



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

February 27, 2018

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, February 27, 2018.

<b>During their regular meeting, the Directors:</b>
1. Approved the January 2018 membership report and the January 2018 regular meeting minutes as presented.
2. Adopted a resolution approving a deferral of up to \$1,750,000 in 2017 revenue pending approval by the Rural Utilities Service.
3. Adopted a resolution foregoing retirement of member capital credits in 2018, and approving the allocation of 2016 operating margins.
4. Updated Board Policy 23 (Capital Credit Policy).
5. Updated Board Policy 18, Sections 1-9 (Net Metering).
6. Approved a capital budget amendment for \$56,000 for the installation of cathodic protection at South Canal Hydro Electric Units 1 and 3.
7. Approved the January 2018 Safety and Occupational Health Report.
8. Approved the Financial Report through December 2017.
9. Approved the February 2018 CEO report and January 2018 SAIDI figure.
10. Appointed Vice-President Eckhart to serve as the voting delegate at the Tri-State Annual Meeting.
11. Approved a Simplified Rules of Order for the Board of Director meetings.
12. Approved a retirement resolution for Kent Davenport.
13. Appointed John Broadbooks as the new Operation Round Up Trustee.

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

- **Directors Present:** Bill Patterson (*President*) (*by phone*), Mark Eckhart (*Vice-President*) (*presiding*), Brad Harding (*Secretary/Treasurer*), Kyle Martinez, Jim Elder (left prior to X – Executive Session), Damon Lockhart, John Gavan, Tony Prendergast (in at 3:10 p.m. during VII-B)
- **Directors Absent:** Marshall Collins (*Assistant Secretary/Treasurer*)
- **DMEA Staff Present:** Kent Blackwell, Jim Heneghan (left during VII-G-3), Doug Cox, Shelby Bear (left prior to X – Executive Session), Jim Thate (left during VII-H-1), Steve Metheny, Wade Pynes, Virginia Harman, Mateusz Pena (left prior to X – Executive Session), Jasen Bronec, Amy Taylor
- **Others Present:** Jeffrey Hurd (*General Counsel*) (in at 3:04 p.m. during VII-A), Carole London (*Citizens Climate Lobby*) (left prior to X – Executive Session)

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

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

**IV. Determination of Quorum.** Vice-President Eckhart announced the presence of a quorum and presided over the meeting at the request of President Patterson (who was participating via phone).

**V. Approval of Agenda.** The Board approved the meeting agenda as presented.

**VI. Introductions.** Carole London, representative from the Citizens Climate Lobby, introduced herself to the Board.

**VII. General Business**

**A. Consent Agenda.** Upon motion from Director Gavan, seconded by President Patterson, the Board unanimously approved the January 2018 membership report and the January 2018 regular meeting minutes as presented.

**B. Board Committees.**

- 1. Finance – Audit – Rate Committee.** Committee Member Harding reported the F/A/R committee met on February 20. At the meeting the committee reviewed capital credit allocations, a proposed revenue deferral, proposed updates to Board Policy 23, and the possible implementation of a paper bill fee. The committee also received an update on New Market Tax Credits and information obtained on the Tri-State pension plan. Harding provided additional details from the report and addressed questions from the Board. DMEA’s Chief Financial Officer, Pynes, provided an update on the revenue deferral process in relation to RUS and IRS guidelines.

Upon motion from Director Martinez, seconded by Director Gavan, the Board unanimously adopted a resolution approving a deferral of up to \$1,750,000 in revenue for the year 2017 pending approval by the Rural Utilities Service.

Upon motion from Director Lockhart, seconded by Director Martinez, the Board unanimously approved a resolution foregoing retirement of member capital credits in 2018, and approving the allocation of 2016 operating margins.

Upon motion from President Patterson, seconded by Director Lockhart, the Board unanimously approved the updates to Board Policy 23 (Capital Credit Policy) as presented.

- 2. Engineering – Construction – Renewable Energy Committee.** Committee Chair Gavan reported that E/C/R committee had not met in February. However, staff did draft a committee report which was distributed to the Board electronically. This report reviewed proposed updates to Board Policy 18, Sections 1-9, regarding net metering. DMEA’s Renewable Energy Engineer, Heneghan, highlighted two major substantive updates to the policy. A proposed capital budget amendment was also discussed for two units at the South Canal to protect equipment from erosion.

Upon motion from Director Harding, seconded by Director Lockhart, the Board approved the updates as presented to Board Policy 18, Sections 1-9 regarding net metering.

Upon motion from Director Harding, seconded by Director Lockhart, the Board approved a capital budget amendment in the amount of \$56,000 for the installation of cathodic protection at South Canal Hydro Electric Units 1 and 3.

**3. Member Relations – Energy Services Committee.** Committee Chair Prendergast reported the Member Relations committee had not met since the last regular Board meeting.

**4. Executive Committee.** Committee Chair Patterson reported the Executive committee had not met since the last regular Board meeting. There will be a meeting in March to discuss power supply.

**C. Safety and Occupational Health Report.** DMEA's Safety, Training and Compliance Director, Thate, presented a general review of the Safety and Occupational Health Report for January 2018. Thate is working on finishing compliance and end-of-year report matters. He also provided the Board with an update on chemical storage issues.

Upon motion from Director Prendergast, seconded by Director Gavan, the Board unanimously approved the January 2018 Safety and Occupational Health report as presented.

