

1. CALL TO ORDER

President Felicelli called the meeting of the San Miguel Power Association (SMPA) Board of Directors to order at 9:31 a.m. All Directors were present.

2. APPROVAL OF CONSENT AGENDA

Director Garvey motioned to approve the revised consent agenda (November 29, 2016) and October 31, 2016 meeting minutes with the correction of the Board Donation to GoHawkeye Foundation. Director Rhoades seconded. The motion was voted on and carried,

3. MEMBER OR CONSUMER COMMENTS

- Director Felicelli presented Director Cokes with her certificate of completing the Credentialed Cooperative Director Program from the National Rural Electric Cooperative Association.
- Director Garvey explained a letter received from Jim Hubbs regarding rates. Mr. Hubbs would like to see the kwh rate adjusted if the access charge is raised.
- Manager Zaporski read an email from Robyn Cascade. Ms. Cascade's preference would be to raise the energy charge verses the access charge. Manager Zaporski also received a phone call prior to the Board Meeting from Edwin Schlapfer and would like the Board to strongly consider the 24 points in his letter that was presented at the October Board Meeting.
- Director Sibold mentioned that nearly ¾ of the people he has spoken with regarding the rates have agreed that they would like the rate to raise in the energy charge.
- Director Cokes received a letter from Joe Bayless. Mr. Bayless would like to keep his meeting with Manager Freeman, the 30th.
- Member comment from Val Szwarc from Ridgway. Mr. Szwarc's opinion is that if the access charge this is increased, it will make it harder to get members to work towards energy conservation.

4. CEO REPORT

Manager Zaporski suggested moving into the budget presentation. Everyone agreed on the change of the agenda order to start with the budget presentations.

Budget Presentations

Each department Manager gave a brief overview of their department's narrative and answered any questions that the Board had.

Budget Assumptions

Manager Zaporski did a brief overview of the assumption narrative explaining that referencing the FFB loan is the same as the RUS and USDA monies to clear up any confusion. Prior to the meeting, Director Justis had emailed some questions as he reviewed the budget as topics of discussion. These were addressed as we got to each section and narrative. Manager Rutherford explained that SMPA currently has no short-term debt. All rates are fixed on any long-term debt. The current rate is 2.69% on a 35-year loan. There is no interest collected at this time and we will not accrue interest until more than likely the later part of 2017. Manager Zaporski wanted to mention that the other assumption that is not in the narrative is the line loss assumption. Each year this has decreased slightly and for 2017 used 4.3%.

Form 7 Summary

Manager Zaporski explained that the 2017 projections use a 1.66 O-TIER. Zaporski explained a rate increase is not necessary to meet this projection and if SMPA moves forward with a rate shift, our budget will not have an impact. Director Felicelli re-enforced that RUS requires an O-TIER of 1.1. Manager Zaporski explained after the

Record of Proceedings
San Miguel Power Association
Board of Director Meeting Minutes of
November 29, 2016 (Ridgway)

budget had been amended, there is still approximately \$100-\$150,000 cushion; this includes the projection to retire about a million dollars in capital credits. In regards to paying down capital credit, SMPA can only plan for the following year. In the past, the board had a different position re: retiring capital credits. SMPA is currently at a 27-year cycle. It has been recommended that with paying down capital credit, SMPA would be in a better position overall. This would put the company at a 20-year cycle. Manager Rutherford noted that he is still very comfortable with the budget. Director Felicelli said that the budget is still subject to change throughout the year. Director Sibold asked when the union contract is to end. Manager Zaporski explained that we are locked in for two years (through December 2018).

Information Technology

Manager Zaporski briefly went over the IT budget. There is a decrease in the budget as the main portion of our IT structure has been established. Ms. McNamee explained several of the items in the narrative, starting with the Futura Server. This new server will duplicate in both Nucla and Ridgway; eliminating the entire system to go down at one time. There is a good life expectancy for this technology. Ms. McNamee explained that they are still narrowing down the camera system. The models they are looking at could account for additional savings and that this budget item is over projected. Manager Zaporski moved into the Sunshine to Telluride project. This project will run our own fiber and will help eliminate a contract with Century Link. This will decrease costs after we fulfill our contract (2 years). Director Justis inquired if any of these changes are related to the changes to dispatch with DMEA. Manager Oliver said no, that this decision is related to safety only and caused a budget increase. This is subject to change and decrease later. Ms. McNamee explained that they can remote in to DMEA machines when there is an issue. Manager Zaporski explained that all is reflected in this budget. Manager Riley also noted that the contracts with Century Link were the only options in the past.

