



MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS

May 22, 2018

Location: Montrose Headquarters Building

11925 6300 Rd, Montrose CO 81401

1:00 p.m.

Regular Board Session. The Board of Directors of the Delta-Montrose Electric Association (DMEA) met for its regular board meeting at the office of the cooperative in Montrose, Colorado, on Tuesday, May 22, 2018.

During their regular meeting, the DMEA Directors:
1. Approved the April 2018 membership report and the April regular meeting minutes.
2. Approved a donation to the CFC Integrity Fund.
3. Approved a resolution authorizing a line of credit amendment between DMEA and DMEAUS.
4. Deferred consideration of a revised Long-term Financial Forecast.
5. Approved the Load Forecast as presented.
6. Adopted a resolution regarding a quiet title legal matter.
7. Approved the April 2018 Safety and Occupational Health Report.
8. Approved the Financial report through April 2018.
9. Approved the April 2018 CEO Report and the March 2018 SAIDI figure.
10. Approved a retirement resolution for Lana Sulkey.
11. Received an update on the 2018 Annual Meeting and Election process.
12. Reviewed the unclaimed capital credit fund.
13. Adopted a resolution authorizing submission of a formal complaint under Policy 316 to the Tri-State Board of Directors.
14. Approved, by a 2/3 vote, a resolution endorsing Amended and Restated Articles of Incorporation and sending the proposed articles to the DMEA membership for approval at the discretion of the CEO.

I. Call Meeting to Order. At 1:01 p.m., the Board convened and the meeting was called to order.

- **Directors Present:** Bill Patterson (*President*), Mark Eckhart (*Vice-President*), Brad Harding (*Secretary/Treasurer*), Marshall Collins (*Assistant Secretary/Treasurer*), Kyle Martinez, Damon Lockhart, Tony Prendergast, John Gavan, Ken Watson
- **Directors Absent:** None
- **DMEA Staff Present:** Jasen Bronec, Steve Metheny, Wade Pynes, Doug Cox, Troy Hall, Mateusz Pena, Virginia Harman, Kent Blackwell
- **Others Present:** Jeffrey Hurd (General Counsel)

II. Pledge of Allegiance was led by President Patterson.

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. Upon motion from Director Prendergast, seconded by Director Martinez, the Board approved the meeting agenda as modified to remove Audit Augmentation from Agenda item VII.B.1.

VI. Introductions. Those present other than the Board and staff introduced themselves.

VII. General Business

A. Consent Agenda. Upon motion from Director Prendergast, seconded by Director Harding, the Board approved the April 2018 membership report and April regular meeting minutes as presented.

B. Board Committees.

1. **Finance – Audit – Rate Committee.** Committee Chair Collins reported the committee had met on May 21 to discuss contributing to the Cooperative Finance Corporation (CFC) Integrity Fund; closure of

the 2017 audit; the 2018 audit augmentation; an amendment to a line of credit between DMEA and DMEAUS; and DMEA's long range financial forecast.

Collins reported that the CFC integrity Fund is used to help other member cooperatives on issues relating to litigation and territorial integrity. Staff recommends contributing \$2,750 to that fund for 2018 from DMEA's CFC capital credits. Collins then discussed the 2018 audit augmentation plan following this year's audit and noted that the F/A/R committee needs more time to review the issue before making recommendations. At this point Collins asked Bronec to discuss the potential shutdown of one of DMEA's larger industrial loads and the effect that could have on the long-term financial forecast. The committee also discussed DMEA's long term financial forecast and staff's recommendation for an amendment that will be addressed in the future. Collins touched upon a proposed amendment to the line of credit agreement between DMEA and DMEA Utilities Services, LLC, with a request to increase that line of credit. Collins then concluded his report by noting the F/A/R committee's work on the audit, and that the committee now deems the 2017 audit as closed.

Upon motion from Director Collins, seconded by Director Harding, the Board approved a donation in the amount of \$2,750 from DMEA's CFC patronage capital credits to the CFC Integrity Fund.

Upon motion from Director Collins, seconded by Director Harding, the Board adopted a resolution approving an amendment to the line of credit amendment between DMEA and DMEAUS.

2. Engineering – Construction – Renewable Energy Committee.

Committee Chair Gavan reported the committee met on May 15. At its meeting, the committee reviewed idle services and DMEA's plan to address this issue through a policy/rate tariff consistent with RUS recommendations. The committee also reviewed and discussed DMEA's Load Forecast and the potential for loss of loads. The E/C/R committee also received an update on the Dark Fiber Network Agreement relating to telecommunications facilities in New Mexico; Tri-State is currently negotiating this. The committee also reviewed potential resolution of a quiet title matter relating to a transaction DMEA entered into previously in conjunction with its developments

on the South Canal. The E/C/R committee also reviewed a potential letter agreement with the Uncompahgre Valley Water Users Association relating to South Canal Drops 1 & 3. Gavan concluded his report by noting the committee reviewed the Solar in Schools program, and discussed fire mitigation (increased patrol, change in use of reclosers, etc.) and the potential delays these protocols may have in restoring power to members.

Upon motion from Director Lockhart, seconded by Director Watson, the Board approved the Load Forecast as presented.

Upon motion from Director Lockhart, seconded by Director Harding, the Board adopted a resolution relating to disposition of the pending quiet title matter.

