

**Record of Proceedings
San Miguel Power Association
Board of Directors Meeting Minutes of
May 26, 2015 (Ridgway)**

1. CALL TO ORDER

President Felicelli called the May 26, 2015 meeting of the San Miguel Power Association Board of Directors to order at 9:35 a.m. All Directors were present

2. APPROVAL OF CONSENT AGENDA

Director Alexander motioned to approve the consent agenda. Director Garvey seconded. The motion was voted on and approved.

3. MEMBER OR CONSUMER COMMENTS

A. General Comments

Director Justis questioned why a member couldn't pay their bill with a one time electronic charge to their bank account on the on line bill pay section of the website. Cal Rutherford explained that the software has the capability but the system is not set up for this function. Discussion took place about the option to set up an automatic payment through the member's personal bank account. Directors Justis will ask the member to contact Cal Rutherford for further explanation

B. Axel Project Thank you and Photo Op

Randy Charrette from the Axel Project was in attendance at the meeting. He gave a brief history of the Axel project which was created in memory of his son. The Axel Project is a 501(c)3 organization that has provided over \$50K in strider bikes and gear to organizations across the US. He reviewed the science and math "adventure zone" curriculum regarding the bikes. Randy was in attendance to accept a 5,000 donation from SMPA, Tri-State and Basin electric. The thanked Directors for the donation that will further the goals of the project. A quick break was taken for a photo opportunity with SMPA Directors and Tri-State representatives.

4. CEO REPORT

E. Strategic Planning Update

Technology

Susan McNamee gave a report on the recent lightning damage sustained on May 19, 2015 at the Ridgway office. The strike affected equipment located in the phone network room and damaged radios and a secondary switch which had 40 devices plugged into it. The inner portion of the Ridgway office sustained substantial damage including damage to the phone system, servers and mapping/GIS equipment. IT continues to find damage to equipment. IT feels the internal communication wiring can't be trusted. An assessment is scheduled to be conducted with an onsite inspection. There may be a need to rewire the Ridgway facility before new equipment is purchased. SMPA is awaiting contact with insurance adjusters to determine if a claim for damage can be made. Directors were informed a conservative estimate for equipment replacement due to the strike could be in the range of \$500K. Discussion took place. There has been no data lost.

Susan reported that new projectors and a new sound system have been ordered for use with the upcoming annual meeting.

N. Tri-State Montrose-Nucla-Cahone Project

Myles Jensen, Relationship Manager and Karl Myers from Environmental and Permitting, from Tri-State were introduced to Directors. They were making a presentation on the Montrose-Nucla-Cahone project which is an upgrade of an existing 115kV line to a larger 230kV line. A power point presentation was

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shown to display the diverse territory and canyon crossing the line encompasses. The project need to upgrade the line is to address aging infrastructure. The existing line was built in 1958 and has exceeded its expected lifespan of 50 years. Tri-State is currently working on obtaining the necessary permits and rights of way, and environmental studies to move the project forward. Directors were informed about this project because some of the project line crosses through SMPA service territory. Directors may receive questions from SMPA members.

F. Montrose Community Foundation

Directors were informed that no proposals have been received yet. Staff has fielded some inquiry phone calls from interested parties. The deadline for proposals is Monday, June 15, 2015 at 5:30 p.m.

H. Board Donations

No individual board donations were requested.

I. Strategic Planning

Directors were given the pricing and availability on two meeting facilitators. President Felicelli polled Directors which meeting facilitator they preferred. He shared that since Dr. Caroline Fisher was not able to be the in-person facilitator he was in favor of Gregg Piburn. Directors Garvey, Justis, Rhoades, Alexander and Sibold all agreed. Directors chose the meeting date of Thursday, July 23rd for Strategic Planning. Staff was directed to research meeting locations and report back to Directors.

O. Finance

iv. 2014 Financial Audit – 11:00 a.m.

Kevin Kelso from Dryer-Kelso was reached via conference phone to present the financial audit year ending December 31, 2014 to Directors. Kevin reviewed the balance sheets and statement of revenue and expenses. Spreadsheets were shown on labor distribution and transportation expenses. The net margin for 2014 was \$1,481,648. SMPA has meet the required RUS TIER requirements. Equity percentage was 55.06%. Overall the cooperative is in good financial shape. Directors asked to briefly speak with Kevin Kelso in executive session.

Directors came out of executive session where financial information was discussed. No motions or decisions were made. Director Alexander motioned to accept the audit. Director Garvey seconded. The motion was voted on an approved.

vi. Financial & Statistical Reports

Directors reviewed the financial reports submitted. President Felicelli shared that there was one less day in the 2014-2015 ski season which could impact some regional revenue.

vii. Expenditure Report

The wrong month of expenditures was included in the director packet. The correct report was included in the Director folders. Staff will include April and May expenditure reports in the next month packets for Director review and approval.

P. Marketing and Member Services

i. MIP Completion

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Manager Ritter reported that Brad Zaporski recently completed his Management Internship Program (MIP) through NRECA. Brad was congratulated on his accomplishment. Brad thanked Manager Ritter for allowing his attendance.