Member Services

Manager Freeman explained the changes in the Member Services Department to now include Facilities (along with Billing and CSRs). The increase in staff budget reflects these changes. There are a few items that have been added to streamline the CSR position to include pre-paid billing options for our members and a feature of ATS to move towards a more paperless system. Facilities is coordinating stand up work stations for employees, a cement pad for the transformers in Ridgway; backup power for all facilities (generators). With the expected growth and expansion of Silverton, budget has reflected some prep for expansion. Rebate programs have stayed about the same; added budget money for car charging stations. Manager Zaporski explained that the generator is a carryover item and there are large decreases on the comparison sheet (lines 9, 10, 11). Director Sibold was not clear on the savings re: CSRs. Manager Freeman responded that the structure of some of the CSR expenses has been changed and the changes in staff structure has also changed. Manager Zaporski explained that coffee with your co-op is budgeted for this year (on track for every other year). Each area will decide what is best for their region for place, time, or location. Director Justis noted that there is not a lot of member contact. Manager Freeman explained that corporate donations increased by about 25% and open to input. Manager Zaporski suggested that if the board makes any changes, such as caps on dollar amounts donated, that this is considered monthly- due to the donation requests that come in at the end of the year. Director Justis was wondering if we could find out more information as to what CREA/NRECA are doing in regards to donations. Director Cokes commented that the new donations are a touch with our members.

Operations

Manager Oliver explained that the major changes in his budget reflect vehicle purchases down and changes with the structure of where labor is coded. We should be about 75% capital and 25% maintenance and we are currently reversed. Also, changing where the guys are working, sending to work in other areas instead of having them wait around in Telluride due to weather. Director Felicelli inquired when we now do inventory (yearly) and the bar code system will greatly help shrinkage. Manager Oliver also explained the changes with the half time

Record of Proceedings
San Miguel Power Association
Board of Director Meeting Minutes of
November 29, 2016 (Ridgway)

mechanics getting the trucks ready with equipment and supplies ready to go along with ordering control will help his department.

Engineering

Manager Riley started with the SCADA (Supervisor Control and Data Acquisition) monitoring equipment contractor to grant read access to all staff that needs it. Only DMEA and SCADA administrator have controls. Riley also budgeted for a staff engineer to train and eventually replace staff that will retire. Manager Riley explained various line items in the Cash Flow Budget sheet that Director Justis needed some clarification regarding. Depending on Tri-State's reimbursement, we may need a short-term loan at the end of next year.

Finance

Manager Rutherford explained the movement of the CSRs/Billing to Member Services Department and the addition of the Senior Accountant, Joshua Hainey and Accounts Payable, Kelly Truelock, both who have been great additions. Tammi Magallon now is reporting to Jeremy Fox and so far, these changes are working out well. Director Justis inquired about the 2.7% increase in salaries and the process for determining salary increases. Stating that Western United used a 1% COLA (Cost of Living Adjustment) and merit increase. Manager Rutherford explained that the bargaining units are negotiated. Manager Reams explained that the non-bargaining employees' salaries are determined by Mountain States and NRECA reports and that SMPA uses these reports and take the median range. Employees depending on description of their position received various amounts of salary increase. This data was also used at the Union negotiations. Manager Zaporski also explained that in areas where the cost of living is significantly higher (e.g. Telluride) housing allowance is granted and is not added in the employee wage and that we do not look at CPI or have a COLA increase; that we really look at the market for that position. Director Sibold explained that each year Tri-County does an analysis of wages. Director Alexander commented that Western United does a merit for wages and profit share.

Administration and Board

Manager Zaporski explained the significant decrease by eliminating two main positions: Manager of Special Projects and the part-time Administrative Assistant and trimming the travel expenses. The other two main expenses are for Strategic Planning and to conduct the Hosting Capacity Study. The Hosting Capacity Study actual expense should be less than budgeted.

Human Resources

Manager Reams explained that the only major change was with staff movement from her department. She discussed the training that was in her budget. She also reminded the board of the employee assistance program that is also available to the directors, which was budgeted for again.

Safety and Regulatory Compliance

Paul Enstrom increased the Safety and Regulatory Compliance budget to account for additional costs for tree trimming and added a foreman. Additional training budgeted for the Coordinator position.

Director Justis motioned to approve the budget as presented. Director Sibold seconded. The motion was voted on and carried. Director Alexander as part of discussion, mentioned that he thought the budget was put together well and thoroughly; Director Felicelli agreed and is overall very happy.

Introduction of Employee Guests

Manager Zaporski introduced employee Jeremy Fox. Jeremy has been with for three years and serves as the Service Planning Supervisor.

