



**MINUTES OF THE RATE HEARING AND REGULAR MEETING OF THE
BOARD OF DIRECTORS**

July 26, 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 a rate hearing and for a regular board meeting at the office of the cooperative, Montrose, Colorado, on Tuesday, July 26, 2016.

Rate Hearing (Tariff 17A-Income Qualified Community Solar Array)

Board Directors Present: President Bill Patterson, Vice-President Mark Eckhart, Secretary/Treasurer Brad Harding, Assistant Secretary/Treasurer Marshall Collins, Tony Prendergast, Terry Brown, Kyle Martinez, John Gavan and Jim Elder

Staff Present: Jasen Bronec, Steve Metheny, Jim Thate, Jim Heneghan, Corey Thurlow, Kent Davenport, Amy Gavell.

Others Present: General Counsel Jeffrey Hurd

President Patterson opened the rate hearing at 3:00 p.m. for comment and discussion on Tariff 17A-Income Qualified Community Solar Array. DMEA had provided advance notice of the hearing as well as a 30-day comment period but received no written comments during that period. Renewable Energy Engineer Heneghan then reviewed the background, structure, and need for Tariff 17A. Inquiries from the Board were answered and there were no members present for comment. President Patterson closed the hearing at 3:12 p.m.

Regular Board Session

I. Call Meeting to Order. At 3:12 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, Steve Metheny, Jim Thate, Corey Thurlow, Kent Davenport

Others Present: Jeffrey Hurd-General Counsel; Elma Fondy; Melanie Hall (Executive Director of Community Dental); Janie Sorenson and Shelly Spalding (Center for Mental Health).

II. Pledge of Allegiance was led by Director Eckhart.

III. Opening Meeting Prayer was led by President Patterson.

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

V. Approval of Agenda. The Board approved the agenda by acclamation with the following amendments: (1) remove item VII(B)(2) referring to Vote on Vehicle Replacement Plan (will be considered at a future meeting); 2) remove item VII(H)(1) Action Item on DMEAUS Operating Agreement (will be considered at a future meeting).

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

VII. General Business.

During their regular meeting, the Directors:

1. Adopted the June 2016 membership report and the June 2016 regular meeting minutes, 2016 Annual Meeting minutes, and June 2016 Organizational Meeting minutes.
2. Adopted Tariff 17A / Income-Qualified Community Solar Array.
3. Approved the DMEA 2016 20-year load forecast.
4. Approved a capital works project amendment for certain site-specific work items.
5. Approved the updates to the Cooperative Mission, Vision and Value as presented.
6. Approved revisions to Board Policy 2, Sections 1, 3, and 13 as presented.
7. Approved the June 2016 Financial Report.
8. Approved the June 2016 Safety, Training, and Regulatory Compliance Report.
9. Accepted the July 26, 2016 CEO Report.
10. Authorized a donation to the Community Dental Clinic-Partners in Integrated Care in the amount of \$25,000.00.

A. Consent Agenda. Upon motion from Director Collins, seconded by Director Martinez, the Board approved the June 2016 membership report as well as the June regular meeting minutes, the 2016 Annual Meeting minutes, and the June 2016 Organizational Meeting minutes as presented.

B. Board Committees.

1. **Finance – Audit – Rate Committee.** Director Collins reported that the F/A/R committee had not met since the last regular board meeting. There is a committee meeting scheduled for August 17. The agenda for this meeting will include a review of the capital credit policy and potential bylaw changes, 2017 rates, and a line of credit agreement and promissory notes between DMEA/DMEAUS, LLC.

Upon the completion of the rate hearing for Tariff 17A, Director Collins moved to adopt Rate Tariff 17A via resolution as presented. Director Prendergast seconded the motion, and the motion passed unanimously.

2. **Engineering – Construction – Renewable Energy Committee.** Director Gavan reported that the E/C/R committee had met on July 22. At this meeting the committee received an update on middle mile fiber and renewable energy options. Renewable Energy Engineer Heneghan then provided the Board with additional information on the progress of South Canal Drop 5 and associated wheeling agreements. The E/C/R Committee also reviewed a draft 20-year load forecast and approved an amended version for presentation to the entire Board. Gavan also reported that during the meeting, Vice-President of Engineering Davenport also requested an amendment to the capital works project (CWP) budget for certain site-specific work items, which was recommended for Board approval by the committee. The Committee also received an update on the Vegetation Management program and was informed that DMEA had filled the Arborist position.

