



MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS

December 15, 2016

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

2:00 P.M.

The Board of Directors of Delta-Montrose Electric Association met for a regular board meeting at the office of the cooperative in Montrose, Colorado, on Thursday, December 15, 2016.

Regular Board Session

- I. Call Meeting to Order.** At 2:00 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, Kyle Martinez, Terry Brown

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

Others Present: General Counsel Jeffrey Hurd, Nancy Hoganson and Nancy Hovde from HopeWest Kids

- II. Pledge of Allegiance** was led by Director Harding.
- 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.** Upon motion from Director Collins, seconded by Director Gavan, the Board unanimously approved the agenda as presented.
- VI. Introductions.** Those in attendance other than Board members were introduced.

During their regular meeting, the Directors:

1. Adopted the November 2016 membership report and regular meeting minutes.
2. Approved the 2017 Operating Budget.
3. Adopted revisions to Board Policy 19.
4. Adopted revisions to Board Policy 20.
5. Approved the November 2016 Safety, Training, and Regulatory Compliance Report.
6. Approved the October 2016 financial report.
7. Accepted the December 15, 2016 CEO Report.
8. Received a legal update.
9. Approved a donation request to HopeWest Kids for a total of \$25,000.00 over two years (\$12,500.00 in December 2016 and \$12,500.00 in December 2017) for use in Montrose and Delta Counties, with the funds divided between the two counties.
10. Addressed potential conflict of interest matters regarding Delta County Economic Development and Solar Energy International.
11. Approved an increase to the CEO's base compensation.

VII. General Business.

A. **Consent Agenda.** Upon motion from Director Collins, seconded by Director Harding, the Board approved the November 2016 membership report and November 2016 regular meeting minutes as presented.

B. Board Committees.

1. **Finance – Audit – Rate Committee.** Director Collins reported the F/A/R committee met on December 8 to discuss the 2017 Operating Budget. Among other matters, the committee discussed a timeline for addressing rate determinations so that they better account for the budgeting process. The committee recommended that CEO Bronec and General Counsel Hurd draft a board policy amendment requiring that a draft budget be presented to the Board in October of each year, prior to potential rate determinations. The committee also recommended that the Board approve the 2017 Operating Budget as presented.

The full Board instructed Bronec and Hurd to prepare a draft board policy amendment in the part half of 2017 regarding budgeting process timing.

Upon motion from Director Collins, seconded by Director Harding, the Board approved the 2017 Operating Budget as presented. Director Elder cast a dissenting vote.

2. **Engineering – Construction – Renewable Energy Committee.** Director Gavan reported the E/C/R committee met on December 9 to review proposed revisions to Board Policies 19 and 20, and to receive an update on middle-mile fiber construction—including easement perfection status, a budget reconciliation, and discussion regarding a possible IRU with Region 10. The committee also reviewed a proposed Construction Work Plan boundary adjustment for a substation in Cedaredge. Vice-President of Engineering, Davenport, reviewed the proposed resolution authorizing the boundary adjustment. The committee also received an update on BLM EA permitting.

Upon motion from Director Harding, seconded by Director Prendergast, the Board unanimously approved the revisions to Board Policy 19 as presented.

Upon motion from Director Martinez, seconded by Director Harding, the Board unanimously approved the revisions to Board Policy 20 as presented.

Upon motion from Director Martinez, seconded by Director Eckhart, the Board unanimously approved a resolution authorizing the expenditure of up to \$60,000.00 for acquisition of land adjacent to the Cedaredge substation.

3. **Member Relations – Energy Services Committee.** Director Prendergast reported the Member Relations committee had not met since the last regular board meeting. President Patterson noted a need to develop communications regarding the rate increase. The Member Relations committee will meet in January 2017 to discuss communication efforts. There was a brief discussion on the rate structure at San Miguel Power Association.
4. **Executive Committee.** President Patterson reported that the Executive committee had met on December 9. At this meeting, the committee worked to finalize the CEO evaluation process and to set goals for next year. There was also a brief discussion on power supply planning. The remainder of the committee report will be deferred to executive session.

C. **Safety, Training, and Regulatory Compliance Report.** Safety, Training and Compliance Director, Thate, presented the November 2016 Safety, Training, and Regulatory Compliance

Report. Among other items in the report, Thate highlighted workers compensation savings for 2016, with such savings incurred notwithstanding the addition of staff.

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

- D. Financial Report.** Vice-President of Finance, Thurlow, reviewed the October 2016 financial report, highlighting various line items and important financial indicators. (As the regular board meetings in November and December were earlier than normally scheduled, approval of the financial reports for those months will be delayed until the January 2017 regular board meeting.) CEO Bronec, however, did note the margins look robust for 2016, which could result in future deferral of revenue. Thurlow highlighted South Canal generation, particularly for Drops 1 and 3, noting that actual generation beat the 2016 budgeted estimate. There was also discussion about trips going off in Drop 3 due to sand in filters, and how DMEA will address this in 2017. Upon inquiry from Director Harding, staff discussed the average price per kilowatt hour for generation on the South Canal.

Thurlow turned to the income statement, noting that 2016 is near 2015 with respect to margins. 2016 margins were higher than anticipated largely due to accounting and allocated labor between DMEA and Elevate, as well as a large amount of labor being capitalized. Thurlow also noted that certain expenditures for budgeted items were not actually made (e.g., PCB testing, certain unfilled staff positions, etc.). DMEA also received additional revenue from grants obtained relating to South Canal, as well as a credit from Tri-State to reflect inaccurate Tri-State billing. The Board had an extended discussion on revenue deferral, capital credits (including allocation of Tri-State capital credits), and the impending rate increase.

