valley Water Users Association (UVWUA) annual meeting. Director Eckhart seconded the motion, and it carried unanimously. The Board exited executive session at approximately 7:30 p.m.

Following the Board's exit from executive session, Director Prendergast moved that Director Martinez be appointed as DMEA representative at the UVWUA annual meeting with the authority to vote DMEA's shares. The motion was seconded by Director Elder, and it carried unanimously.

At 7:31 p.m., Director Prendergast moved to enter into a second executive session to discuss Tri-State contractual matters. Director Eckhart seconded the motion, and it carried among all the Directors present with the exception of Director Gavan, who abstained from the vote and exited the boardroom for the entirety of the second executive session. The Board exited this executive session at 8:42 p.m.

After exiting the second executive session, Director Prendergast moved to approve a resolution directing the CEO to negotiate the terms of an exit from Tri-State. This motion was seconded by Director Eckhart, and it passed without objection from any of the Directors present. Director Gavan was present neither for the deliberations regarding this resolution nor for the vote.

**XI. Adjournment.** The Board adjourned its regular meeting at 8:50 p.m.



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Brad Harding, Secretary/Treasurer