



MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS

August 22, 2017

Location: Montrose Headquarters Building

11925 6300 Rd, Montrose CO 81401

3:00 p.m.

Regular Board Session. The Board of Directors of Delta-Montrose Electric Association met for its regular board meeting at the office of the cooperative in Montrose, Colorado, on Tuesday, August 22, 2017.

During their regular meeting, the Directors:
1. Approved the July 2017 membership report and the July 2017 regular meeting minutes as presented.
2. Approved a financial audit engagement letter.
3. Approved revisions to Board Policy 4.
4. Approved a CoBank financing resolution.
5. Received Board committee meeting reports.
6. Decided to forego a management audit for the time being.
7. Approved the July 2017 Safety and Occupational Health Report.
8. Approved the DMEA Financial Report through July 2017.
9. Approved the August 22, 2017 CEO Report and the July SAIDI figure.
10. Received a legal update.
11. Approved an updated banking signatory resolution designating Vice President of Finance, Wade Pynes, as a DMEA signatory.
12. Approved a retirement resolution for Susie Keenan.
13. Voted on the NRECA voting delegate and alternate for the NRECA annual meeting.
14. Approved resolution authorizing a modification of a line of credit with DMEAUS, LLC.
15. Approved a resolution authorizing acquisition of certain fiber assets.

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

- **Directors Present:** Bill Patterson (*President*), Brad Harding (*Secretary/Treasurer*), Marshall Collins (*Assistant Secretary/Treasurer*), Kyle Martinez, Jim Elder (via phone), Damon Lockhart, John Gavan, Tony Prendergast
- **Directors Absent:** Mark Eckhart (*Vice President*)
- **DMEA Staff Present:** Jasen Bronec, Amy Taylor, Virginia Harman, Doug Cox, Kent Davenport, Steve Metheny, Wade Pynes, Andy Penfield
- **Others Present:** Jeffrey Hurd (*General Counsel*); Arsenio Delacruz (*RUS general field representative*); Carole London and Janet Chapman (*Citizens Climate Lobby*)

II. Pledge of Allegiance was led by Director Harding

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 addition of VII.G.4, to discuss animal auctions at the Delta County and Montrose County fairs.

VI. Introductions. Those other than the Board Directors and staff were introduced. Kent Davenport introduced Arsenio Delacruz, who serves as the general field representative for the Rural Utilities Service. Mr. Delacruz delivered brief comments on RUS's positive working relationship with DMEA and the importance to RUS of providing excellent customer service and streamlining various processes—including loan processing.

VII. General Business

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

B. Board Committees.

- 1. Finance – Audit – Rate Committee.** Committee Chair Collins reported that the F/A/R committee met on August 17. The committee met DMEA's new Vice President of Finance, Wade Pynes, and received updates on various matters. Management negotiations with the union on a new collective bargaining agreement are slated to occur over the next 2-3 months. The F/A/R committee also reviewed a proposed engagement letter with Bolinger, Segars, Gilbert & Moss, and recommended that DMEA retain the current audit managing partner for another year so as to ensure a smooth audit process with Pynes. The committee also discussed debt limits and DMEA's equity management plan, as well as potentially revising the line of credit available to DMEA Utilities Services, LLC. At this point Collins asked CEO Bronec and General Counsel Hurd to review certain proposed revisions to Board Policy 4 along with a resolution related to securing a new \$25 million loan facility with CoBank. Discussion among the Board ensued regarding both Board Policy 4 and the financing. Bronec then fielded questions on the spread of financing that DMEA has among CoBank, RUS, and CFC.

Upon motion from Director Collins, seconded by Director Harding, the Board unanimously approved a financial audit engagement letter with Bolinger, Segars, Gilbert & Moss.

Upon motion from Director Harding, seconded by Director Gavan, the Board unanimously adopted revisions to Board Policy 4, including a clarification relating to cash and cash equivalents tied to DMEA's total net utility plant.

Upon motion from Director Harding, seconded by Director Lockhart, the Board unanimously approved a resolution authorizing a \$25 million CoBank loan facility.

- 2. Engineering – Construction – Renewable Energy Committee.** Committee Chair Gavan reported that E/C/R committee met on August 15. At this meeting, the committee received a presentation from Renewable Engineer Heneghan on microgrids as well as a presentation from Vice President of Power Supply & Management Services, Metheny, on power distribution. Metheny's presentation covered Tri-State rate design and impacts on DMEA under various

possible scenarios. The E/C/R committee also received an update on the progress of the middle-mile fiber build out.

3. Member Relations – Energy Services Committee. Committee Chair Prendergast reported that the Member Relations Committee met just prior to the regular August 22 board meeting. Among other things, the committee discussed a continued decrease in the live answering rate for inbound phone calls (~60% at present), with much of the decrease attributable to Elevate-related phone traffic. The committee also discussed social media/print media policy issues, ADA compliance matters, and on-bill energy efficiency programs. Prendergast concluded his report by outlining upcoming events and member outreach.