**D. Financial Report.** Pynes presented the Financial Report through December 2017, and began by addressing certain items listed in the monthly variance report. He had no major concerns regarding the 2017 year-end financials, but highlighted a few discrete matters. Pynes then touched upon various matters, including: CoBank debt covenant matters, purchase power, General & Administration being under budget by 2% year-end, and why the labor budget was under budget 2.5% year-end. Pynes then discussed interest expenses and revenue decreases from loss of external dispatching contracts. Pynes also addressed how the possible broadband-related acquisition impacted the budget, and noted there would be a write off of 840 in-home units for My Choice members that have not been utilized. Pynes noted the cooperative had a solid year financially. He concluded his report by discussing ways to further improve DMEA's financials going forward.

Upon motion from Director Harding, seconded by Director Lockhart, the Board unanimously approved the Financial Report through December 2017 as presented.

**E. CEO Report.** CEO Bronec highlighted various items contained in the February 2018 CEO Report, commenting on updates in various departments, and updating the board on key operational matters within the cooperative. He highlighted staff's involvement on various legislative matters. There is a member outreach event set for next Friday, March 9, at RJ's Steakhouse in Cedaredge. As part of these events, DMEA will begin showcasing its all-electric car, the Chevy Bolt. Bronec highlighted the recent rash of scams targeting DMEA members and how staff is working to combat this issue. Bronec concluded his report with updates on vegetation management issues and the overall facility expansion plan. The January 2018 SAIDI figure was presented and discussed.

Upon motion from Director Gavan, seconded by Director Prendergast, the Board unanimously approved the February CEO report and January 2018 SAIDI figure as presented.

**F. Legal Report.** General Counsel Hurd gave a non-privileged legal update and requested to defer the rest of his legal report to executive session.

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

**1. Tri-State Report.** Director Martinez highlighted aspects of a written report he had previously e-mailed to the Board. The Board discussed Tri-State's pension plan. Discussion then ensued about renewables within Tri-State's power portfolio, and then extent to which those renewables overlap with Western Area Power Administration allocations and from those projects under Tri-State's Board Policy 115. Martinez concluded his report by discussion Regional Transmission Organization matters, Tri-State labor negotiations, and certain battery storage issues.

**2. Western United Electrical Supply Report.** Director Lockhart reported on his attendance at the January/February meeting. He distributed two documents he received at that meeting and addressed questions from his written report he had previously circulated to the DMEA Board.

- 3. CREA Report.** Director Lockhart attended the CREA Annual Meeting and took three NRECA Board Certification classes. He also attended the January Board meeting and sent out a written report to the Board. Unable to attend the February Board meeting, Director Lockhart sent to the Board the official minutes of the meeting for review.

#### **H. Action Item: Other Business.**

- 1. Vote on Tri-State Annual Meeting Delegate.** Upon motion from Director Gavan, seconded by Director Lockhart, the Board unanimously appointed Vice-President Eckhart to serve as the voting delegate at the Tri-State Annual Meeting.
- 2. Adoption of Simplified Rules of Order.** General Counsel Hurd discussed with the Board some advantages of adopting a streamlined/simplified set of parliamentary rules of order. The Board reviewed some new proposed rules and Hurd addressed questions from the Board. Upon motion from Director Harding, seconded by Director Gavan, the Board unanimously adopted the Simplified Rules of Order as presented.
- 3. Approve Kent Davenport Retirement Resolution.** Upon motion from Director Martinez, seconded by Director Prendergast, the Board unanimously approved a retirement resolution as presented for Kent Davenport. CEO Bronec noted his appreciation for Vice-President of Engineering Davenport's service to the cooperative.
- 4. Vote on New Operation Round-Up Trustee.** Upon motion from Director Gavan, seconded by Director Prendergast, the Board unanimously approved John Broadbooks as the new trustee on the Operation Round-Up Board.

#### **I. Informational Items.**

- 1. Review Unclaimed Capital Credit Fund.** It is Board policy to review the balance of the unclaimed capital credit fund on a regular basis. It was noted how donation requests have changed since the policy appointed CEO Bronec to review requests under \$10,000. Vice-President Eckhart highlighted the importance of dividing the funds as evenly as possible between the two counties.

**2. Operation Round-Up Meetings.** Director Martinez noted that he had previously attended an Operation Round-Up meeting in the past and found it to be a valuable experience. He recommended that directors who had not similarly attended such a meeting consider doing so.

**VIII. Member Comments.** Carole Landon wanted to thank the Board for its continuous commitment to renewable energy usage and net metering. She was excited to hear about the upcoming electric car marketing program and invited the Board to attend a screening of a documentary that evening about climate change.

**IX. Future Meetings.** The next regular DMEA Board meeting will be March 27, 2018 at 3:00 p.m.


**X. Executive Session.** At 4:51 p.m., Director Lockhart moved to enter into executive session to receive a strategy execution update. Director Elder excused himself from the meeting at this time. Director Prendergast seconded the motion, and the Board entered executive session. At 6:11 p.m., the Board exited executive session.

At 6:11 p.m., Director Harding moved to enter into executive session for a non-power supply related privileged legal report. Director Martinez seconded the motion, and the Board entered executive session. At 6:19 p.m., the Board exited executive session.

At 6:19 p.m., Director Prendergast moved to enter into executive session for a power supply-related privileged legal update. Director Martinez excused himself from the meeting at this time. Director Gavan seconded the motion, and the Board entered executive session. At 6:53 p.m., the Board exited executive session.

**XI. Other Action Items.** No additional Board action was taken.

**XII. Adjournment.** The regular board meeting was adjourned at 6:54 p.m.

  
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**Brad Harding, Secretary/Treasurer**