

1. CALL TO ORDER

President Felicelli called the San Miguel Power Association Board of Directors meeting to order at 9:30 a.m. All Directors were present.

2. APPROVAL OF REVISED CONSENT AGENDA

Director Garvey motioned to approve the revised consent agenda. Director Alexander seconded. No discussion was presented. The motion was voted on and carried.

3. MEMBER OR CONSUMER COMMENTS

President Felicelli relayed a comment from Cornerstone account that was originally on a demand charge and then removed. The account was expecting a refund due to a billing error. The refund was never received. This information was passed on to Manager Ritter and Cal Rutherford. Staff is looking into the status of the refund.

President Felicelli shared that Brian Morgan from the Town of Ophir called regarding fiber optic. Manager Ritter shared that Mr. Morgan has also emailed him. Manager Ritter shared that Mr. Morgan was looking for much more participation from SMPA. Manager Ritter reminded Directors that when the topic of fiber in our service territory was discussed, Directors were in favor of only offering to provide the middle mile of service. Manager Ritter shared that there is an agenda item to discuss this later in the meeting.

Director Sibold shared that a member who submitted payment for two accounts was not being properly credited to both accounts. Cal Rutherford shared that staff is continuing to attempt to reach the member who is traveling in Europe. Staff has transferred the credit balance from one account over to the account showing as delinquent.

Director Alexander received a call from Cynthia of Telluride Realty who was working with Peter Kingman up on Hastings Mesa. They are trying to add on to existing power line, which is requiring a line extension. SMPA is informing her that the line must be in conduit but she is working with a contractor who is advocating burying shielded cable instead. Manager Ritter shared that when members are requesting a line extension they must follow SMPA specifications. A member can be given the opportunity to own their line extension, but must be responsible for the maintenance over the life of the line. Staff will contact this member and communicate options.

Directors Cokes shared that she had spoken with Ben Tisdell. Mr. Tisdell had three questions. 1. USFS is looking for public comment on the spruce beetle that has invaded our area. The public comment period is very narrow. Comments are due by August 1st. Director Cokes was informed that SMPA staff participated in the May meetings with USFS when they were disclosing plans to cut down trees that were affected. 2. Can the Nucla power plant take in and burn bio mass was another question asked by Ben Tisdell. Director Sibold shared that he would talk with Tri-State. Director Justis shared an answer that he was advised that Tri-State had at one time looked into burning bio mass at the Nucla plant a number of years ago. Due to the high cost of transportation it was deemed not feasible. He would be interested in obtaining a copy of the report. Manager Ritter shared transportation costs were the main reason a proposed bio mass plant near Telluride did not move forward. 3. Ben Tisdell was also interested in discussing broadband issues in the service territory. Director Cokes shared she consistently hears from members who are interested in what neighboring cooperatives are doing in the broadband arena.

4. CEO Report

A. Introduction of Employee Guest, Alex Shelley, Communications Executive

Manager Ritter introduced newly hired Communications Executive, Alex Shelly to Directors. Alex was welcomed.

B. Employee Recognition of Rick Gabriel

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Brad Zaporski shared that the Employee Recognition Committee has recognized Rick Gabriel for outstanding community involvement. Rick has volunteered his time to support the Nucla Moose Lodge for the last 25 years. He has spent time setting up the facility for many community events such as weddings, funerals, reunions, and benefit dinners. Rick has also volunteered his time on the local school board, pee wee basketball, 4H fishing program, chamber of commerce, and has run the chains for the local high school football games for the last 20+ years. Community Service is one area that the Employee Recognition Committee defined as an area worthy of nomination. Directors congratulated Rick on his award. Rick thanked Directors for their support of the recognition program. Rick will be attending a Denver Bronco Football game on October 4th.

F. Strategic High Level Objectives – Relationship & Culture Survey

Manager Ritter reported that Wendy Seger has completed the culture surveys with employees. The data is being compiled. When complete Wendy will schedule a time when she can visit to share the information with staff and discuss her observations.

