



MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS

October 27, 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 Thursday, October 27, 2016.

Regular Board Session

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

Directors Present: President Bill Patterson, Vice-President Mark Eckhart, Secretary/Treasurer Brad Harding, Assistant Secretary/Treasurer Marshall Collins, John Gavan, Jim Elder, Tony Prendergast, Kyle Martinez (participated by phone following conclusion of Colorado Rural Electric Association board meeting; joined at 4:34 p.m. during the CEO Report, left at 5:46 p.m.)

Directors Absent: Terry Brown (at Western United Electric Supply Corporation board meeting)

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

Others Present: Jeffrey Hurd-General Counsel; Wayne Quade and Dave Segal (Citizen Climate Lobby)

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

- 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 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 September 2016 membership report and the September 2016 regular meeting minutes.
2. Approved the 2017 capital budget and amendments to the 2016 capital budget.
3. Approved the filing of the DMEA's IRS Form 990 for 2015.
4. Adopted revisions to Board Policy 3 and Board Policy 10, Section 5.
5. Approved a Local Distribution Fiber Optic Lease Agreement with DMEA US, LLC.
6. Approved certain strategy execution documents for DMEA senior management.
7. Approved the September 2016 Financial Report.
8. Approved the September 2016 Safety, Training, and Regulatory Compliance Report.
9. Accepted the October 27, 2016 CEO Report.
10. Listened to member comments from the Citizens Climate lobby.
11. Received a legal update.
12. Authorized CEO Bronec to communicate with Tri-State regarding certain DMEA and Tri-State contractual issues.

VII. General Business.

A. **Consent Agenda.** Upon motion from Director Collins, seconded by Director Harding, the Board approved the September 2016 membership report as well as the September regular meeting minutes as presented.

B. Board Committees.

1. **Finance – Audit – Rate Committee.** Director Collins reported the F/A/R committee had met on October 14 in Paonia for a review and discussion of the proposed 2017 capital budget and amendments to the 2016 capital budget. The F/A/R committee requested certain changes to the capital budget for 2017 and approved certain items conditionally pending receipt of additional information, and with those changes recommended (1) approval by the full Board of the 2017 capital budget and (2) the 2016 amendments to the capital budget. The committee also discussed whether to recommend to the full Board that DMEA retire capital credits in 2016 but decided against making such a recommendation. Director Collins also noted that the F/A/R committee reviewed the draft IRS 990 Form for 2015 and recommended that the Board approve it for filing. Both the capital budget matters and IRS Form 990 had been provided to the full Board in advance.

Following an opportunity to discuss the issues addressed by the F/A/R committee, the Board, following a motion by Director Collins seconded by Director Gavan, unanimously approved a resolution authorizing the 2017 capital budget and amendments to the 2016 capital budget.

Following review of the draft IRS Form 990, and upon motion from Director Collins, seconded by Director Harding, the Board unanimously adopted a resolution authorizing DMEA to file the 2015 IRS Form 990.

2. **Engineering – Construction – Renewable Energy Committee.** Director Gavan reported that the E/C/R committee met on October 10 for a presentation on and discussion of the power supply market. The committee also received an update on the vegetation management program from Vice-President of Operations, Cox, and Utility Arborist Mike Davison. Gavan reported that the E/C/R committee held a second meeting on October 21 for further discussions regarding power supply matters.
3. **Member Relations – Energy Services Committee.** Director Prendergast reported the Member Relations committee had not met in October. The next committee meeting is scheduled for November 15, prior to the November regular board meeting. The primary focus at this November committee meeting will be determining a date and location of the 2017 DMEA annual meeting.
4. **Executive Committee.** President Patterson reported that the Executive committee met on October 21. Among the items the committee addressed were proposed updates to Board Policy 3 (DMEA Board/CEO Relationship) and Board Policy 10, Section 5 (Identify Theft Prevention Program), with edits from DMEA's General Counsel. The Executive committee drafted some additional changes to Board Policy 3 and, with those changes, recommended adoption by the full Board of Board Policy 3 and Board Policy 10, Section 5. The committee also reviewed and discussed a proposed Local Distribution Fiber Optic Lease Agreement between DMEA and DMEAUS, LLC and, with certain input provided by CEO Bronec, recommended adoption by the full Board. The Executive committee also discussed strategy execution documents and feedback to the CEO regarding those documents.

The full Board then discussed both the revised board policies as well as the proposed lease agreement with DMEAUS.

Upon motion from Director Gavan, seconded by Director Harding, the Board unanimously approved revisions to Board Policy 3 as presented.

Upon motion from Director Harding, seconded by Director Elder, the Board unanimously unapproved revisions to Board Policy 10, Section 5 as presented.

Upon motion from Director Gavan, seconded by Director Collins, the Board unanimously approved the Local Distribution Fiber Optic Lease Agreement as presented.

Upon motion from Director Gavan, seconded by Director Harding, the Board unanimously approved the strategy execution documents as presented.

- C. Financial Report.** Vice-President of Finance, Thurlow, reviewed the September 2016 financial report, highlighting various line items and important financial indicators. Thurlow noted cash flow investment activities regarding Elevate, including the disbursement of funds loaned to Elevate to finance the company's fiber build-out. Thurlow also addressed the current generation of South Canal Hydro Drop 5, and noted that Drops 1 and 3 are performing as budgeted. Thurlow and CEO Bronec then reviewed certain line loss issues that were appearing, which led to a discovered overbilling discrepancy with Tri-State. Staff is currently working with Tri-State to address the issue, and Vice-President of Engineering, Davenport, indicated that a confirmation/clarification on a resolution from Tri-State was expected by the middle of the following week. Bronec updated the Board on year-to-date margins, which are within expected parameters. The Board briefly discussed sales to the industrial rate class and the 2017 forecast levels. The Board also addressed rates more generally, as well as deferred revenue.

