



MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS

April 25, 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, April 25, 2017.

During their regular meeting, the Directors:
1. Approved the March membership report, and the March regular meeting minutes as presented.
2. Adopted a resolution approving the 2016 audit report from cooperative auditor, Bolinger, Segars, Gilbert & Moss, L.L.P.
3. Reviewed the unclaimed capital credit fund as of March 31, 2017.
4. Approved the March 2017 Safety and Occupational Health Report.
5. Approved the March 2017 financials.
6. Adopted the April 25, 2017 CEO Report and March 2017 SAIDI figure.
7. Received a legal update.
8. Attended a scholarship presentation for those students awarded scholarships for 2017 from the unclaimed capital credit fund.
9. Approved the Chief Financial Officer search as proposed and outlined to the Board, and granted CEO Bronec the authority to negotiate a contract with an executive search firm.

I. Call Meeting to Order. At 3:11 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*), Kyle Martinez, Jim Elder, Terry Brown, John Gavan, Tony Prendergast
- **Directors Absent:** Marshall Collins (*Assistant Secretary/Treasurer*)

- **DMEA Staff Present:** Jim Thate, Doug Cox, Andy Penfield, Steve Metheny, Amy Gavell, Jasen Bronec, Corey Thurlow, Virginia Harman, Mateusz Pena (in at 6:31 p.m.), Shelby Bear (in at 6:31 p.m.)
- **Others Present:** Jeffrey Hurd (*General Counsel*); Mariah Alaya (*career shadowing General Counsel Hurd*); Damon Lockhart (*member & board director candidate*)

II. Pledge of Allegiance was led by President Patterson.

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 the following amendments: 1) under agenda item XI, add “review CFO search process”; 2) under the Tri-State Representative report (item G-1), add a discussion item on the Tri-State Board Director survey; 3) under the Member Relations committee meeting report (item B-3), add a discussion on the recent meeting with Senator Bennet.

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

VII. General Business.

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

B. Board Committees.

- 1. Finance – Audit – Rate Committee.** F/A/R Committee member Harding reported that the committee had met prior to the regular board meeting to review the 2016 audit of DMEA’s consolidated financials completed by Bolinger, Segars, Gilbert & Moss, L.L.P., and to discuss the results of the audit with Bolinger representative Charlie Gorham. Gorham, CEO Bronec, and Vice-President of Finance, Thurlow, answered additional questions posed by the committee relating to the

audit. DMEA staff then exited the meeting so that F/A/R committee members could speak directly with the audit firm representative. Harding reported that the audit was “very clean” and that DMEA staff had been fully cooperative with the auditors. Following review of the audit and discussion with the auditor, the committee recommended that the full board approve the 2016 DMEA audit report as presented.

The full Board then discussed the audit further. Following that discussion, upon motion from Director Prendergast, seconded by Director Eckhart, the Board unanimously adopted a resolution approving the 2016 Bolinger, Segars, Gilbert & Moss, L.L.P. audit of DMEA’s consolidated financial statements.

2. Engineering – Construction – Renewable Energy Committee.

Committee Chair Gavan reported that the E/C/R had not met in April but was slated to meet prior to the May 2017 board meeting.

3. Member Relations – Energy Services Committee. Committee Chair Prendergast reported that the committee had not met in April but was slated to meet prior to the May 2017 board meeting. Prendergast updated the Board on his participation in an Annual Meeting committee meeting, which included a site visit to the 2017 Annual Meeting location at Hotchkiss High School.

Prendergast also reported to the Board that on April 10, he, along with DMEA senior staff and Directors Gavan and Martinez, met with representatives from Senator Bennet’s office to discuss various energy and regulatory matters affecting DMEA.

Vice-President of Human Relations and Member Services, Harman, provided an update regarding DMEA’s pre-application for on-bill financing; it was accepted and now DMEA will move on to the next applicant phase.

4. Executive Committee. Committee Chair Patterson reported that the committee had not met in April but was slated to meet prior to the May 2017 board meeting.

Pursuant to Board Policy 16 relating to donations from Unclaimed Capital Credits, the Board then reviewed a report prepared by staff

detailing amounts paid to charitable causes from the Unclaimed Capital Credits Fund.

C. Safety and Occupational Health Report. Safety, Training, and Compliance Director, Thate, presented his report for March 2017. A staff member en route to a certification class in Denver was involved in an incident on Colfax Avenue in Denver wherein a bus damaged the rearview mirror on the DMEA vehicle. There were no injuries and the vehicle has been repaired. Thate also detailed a near-miss incident involving fiber contract crews and DMEA dispatch. The Board inquired more about this miscommunication and discussed the reporting of near-miss incidents. Staff reaffirmed that DMEA encourages the reporting of near-miss incidents so that safety procedures can continuously be evaluated and to ensure that employees are adhering to the relevant policies. Thate also discussed two worker compensation claims that have been reversed following extensive review by DMEA's workers' compensation carrier. With several hires having recently been made within DMEA and Elevate Fiber, Thate is keeping busy providing safety training to those new staff members.

