



MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS

June 25, 2017

Location: Montrose Headquarters Building
11925 6300 Rd, Montrose CO 81401

3:00 p.m.

Regular/Organizational 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, July 25, 2017.

During their regular meeting, the Directors:
1. Approved the June membership report, the June annual meeting minutes, and the June 2017 regular/organizational meeting minutes as presented.
2. Adopted a revised Board Policy 1 and revisions to the DMEA Bylaws to comply with Rural Utilities Service (RUS) nondiscrimination requirements.
3. Approved the June 2017 Safety and Occupational Health Report.
4. Approved the Financial Report through June 2017.
5. Approved the July CEO report and June SAIDI figure.
6. Received a non-privileged legal update.
7. Received updates from representative board members on Tri-State and CREA.
8. Approved a retirement resolution for Dave Brown.
9. Conducted an executive session to discuss confidential and attorney-client privileged matters.

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*), Mark Eckhart (*Vice-President*), Brad Harding (*Secretary/Treasurer*), Marshall Collins (*Assistant Secretary/Treasurer*), Kyle Martinez, Jim Elder (by phone), Damon Lockhart, John Gavan, Tony Prendergast
- **Directors Absent:** None

- **DMEA Staff Present:** Steve Metheny, Jasen Bronec, Virginia Harman, Kent Davenport; Jim Heneghan (for Financial Report); Phil Sanchez (for Member Comment Period)
- **Others Present:** Jeffrey Hurd (*General Counsel* – by phone); Cyrus Malek-Madani and Leslie Malek-Madani

II. Pledge of Allegiance was led by Director Lockhart.

III. Opening Meeting Prayer was led by Director Martinez.

IV. Determination of Quorum. President Patterson announced the presence of a quorum.

V. Approval of Agenda. The Board approved the meeting agenda with two additions: (1) discussion of fiber acquisition matters in executive session, and (2) discussion of two separate line extension issues in executive session. Director Martinez moved to approve the agenda as modified; director Gavan seconded the motion, and it carried unanimously.

VI. Introductions. Those other than the Board Directors and staff were introduced.

VII. General Business

A. Consent Agenda. Upon motion from Director Harding, seconded by Director Collins, the Board unanimously approved the June 2017 membership report, the June 2017 annual meeting minutes, and the June 2017 regular/organizational meeting minutes as presented.

B. Board Committees.

- 1. Finance – Audit – Rate Committee.** Committee Chair Collins reported that the F/A/R committee did not meet during the month of July, but asked CEO Bronec for a status update on the Chief Financial Officer search. Bronec informed the board that DMEA has hired a new CFO, Wade Pynes, who comes from Continental Divide Electric Cooperative in New Mexico. Pynes begins working at DMEA on August 7.

2. Engineering – Construction – Renewable Energy Committee.

Committee Chair Gavan reported that E/C/R did not meet in July but will schedule a meeting in August.

3. Member Relations – Energy Services Committee.

Committee Chair Prendergast reported that the Member Relations Committee did not meet in July. The Board then discussed certain fraudulent communications with members purportedly on behalf of DMEA, and what mechanisms DMEA is employing to warn and inform members about the attempted fraud.

4. Executive Committee and Adoption of Changes to Board Policy 1 and to the DMEA Bylaws.

Committee Chair Patterson reported that the committee did not meet in July, but mentioned that that Board Policy 1 (nondiscrimination) and DMEA's bylaw preamble needed to be revised to comply with certain RUS requirements. General Counsel Hurd reported that notice of the proposed bylaw change had been published to members in advance of the Board meeting (per bylaw requirements). On motion of Director Gavan, seconded by Director Collins, the Board unanimously adopted the revised Board Policy 1 and change to the DMEA Bylaws.

- C. Safety and Occupational Health Report.** CEO Bronec presented the Safety and Occupational Health Report for June 2017. Director Prendergast inquired about a request from member Arch Coal that DMEA add Arch as an additional insured on DMEA's insurance policy, along with a waiver of subrogation. General Counsel Hurd explained that this request had been made in error and that DMEA informed Arch that it would not make the requested changes.

