



MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS

September 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 Tuesday, September 27, 2016.

Regular Board Session

- I. Call Meeting to Order.** At 3:02 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, Terry Brown, Kyle Martinez

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

Others Present: Jeffrey Hurd-General Counsel

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

- III. Opening Meeting Prayer** was led by President Patterson.

- IV. Determination of Quorum.** President Patterson confirmed the presence of a quorum.

- V. Approval of Agenda.** The Board by acclamation approved an amended agenda, omitting an in-kind donation request from Hillman House.

- VI. Introductions.** None.

- VII. General Business.**

During their regular meeting, the DMEA Directors:

1. Adopted the August 2016 membership report and the August 2016 regular meeting minutes.
2. Adopted revisions to Article VIII of the DMEA bylaws regarding capital credit allocations.
3. Adopted revisions to Board Policy 12.
4. Approved a resolution setting a rate hearing for the November 15, 2016 board meeting.
5. Approved a non-site specific construction work plan amendment.
6. Voted to eliminate Board Policy 14.
7. Adopted a resolution authorizing a modification to a contract with the Uncompahgre Valley Water Users Association.
8. Updated the scholarship distribution program funded by unclaimed capital credits.
9. Approved the August 2016 Financial Report.
10. Approved the August 2016 Safety, Training, and Regulatory Compliance Report.
11. Accepted the September 27, 2016 CEO Report.
12. Adopted a resolution for a Retirement Security (RNS) Plan Increase as presented.
13. Adopted a retirement resolution for Karen Longwell.
14. Approved a donation request for scholarships to the Delta-Montrose Technical College.

A. Consent Agenda. Upon motion from Director Prendergast, seconded by Director Gavan, the Board approved the August 2016 membership report as well as the August 2016 regular meeting minutes as presented.

B. Board Committees.

- 1. Finance – Audit – Rate Committee.** Director Collins reported the F/A/R committee met on September 20 to review and discuss various topics, including Bylaw revisions, DMEA's 2017 proposed rates, proposed revisions to Board Policy 12, several capital budget items, and the vehicle replacement plan.

The F/A/R committee discussed proposed revisions to Article VIII of the DMEA bylaws to reflect the cooperative's capital credit allocation policy. The proposed revisions had been promulgated in accordance with Article XIII of the existing Bylaws, with the requisite notice and posting of the proposed revisions having been given to the membership. Following discussion and upon motion from Director Collins, seconded by Director Martinez, the Board unanimously approved revisions to Article VIII of the Bylaws as presented.

Upon motion from Director Collins, seconded by Director Prendergast, the Board unanimously approved revisions to Board Policy 12 as presented.

With respect to the 2017 proposed rates, Director Collins reported the F/A/R committee recommended setting a membership rate hearing to discuss the proposed rates as well as the methodology of the rate change. Staff reported that the membership had been informed to anticipate a rate hearing sometime in November. After discussion, the Board agreed to hold its November meeting early—on the 15th—to accommodate the Thanksgiving holiday, with the rate hearing being held on that date at 3:00 p.m. Financials will not be available for Board review and approval at that point, but will be distributed to the Board as available. Following discussion, Director Collins moved to approve an amended resolution for a November 15 rate hearing at 3:00 p.m. Director Prendergast seconded the motion, and it carried unanimously.