G. Montrose Community Foundation

Director Garvey reported that the donation committee had met. Many great project applications were received. The committee recommended funding the WEEDC Community Kitchen Project for \$10,000, The Paradox Business Technical Assistance project for \$5,000, and Silverton Historical Society Band Shell Project for \$5,000. There were other projects that the committee was very interested in and suggested Directors consider a corporate donation to Telluride Mountain Village Kids Night Out Program, and the Fire Festival. The donation committee also asked staff to consider an in kind donation towards the Town of Silverton electrical power pedestal project. If there was not much that SMPA can offer as an in kind donation, the committee asked to split the donation of \$5,000 to \$2,500 to the band shell project and \$2,500 to the electric pedestal project. Discussion took place. The committee asked Director Sibold to consider asking Tri-State for a donation to the Sherbino Theater renovation project. Director Sibold shared that Tri-State had contributed to the project last year but he will ask again. Director Justis motioned to give \$10,000 to the WEEDC Community Kitchen, \$5,000 to Telluride Foundation for Paradox Basin Business Technical Assistance, and \$5,000 to Silverton Rustic Band Shell project. Director Rhoades seconded. The motioned was voted on and approved by unanimous vote.

I. Board Donations

Manager Ritter shared that two donation requests were received since the Board report. Brandon Alexander in Norwood was requesting a donation to benefit the Norwood Football Program. A request was also received from Hardrockers Holidays in Silverton. SMPA will contribute a \$100 corporate donation to the Hardrockers Holiday. In the past Directors have also donated director funds to this program. Director Alexander and President Felicelli each asked to donation \$100 of their director funds to the Norwood Football team. Director Rhoades asked to donate \$200 of his funds to the Hardrockers Holidays.

K. Tri-State Rate Committee & Cost of Service – Rich Macke, Power Systems Engineering

Directors contacted, via conference call, Rich Macke of Power Systems Engineering to listen to his analysis of the Tri-State rate increase and its impact to SMPA. Rich Macke reported that he was asked by Manager Ritter to analyze the proposed Tri-State rate increase. Directors viewed the slides on display for Rich's presentation. Directors were encouraged to ask questions as they wished. Through 2012 Tri-State has traditionally used a cost accounting or capacity method of rate design. This method looks at the facility and operating expenses and categorizes the costs as fixed costs that are usually recovered through a demand charge and variable costs are recovered through an energy charge. The A37 rate change created a 100% energy rate and shifted costs from low load factor/winter to high load factor/summer member coops. The A37 impact to SMPA is showing a very slight reduction in the annual wholesale power costs. Tri-State's proposed A38 rate design was evaluated using 2015 budget test year. The proposed rate design will once again have a peak demand charge similar to A36. A table was shown to display the A36 rate structure VS the A38 rate while showing historical test year of 2013 and budget

year of 2015. The proposed rate recognizes the benefit of higher plant utilization on average costs and considers load factor. The rate committee at Tri-State looked at several demand billing methods. They proposed a TPP/MCP which is Member Coincident Peak (MCP) during a Tri-State Peak Period for both generation and transmission demand. PSE's analysis supports the proposed rate design and the support of the Average and Excess Demand (AED) cost allocation method. PSE supports the use of a peak demand charge for transmission cost recovery. They are very interested in what happens to the Tri-State products and service enhancements. The A38 is pretty much neutral to San Miguel Power in terms of wholesale power costs. The energy rates to single phase and three phase non demand members will show no impact. However for the members on the SMPA demand rates, \$14 per kW is somewhat low and there is potential to increase. Discussion took place about Tri-State proposed future rate increases in 2017 and 2018 the need to look at impacts to SMPA. Rich was thanked for his analysis on the proposed rate design. Rich Macke shared that the next step would be to perform a cost of service study to look at options for SMPA over the next five years so that Directors can have meaningful discussion of rate impacts to members.