Upon motion from Director Martinez, seconded by Director Gavan, the Board unanimously approved the June 2017 Safety and Occupational Health report as presented.

- D. Financial Report.** CEO Bronec presented the Financial Report through June 2017, and began by addressing certain items listed in the monthly variance report. Year-to-date sales numbers are below budgeted projections, but the cooperative has been able to control expenses and overall margins are satisfactory. Expenses on vegetation management are expected to align with year-to-date projections in the coming months. With respect to DMEA's cash position, the financial report reflects DMEA's fiber-related expenditures and that it has not drawn down on any of its loan facilities to backfill its cash

position. President Patterson asked about the non-operating income loss line item, and Bronec explained that this is where the cooperative books capital credits from Tri-State and CFC.

Bronec then turned the discussion over to Messrs. Metheny and Heneghan, who briefly reviewed South Canal power supply issues and addressed various questions from the Board. Heneghan reported that Drop 3 is offline pending replacement of a malfunctioning control panel, and answered Board questions about that control panel.

Metheny reported to the Board that one dispatch services customer had notified DMEA that, effective October 1, it will no longer be taking dispatch services from DMEA for budgetary reasons. The Board then discussed marketing dispatch services and ensuring continued high-quality service to other dispatch services customers.

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

- E. CEO Report.** CEO Bronec highlighted various items contained in the July 2017 CEO Report, commenting on updates in various departments, and updating the board on key operational matters within the cooperative.

The June 2017 SAIDI figure was presented and discussed, and President Patterson inquired about historical trends in the SAIDI numbers.

Upon motion from Director Prendergast, seconded by Director Gavan, the Board unanimously approved the July CEO report and the June 2017 SAIDI number as presented.

- F. Legal Report.** General Counsel Hurd provided a brief non-privileged legal update. Hurd then requested that the remainder of his report be deferred to executive session.

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

- 1. Tri-State Report.** Director Martinez reported on his attendance at his first regular board meeting as Tri-State director. Martinez mentioned a slate of new executives, including Leo Breckel, who now will now serve as Vice President of the Board. In addition to regular board

business, Tri-State addressed the announcement of a statewide “Clean Power Plan” from Governor Hickenlooper. Tri-State will be starting its budgeting process next month, which includes 48 cost-reduction items. Martinez concluded his report by discussing a Tri-State rate stabilization project and the continuing decline in non-member power sales.

2. **WUES Report.** Director Elder was temporarily unavailable for this update.
3. **CREA Report.** Director Lockhart reported on his participation in his first CREA meeting. Items discussed included an audit, roof replacement, and broadband initiatives and possible broadband-related lobbying efforts for the upcoming legislative session.

H. Action Item: Other Business.

1. **Retirement Resolution for Dave Brown.** Upon motion from Director Prendergast, seconded by Director Lockhart, the Board unanimously approved a retirement resolution for Dave Brown, expressing appreciation for his 40 years of service to DMEA.

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

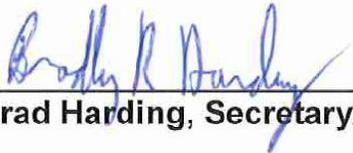
VIII. Member Comments. Cyrus Malek-Madani gave the Board a presentation on his attendance at the Electric Cooperative Youth Tour on behalf of DMEA in Washington, D.C., and thanked the board for sponsoring the program.

IX. Future Meetings. The next regular DMEA Board meeting will be on August 22, 2017 at 3:00 p.m. Committee chairs will set meeting times for their individual committee meetings.

X. Executive Session. At 5:20 p.m., Director Harding moved to enter executive session to receive a privileged legal update, and to discuss fiber acquisition matters and line extension matters. Director Lockhart seconded the motion, and it carried unanimously. The board exited executive session at 5:29 p.m.

XI. Review of Board Policies. Per the relevant board policies, the DMEA Board discussed Board Policy 10-5 (Identify Theft) and Board Policy 5-7 (Exit Strategy Review), and declined to revise those policies at this time.

XII. Adjournment. The regular board meeting was adjourned at 5:31 p.m.



Brad Harding, Secretary/Treasurer