- 2. Engineering – Construction – Renewable Energy Committee.** Director Gavan reported that the E/C/R committee also met on September 20 to receive a presentation from the RMI Shine Program, and to discuss a proposed non-site specific construction work plan amendment (which the E/C/R committee recommended for Board approval). The E/C/R committee also reviewed draft updates to Board Policies 19 and 20, but recommended tabling any action on those policies for consideration at a future meeting. Director Gavan also updated the entire Board on the status of the capital budget, with staff highlighting some operational capital budget items and recapping discussions held during the E/C/R committee meeting. There was also an update provided by DMEA's Renewable Energy Engineer, Heneghan, on the Income Qualified Community Solar Array Program. The next E/C/R committee meeting will be on October 10 to receive a presentation from an economist regarding power supply issues; the E/C/R committee will also meet on October 21 to receive a consultant's presentation on power supply issues. The committee report concluded with a brief discussion by the Board on the Tri-State RTO matter, which was discussed at the CREA Innovations Summit. Upon motion from Director Harding, seconded by President Patterson, the Board unanimously approved the non-site specific construction work plan budget amendment as presented via resolution.
- 3. Member Relations – Energy Services Committee.** Director Prendergast reported the Member Relations committee had met at the Read Service Center on September 14 to review the TSE member survey processes. The Board that it would like to receive verbatim copies of the written comments from those members surveyed on a quarterly basis. The Member Relations committee also discussed unclaimed capital credit and energy efficiency/conservation program communications to the membership. Director Prendergast also reported on modifications to an existing on-bill financing program provided by DMEA.

4. **Executive Committee.** President Patterson reported that the Executive committee met on September 22. At this meeting, the committee received an update on middle mile/easement perfection matters and the strategic planning balance scorecard. The Executive Committee also reviewed Board Policy 14, with proposed revisions from General Counsel Hurd. After discussing Board Policy 14 and its origins, the Committee recommended (subject to review by Hurd) that Board Policy 14 be eliminated entirely. The full Board discussed Policy 14 in detail and the concept of management's deviation from board policies and coop procedures, the definition of "material and immaterial" deviations, and other chain-of-command issues. Upon motion from Director Eckhart, seconded by Director Martinez, the Board unanimously decided to eliminate Board Policy 14.

Patterson also summarized the committee's discussion of a request from the Uncompahgre Valley Water Users Association (UVWUA) for a one-time modification of its contract with DMEA regarding a reserve fund for South Canal Drops 1 and 3. The full Board discussed the request and posed various questions to DMEA staff and the general counsel. Upon motion from Director Martinez, seconded by Director Prendergast, the Board unanimously approved the resolution authorizing a modification of the contract with the UVWUA regarding monies in the Drops 1 and 3 reserve account.

President Patterson also reported that the Executive committee discussed unclaimed capital credit fund monies, contributions from this fund to the scholarship program, and proposed updates to the scholarship program. The entire Board discussed proposed scholarship program changes presented in summary form by staff, and the sustainability of the changes for the future. Upon motion from Director Martinez, seconded by Director Harding, the Board unanimously approved the updates to the scholarship program as presented.

- C. **Financial Report.** Vice-President of Finance, Thurlow, reviewed the August 2016 financial report, highlighting various line items and important financial indicators. He provided a brief update on capital budget items, including funds allocated for the tree-trimming/vegetation management program, as well as PCB compliance matters. Thurlow noted he added a graph in his report specifically relating to performance of South Canal Hydro Drop 5. Thurlow also highlighted incentive payments DMEA has received through the efforts of Renewable Energy Engineer Heneghan, which is additional revenue not originally budgeted for. Thurlow noted these incentive payments are to be shared with the UVWUA. Thurlow then answered questions from the Board, including questions about budget adjustments for 2017 concerning Board travel expenses and outside services.

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

- D. **Safety, Training, and Regulatory Compliance Report.** Safety, Training and Compliance Director, Thate, presented his August 2016 Safety, Training, and Regulatory Compliance Report. There were no accidents or injuries during August, although there were some near-miss incidents addressed. One involved a bore through a gas line, and the other (detailed to the Board previously) was a communication issue between Tri-State, Vessels Coal Gas, and DMEA. The issues that resulted in the near-miss situations have been addressed going forward. Thate also highlighted insurance matters and upcoming renewals. CEO Bronec expressed his view that it would be beneficial going forward if the Board were informed about and provides input regarding insurance premiums and coverage levels for the cooperative. There was a brief discussion on the RESAP audit conducted every three years; DMEA had one lost time accident last year.