L. Strategic Planning

Manager Ritter asked for Director feedback on the recent strategic planning session held on July 23rd. Director Cokes asked about a comment regarding building trust and teamwork. Director Cokes shared that during her recent attendance at the CoBank Energy conference. A speaker there pointed out attributes of a good Board were that Boards should be putting together strategy and infrastructure and less than 20% on the people side. Typical boards tend to focus a lot of attention on people and minutia. President Felicelli shared many boards spend time on past stuff and today's stuff and not enough time on future planning.

N. Director Education

Toni Bertorello updated Directors on their Director Education course records and upcoming training opportunities. Director Justis shared his desire to attend the free training classes during the CREA Energy Innovations Summit. Director Sibold shared that he is interested in learning the training schedule of classes for Winter Director School in Nashville.

O. Finance

iv. 2015 Audit Services

Manager Ritter shared that one auditing firm who performs services for cooperatives has lost their RUS certification. The effect of that will be more competition for the remaining auditors. Manager Ritter asked for discussion that if Directors were comfortable with Dryer Kelso to consider retaining their services or if Directors wanted to go to bid for services it may be wise to seek bids soon. SMPA has a proposal from Dryer Kelso for consideration. President Felicelli and Director Alexander each shared they were both satisfied with work performed by the current auditor. Director Alexander motioned to retain the services of Dryer Kelso for another year. Director Garvey seconded. Discussion took place. The motion was voted on and passed by unanimous vote.

v. CFC Loan Re-Pricing

Staff has been working with CFC on repricing some existing loans. One loan has four years left and another has 13 years left. As the loans are paid down and term becomes shorter there are options for interest rates offered that are less. Cal reported that three companies were reviewed. They were CFC, Farmer MAC, and CoBank. Cal explained his recommendation on the loans which was to go with the standard CoBank long term fixed rate at 1.6%. Currently there are two mortgage holders on SMPA property. They are RUS and CFC. If SMPA refinances with CoBank they will require the same. Discussion took place on the matrix for the loan refinancing options. Discussion on the relational issues with both CFC and CoBank. Director Alexander motioned to approve refinancing with CoBank on the two loans presented and to have staff and Attorney Link look at the loan covenants. Director Rhoades seconded. The motion was voted on and approved.

vi. CoBank Lobbying Request

Manager Ritter presented Directors with a lobbying request to help defeat efforts to eliminate the Farm Credit System. Directors reviewed the request. Director Justis motioned to approve support writing a letter to Senators and Representatives expressing the strong objection to eliminate the Farm Credit System. Director Sibold seconded. The motion was voted on and approved.

vii. Financial & Statistical Reports

Directors pointed out the Total Cost of Service YTD amounts were incorrect. Director Sibold inquired about the 20.73% reduction in Ridgway. President Felicelli shared that a major hotel construction will be added in downtown Telluride near the post office that could increase load in 2017. President Felicelli questioned the wire to SMSB for IT Services. He questioned if the wire was for labor only or for labor and equipment. Cal Rutherford reported that the amount was for contract labor and additional labor to cover lightning disaster recovery. President Felicelli brought forward a question that IT services used to be in house and is it time to bring the services in house again. Manager Ritter responded that the contract with SMSB continues to save the cooperative money. SMSB's contract is based on one IT employee salary. When IT services were in house there were two IT salaries plus associated benefits paid for two people. In addition, SMSB costs include consultants they use, when we have in-house IT we pay for the consultants. The expenditures on equipment would be the same regardless. Director Sibold stated that he didn't see a reason to move IT services back in house. Manager Ritter shared that when services are in house there are a general set of skills by that IT person and outside contractors would need to be hired to complete various aspects of the work. SMSB brings a broader level of expertise and a team of skilled people as part of the existing contract. The wire to SMSB covers salaries for the SMSB team.