3. Member Relations – Energy Services Committee. Committee Chair Prendergast reported the Member Relations committee had not met since the last regular Board meeting. Harman presented a brief update on the upcoming annual meeting, and the Board discussed methods of increasing turnout at future DMEA Board candidate forums.

4. Executive Committee. Committee Chair Patterson reported the Executive committee had met on May 15 to discuss various power supply related matters. The committee also discussed possible revisions and amendments to the Articles of Incorporation, which the committee recommended to the Board for final approval and referring the measures to the membership for a vote. Further discussion would take place in executive session.

C. Safety and Occupational Health Report. Troy Hall presented the Safety and Occupational Health Report prepared by Safety, Compliance, and Training Director Jim Thate, for April 2018. There were no accidents or near misses for the month. Upon motion from Director Martinez, seconded by Director Gavan, the Board unanimously approved the April 2018 Safety and Occupational Health report as presented.

D. Financial Report. Pynes presented the Financial Report through April 2018, beginning with certain items in the monthly variance report. Pynes noted the need to move “sales for resale” under the budget back a month to more

accurately reflect this line item. He noted that DMEA received a renewable incentive generation payment later than expected but the amount received was higher than anticipated. Pynes also reported that DMEA incurred an \$18,000 unreserved use charge from Tri-State relating to transmission scheduling for April transmissions out of the South Canal generation facilities. The Board then discussed the nature of scheduling for transmission, transmission reservations (hourly, daily, weekly, and annual), etc.

Upon motion from Director Gavan, seconded by Director Prendergast, the Board unanimously approved the Financial Report through April 2018 as presented.

- E. CEO Report.** CEO Bronec highlighted various items contained in the April 2018 CEO Report, commenting on updates in various departments and updating the board on key operational matters within the cooperative. Bronec highlighted education with Colorado Mesa University, particularly lineman training, and discussed DMEA's support of that program. Bronec also mentioned increasing the frequency of staff technical meetings with other key cooperatives in the state to address issues of common concern. He also touched upon the long term financial forecast, general discussions about proposed revisions to DMEA's Articles of Incorporation, and concluded with a fire danger report.

The April 2018 SAIDI figure was presented and discussed.

Upon motion from Director Martinez, seconded by Director Gavan, the Board approved the May CEO report and April 2018 SAIDI figure as presented.

- F. Legal Report.** General Counsel Hurd discussed his participation in a CREA attorneys meeting and various legal issues being addressed by cooperatives across the state. Hurd requested to defer the remainder 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, including an update on the Southwest Power Pool, discussions regarding Policy 115 implementation, and the Craig 3 generation unit.

2. **Western United Electrical Supply Report.** Director Lockhart reported good financial numbers from Western United, which experienced its best March in history; thus far the company is 135% on year-to-date sales. Sales to member cooperatives are also up 24% at this point in the year. The Board is also beginning discussions relating to management succession issues.
3. **CREA Report.** Director Lockhart began his report by following up on an inquiry from Director Martinez regarding CREA's cash position. Lockhart also summarized CREA's state legislative update—both for the 2018 legislative session and looking forward to the 2019 session. CREA is discussing items that include a statewide cooperative survey, a communication outreach plan, and cooperative energy-related bills that may appear in the 2019 session.

H. Action Item: Other Business.

1. **Vote on Retirement Resolution for Lana Sulkey.** Upon motion from Director Prendergast, seconded by Director Eckhart, the Board approved a retirement resolution for Lana Sulkey.

I. Informational Items.

1. The Board reviewed the Unclaimed Capital Credit Fund for educational and charitable matters.

VIII. Member Comments. No members were present for comment.

IX. Future Meetings. The DMEA Annual Meeting will be Thursday, June 14, at the Montrose Pavilion. The Board organizational meeting will follow the Annual Meeting on June 14. The next regular Board meeting will be June 26.

X. Power Supply Executive Session.

At 3:30 p.m., Director Gavan 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 Eckhart seconded the motion, and the Board entered executive session. At 4:23 p.m., the Board exited executive session.

XI. Action Item following Power Supply Executive Session.

- A. Upon motion from Director Gavan, seconded by Director Harding, the Board approved adoption of a formal Tri-State Board Policy 316 complaint resolution with various amendments. Director Martinez did not participate in discussion or vote on this resolution.

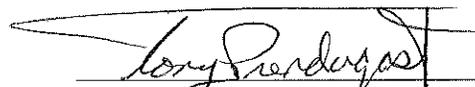
XII. Executive Session Relating to Possible Articles of Incorporation Amendment.

- A. At 4:30 p.m., Director Martinez returned to the Boardroom. At this point Director Harding moved to enter into executive session to discuss potential revisions to DMEA's Articles of Incorporation, including potential referral of amended and restated articles to the DMEA membership. Director Eckhart seconded the motion, and the Board entered executive session. At 4:40p.m., the Board exited executive session.

XIII. Action Item following Power Supply Executive Session.

- A. Upon motion from Director Prendergast, seconded by Director Watson, the Board adopted a resolution to recommend to the membership a vote on proposed Amended and Restated Articles of Incorporation for DMEA. A 2/3 supermajority of the Board voted in favor of adopting the resolution, with only Director Collins casting a dissenting vote.

XIV. Adjournment: The regular board meeting was adjourned at 4:40 p.m.



~~Bradley R. Harding, Secretary/Treasurer~~

Tony Prendergast, Asst. Secretary/
Treasurer