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

- E. **CEO Report.** CEO Bronec then presented his monthly CEO report to the Board. Staff continues to work on fiber matters both for DMEA and Elevate. Capital budgets are a high

priority at present for both DMEA and Elevate. The F/A/R committee reviewed some proposed budget items at the last committee meeting for DMEA, with the goal to have this budget finalized and ready for committee recommendation at the next meeting. Bronec touched briefly on the Executive committee meeting, in particular the discussion regarding updates to the balanced scorecard. At the next Executive committee meeting, Bronec will request a recommendation for a finalized balanced scorecard for Board vote at the next regular meeting.

Bronec concluded his report by addressing the SAIDI number for August.

Upon motion from Director Martinez, seconded by Director Gavan, the Board unanimously approved the September 2016 CEO Report.

F. Legal Report. General Counsel Hurd requested to defer his legal report to executive session.

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

- 1. Tri State Report.** Director Gavan presented on the report he had previously e-mailed to the Board. The upcoming plant closure in Nucla was a primary topic of conversation at Tri-State's recent meeting, along with discussions on rates and revenue. Director Collins addressed the Board on his continued participation with the Tri-State contract committee, which will meet again in November and December. The Board talked briefly on Tri-State's establishment of an IT committee.
- 2. WUES Report.** Director Brown noted his attendance at the latest WUES fish fry event; Director Patterson, Director Martinez, and CEO Bronec also attended. The September WUES board meeting primarily focused on wages and benefits. The DMEA Board also briefly discussed the purchase of Elevate materials through Western United.
- 3. CREA Report.** Director Martinez has submitted his report and all correspondence from CREA to the full Board. Martinez noted that CREA is working toward eliminating its current resolution approval process. President Patterson provided the Board with a written report on his attendance at the CREA Innovations Summit.

H. Action Item: Other Business.

1. Retirement Security (RNS) Plan Increase. Bronec and Human Resources Director Moore reviewed the existing plans and the proposed changes. It was noted that this matter will be an annual action item, as the amount employees choose to contribute will change and have to be approved as the employer contribution is capped. Upon motion from Director Eckhart, seconded by Director Gavan, the Board unanimously approved the updates to the RNS plan as presented.

2. Retirement Resolution for Karen Longwell. Upon motion from Director Prendergast, seconded by Director Harding, the Board unanimously approved a retirement resolution as presented for Karen Longwell.

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

VIII. Member Comments.

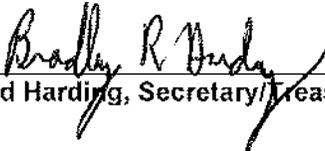
A. Delta-Montrose Technical College Scholarship Request. The Board reviewed a request letter from the Delta-Montrose Technical College for a donation of funds toward a matching scholarship program. Upon motion from Director Eckhart, seconded by Director Harding, the Board unanimously approved the donation of \$5,000.00 from the unclaimed capital credit fund to the Delta-Montrose Technical College for the matching scholarship program.

IX. Future Meetings. The next regular board meeting will be October 27, 2016 at 3:00 p.m. The November regular board meeting will be on November 15, 2016 at 3:00 p.m. and will begin

with a rate hearing. There will be E/C/R committee meetings on October 10 and October 21. An Executive committee meeting will be held on October 21 to follow the E/C/R committee meeting. On October 14, there will be an F/A/R committee meeting at the First Colorado Bank in Paonia.

X. Executive Session. At 5:52 p.m., Director Collins moved to enter executive session to receive a legal update. Director Harding seconded the motion, and it carried unanimously. At 6:17 p.m. Director Collins motioned to leave executive session. This was seconded by Director Martinez and it carried unanimously.

XI. Adjournment. The regular board meeting was adjourned at 6:17 p.m.



Brad Harding, Secretary/Treasurer