Finance

Decision on rates

Director Felicelli said that previous boards had a different view regarding the kwh charge versus the access charge. Director Justis wanted to hear a little more from Director Sibold regarding whom he spoke with and their opinions in his District. Director Sibold explained that about ¾ of the people he spoke with regarding the rates all had the opinion that raising the access charge would deter people from conserving more. The other ¼ he didn't think there was an impact- that their energy bill was not relevant. Director Felicelli reiterated that there wouldn't be a large increase and that the breakeven would be around the 700 kwh. Director Cokes said her general feedback was the same as Director Sibold; looks at it as messaging (conservation isn't important). Director Garvey's opinion was in support of the balancing. She didn't think it would make much of a difference. The people Director Rhoades spoke with would rather pay for what they use.

Director Garvey motioned to approve the rate change presented. Director Alexander seconded. The motion was voted on and carried with no further discussion.

QF Rates

Manager Zaporski explained that Tri-State has passed on several fees 1. Transmission fees 2. Facilities use fees 3. System Impact Study fees for Qualifying Facilities (QF). The exact fees are not yet determined and will be project specific. If all fees are passed on to the developer than they may not move forward with the project the increased fees from Tri-State to SMPA will be very site specific for each project and depends on the native load. Director Justis asked what FERC (Federal Energy Regulatory Commission) might say about these charges. Manager Oliver suggested nothing, as this is new ground. Director Justis also inquired how it compares to DMEA. Manager Zaporski explained they show enough savings from summer to lower their rate to about .039 from the hydro that is owned by the co-op. They have seasonal QF rates. We didn't account for Pandora, because, that facility is not up now anyhow. Director Cokes asked what happened at the SW Managers Meeting. Manager Zaporski said that overall the managers are not happy with the cumbersome and expensive charges that are being made to the process of interconnecting local generation. When asked, Jason thought the facility use fee is prudent. Director Felicelli wanted to know how everyone feels about this. Director Rhoades and Director Cokes both feel like we need something now. Manager Zaporski wanted everyone to know that we have always had a published rate, it is Tri-State's rate. Mr. Link explained that adopting this will cover us. Director Sibold started discussion of whether to recuse himself due to his affiliation with Tri-State. Director Rhoades motioned to recuse Director Sibold. Director Garvey seconded. The motion was voted on and carried with no further discussion.

Director Rhoades motioned to approve the QF rate as presented. Director Cokes seconded. The motion was voted on and carried. Manager Zaporski added that we will need to add the company rate code that is to be determined. Mr. Link explained that we will see this next month and will need to be re-adopted.

Finance Update

Manager Rutherford explained that October was a good month and online with the budget.

Corporate Donations

The board reviewed the following donation applications:

- a.) Palm Arts Inc. - \$1,000

Discussion regarding the Palm Theatre; they are always in need. Director Cokes motioned to approve the donation request of \$1,000. Director Garvey seconded. The motion was voted on and carried.

- b.) The Sherbino – various amounts

Record of Proceedings
San Miguel Power Association
Board of Director Meeting Minutes of
November 29, 2016 (Ridgway)

After review of the donation options attached in the board packet and discussion. Director Rhoades motioned to approve a donation in the amount of \$1,000 for lighting improvements. Director Garvey seconded. The motion was voted on and carried.

2016 Economic Development- Sharing Success Grant

This grant money is a match with Co-Bank and below are the total amounts awarded.

Ouray County Rodeo Association awarded \$5,000

Top of the Pines Inc. awarded \$2,000

EcoAction Partners awarded \$1,500

Town of Silverton awarded \$1,500

Director Garvey requested that letters sent to thank all applicants, even if they were not awarded any monies this year.

Director Sibold motioned to approve the Sharing Success Grant monies and awarded. Director Alexander seconded. The motion was voted on and carried.

Board Donations

- Director Justis would like to donate \$400 to the One on One Telluride and \$400 to True North.
- Director Alexander would like to donate \$300 to the Town of Norwood for NYE fireworks and \$200 to the Norwood Fire Department.

Marketing & Member Services

Manager Freeman gave an IQ Solar update. Work days will begin Friday December 2nd and Saturday, December 3rd. Work hours are from 8 AM- 4 PM. There will be working days December 8-10th as well as a media even on site Monday December 12th. The project will be building to 200 kw; we have funding for 125 kw. The 75 kw build gap will need to be determined at a later time. Manager Freeman gave praise to the Communications Executive, Alex Shelley, for a good job with the rate communication with the public.

Annual Meeting date: Proposed June 8, 2017, registration at 4:00 PM and meeting at 5:00 PM in Ridgway at SMPA.

Director Rhoades motioned to approve the date of June 8, 2017. Director Alexander seconded. The motion was voted on and carried.