Upon motion from Director Prendergast, seconded by Director Martinez, the Board unanimously approved the DMEA 2016 20-year load forecast as presented after a brief discussion. Upon motion from Director Martinez, seconded by Director Elder, the Board unanimously approved CWP amendment as presented.

3. **Member Relations – Energy Services Committee.** Director Prendergast reported that the Member Relations committee had also met on July 22. At its meeting the committee reviewed and discussed the 2016 Annual Meeting, received an update on the Communication Plan, and also received a presentation on the preliminary member

survey results conducted by TSE Services. The final results will be available later this week, with the next survey to take place in September. It was noted that with the hire of the arborist, communications and member education will start to increase for the vegetation management program.

4. **Executive Committee.** President Patterson reported that the Executive Committee had met on July 25, 2016. At this meeting, the committee determined the plan, including location, date, time and format, for the next Board strategic planning session, and discussed the CEO review and evaluation. Board Policy 2, Sections 1, 3, and 13 had been revised and the committee reviewed and recommended the policies as revised for Board approval. Revisions to the Cooperative Vision and Mission statement were reviewed as well, with the committee recommending those updates for approval by the Board. The Executive Committee also reviewed Board Policy 2, Section 12, but tabled the policy pending a requested clarification from the General Counsel.

Upon motion from Director Gavan, seconded by Director Prendergast, the Board unanimously approved the updated Cooperative Mission, Vision and Values as presented. Upon motion from Director Gavan, seconded by Director Harding, the Board unanimously approved the revisions to Board Policy 2, Section 1 as presented. Upon motion from President Patterson, seconded by Director Gavan, the Board unanimously approved the revisions to Board Policy 2, Section 3 as presented. Upon motion from Director Martinez, seconded by Director Harding, the Board unanimously approved the revisions to Board Policy 2, Section 13 as presented.

- C. **Financial Report.** Vice-President of Finance Thurlow reviewed the June 2016 financial report, highlighting various line items and important financial indicators. Thurlow then discussed changes in the structure of the report's format, including its new narrative component. Thurlow reviewed various margins, noting among other things that revenues from residential membership were above estimates by 5% mainly due to the increase in June temperature. Thurlow also noted that DMEA had received an unanticipated incentive payment from the Department of Energy for the 2014 generation at the South Canal on Drops 1 and 3. This \$300,000.00 incentive payment resulted from the work of Renewable Energy Engineer Heneghan, and CEO Bronec noted Heneghan's initiative in obtaining the payment. Thurlow alerted the Board to the variances in the budget primarily due to the recent hiring of the Arborist position and the initiation of the vegetation program—which was budgeted for the beginning of the year—along with the deferral of PCB testing which was also budgeted for the start of 2016. There was a brief discussion by the Board on the closure of the mines within the service territory and how that will impact finances. Vice-President of Engineering Davenport noted his desire for a non-site specific budget amendment to be addressed at the next E/C/R committee meeting.

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

- D. **Safety, Training, and Regulatory Compliance Report.** Safety, Training and Compliance Director, Thate, presented his June 2016 Safety, Training, and Regulatory Compliance Report. Thate noted a near-miss incident where an employee was testing an underground electrical connection circuit when it was discovered two elbows in a sectionalizing cabinet were mislabeled. No injuries occurred and the elbows have since been correctly labeled. Crew visits are scheduled for tomorrow, with Thate extending an invitation for the Board to join if they would like to attend. Director Martinez noted he has been on two such visits and found them to be valuable. Thate also alerted the Board about an incident, which was not part of the report, that occurred in the previous week. An apprentice lineman used an incorrect tool for cutting insulation and cut his finger resulting in stitches.

Upon motion from Director Collins, seconded by Director Martinez, the Board unanimously approved the June 2016 Safety, Training, and Regulatory Compliance Report.

