



MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS

May 24, 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, May 24, 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 Tony Prendergast, Secretary/Treasurer Olen Lund, Assistant Secretary/Treasurer Kyle Martinez, Marshall Collins, Terry Brown, Mark Eckhart, John Gavan and Jim Elder

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

II. Others Present: Jeff Hurd, General Counsel; Jock Fleming; Erik Hall; Doug Casebier.

III. Pledge of Allegiance was led by President Patterson.

IV. Opening Meeting Prayer was led by President Patterson.

V. Determination of Quorum. President Patterson announced there was a quorum present.

VI. Approval of Agenda. Upon motion from President Patterson, seconded by Director Gavan, the Board unanimously approved the agenda with the following amendments: (1) Discussion of the Tri-State Interconnection Agreement during Executive Session, and (2) Receive a portion of the legal update on the City of Delta from General Counsel Hurd during Executive Session.

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

During their regular meeting, the Directors:

1. Adopted the April 2016 membership report and April 2016 regular meeting minutes.
2. Approved updates to Board Policy 5.
3. Adopted the updates to Board Policy 11.
4. Approved updates to Board Policy 21.
5. Approved the April 2016 Financial Report.
6. Approved a donation to the CFC Integrity Fund in the amount of 5% of the total annual CFC Capital Credit retirement to DMEA.
7. Approved the April 2016 Safety and Regulatory Compliance Report.
8. Accepted the May 24, 2016 CEO Report.
9. Authorized CEO Bronec and General Counsel Hurd to file a Policy 316 complaint with Tri-State regarding interconnection charges.

VIII. General Business.

- A. **Consent Agenda.** Upon motion from Director Collins, seconded by Director Gavan, the Board unanimously voted to approve the April 2016 membership report and the April regular meeting minutes as presented.

B. Board Committees.

1. **Finance – Audit – Rate Committee.** Director Collins reported that the F/A/R committee did not meet in May. Collins noted, however, that Board Policy 5 (Accounts, Review of Banking Services, Excess Funds, Short-Term Investments, Long-Term Investments, and Subsidiaries), which had been previously reviewed and recommended for approval by the F/A/R committee, was set for a Board vote. CFO Thurlow reviewed the key proposed changes to the policy, noting, among other things, that the new policy combined two previous policies.

Upon motion from Director Collins, seconded by Director Elder, the Board unanimously approved a revised Board Policy 5 as presented.

2. **Engineering – Construction – Renewable Energy Committee.** Director Gavan reported that the E/C/R committee met on May 20 to receive various updates regarding power supply issues from Enervision, middle mile fiber and broadband issues, the status of DMEA renewable projects (including a discussion on the potential Interconnection Agreement with Tri-State on Drop 5), information on the need for a potential vehicle replacement plan, and information on EPRI projects. The committee also reviewed proposed updates to Board Policy 11 and Board Policy 21 from staff and General Counsel Hurd. The E/C/R committee recommended adoption of those revised policies, which had previously been distributed to Board members.

Upon motion from Director Prendergast, seconded by Director Elder, the Board unanimously approved the proposed updates to Board Policy 11 as presented.

Upon motion from Director Elder, seconded by Director Martinez, the Board unanimously approved the proposed updates to Board Policy 21, with one minor typographical amendment.

3. **Member Relations – Energy Services Committee.** Director Prendergast reported that the Member Relations committee did not meet in May. The committee will convene to discuss annual meeting matters, however, on May 25; the entire Board is welcome to attend. There was a brief update on the progress of the annual meeting from the Member Services and Human Resources Manager, Harman, followed by a short discussion.

Harman updated the Board on the current status of the MyChoice program, which was launched by DMEA on May 1, 2015. Member benefits of participating in the program were highlighted along with benefits to DMEA. Various utilization figures were then discussed, and the Board also reviewed the MyChoice program's relationship with Energy Outreach Colorado.

4. **Executive Committee.** President Patterson reported that the Executive Committee did not meet in May.

- C. **Financial Report.** CFO Thurlow reviewed the April 2016 financial report and highlighted various key figures on the Statement of Operations. Operating margins are positive. He noted a line item showing the December 2015 and January 2016 break down of written-down revenue for a large industrial member that had filed for bankruptcy. A proof of claim in that bankruptcy has been filed with the bankruptcy court for this member, and DMEA is evaluating options it has with respect to the member's pre-petition debt. CFO Thurlow noted that the F/A/R committee will be having a meeting in the near future to discuss the capital credit policy.

Thurlow noted that South Canal generation began at the end of March, earlier than anticipated, and that generation is one million kW ahead of year-to-date projections. South Canal did hit Tri-State's Member Coincident Peak rate on April 1. The Board then discussed various billing matters.

Director Martinez noted he would like to see the director expenses budget figures in the monthly reports; Thurlow stated those figures would be re-inserted going forward.