P. Marketing & Member Services

viii. Request from member to install Greater than 10kW solar

Manager Ritter shared a letter received from a member requesting to install an 11.505 kW residential solar PV. The system is not anticipated to over generate. Since the monthly board packet was delivered to Directors a second request was received for greater than 10 kw system. The request was received from Alternative Power Enterprises, the solar installer. Directors requested to learn the name of the member requesting the system. Director Alexander motioned to approve the first request from the member on Ponderosa Drive in Ridgway. Director Justis seconded. The motion was voted on and approved.

x. Budget Change

Manager Ritter shared that he has approved a budget change of \$1,200 for recertification of BPI for Wiley Freeman, Energy Services Executive. With the absence of Key Accounts Executive, Ken Haynes the Member Services Department has some training funds available.

xii. Ridgway Electric Car Club

SMPA was notified that the electric car club at Ridgway High School is disbanding. The school is asking for the car and equipment be removed from school facilities. The club is inquiring if SMPA is interested in keeping the car. Staff will need to check into licensing the vehicle and obtaining insurance. The consensus was that we should keep the car and try to find ways to use it in our member service and publicity efforts.

xiii. Communications

4. Coffee with Your Coop

Directors were asked for potential locations and available dates to set up meetings in their areas. President Felicelli shared that "The Steaming Bean" in Telluride is no longer in business. An alternate location will need to be found. Director Rhoades suggested scheduling a meeting in September for the Silverton area. August is a very

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busy time in Silverton. Brad Zaporski shared that Coffee with Your Coop implies that the meetings would take place in the morning and will attract a certain demographic member. If the meetings are held in the evening another demographic type may be attracted. The meetings can be targeted differently in each District. Staff would like input from each Director as to what will work best. Director Garvey shared she prefers the morning timeframe and is willing to be scheduled in August. She was willing to contact the one restaurant in Nucla who open up for a local group in the mornings. Directors were encouraged to contact staff to share locations and their availability. Staff will develop a schedule and report back next month. Director Cokes suggested SMPA advertising a specific topic to attract members to come and participate.

viii. Request for Greater than 10 kW solar installation (Continued)

Staff returned with the name of the second member requested permission to install a solar installation greater than 10 kW. Directors discussed. Director Rhoades motioned to allow the system to be installed. Director Garvey seconded. The motion was voted on and approved.

R. Administration & Human Resources

ii. Joint Labor Relations

Staff met with Union representatives on July 22nd. The representatives expressed they were very satisfied and no issues were voiced. Morale of employees seems to be improved and they appreciate the relationship with SMPA.

iii. Policy Review Cycle

SMPA's labor attorney had some significant changes suggested to the FMLA and Computer Usage policies. Staff is continuing to review the Personal Protective Equipment policy which may not be needed as most of the PPE policy is covered in the safety manual. Manager Ritter asked to table the three policies and give staff time to further evaluate recommended changes and bring back next month.

iv. Facilities & Maintenance

Staff was requesting a budget override to repair the Telluride facility roof. Last year the roof was re-screwed with new seals. The facility continues to have problems with leaks. Two contractors have suggested a full roof replacement. Directors questioned how old the roof/facility was. Staff speculated the building may have been erected in early 2000's. Directors felt it would be prudent to have staff look further into the roof being still under some type of warranty. Director Cokes motioned to approve a budget override for repair of the Telluride facility roof and to direct staff to look further into existing warranty coverage. Director Sibold seconded. The motion was passed by a unanimous vote.

T. Engineering

v. Sunshine-Telluride

Manager Ritter and Terry Daley met again with Lynn Black and Paul Majors on behalf of San Miguel County regarding broadband. San Miguel County has hired Paul Majors to perfect the easements along the Sunshine – Telluride route that SMPA uses. They are still interested in the fibers that SMPA owns and that are managed by Tri-State. SMC is looking to connect pieces to the Albuquerque junction which will be more cost effective. The meeting was more of an update where SMPA shared the cooperative is willing to assist and are currently interested in providing middle mile services only.