Upon motion from Director Martinez, seconded by Director Gavan, the Board unanimously approved the March 2017 Safety and Occupational Health report as presented.

D. Financial Report. Vice-President of Finance, Thurlow, presented DMEA's March 2017 financial report and highlighted various key financial indicators. One key variance related to a purchase power anomaly resulting from hydro generation having missed an earlier (and higher-than-expected) March 6 member coincident peak; this resulted in higher purchased power costs than had been budgeted. (Thurlow noted that such variances are not uncommon during the "shoulder" months of March and October.) Internal costs were still under budget, however, and operating margins are \$115,000 above budget for the year.

Thurlow also reported on personnel changes, including the hiring of a certified public accountant for the Finance and Accounting Department. Thurlow also notified the Board of his resignation, which will be effective in June 2017.

Upon motion from Director Martinez, seconded by Director Prendergast, the Board unanimously approved the March 2017 Financial Report as presented.

E. CEO Report. CEO Bronec highlighted various items contained in the April 2017 CEO Report. Member outreach events were discussed, including the final Morning Buzz for 2017, which will be April 28, 2017. DMEA hosts the Morning Buzz events in the spring and Member Forums in the fall as ways to engage and interact with members. Bronec discussed staff hires as well as position movement internally. He also updated the Board on DMEA interactions with Region 10, power supply matters (including the completion and submission of DMEA's Long Range Forecasts for Load and Generation to Tri-State), and dispatching services for other cooperatives. Bronec reported that he would deliver the remainder of his CEO report in executive session.

The March 2017 SAIDI figure was presented and discussed.

Upon motion from Director Martinez, seconded by Director Gavan, the Board unanimously approved the April CEO report and the March 2017 SAIDI number as presented.

F. Legal Report. General Counsel Hurd provided a brief non-privileged update on the telecom sharing agreement with Tri-State, and then reviewed DMEA's legal invoice for March. Hurd reported to the Board that he will be joining the Denver law firm of Ireland Stapleton Pryor & Pascoe, PC, and opening the firm's Grand Junction office; this will require a new engagement letter with DMEA. Hurd deferred the remainder of his legal report to executive session.

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

- 1. Tri-State Report.** Director Gavan addressed a survey Tri-State requested the Boards of its member cooperatives to complete in advance of Tri-State's June strategic planning session. Gavan reported on the Tri-State annual meeting, which took place at the beginning of April. The Board then engaged in a brief discussion on certain Tri-State member cooperatives having expressed interest in obtaining buy-out numbers or increasing the 5% self-generation cap in their wholesale electric supply contracts.
- 2. WUES Report.** Director Brown stated the next Western United meeting will occur on April 27.
- 3. CREA Report.** Director Martinez provided the Board with his report from the last meeting he attended in March. CREA's next meeting will

occur on Thursday April 27, and Neil Graves will be the main speaker. Martinez then discussed a visit he made to the State Capitol in Denver (prior to CREA's March meeting) and his discussions with local legislators about DMEA, Elevate, and the High Cost Fund.

H. Action Item: Other Business. There were no additional action items.

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

VIII. Scholarship Presentations. At 4:55 p.m., the Board recessed to participate in the 2017 scholarship recipient presentation in the DMEA Multi-Purpose room. *The Board broke for dinner upon the completion of the scholarship presentation, and reconvened at 6:25 p.m.*

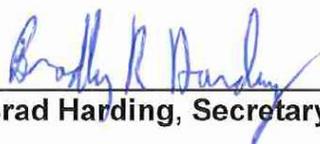
IX. Member Comments. There were no member comments.

X. Future Meetings. The next regular board meeting will be May 23, 2017 at 3:00 p.m. There will be an E/C/R committee meeting on Thursday May 17 and a Member Relations committee meeting on that same day.

XI. Executive Session. At 6:31 p.m., Director Prendergast moved to enter executive session to receive a privileged legal update, review a line extension request, discuss board educational opportunities, review a target company acquisition, review the CFO search process, and to discuss scheduling a litigation update with outside counsel. Director Elder seconded the motion and it carried unanimously. The Board exited executive session at 7:36 p.m.

Following a brief discussion, Director Prendergast moved to proceed with engaging an outside consulting firm to assist with a new Chief Financial Officer search, and to grant CEO Bronec the authority to negotiate the search contract price. Director Harding seconded the motion, and it carried over the dissenting vote of Director Martinez.

XII. Adjournment. The regular board meeting was adjourned at 7:38 p.m.



Brad Harding, Secretary/Treasurer