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

Thurlow asked the Board for feedback on contributing to the CFC Integrity Fund. Last year, DMEA donated 5% of the annual capital credits it receives from CFC to the fund (approximately \$3,000.00). Thurlow noted that DMEA received money from the Integrity Fund for assistance with litigation matters, and that the amount received far exceeded the amount DMEA donated. Upon motion from Director Prendergast, seconded by Director Gavan, the Board unanimously approved the donation of 5% of the annual capital credits DMEA received from CFC to the CFC Integrity Fund.

- D. Safety and Occupational Health Report.** Safety, Training and Compliance Director, Thate, presented his April 2016 Safety and Occupational Health Report. Thate reported on three safety incidents, two of which involved company vehicles, and none of which resulted in injuries. As a result of the incidents involving vehicles, additional training has been completed by the involved employees. There were no near miss accidents for the month of April. Operating Manager Cox did note that all future company vehicles purchased will have rear cameras to help eliminate incidents. Thate noted that training continues for staff—both computer-based and in-person training—for matters including lock out/tag out, large equipment, line location, high voltage use, and handling adversarial members. CREA also visited DMEA offices to conduct a mock safety accreditation audit. Insurance preparations for the broadband business are reaching completion. Finally, pending damage claims totaling approximately \$100,000 are being handled with Federated Insurance.

Upon motion from Director Elder, seconded by Director Lund, the Board unanimously approved the April 2016 Safety and Regulatory Compliance Report.

- E. CEO Report.** CEO Bronec then presented his monthly CEO report. Bronec noted the large amount of electric-related construction work being done in addition to the telecommunications fiber activities. South Canal Hydro Sites 1 and 3 are running at capacity, and work is being commissioned on Site 5. Operations has been installing temporary power at the Sheep Dog Trials with the assistance of a state electric inspector. Reject pole replacement is being conducted.

There has been no decision on the FERC matter as of yet. The GRID alternatives solar array project has begun. Dispatch is looking to expand its services to other utilities in an effort to generate more revenue. There have been 54 new system design jobs for the month of April, with 34 of those as new meter sets. With the volume of job loads continuously increasing, Bronec noted that it might be prudent to hire a System Design Planner in-house and scale back on contract work. There was a brief discussion on the City of Delta's request for the acquisition of 72 DMEA meters.

The front lobby remodel at Montrose headquarters is about 50% complete. Bronec noted that the high in-person phone call answer rate for customer services representatives continues. Energy Services is working with the membership on audits and rebates, and with irrigators on the new Time-of-Use rate. Human Resources is working on job descriptions and postings for both vacant DMEA positions and new positions for Elevate. Bronec also alerted the Board about the change in standard operating procedures concerning closing a breaker that locks out.

Bronec touched on the SAIDI number for April, which remains relatively low despite having around 50 outages in the month of April. Bronec noted that the April outages were caused in part by weather and in part by vehicle accidents hitting distribution poles.

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

F. Legal Report. General Counsel Hurd requested to defer a portion of his legal report to executive session concerning a matter with the City of Delta and a proposed Tri-State interconnection agreement on Drop 5 of the South Canal. Hurd noted that DMEA is still waiting on a determination from FERC on the Tri-State petition. Hurd will be attending the FERC Technical Conference at the end of June in Washington, D.C., along with Renewable Energy Engineer Heneghan.

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

1. **Tri State Report.** Director Gavan provided a brief update on his attendance at the latest Tri-State meeting. The primary topic addressed at the meeting regarded financial matters, including the bond financing program, commercial paper and the restructuring of debt. The Tri-State annual report is out, and the next Tri-State meeting will include a vote on Policy 115. The Tri-State Board Strategic Planning Session will be held in June.
2. **WUES Report.** Director Elder reported that he attended the WUES meeting on April 28.
3. **CREA Report.** Director Lund noted that he is regularly forwarding informational updates to the DMEA board regarding CREA activities. The CREA Strategic Planning Session will be on May 25, 2016, and a Board meeting will be held on May 26, 2016, both of which will be in Gunnison. Director Lund requested that the Board have a brief discussion on CREA to receive DMEA Board input prior to the CREA Strategic Planning Session.

H. Informational Item: Other Business.

1. **Future Business.** None.

IX. Member Comments. There were no member comments.

X. Future Meetings. The next regular board meeting will be June 28, 2016 at 3:00 p.m. The annual meeting will be June 16, 2016 at 4:30 p.m. There will be an organizational meeting for the Board on June 21, 2016 at 9:00 a.m. Committee meetings will be scheduled in June as needed.

XI. Executive Session. At 4:56 p.m., Director Gavan moved to enter executive session to discuss a legal update concerning the City of Delta and an update on the Tri-State Drop 5 interconnection agreement. President Patterson seconded the motion, and it passed unanimously. At 5:39 p.m., upon motion of Director Martinez, seconded by Director Lund, the Board unanimously voted to exit executive session.

Upon motion from Director Prendergast, seconded by Director Gavan, the Board unanimously authorized CEO Bronec and General Counsel Hurd to submit a formal Policy 316 compliant to Tri-State if Tri-State does not make changes to a proposed "facilities use charge" in a Drop 5-related interconnection agreement.

XII. Adjournment. The regular board meeting was adjourned at 5:41 p.m.



Brad Harding, Secretary/Treasurer