- E. **CEO Report.** CEO Bronec then gave his monthly CEO report. There was a review on the hiring activities and progress related to the deployment of fiber. A contractor has been named

for the construction of fiber in Paonia; the contractor is from Montana, but has partnered with a local company, Lightworks, for the construction. The Board discussed the upcoming strategic planning session including the date, location, and format. The Board then discussed certain additional fiber-related matters, including a discussion on Region 10. It was noted that the Vice-President of Broadband Services and Operations John Monday along with CEO Bronec will work to set up a meeting with the City Manager of the City of Delta to discuss fiber. One Board Director inquired about the nepotism policy at DMEA which Bronec addressed.

Bronec concluded his report by addressing the SAIDI number for June. He noted an increase in outages due to several different factors including weather, tree-related outages, and vehicle-hit pole incidents. Bronec noted the SAIDI figure was still performing well despite these outages and should level out as the year progresses. These outages have not occurred due to system reliability issues.

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

F. Legal Report. General Counsel Hurd addressed non-privileged informational updates on the City of Delta litigation matter, as well as the Tri-State request for rehearing with FERC. The Board was also notified of a lawsuit filed against DMEA earlier that day by Webb Dairy & Farm (and others) alleging various claims against DMEA related to the operation of the Webb Dairy. Hurd requested to defer the privileged portion of his legal report to executive session.

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

- 1. Tri State Report.** Director Gavan presented his report on his attendance at the last Tri-State Board meeting on July 6 and 7, 2016. There was a brief discussion on the agenda Director Collins received for his meeting for the Tri-State Contracts committee.
- 2. WUES Report.** Director Brown noted there was not a meeting in June but he will be attending the next Western United meeting in August.
- 3. CREA Report.** Director Martinez stated there was not a meeting in July, but he will be attending the next regular scheduled meeting in August. Director Martinez also noted to the Board his appointment to two committees: the Education and Communications committee, and the Resolutions, Policies and By-Laws committee. He will be attending committee meetings in August as well.

H. Action Item: Other Business.

- 1. [Item Removed from Agenda]**
- 2. Delta County Fair Auction.** Director Brown will attend the Delta County Fair Livestock Auction on behalf of DMEA. There was a brief discussion on purchasing, and donations of the processed livestock in the community.

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

VIII. Member Comments.

- 1. Member Concern-Elma Fondy.** Ms. Fondy addressed the Board about her continued concern over the distribution and discounting of capital credits for a relative. She provided the Board with a packet of information for review. Ms. Fondy has talked to representatives in the finance department, including the Vice-President of Finance Thurlow, on this matter. Upon review Ms. Fondy's concern, the Board determined the policy needs to be followed as written and in accordance with established cooperative precedent. Ms. Fondy will be notified of this decision via a letter from the Board. There was also a brief discussion about Ms. Fondy's concern over the structure of the annual meeting and DMEA's collection of member information. The Board assured Ms. Fondy

future annual meetings will be organized to ensure all business (including a member comment period) is effectively taken care of prior to the distribution of door prizes.

2. Donation Request from Community Dental Clinic-Partners in Integrated Care.

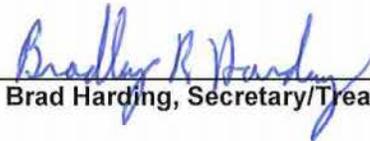
Melanie Hall, the Executive Director from Community Dental, along with Janie Sorenson and Shelly Spalding from the Center for Mental Health, presented a donation request for the construction of a new facility for the Community Dental Clinic-Partners in Integrated Care. Details were provided on the history of the non-profit along with future plans. After a discussion on the information presented, Director Prendergast moved to donate \$25,000.00 from unclaimed capital credits to Community Dental Clinic-Partners in Integrated Care. Director Elder seconded the motion, and it passed unanimously.

IX. Future Meetings. The next regular board meeting will be August 23, 2016 at 3:00 p.m. There will be a Board strategic planning session on August 22, 2016. The next F/A/R committee meeting is set for August 17, 2016 at 9:00 a.m.

X. The Board then broke from the meeting for dinner.

XI. Executive Session. At 6:59 p.m., Director Prendergast moved to enter executive session to receive a legal update on PURPA, FERC matters, and the City of Delta legal matter. Director Elder seconded the motion, and it carried unanimously. At 8:02 p.m. the Board exited its executive session.

XII. Adjournment. The regular board meeting was adjourned at 8:02 p.m.



Brad Harding, Secretary/Treasurer