Manager Ritter opened discussion on the email from the Town of Ophir who is interested in having SMPA provide broadband services. Director Sibold shared he will chat with a Director from San Luis Valley who is launching the "Ciello" broadband project. Director Alexander shared that Southeast Colorado Power has formed a subsidiary that offers these services. They have spent a lot of money but also have many members that can benefit from the services.

U. Operations

1. RESAP Program

Paul Enstrom reported that to meet requirements outlined in the RESAP safety audit staff is requesting a \$12,000 budget override for additional shelving and lockable storage containers in Ridgway and Telluride. Director Sibold motioned to authorize the budget override for shelving and storage. Director Rhoades seconded. The motion was voted on and carried.

5. ATTORNEY'S REPORT

Director Garvey motioned to go into executive session for the purpose of discussion of personnel matters. Director Rhoades seconded. The motion was voted on and carried.

Directors came out of executive session at 2:45 p.m. While in executive session contracts and personnel issues were discussed. No motions or decisions were made.

7. ASSOCIATED MEETING REPORTS

A. CREA – Dave Alexander

Director Alexander had to leave the meeting early and was not present to give his report on CREA or Western United.

C. Tri-State – Jack Sibold

Director Sibold shared that he has been appointed to the Engineering and Operations Committee at Tri-State. He previously served on the External Affairs Committee.

Nucla is the second lowest mercury emitter in the U.S. however it has other problems that will require approximately \$700,000 to correct.

PVREA has requested a fifth contract for 7.6 mW of solar that required a 115 and 117 policy approval.

Tri-State reminded Directors that there is a 10% capacity issues in addition to the 5% energy limit. They are looking at reducing the subsidy prices paid on 117 contracts. This is more FERC driven. Tri-State continues to look at making 115 and 117 more distributive generation (DG) friendly.

Director Sibold shared some slides from Tri-State regarding the 2016 budget overview. He reviewed the budget timeline that covers capital budget, operating budget, cash flow budget, and long term financial forecast. The market sales forecast was reduced due to low prices. Public Service of Colorado 3 contract terminates March of 2016 and Public Service of Colorado 2 contract terminates March 2017. Pie charts were displayed showing the 2016 budgeted power supply mix. Slides were shown of the Tri-State transmission system and the many delivery points. They anticipate lower legal expenses in 2016. Depreciation expense will increase due to high plant balances. Interest expense will increase due to higher levels of debt.

D. NRECA Regional Voting Delegates

Manager Ritter shared that if there are interested Directors attending the regional meeting, Directors may wish to designate their voting delegate. Director Garvey motioned to appoint President Felicelli as the voting delegate to the NRECA Region 7 meeting. Director Sibold seconded. The motion was voted on and carried.

9. BOARD TRAVEL

President Felicelli shared his desire to attend the NRECA Region 7 meeting in Salt Lake City. Director Justis shared he wanted to attend the Tri-State Rate meeting in Gunnison.

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Toni Bertorello asked Directors to let her know soon which Directors plan to attend the CREA Energy Innovations Summit in October.

10. MISCELLANEOUS

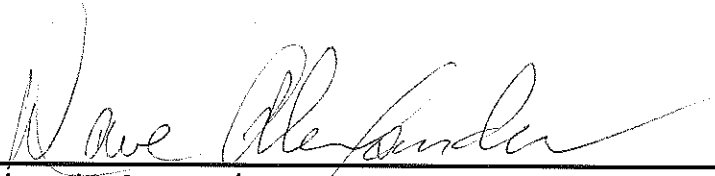
Director Garvey shared that if Directors were interested in touring the Nucla plant she is happy to coordinate a tour.

Director Garvey shared that she would like an up to date policy book. As the new policies are being updated she would like keep her book updated.

12. NEXT MEETING

Directors chose to set the August board meeting on Tuesday, August 25, 2015 at 9:30 a.m. in Ridgway.

The meeting was adjourned at 3:13 p.m.



Dave Alexander, Secretary/Treasurer