Manager Zaporski noted that the holiday party will be Friday, December 16, 2016 in Ouray. There is an invite in each Director folder.

Information Technology

Manager Zaporski updated that everyone is receiving dual monitors and most everyone has them installed now. As part of our lease agreement, we are receiving this week two new copier/scanner/printers. One in each location. Manager Oliver stated that the video conferencing equipment in Telluride doesn't work properly and it would be great if that could be fixed. It is much less travel for meetings if we can conference in.

Administration & Human Resources

Manager Reams updated the board on Ridgway inspection next week.

Approval of Qualification for Directors (Policy 5.06)

Approval of Delegating of Certain Duties of the Secretary and Treasurer (Policy 5.08)

Director Garvey motioned to approve both Policy 5.06 and Policy 5.08 as presented. Director Rhoades seconded. The motion was voted on and carried.

Engineering

Manager Riley gave an update regarding Mr. Horne in Mountain Village. A brief overview of the situation with Mr. Horne, he is the lender to his child on a lot in Mountain Village and was upset with the fees associated with the transformer. After looking further into the situation, he was not billed for the transformer after all. The board had revised the policy and there was not a fee for this. This was brought to Mr. Horne's attention, and SMPA has not heard from him since. The only benefit that would possibly be given to a later potential neighbor would be less than \$500 for labor. Next month Manager Riley is going to bring the board a proposal regarding line extension. Manager Riley inquired if the Outage Reports are what the board was looking for in the board reports each month. Director Garvey noted, that although interesting, a summary would be more of what they would like to see. This will be changed starting in December.

Operations

Manager Oliver gave update that the lighting projects moving to LED is completed except for Rico.

Safety and Regulatory Compliance

Paul Enstrom said the training last month went well and was beneficial. The safety slogan and logo will hopefully be solidified and will be brought to the board next month.

5. STRATEGIC PLANNING

Strategic Planning

Director Felicilli sent information for Cultural Solutions for the board to review.

Director Justis motioned to approve Cultural Solutions for Strategic Planning. Director Cokes seconded. The motion was voted on and carried. Director Felicilli will call to organize the arrangements.

Manager Zaporski gave an update on the IRU contract with Telluride Foundation on the use of fiber on the 115 line (Nucla) and easement status. The IRU sunset has been proposed to extend for another two years. The new strategy is hopefully to be able to give those property owners a commercial tax credit that will begin Jan. 1 as an incentive to donate the easement. Although, we do not have part in this, SMPA is in support of the IRU extension. Mr. Link asked if Telluride Foundation is involved with CREA? Noting that this may help with future issues. Mr. Link will get in touch with Mr. Major at Telluride Foundation.

Manager Zaporski also noted that Tri-State announced the Transition Director to close the coal plant, Rick Thompson.

6. ATTORNEY'S REPORT

Director Cokes made a motion at 2:44 PM to enter into executive session for personnel and contractual issues. Director Garvey seconded. The motion was voted on and carried. The board entered into executive session at 2:44 PM and came out at 3:37 PM. While in executive session no decisions were made, nor votes taken.

Mr. Link suggested language change for the Bylaws Article I and Article IV for review. These will be brought back in December.

Approval of Silverton Franchise Agreement

Director Alexander motioned to approve the Silverton Franchise Agreement. Director Sibold seconded. The motion was voted on and carried.

7. ASSOCIATED MEETING REPORTS

CREA and Western United– Dave Alexander
Both meeting this week and no updates.

Tri-State – Jack Sibold

Brief update: has 1582 employees, we are able to do a 15-20 minute presentation on our co-op with them if we would like, they had a review of fiduciary duties, 2016 didn't have a great irrigation season versus 2015, 24 million in Oct net margins, 48 million budgeted. Will distribute the presentation materials and will answer any further questions regarding those.

Eco Action Partners – Jack Sibold

No additions or questions.

8. BOARD TRAVEL

2017 Annual Meeting and Expo (Feb. 26-Mar. 1) San Diego, CA.

9. MISCELLANEOUS

n/a

10. BOARD CALENDAR REVIEW

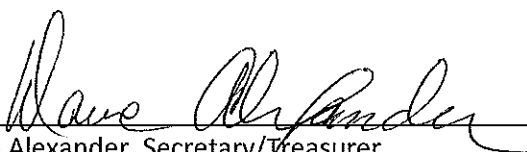
n/a

11. NEXT MEETING

The next board meeting will be held on Tuesday, December 20, 2016 in Nucla at the SMPA office.

12. ADJOURN

Director Garvey motioned to adjourn the meeting at 3:58 PM. Director Rhoades seconded. The motion was voted on and carried.



Dave Alexander, Secretary/Treasurer