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

- D. Safety, Training, and Regulatory Compliance Report.** Safety, Training and Compliance Director, Thate, presented his September 2016 Safety, Training, and Regulatory Compliance Report. Thate began the report by addressing two recent incidents. In the first, a lineman based out of Read was on a pole when a line spool began to fall; instead of letting the spool fall to the ground, the lineman caught it and in the course of doing so strained his back and hip. The lineman reports no ongoing pain, and has declined medical treatment; Thate will continue to monitor. A second incident involved a warehouseman who strained an elbow while manually loading a cross-arm into the bed of a truck. The warehouseman continues at work and received a physician's evaluation this week.

Thate also updated the Board on a previously reported employee strain, near miss incidents, crew visits, work with Elevate contractors, and the South Canal Hydro projects.

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

- E. CEO Report.** CEO Bronec then presented his monthly CEO report to the Board. Bronec reported that fiber work continues, and also updated the board on electric infrastructure issues and outreach to the community. Operations has been performing high voltage safety demonstrations for local schools. Bronec talked briefly on IT matters, System Design jobs, and upgrades to the SCADA system. Bronec noted that there would be a member appreciation day tomorrow at the Montrose Headquarters, with a ribbon cutting for the new Elevate member experience center. Youth programs and scholarships are open for interested students to apply for; in the future, DMEA intends to place the entire scholarship application process online. Budgets are taking a major focus for most departments from now until the end of the year.

Bronec then addressed the September SAIDI report and noted the impact that weather has had on SAIDI numbers during the last several months.

Following various questions from the Board regarding the report and upon motion from Director Eckhart, seconded by Director Prendergast, the Board unanimously approved the October 2016 CEO Report.

- F. **Legal Report.** General Counsel Hurd presented a non-privileged legal update to the Board, giving an update on Mountain Coal, the general status of easement matters, and a completed lease agreement for the GRID Alternatives project. Hurd also briefly updated the board on the topics discussed at CREA's fall attorney conference, which he co-chaired. Hurd 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 recapped the report he had previously e-mailed to the Board. The main focus of the director meeting was to discuss organized markets, policy 115 and 117 related projects, and the upcoming strategic planning meeting in January 2017.
 - 2. **WUES Report.** Director Brown was not in attendance to give his report as he was attending the WUES meeting in Denver.
 - 3. **CREA Report.** Director Martinez stated he would send out detailed notes upon his return from his CREA meeting in Denver. He then provided a thumbnail sketch of topics discussed at CREA, including potential rate increases and the budgeting process for next year.
- H. **Action Item: Other Business.** There were no additional action items.
- I. **Informational Item.** There were no additional informational items.

VIII. Member Comments.

- A. **Citizens Climate Lobby-Dave Segal.** Wayne Quade, Dave Segal, and other members from the Citizen Climate Lobby addressed the Board regarding their organization, their efforts regarding climate change issues, and their grassroots support for a legislative proposal meant to address climate change called "carbon fee and dividend." Citizen Climate Lobby is not requesting anything from DMEA at this time but simply wants to open a line of communication with the DMEA board.
 - B. **History Colorado Center Donation Request for the Ute Indian Museum.** President Patterson reviewed an application regarding the Ute Indian Museum that was provided to the Board prior to the meeting. Director Harding moved to table a vote on the request until a representative from the History Colorado Center could attend to address the Board on the request. This motion was seconded by Director Eckhart, and it passed unanimously.
 - C. **Member Concern.** DMEA has an internal policy requiring inspection by a state electrical inspector before reconnecting a meter that has been without active service for more than six months. The cost of such inspection typically runs about \$100. The purpose of the policy, recommended but not required by the state electrical inspector, is to promote safely re-establishing service. A local realtor has expressed concern over this internal policy and the cost associated with it (particularly in foreclosures or HUD sales). Upon discussion and review, the Board agreed to maintain the policy as is. Director Patterson will follow up with the member who raised the concern.
- IX. **Future Meetings.** The next regular board meeting will be November 15, 2016 at 3:00 p.m. There will be a Member Relations committee meeting on November 15 prior to the regular board meeting. The F/A/R committee will convene in November at a date and time to be determined. The December regular board meeting will be on December 15, 2016, at 2:00 p.m.

- X. Executive Session.** At 5:42 p.m., Director Harding moved to enter executive session to receive a legal update on non-Tri-State related matters. Director Collins seconded the motion, and it carried unanimously. At 5:57 p.m., the Board exited executive session.

Upon exiting executive session, Director Gavan excused himself from the boardroom, and did not return. At 5:58 p.m., Director Harding moved to re-enter executive session to receive an update regarding Tri-State related legal matters and contractual issues. Director Collins seconded the motion, and it passed unanimously. At 6:26 p.m., the Board exited executive session.

After the Board exited executive session for the second time, Director Harding moved to authorize CEO Bronec to communicate with Tri-State regarding certain DMEA and Tri-State contractual issues. Director Eckhart seconded the motion, and it carried unanimously. Director Gavan was not present for the discussion of this motion was absent from the vote.

- XI. Adjournment.** The regular board meeting was adjourned at 6:35 p.m.



Marshall Collins, Assistant Secretary/Treasurer