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

- E. CEO Report.** CEO Bronec presented his monthly CEO report to the Board, noting that each department provided a detailed written work summary and that Bronec would only touch on key items in the report. There was a brief discussion on dispatch services and additional revenue generation in 2017, as well as budgeting regarding strategic initiatives. Bronec noted he has a list of cooperative accomplishments for 2016 that he will review during executive session. There were no additional questions on the CEO Report.

The SAIDI figure for November was highlighted. Bronec noted the overall SAIDI has leveled out for 2016 despite wind storms and outages in May and June. The SAIDI is higher than the previous year but overall DMEA is still exceeding standard reliable power benchmarks. There was a discussion about downed power lines and de-energizing/re-energizing those lines based on new Standard Operating Procedures (SOPs) implemented in 2016. Bronec reported that while this new procedure may be more time intensive, it prioritizes safety and reliability for members and employees alike.

Upon motion from Director Martinez, seconded by Director Harding, the Board unanimously approved the December 2016 CEO Report and the November SAIDI report.

- F. Legal Report.** General Counsel Hurd provided a brief non-privileged legal report on the various matters billed to DMEA over the previous month. Hurd then deferred the remainder of his legal report to executive session.

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

- 1. Tri State Report.** Director Gavan provided an update to the full Board of his attendance at the last Tri-State Board meeting, touching on certain items provided to the Board in his written report. He reported on a discussion about how Tri-State is planning for the future under a Trump Administration and expected adjustments regarding regulatory matters. Gavan reported that Regional Transmission Organizations were addressed. Tri-State has set its strategic planning session for January 2017. Director Gavan noted the patronage capital refund was approved.

Director Collins discussed briefly his attendance at the contract committee meeting, and Bronec highlighted information from the rate committee meeting.

2. **WUES Report.** Director Brown reported he had sent out the WUES financial statement to the Board prior to the meeting. He addressed that the Board may decrease meetings from six times a year to three or four times per year.
3. **CREA Report.** Director Martinez gave a CREA update, touching on certain items provided to the Board in his written report. CREA is looking for suggestions from member cooperatives on its agenda for lobbying matters. Prior to the Board meeting, Director Martinez e-mailed highlights to the directors on the CREA Directors' Forum, which included approval of the budget.

H. **Action Item: Other Business.** There were no additional action items.

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

VIII. **Member Comments.**

A. **Donation Request-HopeWest Kids (Montrose/Delta County).** Nancy Hoganson and Nancy Hovde from HopeWest Kids of Montrose and Delta County presented a donation request to the Board, including an historic overview and informational video. Following the presentation, the board reviewed and discussed past donations from DMEA to HopeWest and questions were answered by Hoganson on what the donation request, if approved, would be contributed toward. Director Eckhart moved to fund the full amount of the donation request of \$50,000.00 over two years (\$25,000.00 in 2016 and another \$25,000.00 in 2017), with the stipulation that the funding would only be used for Delta and Montrose County residents and the funds would be split between the two counties. Director Gavan seconded the motion and there was a discussion amongst the Board. During this discussion, Director Martinez moved to amend the original motion's donation amount from \$50,000.00 over two years to \$25,000.00 over two years (\$12,500.00 in 2016 and \$12,500.00 in 2017). The Board then unanimously voted to amend the donation amount as reflected in Director Martinez's motion. The Board then voted on the amended motion to donate the \$25,000.00 from the Unclaimed Capital Credit Fund, and the motion passed over a single dissenting vote.

IX. **Future Meetings.** The next regular board meeting will be January 24, 2017 at 3:00 p.m.

X. **Executive Session.** At 4:22 p.m., Director Harding moved to enter executive session to discuss power supply planning and certain Tri-State-related issues. Director Martinez seconded the motion, and it carried among all of the directors present, with the exception of Director Gavan, who abstained from the vote and exited the Board room for the entirety of the executive session. The board exited executive session at approximately 4:42 p.m. At that time, Director Gavan returned to the boardroom and moved to enter another executive session to receive a non-Tri-State-related legal update, to discuss the Board's conflict of interest policy, Board roles and responsibilities, and the CEO evaluation. Director Eckhart seconded the motion and it carried unanimously. At 5:52 p.m. the Board exited its second executive session.

After exiting the second executive session, Board members reviewed and had an opportunity to discuss any concerns about the service of Directors Gavan and Harding on the Delta County Economic Development Board with one of the plaintiffs in the pending *Webb Dairy* litigation against DMEA. Given Director Gavan and Director Harding's limited and non-personal relationship with that plaintiff, none of the directors expressed concern about a conflict that may require recusal or additional measures to protect DMEA. The Board had a similar opportunity to review potential conflict issues relating to the service of Directors Gavan and Harding on the Solar Energy International (SEI) board of directors. General Counsel Hurd discussed some potential areas of conflict (or potential appearances of conflict of interest) and the Board had an opportunity to discuss and address those and any other issues. Director Gavan reported that he had resigned from the SEI board in July 2016, and

Director Harding reported that he had tendered a resignation to SEI effective December 31, 2016. Given Directors Gavan and Harding either had or would be resigning from the SEI board, the board did not consider recusal or additional measures to address potential conflicts.

The Board also discussed CEO compensation and, upon motion from Director Collins, seconded by Director Prendergast, the Board approved a 2017 base salary increase for the CEO to \$219,350. Director Brown voted against the motion.

XI. Adjournment. The Board adjourned its regular meeting at 5:59 p.m.



Marshall Collins, Assistant Secretary/Treasurer