T. Engineering

v. BLM Cabin

Staff reported to the Board that the BLM had now backed away from the agreement to install a generator to serve their cabin. They are requesting SMPA to rebuild the line to the site.

viii. Service Planner Replacement

Terry Daley reported on a need for succession planning for the service planner located in Nucla who is approaching retirement. Staff wanted some overlap with training a new service planner, for the transfer of institutional knowledge, to avoid an unexpected departure of service planner personnel such as what happened last year. Terry reported that there are currently 110 new service requests and personnel are entering the very busy summer months. Directors were shown where the new service requests are projected which are primarily in the Telluride/Mountain Village area and the Ridgway area. Because of the location of the workload it is anticipated that the reporting requirement of a new service planner would be in Telluride. Discussion took place. Director Rhoades motioned to allow a budget override to hire a service planner of approximately \$50,000. Director Sibold seconded. Director Garvey shared her concern that the current service planner is considering retiring and there is a risk he may decide to delay. The motion was voted on and passed unanimously.

ix. AP-30 Phase Identifier

Directors were asked to consider a budget override for a AP-30 phase identifier. SMPA has a need to this tool to perform line maintenance where crews will have to identify phases will all pieces of equipment for safety and reliability of the system. This equipment was to be included in the 2016 budget but because Tri-State has installed a base station, that will allow SMPA to use their signal on transmission. This will save some money by only purchasing the field device instead of both pieces. Anticipated cost for the equipment is \$15,500. Director Rhoades motioned to allow a budget override for the purchase of an AP-30 phase identifier. Director Cokes seconded. The motion was carried.

x. BP-109

Manager Ritter thanked Bill Riley for his diligent effort in preparing the information required for the closing documents for the transfer of assets to Tri-State. Attorney Link reminded Directors that they have previously approved entering into a contract with Tri-State for the sale of assets now Directors need to give final approval for completion of the purchase agreement and filing a release of lien from RUS. The amount Tri-State will pay to SMPA for the transfer of assets is \$2,789,217. This amount must be applied to outstanding loans SMPA has with RUS. Bill Riley gave a summary listing of substation assets to be transferred. Once RUS gives their approval for SMPA to sell assets and release of lien on those assets then Tri-State will prepare the closing documents. Director Cokes motioned to approve the sale of 115 kV assets to Tri-State in the amount of \$2,789,217 and direct attorney and staff to proceed with necessary paperwork for RUS and Tri-State. Director Justis seconded. The motion was voted on and passed unanimously.

xi. Member Complaint

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Directors were informed about a complaint regarding the current line extension policy received from a member on Hastings Mesa. The nature of the complaint was that SMPA would not allow refunds or tap fees to a member who pays for a line extension and another member subsequently taps that line. Discussion took place. Directors stated that there have been some members in the past that have requested similar refunds and maybe it is time to revisit the costs and additional administration required to offer this option. Directors asked what other cooperatives are doing in this area. Staff was directed to come up with some options for Directors to discuss. Manager Ritter shared that if the line extension policy is changed it would require the 45 day posting to the membership. Directors were asked to consider other changes to the line extension policy be made at the same time.

xiii, Small Sign Pole Attachments

Terry Daley reported the Town of Norwood wants to hang some flowering pots and small banners onto existing SMPA poles. Staff feels this is a good time to implement agreements and policies to govern this type request. Board consensus is requested before they begin the work. Attorney Link shared that it will still be the lineman's responsibility to identify hazards. The Town would like to submit their plans for SMPA approval. Discussion took place. Board consensus was for staff to develop the agreements and policy and bring back for Board review.

5. ATTORNEY'S REPORT

Director Garvey motioned to go into executive session. Director Justis seconded. The motion was passed unanimously.

Directors came out of executive session at 2:42 p.m. where contracts were discussed. While in executive session no votes were taken and no decisions were made.

7. ASSOCIATED MEETING REPORTS

A. CREA

Director Alexander shared that the CREA May meeting is scheduled to take place on May 29th at the Ridgway boardroom. A tour of hydro facilities is scheduled for Thursday, May 28th starting in Ouray at 1:00 p.m. All SMPA Directors are invited to attend.

B. Western United

No meeting has been held.

C. Tri-State

Director Sibold shared a video from Tri-State. The video is shown to all new Tri-State employees and gave a broad overview of Tri-State its history and its facilities.

Discussion took place about the litigation between the Wild Earth Guardians and the ColoWyo coal mine located near Craig. (Listen)

9. BOARD TRAVEL

Director Justis requested to travel to Branson, MO to attend Director Summer School to take additional Director Training classes. This travel would put him in excess of the \$4,000 annual limit per policy. Director Garvey motioned to approve a budget override for Director Justis to attend the elective training

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classes. Director Rhoades seconded. Manager Ritter summarized the travel and training policy guidelines. The motion was voted on and approved.

Director Sibold asked for information on upcoming opportunities to get Director Training classes to complete his CCD certification. Staff will forward information to Director Sibold.

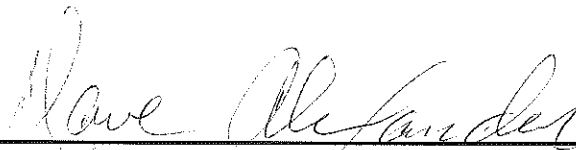
President Felicelli shared that he and Manager Ritter recently attended the NRECA Legislative Conference in early May. Topics discussed were the EPA Clean Power Plan, legal challenges for rate payer protection, coal ash issues and issues with sage grouse protection. Senators Bennett and Gardner were present to meet with the cooperatives.

12. NEXT BOARD MEETING

The Annual meeting is scheduled for June 11 at the SMPA Ridgway facilities.

Directors chose to set the regular June meeting date for Tuesday, June 23, 2015 at 9:30 a.m. in Nucla.

The meeting was adjourned at 3:30 p.m.



Dave Alexander, Secretary/Treasurer