4. Executive Committee. Committee Chair Patterson reported that the Executive Committee met on August 11. Patterson reported on the committee's discussions of a management audit and staff's recommendation that, in light of certain operational and organizational chart changes (which were reviewed and discussed), the audit contemplated by Board Policy 6 be delayed for a year. The entire Board then discussed the recommendation and agreed to postpone the management audit. Patterson also reported that the Executive Committee received a power supply update and Bronec reported that 7 of 9 Board members responded to a strategy survey, which will be used to inform the upcoming strategic session.

C. Safety and Occupational Health Report. Safety, Training and Compliance Director, Thate, presented the Safety and Occupational Health Report for July 2017. The Board discussed efforts into identifying the responsible party for damage to DMEA's middle mile fiber. Staff will follow up.

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

D. Financial Report. Vice President of Finance, Pynes, presented the financial report through July 2017, highlighting various numbers and performance metrics. Pynes touched upon other electric revenues, DMEA's year-to-date General and Accounting expenses (11% under budget), South Canal generation projections/variations, and non-operating margins. The Board then discussed the desirability of a variance report, with Director Harding

requesting such a report going forward. Pynes invited the Board to propose additional metrics and/or other suggestions for presenting cooperative financial information.

Upon motion from Director Gavan, seconded by Director Martinez, the Board unanimously approved the Financial Report through July 2017.

- E. CEO Report.** CEO Bronec highlighted various items contained in the August 2017 CEO Report, commenting on the updates provided by various departments, and updating the board on key operational matters within the cooperative. Engineering reports 56 new design jobs in July, with the average queue being three weeks from job design to construction.

Upon motion from Director Collins, seconded by Director Gavan, the Board unanimously approved the August CEO report and the July 2017 SAIDI number as presented.

- F. Legal Report.** General Counsel Hurd provided a brief non-privileged legal update. Hurd then requested that the remainder of his report be deferred to executive session.

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

- 1. Tri-State.** Director Martinez reported on the August 1-2 Tri-State board meeting, highlighting certain items from the O&M and capital construction budgets. Operating expenses are \$119mm less than projected, primarily on account of decreased generation and fuel expenses. Martinez noted that Tri-State has no immediate plans for a rate increase. Martinez then raised and the Board discussed the Holcomb plant expansion. The Board then expressed an interest in understanding certain Tri-State calculations relating to Qualifying Facilities and Policy 115 “costs.” Director Martinez agreed to follow-up with Tri-State for more information so as to clarify certain ambiguities.
- 2. WUES Report.** Director Elder noted that he had sent along Western United materials previously to the Board and referred to those materials.

3. **CREA Report.** Director Lockhart reported that the upcoming CREA Board meeting will be his first in-person CREA meeting.
4. **Montrose and Delta Fairs.** The Board then discussed animals purchased by DMEA Board representatives at the Montrose (Director Martinez) and Delta County (Director Lockhart) fairs. The purchased animals were processed and then donated to Sharing Ministries and to the food bank at the Methodist Church.

H. Action Item: Other Business.

1. **Updated Banking Signatory Signature Resolution.** Upon motion from Director Martinez, seconded by Director Prendergast, the Board unanimously approved a resolution authorizing Vice President of Finance, Pynes, to be a signatory on certain DMEA banking documents.
2. **Retirement Resolution for Susie Keenan.** Director Harding read a resolution in appreciation of Susie Keenan's 24 years of service as a DMEA employee. Upon motion from Director Martinez, seconded by Director Harding, the Board unanimously adopted the resolution.
3. **NRECA Voting Delegate/Alternate at NRECA Annual Meeting.** Upon motion from Director Martinez, seconded by Director Gavan, the Board unanimously appointed President Patterson as the voting delegate at the NRECA Regional Meeting. CEO Bronec will serve as an alternate.

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

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

IX. Future Meetings. The next regular DMEA Board meeting will be on September 26, 2017 at 3:00 p.m.

The Board recessed for dinner at 5:02 p.m.

X. Executive Session. At 5:40 p.m., Director Martinez moved to enter executive session to receive a privileged legal update, to review a line of credit agreement between DMEA and DMEA Utilities Services, LLC (DMEAUS),

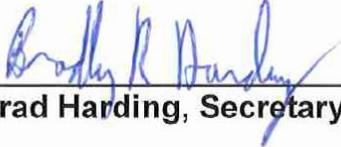
and to discuss possible fiber acquisition. Director Harding seconded the motion, and it carried unanimously. The board exited executive session at 6:45 p.m.

XI. Action Items Following Executive Session.

A. Line of Credit Resolution. Upon motion from Director Harding, seconded by Director Gavan, the Board unanimously approved increasing the line of credit from DMEA to DMEAUS.

B. Fiber Acquisition Resolution. Upon motion from Director Prendergast, seconded by Director Lockhart, the Board unanimously approved a resolution authorizing DMEA's acquisition of certain fiber assets.

XII. Adjournment. The regular board meeting was adjourned at 6:57 p.m.



Brad Harding, Secretary/Treasurer